

Agenda – Public Accounts Committee

Meeting Venue:	For further information contact:
Committee Room 3 – Senedd	Fay Buckle
Meeting date: Tuesday, 3 November 2015	Committee Clerk
	0300 200 6565
Meeting time: 09.00	SeneddPAC@Assembly.Wales

(The Committee agreed on 20 October 2015, a motion under Standing Order 17.42 to resolve to exclude the public for item 1 of this meeting.)

1 Regeneration Investment Fund for Wales: Consideration of evidence received

(09.00–10.00)

(Pages 1 – 119)

PAC(4)–29–15 PTN1 – Additional information from the former RIFW Board Members

PAC(4)–29–15 PTN2 – Letter from the Deputy Permanent Secretary, Education & Public Services Group (28 October 2015)

PAC(4)–29–15 PTN2A – Letter from the Deputy Permanent Secretary, Economy, Skills & Natural Resources Group (22 October 2015)

PAC(4)–29–15 PTN2B – Letter from the Deputy Permanent Secretary, Education & Public Services Group (28 October 2015)

PAC(4)–29–15 PTN3 – Additional information from Amber Infrastructure Limited (26 October 2015)

PAC(4)–29–15 PTN4 – Additional information from Lambert Smith Hampton Limited (28 October 2015)

(Public)



Cynulliad
Cenedlaethol
Cymru

National
Assembly for
Wales

2 Introductions, apologies and substitutions

(10.00)

3 Papers to note

(10.00–10.15)

(Pages 120 – 122)

**Glastir: Letter from Director for Agriculture, Food and Marine, Welsh Government
(19 October 2015)**

(Pages 123 – 124)

**Inquiry into value for money of Motorway and Trunk Road Investment: Letter from
Deputy Permanent Secretary, Welsh Government (19 October 2015)**

(Pages 125 – 128)

**Unscheduled Care: Letter from Director General/NHS Chief Executive (19 October
2015)**

(Pages 129 – 133)

**The Procurement and Management of Consultancy Services: Letter from the
Permanent Secretary, Welsh Government (20 October 2015)**

(Page 134)

**Scrutiny of Accounts: Additional information from the National Museum of Wales
(September 2015)**

(Pages 135 – 136)

Scrutiny of Accounts: Additional information from Sport Wales (19 October 2015)

(Pages 137 – 144)

**Scrutiny of Accounts: Additional information from the Assembly Commission (7
October 2015)**

(Pages 145 – 180)

**Scrutiny of Accounts: Additional information from the Welsh Government (22
October 2015)**

(Pages 181 – 252)

**Intra-Wales – Cardiff to Anglesey – Air Service: Letter from Acting Director,
Transport and ICT Infrastructure, Welsh Government (28 October 2015)**

(Pages 253 – 258)

4 Motion under Standing Order 17.42 to resolve to exclude the public from the meeting for the following business:

(10.15)

Items 5 & 6

5 Welsh Government Investment in Next Generation Broadband Infrastructure: Consideration of the draft report

(10.15–10.40)

(Pages 259 – 284)

PAC(4)–29–15 Paper 1

6 Draft Wales Bill

(10.40–11.00)

(Pages 285 – 300)

PAC(4)–29–15 Paper 2 – Draft Wales Bill cover paper

PAC(4)–29–15 Paper 2A – Draft Wales Bill Legal and Research Briefing

PAC(4)–29–15 Paper 3 – Draft Wales Bill – letter from the Auditor General for Wales

Public Accounts Committee Inquiry into the Regeneration Investment Fund for Wales

Response to request for further comments from former Board members following Committee Session on 12 October 2015

Introduction

1. At the Committee's meeting on 12 October 2015, the former Board Members agreed to review and send any comments on the market valuations undertaken by Savills (January 2012) and the District Valuer's report of July 2015. The following comments reflect the Chair's request for comments on material facts.

District Valuer's report

2. Unfortunately, despite its statement, the report is not RICS compliant. There are questions about special assumptions, statutory valuations and hope valuation which are not addressed in the body of the report.
3. The report makes reference to Case Law but the references are on the basis of statutory valuations, which is a slightly different basis as they all revolve around a single payment (i.e. no overage). More significantly, the report does not refer to the latest case on the subject. Case Law demonstrates that the residual method of valuation is fraught with risks and is the "*method of last resort*". The District Valuer states he has primarily used comparative method, which is true in respect of a number of valuations he undertook. However, in the relegation to Lisvane and Monmouth, the two most valuable sites in the portfolio, he has adopted the residual method. Despite with all the risks inherent to this method, he has been definitive in giving an opinion of value. Given the significant assumptions he has had to make, we would have expected, and reasonably expected, as a minimum, a qualified valuation rather than a specific figure.
4. Some aspects of the report raise concerns about its accuracy and credibility. Whilst on a confidential basis, the District Valuer receives returns for Stamp Duty Land Tax purposes, the majority of the information is registered at HM Land Registry and his number of comparable land transactions is limited. For example, the opinion of value for Bangor (Ref:10) is justified by seeking to argue the subsequent sale by South Wales Land was at less than market value. However, the report provided no evidence, merely assertions. In relation to Monmouth (Ref:15), we note in advice to the Board, Lambert Smith Hampton valued the site at £13.8 million and it sold this year for £12 million on a phased basis. The District Value's opinion is almost 50 per cent above the sale price achieved. The report also suggested the value could be even higher, which would represent nearly double the price achieved. It should also be noted the sale price actually achieved was in markedly better market conditions, which means the percentage variance is in fact much greater. Surprisingly, his report is silent on the transaction, which was completed before his report was finalised on

10th July 2015. It is reasonable to expect the valuation report to have included reference to such an event.

5. During the evidence session, Members asked, quite reasonably, how a conflict could be avoided when a specific individual was involved with both parties in a transaction. Towards the latter stages of the Value for Money study, we became aware that over and above valuing the Lisvane site for the Auditor General, the District Valuer had also accepted instructions from Cardiff City Council to act on its behalf in the Planning Inquiry on Lisvane. The two clients had diametrically opposed aims. The Auditor General needed to establish what the maximum amount which could be achieved for the public purse by the sale at Lisvane. Cardiff City Council on the other hand would wish to determine the lowest possible value as part of its Community Infrastructure Levy proposals. The possible conflict of interest was raised with the Wales Audit Office who provided us with assurance that the District Valuer had taken appropriate steps. We accepted this assurance and still do. Therefore, we would simply make the observation that the District Valuer himself led the work for the Auditor General but also appeared in person to put forward the Council's case in the Planning Inquiry.
6. We mentioned Appendix J of the District Valuer's report which has been redacted on the version published on the Committee's web site. Unfortunately, we are unable to access this and therefore are unable to offer comments on the detailed calculations behind the opinion of value.

Savills report

7. The former Board members have not had sight of this report. During the session, reference was made to the Savills report which appeared to suggest the Committee Members had seen a copy. Our review of the transcript has been helpful to clarify the matter as has the subsequent email from the Clerk to the Committee Clerk, which confirmed the Committee has not had sight of this report. The Clerk also confirmed that Savills did give the Wales Audit Office their permission to publish their land valuation figures in Appendix 3 of their report and that we may wish to approach SWLD to obtain a copy of the Savills report.
8. We have decided not to approach SWLD for a copy of the report and would simply make the following observation in relation to the valuation of the assets in Monmouth. Our concern relates to the interest in, and market value of, single acre fully serviced plots which are immediately available for house builders to commence construction and, by inference, any direct comparison with Lisvane. Lisvane did not have Planning Consent, and to date, still does not have Consent. As such, the extent of the infrastructure requirements and other costs which are fundamental to the valuations was not known. One cannot compare the value of a single acre and such a large tract of land, which will probably take in excess of 10 years to develop.

Owen Evans

Dirprwy Ysgrifennydd Parhaol / Deputy Permanent Secretary

Y Grŵp Addysg a Gwasanaethau Cyhoeddus
Education and Public Services Group



Llywodraeth Cymru
Welsh Government

Darren Millar AM
Chair
Public Accounts Committee
National Assembly for Wales
Cardiff Bay
CF99 1NA

28 October 2015

Dear Chair

PAC EVIDENCE HEARINGS: REGENERATION INVESTMENT FUND FOR WALES

I said I would provide the Committee with additional information on matters that arose during the evidence sessions concerning the Regeneration Investment Fund for Wales (RIFW). This letter covers matters arising during my evidence session on 12 October and James Price and Chris Munday's session on 13 October

Responding to each of your points in turn:

- i. **King Sturge Valuation report.** As requested, a copy of the report is attached at Annex A. I would like to clarify any misunderstanding that may have arisen regarding the status of this report in the original evidence hearings. We recognise that elements of the information contained in the King Sturge report do seem to have been known outside government but as far as we are concerned the report was made available only to the organisations who were shortlisted under the tender that was conducted to recruit the RIFW fund and investment managers. I can also clarify that the King Sturge report was not sent to the RIFW board members. However the induction pack that was prepared for board members (see para vii below) did include a schedule of the land assets transferred to the Fund along with their transfer value. The report was also an important element of the source material that the investment managers were able to draw upon in preparing their asset realisation plan which was presented to the RIFW Board on 31 January 2011.
- ii. **Selection of land assets.** A note on the process we followed in selecting the land assets for transfer is at Annex B.

The Committee also asked for details of any previous marketing of the assets especially North Cardiff. The property was not marketed for sale prior to the transfer to RIFW. It had been in public ownership for approximately 25 years having been acquired by the Land Authority as part of its statutory remit to stimulate the supply of Housing Land in Wales. During the period of ownership the public sector had

however been a member of a group of landowners and option holders, known as the North East Cardiff Consortium, which over a number of years had made joint representation to Cardiff City Council to promote a wider site, totalling 568 acres between Pontprennau and Lisvane, for a mixed use development to include 4000 – 5000 homes, employment uses, leisure, retail and community uses. The details of the contacts with the consortium were passed to Amber and LSH, and is referenced in the asset realisation plan.

During your earlier evidence sessions the Committee also expressed an interest in whether we felt on reflection that it had been a mistake to include the Lisvane site amongst the land assets transferred to RIFW. Chris Munday suggested in his evidence that with the benefit of hindsight it may have been. I have discussed this with Chris and he and I are clear that his comments need to be seen in the context of the questions he was asked regarding the uncertainty which at that time surrounded Cardiff's Local Development Plan. Had there been clarity at the time about the final shape of the Cardiff LDP there may have been arguments that Lisvane should have been disposed of in a different way. But of course at the time the land was included in the package to be transferred to RIFW officials were not in a position to predict the outcome of that process. Looking back on those events, my own view continues to be that the Welsh Government acted reasonably in concluding that Lisvane should have been included in the land assets transferred to RIFW in 2010. I also think that the Welsh Government was entitled at that time to have expected that the arrangements which it put in place to realise the value of those assets should have been sufficiently robust to ensure that the sales process was able to achieve value for money and that where appropriate this should have included the use of overage clauses.

- iii. **Commercial transactions with off shore entities.** - The Treaty on the Functioning of the European Union applies to all procurement activity regardless of value, including contracts below the thresholds at which advertising in the Official Journal of the European Union is required and including contracts which are exempt from application of the EU Procurement Directives. One of the fundamental principles flowing from the Treaty is the equal treatment and non-discrimination of potential suppliers. The Welsh Government would therefore be unable to exclude consideration of off-shore entities nor would we be entitled to include any consideration of future tax revenues in determining whether or not to engage in a commercial transaction with a particular organisation.
- iv. **Fire sale references** – You also asked about the policy considerations surrounding James' reference to a potential 'fire sale'. Looking back over his testimony I think James' comments were quite clear in explaining that this was a reference to the wider context within which officials were operating at that time rather than referring to a policy adopted with regard to the Fund. James' comments were I thought a helpful reminder of the broader economic context within which the Welsh Government decided to utilise land assets to take advantage of the Jessica funding model. That wider context served to underline the need for innovation and the need for urgent action.

Since we attended those earlier sessions, I have also had my attention drawn to the initiatives being pursued by the UK Government with regard to the sale of public

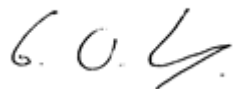
land at around the same time. This interest in realising the value of assets was made explicit during the Chancellor's budget announcement in March 2011. The Committee may also be interested in the additional technical analysis which I have commissioned on the market commentary prepared by Savills which was referred to in the earlier session. This analysis is attached at Annex C.

- v. **Cardiff LDP representations** – We have received a detailed report from our Planning Department on their involvement in the Local Development Plan process in Cardiff. This note is attached at Annex D. Our policy is not to include departments outside the Planning Department in such representations due to the quasi-judicial nature of the process.
- vi. **Induction packs.** Please find enclosed at Annex E a package of the material produced to inform the training we provided to the original Board members. I am also enclosing a copy of our letter of appointment which also helps to describe our expectations regarding the role of Board members.

I would also like to take the opportunity provided by this further communication with the Committee to reiterate some of the points I made in the earlier evidence sessions about shortcomings in our corporate oversight of RIFW during the crucial early stages of the project. One of the most important lessons for the Welsh Government to learn from the RIFW experience is that when major projects transfer from one department to another – as was the case with RIFW – we need robust procedures to be in place to highlight the potential risks surrounding such projects and the risks arising from the process of transfer. This is not a matter of whether or not the Welsh Government observer in this case should have been reporting back matters relating to the conduct of an arms length body. The failure in this case was that we did not have sufficiently strong corporate procedures in place to highlight those sorts of risks. And as I also made clear in my earlier evidence neither did we provide sufficient guidance to the members of staff involved as to how they should deal with those risks.

I mentioned Principal Accounting Officer (PAO) Note 007 in my earlier evidence but we did not have the opportunity to discuss it. I am therefore appending a copy of this note as Annex F to this letter. The note sets out our new procedures for transferring important items of business between departments. Annex F also includes an example of the how this policy was delivered in practice as far as RIFW was concerned following the Cabinet reshuffle announced by the First Minister on 11 September 2014. I believe that it demonstrates a far more active approach to the management of major projects by Welsh Government. It demonstrates that we are now far more sensitive and likely to respond to the issues that can arise when responsibility for such projects moves between departments. And I think it shows clearly that we are committed to the development of corporate systems which do not leave too much to the discretion of individuals whilst also creating an environment where innovation is possible without losing sight of the need to manage associated risks.

I did not get the opportunity to elaborate on these points in the earlier evidence session but the thinking behind PAO 007 does in my view highlight the important change in our approach which I have witnessed since 2011 and which with my senior colleagues I am committed to pursuing still further in the years to come.

A handwritten signature in dark ink, appearing to read 'G. O. Evans'.

Owen Evans
Deputy Permanent Secretary

By virtue of paragraph(s) vi of Standing Order 17.42

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Public Accounts Committee
Inquiry into the Regeneration Investment Fund for Wales

**Response to request for further comments from Amber
Infrastructure Limited following Committee Session on
13 October 2015**

Introduction

Amber Fund Management Limited ("AMFL" or "Amber") is pleased to submit this additional information following the Public Accounts Committee ("PAC") inquiry into the Regeneration Investment Fund for Wales ("RIFW"), Evidence Session 4 on 13th October 2015:

- Comments 1, 2 and 3 below respond to specific requests sent by the PAC's Deputy Clerk following the Evidence Session.
- Comment 4 relates to matters where we have identified from the minutes that further clarity may help the PAC's comprehension and where the time constraints prevented consideration.
- Comment 5 deals with the further request for information sent to us by the Chairman of the PAC in his letter of 22nd October 2015.

1. Meetings other than Formal Board meetings

Outside of formal board meetings Amber had three sorts of meetings with board members and/or employees of Welsh Government.

These comprised:

- Informal meetings with RIFW board members;
- Meetings with Welsh Government officials relating to RIFW operational matters;
- Meetings with Welsh Government officials respect to possible future investment activities of RIFW.

In addition many meetings were of course held with local government officials and other interested parties relating to potential investment activity.

By their nature most of these meetings were informal and not minuted. The list below sets out the additional meetings that we have a record of from a review of available information (principally diaries) as set out at Table 1 below. It is possible however that there were a few further informal meetings which we do not have records of and which are therefore not recorded below. In addition to these meetings we had regular telephone conversations (notably with the RIFW board chair) but also from time to time with other board members and WG officials throughout the sale process.

We only had one meeting with a minister. This meeting was with Huw Lewis AM on 3rd July 2012 and was focussed principally on WG concerns to ensure that RIFW had sufficient potential regeneration investment opportunities available to it in order to defray its funds within the applicable time limit.

Table 1 - Meetings Other than Formal Board Meetings

Date	Form of Meeting and Nature of Discussion	Participants
01/02/2011	Meeting: Quarterly Review	WEFO, Amber
01/02/2011	Meeting: RIFW & State Aid	WG Observer, Amber
18/02/2011	Meeting: Introductions	Cllr Holley, Amber
06/04/2011	Meeting: re RIFW	RIFW Chair, Amber
19/05/2011	Meeting: Periodic Review	WEFO, Amber, LSH
06/07/2011	Meeting: Audit & Risk Committee	RIFW Members, WG (BETS), Amber
30/07/2011	Meeting: RIFW Property Asset Title matters	WGLS, RIFW, Morgan Cole, Amber
01/08/2011	Meeting: Periodic Review	WEFO, Amber, LSH
22/08/2011	Meeting: RIFW Property Asset Title matters	WGLS, RIFW, Morgan Cole, Amber
22/09/2011	Meeting: RIFW Assets	WG Hd of Property, Amber
06/10/2011	Meeting: Audit & Risk Committee	RIFW Members, WG (BETS), Amber
22/11/2011	Meeting: RIFW Property Asset Title matters	WGLS, RIFW, Morgan Cole, Amber
02/12/2011	Meeting: WEFO Programme Monitoring Committee	WEFO, Amber
17/01/2012	Meeting: Audit & Risk Committee	RIFW Members, WG (BETS), Amber
03/07/2012	Meeting: Welsh Ministers - Huw Lewis, AM RIFW Performance review	WM, WG, WEFO, RIFW, Amber

2. Confirmation of the Date that the Asset Realisation Plan was Approved

The ARP was approved at the Board meeting of 28 March 2011. This is recorded by the board minutes which state that *"IT WAS RESOLVED that the Board accept the First Business Plan"*

The Asset Realisation Plan prepared by LSH was a component part of the "First Business Plan"

The portfolio sale (and thus the amendment to the ARP) was approved (subject to conditions) by the Board on 9th June and final approval given by the board in January 2012.

3. Advice to RIFW Board on Final Portfolio Sale Terms

Amber commissioned on behalf of RIFW a formal opinion on the terms of the agreed sale contract relating to the portfolio from the legal advisers Morgan Cole. The purpose of this legal opinion was to provide assurance around the legal process involved in the sale and to provide a concise and accurate summary for RIFW on the terms of what was obviously a complex legal transaction. The reason for its preparation was that the course of the negotiation and the terms of the contract for the disposal of the portfolio were complex and we wanted to have a clear opinion on the appropriateness of the final legal terms of the disposal. The opinion delivered by Morgan Cole is stated as having been “prepared for the sole benefit of RIFW and its fund manager Amber Fund Management Limited and for no other purpose”.

The opinion was requested by us from Morgan Cole in early December 2011. The final opinion report is dated 16th February 2012. Prior to this a number of drafts were prepared and circulated by Morgan Cole. It was first issued in draft on 15 December 2011 and progressively updated in subsequent drafts as matters were finalised. A copy of the final version was provided to the WAO in 2012 and we believe that the PAC has seen this.

We are unfortunately unable to identify the date that the final legal opinion was provided to the board but we note that the then current draft was reviewed at the RIFW board meeting of 31st January 2012. The final version did not differ materially from this draft. The first draft of this opinion was also referred to in the note sent by us to the RIFW board on 16th December 2011 and discussed in subsequent telephone conversations with board members.

4. Other Observations

a. Sale Proceeds Correction

Reference was made at the start of the Amber evidence session to the suggestion that subsequent to the portfolio sale the purchaser had on-sold “three and a half” of the properties comprised within the portfolio for £16.93m. This figure was contrasted with the amount of £21.75m received by RIFW for the whole portfolio.

We mentioned at the time that we did not recognise these figures and do respectfully note that this comparison is not a like for like comparison. This is unfortunate given the prominence that was given in the media to these numbers.

We understand that the sum of £16.93m quoted by the AG includes an amount of £12.0m from the sale of the Monmouth property. However RIFW is entitled to 50% overage on the Monmouth sale. Accordingly the appropriate like for like comparison should be between the net receipt to SWLDL (which will be £16.93m minus the overage payable) and the net receipt to RIFW (which will be the original £21.75m plus the overage receivable).

We are informed that the overage amount is expected to be in the order of an additional c.£5m so (assuming this is the case) the accurate comparison (before other costs) would be to compare a figure of £11.93m against £26.75m as below:

	RIFW		SWLDL	
Headline Price	£	21.75	£	16.93
Overage Due (est.)	£	5.00	£	5.00
Net Receipt	£	26.75	£	11.93

b. Regeneration Opportunities

Our evidence session with the PAC was curtailed due to time constraints. As a result we did not have the opportunity to present any evidence about the success of RIFW as a regeneration vehicle nor the continued opportunities that exist for RIFW to achieve regeneration benefits for Wales. While we understand the limitations of time we regret this as we believe that RIFW continues to be a valuable mechanism for the achievement of regeneration goals.

We are reinforced in this belief by the comments of the WAO that *the RIFW investment concept was innovative and has many merits* as well as the success of similar funds elsewhere. The ability of RIFW to demonstrate that it can be a successful agent for regeneration has been obscured by the “pause” put on its activities while the WAO study has been ongoing. However the original justification for the RIFW model remains valid and unchallenged.

We would urge the PAC in its report to consider including some recognition of the WAO’s conclusion that the RIFW model has many merits and for the committee to support a continued role for RIFW (under its revised governance structure) in regeneration activity in Wales.

5. Matters raised in letter from PAC Chairman on 22nd October 2015

a. Who had discussions with whom and who was the lead negotiator?

LSH identified the purchaser, led on the initial discussions with the purchaser and were responsible for negotiating the original transaction terms through to agreement of Heads of Terms on 15 July 2011. LSH maintained an active dialogue with the purchaser throughout the sale process. In this respect we consider they acted in the normal manner of property sales agents seeking to facilitate and deliver the transaction that had been agreed upon in principle. There was extensive contact between LSH and the purchaser throughout the sale process right up until completion of the portfolio transfer.

Until the purchaser’s offer was accepted by the RIFW board in July 2011, LSH led the discussions with the purchaser. Subsequent to that, during what might be described as the “execution phase” (that is from the time of the “subject to contract” acceptance of the purchaser’s offer in July 2011 through to the time contracts were exchanged in 2012), we consider that we led the negotiation process (obviously under the ultimate direction of the RIFW board).

As we explained in our evidence before the PAC, RIFW itself had no executive capacity, so in practice it relied on Amber to provide it with administrative support across areas such as company secretarial, accounting etc. This work expanded to include managing the very complex and time consuming process of perfecting the transfer of RIFW's land assets from WG (see paras 3.10 to 3.13 of the WAO report) as well as the day to day supervision of Morgan Cole (RIFW's lawyers) both in this work and in the process of concluding the sale transaction once it had been approved by RIFW.

As we explained in the PAC session we formed the principal conduit for written information to flow to the RIFW board. While LSH were in attendance personally at board meetings and advised directly at these meetings, written communications were made principally via us.

During the period between the "subject to contract" acceptance of the purchasers offer in July 2011 through to the time contracts were exchanged in 2012 communication with the purchaser took place in two main ways:

- Firstly direct discussions with Langley Davies (who was the purchaser's representative) took place via LSH. These conversations generally tended to relate to matters affecting the property assets themselves or where the purchaser was seeking to discuss or seek change to the terms of the transaction in some way. Where the purchaser raised questions about the transaction terms then LSH would then raise these points with us (the matter referred to in the paragraph below is a case in point).
- Secondly discussions on the terms of the legal contract were generally raised by the purchaser through its solicitor direct to Morgan Cole. Morgan Cole would then contact us where necessary to obtain RIFW's instructions. On some occasions contractual issues also led to direct conversations between Amber and Langley Davies (for instance we attended three meetings with Langley Davies) but such conversations were not frequent.

What we did when points relating to the transaction were raised with us depended on the nature of the point raised. In many cases the position of the RIFW board on these matters was already known to us (either because points had previously been discussed with them or the point being raised by the purchaser was inconsistent with the terms of the "subject to contract" deal agreed). Where this was the case we would respond accordingly without the need to first refer back to the RIFW board. In practice, this would often mean saying "no" to the point raised by the purchaser. Again the matter discussed below is a good example of this.

In other cases, where a reasonable point was being raised by the purchaser (for instance relating to a defect in the legal title to one of the properties) we would report on the position to RIFW but usually with a suggestion as to how RIFW might proceed. Following agreement on that, we would instruct LSH or Morgan Cole accordingly.

b. Questions about Subsequent Valuations raised in LSH evidence

Please find attached at Appendix 1 a report addressed to Amber from LSH dated 15th December 2011. We believe that the PAC already has a copy of this report which reaffirmed the LSH recommendation to sell the property portfolio. This particular question however stems from the contents of the fifth paragraph of section 3 headed "Security".

The background to this section of the report (as noted in the first paragraph of Section 3 of Appendix 1) is that the terms agreed with the purchaser for the sale of the portfolio provided for the price to be paid in three stages. Legal title to the portfolio passed to the purchaser on payment of the first stage payment. The contract therefore provided that RIFW should be granted a mortgage back over the portfolio (granted at the same time that legal title passed over) to secure the payment from the purchaser of the second and third stage payments.

As also noted in section 3 of Appendix 1, under the terms of the contract, the purchaser was allowed (subject to conditions) to sell parts of the portfolio to third parties (free from the mortgage in favour of RIFW) in the period before the final stage payment had been made. Without other protection this would have given rise to the obvious risk that the purchaser might sell on bits of the portfolio and then default on its obligations to make the second and third payments of the purchase price. The contract therefore contained provisions (set out in the four bullet points in Section 3 of Appendix 1) designed to ensure that RIFW at all times retained a mortgage over parts of the portfolio which had a value of at least twice the amount of any deferred payments still to be received from the purchaser. We (and RIFW) had identified the requirements set out in the four bullet points as providing essential protection for RIFW.

The background to the fifth and sixth paragraphs of Section 3 of Appendix 1 was a request made both by the purchaser to LSH and by the purchaser's solicitors to RIFW's solicitors. We have seen an email from the purchaser's solicitors to Morgan Cole on the same point justifying the request on the grounds *"this would avoid constant revaluations which I understand from Langley are difficult to achieve in practice, and would be a pain for all concerned, particularly in the first year."*

However the request being made of RIFW in these paragraphs was based on misconceptions. Firstly it was not the case that RIFW was not seeking to "force" the purchaser to carry out a valuation as suggested in the fifth paragraph of Appendix 1. The only reason the question of possible future valuations arose was because RIFW had acceded to a separate request of the purchaser that it should be allowed in certain circumstances to sell parts of the portfolio at times when it still owed money to RIFW. RIFW had acceded to this request subject to the safeguards set out in the bullet points which were designed to ensure that RIFW retained adequate security for any unpaid amounts due to it. Secondly the "substitute arrangement" referred to in the sixth paragraph was not really an alternative suggestion since it was already part of the terms of the transaction – (see the third bullet point in Section 3 of Appendix 1).

We recall that we explained these points to LSH (as no doubt did Morgan Cole to the purchaser's solicitors) and made clear our view that if the purchaser was to have the ability to sell parts of the portfolio at times when it still owed sums to RIFW then RIFW required the protection of all the safeguards contained in the four bullet points including the ability to require future valuation evidence that showed the remaining unsold parts of the portfolio were worth at least double the remaining amount due from the purchaser. We do not believe that we felt any need to refer this point back to the RIFW board before giving our view as it was already covered in the heads of terms. This view was then accepted by the purchaser and the final contract reflects these arrangements.

Appendix 1 LSH RIFW Portfolio transaction Report – Supplement

RIFW PORTFOLIO TRANSACTION REPORT – SUPPLEMENT

Property: RIFW Portfolio comprising 17 assets.

Transaction: Freehold Portfolio Sale.

Proposed Terms: **Proposed Purchaser:**
[TBC] a Guernsey Registered Holding Company wholly owned by St Lawrence Property Investments Limited, registered in UK and funded by GST Investments Limited of Guernsey

Revised Total Bid Price:
£22,190,000 (Twenty-Two Million One Hundred and Ninety Thousand Pounds) plus overage as agreed on Monmouth and Lisvane, with cash being secured and received over a 24 month period

The total price is to be paid in the following manner:

£22,190,000 to be paid in 3 instalments:

1. £12,500,000 on completion;
2. £5,000,000 on the first anniversary of the sale;
3. £4,690,000 on the second anniversary of the sale.

The second and third instalments will be brought forward if a sale of the Monmouth property is realised before the payments are due.

St Lawrence Property Investments will provide adequate security on the future payments.

In addition the Fund will retain the proceeds realised from the sales of the properties at Penarth (£185,000) and Brackla (£60,000) providing a total receipt of £245,000. These transactions have now completed.

On this basis the total amount receivable will be £22,435,000 (Twenty Two Million Four Hundred and Thirty Five Thousand Pounds)

Overage:

The purchaser has agreed that overage on both Monmouth and Lisvane will be payable on any sale over and above the original King Sturge asset transfer valuations and the purchaser's reasonable related costs at the following rates:

- **Monmouth** - 50% in the event that it is sold for residential development after any planning consent is granted. This overage provision will run for a period of five years following completion of the sale, with payment to be made within three years following adoption in the LDP and/or planning being granted.
- **Lisvane** – 30% in the event that it is sold for residential development after any planning consent is granted. This overage provision will run for a period of five years from completion of the sale, with payment to be made within five years following

adoption in the LDP and/or planning being granted, subject to a possible extension or transfer of part of the land if the actual sale of any of the plots, and therefore payment of the overage, has not taken place by the longstop date.

All other terms remain as per the bid set out in the original Transaction Report dated 20 April 2011, amended and recorded in the Supplemental Transaction Report dated 2 June 2011.

1. CURRENT SITUATION

Terms were agreed with GST Investments Limited, on behalf of St Lawrence Property Investments Limited, for the sale of the portfolio at a price of £22.5m, subject to stage payments.

The legal due diligence is well advanced and it is expected that exchange of Contracts will occur very soon

The price has been revised because one property (Garth Park, Talbot Green) and part of a property (land adjacent to Imperial Courtyard) have been removed from the portfolio sale. The reduced price has been agreed in direct correlation to the original transfer value as follows:

Garth Park, Talbot Green	£210,000
Land adjacent to Imperial Courtyard	£100,000
Total Price deduction	£310,000

Garth Park, Talbot Green – has been removed from the sale following its revised designation as Green Wedge and the expectation that this will be upgraded to a SSSI designation. This has a serious effect on value.

The land adjacent to Imperial Courtyard – has been removed because RIFW (and Welsh Government) have been unable to confirm ownership. It appears that ownership still rests with Newport Council. The site could be bought separately.

2. PRICE APPORTMENTS

The agreed price of £22.19m will need to be apportioned against each asset. We attach in Appendix 1 a draft apportionment schedule. This has been prepared on the following principles:

- Monmouth and Lisvane are at their original RIFW Transfer Values
- Allowance is made for the sale of part of Gogan Hall Farm, Penarth and Brackla Industrial Estate
- The remaining 'premium value' has been apportioned evenly across the remaining assets at an overall rate of 11.26%
- This will be revised, in discussion with the purchaser, to reflect the VAT status of each of the assets, ie whether they are elected for VAT and/or whether they can be dealt with as a Transfer of a Going Concern (TOGC)

3. SECURITY

It was agreed in the Heads of Terms that RIFW would take a first legal charge over the properties for the purpose of securing the two deferred payments to RIFW, with the charge being released on settlement of all the completion monies.

It was also agreed that the purchaser would be entitled to sell properties to third parties and be entitled to release of the security so far as it relates to the part sold, provided that:

- The purchaser pays all costs associated with the application for release
- The sale is at open market value (established to the satisfaction of RIFW, acting reasonably)
- At least 50% of the sale proceeds, net of professional costs, of the part sold are paid to RIFW
- The unpaid part of the purchase price after such sale is less than 50% of the value of the unsold properties, established to the satisfaction of RIFW, acting reasonably.

It was agreed that the purchaser will, at all times during the period, be required to maintain a 50% LTV on any monies outstanding.

These provisions have been subject to recent debate, with the purchaser suggesting that it would harm his interests and could prejudice the portfolio transaction if he is forced to carry out a formal valuation now or is in a position where the portfolio may be subject to a formal valuation within the next two years.

A substitute arrangement has been proposed by the purchaser which includes an arrangement whereby 50% of the sale proceeds or the apportioned price, whichever is the higher, will be paid to RIFW on any sale. This could lead to up to 100% of the sale proceeds being paid to RIFW if the sale price is 50% of apportioned value and provides additional protection to RIFW.

LSH support the adoption of these new arrangements

4. Related Parties

LSH confirm that we do not have any related party issues resulting from this transaction.

We have acted for Langley Davies on other projects and do provide property advice to companies where Langley Davies is a Director.

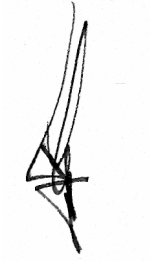
We are aware that a related party disclosure has been made by Jonathan Geen of Acuity Legal Limited (RIFW LLP Board Member), who is acting for St Lawrence Property Investments Limited (the purchaser) in this transaction. We understand this has been recorded in the 'Register of Interests/Conflicts of Interest Log'.

5. Recommendation

The economy and the property market have been under severe pressure in the period since terms were agreed, with many deals falling through or terms renegotiated. Investors are becoming more risk averse and will often only proceed if the terms are absolutely right for them.

St Lawrence Property Investments have not sought to renegotiate terms, other than to reflect the assets that have been removed from the sale and to 'tidy up' a few of the other provisions. The portfolio was sold to them on a 'warts and all' basis, and this has been adhered to.

It is our recommendation that the current terms are accepted, including the revised arrangements for dealing with the payment of a proportion of the sale proceeds on the sale of any of the assets.



**Lambert Smith Hampton
15 December 2011**

APPENDIX 1

DRAFT PRICE APPORTIONMENTS

REGENERATION INVESTMENT FUND FOR WALES

PORTFOLIO SALE

APPORTIONMENTS - DRAFT

		Premium	11.26%		
No	Asset	Transfer Value	Apportionment	Notes	VAT Position
1	Imperial House, Newport	5,200,000	5,674,318	Land removed from Portfolio (£100k)	
2	Lisvane, Cardiff	1,835,000	1,835,000	Base Value for Overage	
3	Wrexham Industrial Estate	390,000	433,918		
4	Llantrisant Business Park	330,000	367,162		
5	Upper House Farm, Rhoose	2,700,000	3,004,051		
6	Cogan Hall Farm, Penarth	350,000	333,783	Part sold (£50k book - £185k achieved)	
7	Garth Park, Talbot Green	210,000	-	Removed from portfolio	
8	Goetra Uchaf Farm, Bangor	1,500,000	1,668,917		
9	Ty Mawr, Llanfairpwllgwyll, Anglesey	150,000	166,892		
10	Ty Draw Farm, Pyle, Bridgend	100,000	111,261		
11	Mayhew Foods, Aberdare	300,000	333,783		
12	Anchor Way, Penarth	100,000	111,261		
13	Wonaston Farm, Monmouth	990,000	990,000	Base Value for Overage	
14	Towyn Way East, Towyn	155,000	172,455		
15	Pen y Bryn, St Asaph	230,000	255,901		
16	St Georges Road, Abergelle	90,000	100,135		
17	Waenfynydd Farm, Llandudno Junction	520,000	578,558		
18	Brackla Industrial Estate	5,500,000	6,052,606	Part sold (£60k)	
		20,650,000	22,190,000		

28 October 2015

Public Accounts Committee
National Assembly for Wales
Senedd
Cardiff
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**For the attention of Claire Griffiths
Deputy Clerk**

Our Ref: JG231

Dear Sirs

PUBLIC ACCOUNTS COMMITTEE – INQUIRY INTO RIFW

Further to our attendance at the meeting of the Public Accounts Committee on 20 October 2015 and your email note dated 21 October 2015, please find below the responses to your questions.

1. Check and confirm the dates LSH met with Planning Officials from City of Cardiff County and Monmouthshire County Council and submit any relevant correspondence.

LSH attended a series of handover meetings with officials from Welsh Government commencing in August 2010. Following the appointment of the Investment Manager (LSH) in December 2010, it should be noted that a planning Director from LSH was fully engaged on all the assets and provided comprehensive planning advice and input to protect RIFW's interests.

A summary of the key activities and all meeting dates with the respective Councils relating to Lisvane and Monmouth is set out below. We attach at Appendix 1 various associated documents which will provide you with the detail requested.

Lisvane

The Lisvane RIFW asset formed part of a wider area of land at North East Cardiff which was being promoted by the North East Cardiff landowners with an informal agreement to share costs. The landowners, which included Welsh Government, were represented by RPS Planning Consultants as lead planning advisor. Following, the appointment of LSH as Investment Manager, much of the promotion of the asset was done on a joint basis, between RPS and LSH.

DATE:	ACTIVITY:
18 November 2010	LSH / RPS / North East Cardiff (NEC) Landowner meeting to progress representations by RPS to promote the asset as a candidate site in the LPD. Deadline 'call for candidate sites' set by CCC as 7 January 2011.

6 January 2011	<p>LSH submitted candidate site submissions – for 3 parcels of land forming the RIFW Lisvane asset (Llwynypia, Maerdy and Church Farms).</p> <p>RPS submitted candidate site submission for the wider NEC Landowners inclusive of the RIFW land.</p> <p>LSH recommended individual site submissions for the RIFW land to protect the individual asset and mitigate the risk against the wider NEC landowner site failing to secure an allocation.</p>
17 January 2011	LSH confirm awaiting meeting with CCC / RPS to review LDP candidate site submissions.
January 2011 – May 2011	Council finalising registration and initial assessment of the candidate site submissions.
4 May 2011	LSH / RPS and Cardiff Council meeting – review of candidate site submissions. CCC announces consultation on Strategic Options for the LDP to be launched on 9 th May 2011 with Preferred Strategy expected October 2011.
10 June 2011	LSH and RPS independently submit representations to Cardiff LDP Consultation supporting high quality growth strategy.
14 December 2011	Cardiff Council delay LDP by 12 months on advice from Welsh Government.
15 December 2011	LSH / RPS / Cardiff Council meeting to discuss implications of 12 month delay to LDP.

Monmouth

As with Lisvane, the Wonastow Road site in Monmouth had been promoted by Welsh Government prior to its transfer to the fund and was identified as a potential mixed use development site in emerging policy.

LSH maintained a dialogue with MCC throughout the Strategic Sites Studies consultation in order to address concerns around the deliverability of the site and issues raised by members of the public relating to the suitability of the site for development.

DATE:	ACTIVITY:
1 December 2010	LSH / MCC meeting to review LDP progress.
23 December 2010	LSH submit master plan / capacity drawings to MCC.
2 February 2011	LSH discussions with MCC regarding inclusion of asset in the LDP – MCC advise of concerns over flooding and highways.
3 February 2011	LSH formal response to MCC Strategic Sites Studies Consultation. LSH support continued identification of asset within the LDP.
10 March 2011	<p>LSH agree with MCC scope of further technical due diligence to support potential allocation.</p> <p>LSH / RIFW commission Highways, Ground Conditions, Flooding and Density Analysis reports to be submitted to MCC.</p>

June 2011	LSH submit feasibility studies to MCC. (Highways & Access, Flood Risk, Waste Management and Residential Capacity).
28 June 2011	LSH attend MCC Planning Committee to confirm content of deposit LDP for consultation - observation only meetings.
29 June 2011	LSH attend MCC Cabinet Meeting – observation only meeting.
1 July 2011	LSH attend MCC full Cabinet Meeting and present in support of allocation within the LDP.
26 July 2011	LSH meeting with MCC Head of Planning to assess whether any further technical support information needed to be provide comfort to LDP Inspector and assist Council in rebutting alternative site proposals.
17 November 2011	LSH submit representations to deposit LDP on behalf of RIFW supporting asset inclusion in LDP.
17 January 2012	LSH advised by LDP Lead Officer from MCC that LSH / RIFW has done enough from the Council's perspective in terms of evidence submissions.

Please see attached at Appendix 2, the Investment Manager's Report on the Monmouth asset submitted as part of the RIFW board pack in July 2011, which further summarises our planning activity and outputs.

2. Check and confirm when, if all interest shown from potential purchasers was communicated to the RIFW Board and specifically the interest shown from Legat Owen.

The reporting process from LSH was, as previously stated, directly to Amber and not the Board. The Fund Management Agreement provided for the Board to be notified of decisions taken by the Fund Manager. The quarterly board reports / meetings were not a vehicle for reporting general interest in the assets.

Referring to the Legat Owen enquiry in relation to the North Wales assets on behalf of Conygar Investments, it should first be noted that no offer was received for these assets from this party. Secondly, on 28 March 2011 the RIFW Board had directed that a standalone due diligence report should be commissioned on the individual assets as a response to the offer received from GST Investments Ltd dated 4 March 2011 and due to incomplete knowledge of the asset Titles.

We attach a copy of the Morgan Cole "Report on Issues Affecting the RIFW Property Portfolio", which summarises the impairments and we would draw your attention to the particular issues relating to the North Wales assets. Appendix 3.

Legat Owen was the Managing Agent acting for Welsh Government prior to transfer of the North Wales assets into RIFW and for a short time following the transfer. Legat Owen was therefore fully aware of the all of the assets that had been / were intended to be transferred into the Fund.

On 8 April 2011, Legat Owen approached the LSH Manchester office requesting further details of the North Wales assets and advised that their client, Conygar Investments, would be interested in looking at all of the North Wales sites as a single portfolio.

Details of the North Wales assets were provided to Legat Owen by our Manchester office on 11 April 2011.

LSH further contacted Legat Owen on 13 April 2011 advising that information was still being correlated in respect of the individual sites and suggested that a meeting be arranged with them and Conygar Investments to discuss the potential sale of assets together with the funding opportunities RIFW could potentially offer in respect of Conygar's development projects.

LSH and Legat Owen exchanged emails regarding potential meeting dates but none were ever confirmed. The portfolio interest on behalf of Conygar was not raised further.

We attach email exchanges between LSH and Legat Owen that confirms this position. Appendix 4.

We also confirm that several discussions were taking place with other agents and principals at around the same time. We confirm that this information has previously been supplied to the Wales Audit Office.

3. Details of the meetings held with the proposed purchaser between February 2011 and March 2012.

The following meetings were held with Mr Langley Davies in the period up to Exchange of Contracts for the sale.

DATE:	ACTIVITY:
12.01.2011	LSH/LD – initial meeting to discuss the Imperial House/Courtyard properties.
26.01.2011	LSH/LD – provision of data sheets on all RIFW assets that were available to be sold.
21.02.2011	LSH/LD – asset clarification discussions on RIFW assets.
03.03.2011	LSH/LD – asset clarification discussions on RIFW assets.
04.03.2011	Written offer received from Barclays Wealth on behalf of GST Investments Ltd.
30.03.2011	LSH/LD – post 28.03.2011 Board Meeting discussion of overage terms.
16.05.2011	Amber/LSH/LD – price negotiation and introduction of phased payment proposal in return for overage on Lisvane.
22.06.2011	LSH/LD – revised GST proposal clarification and title/tenure/transfer clarification.
July 2011	Solicitors instructed.
04.08.2011	LSH/LD – revised Heads of Terms discussion and title issues.
26.09.2011	LSH/LD – title issues
11.11.2011	Amber/LSH/LD – Imperial House removal / contract timing / title and transfer time frame.
08.12.2011	Amber/Morgan Cole/LSH/LD – Discussion of outstanding points including security provisions and proposed exchange / completion dates.

The following meeting was held with Mr Langley Davies after Exchange of Contracts had taken place (18 February 2012):

DATE:	ACTIVITY:
22.02.2012	LSH/LD – meeting to discuss a potential instruction for LSH to act for Barclays Wealth in respect of 8 South Wales assets to provide continuity of planning consultancy advice and asset management.

4. Check what relationship was established with Mr Langley Davies and who from LSH acted for him and in what capacity and in what other projects (where he is a Director).

The instructions referred to in the statement in the LSH report dated 15 December 2011 related to an office building called Q2 in Newport, which was owned by Hensol Properties Ltd, where Langley Davis is a Director

DATE:	ACTIVITY:
June 2007	Barclays Bank (client) Valuation for Loan Security purposes on Q2, Newport. Andrew Hughes (LSH, Cardiff) acted. Property owner Hensol Properties Ltd.
March 2009	Hensol Properties Ltd (client) – Valuation for equity re-allocation purposes on Q2, Newport. Andrew Hughes (LSH, Cardiff) acted.
April 2009	Letting Agency – Q2 Newport. Steve Matheson (LSH, Cardiff) acted.
April 2009	Rating Review – Q2 Newport. Robert Harlow (LSH, Swansea) acted.
Feb 2010	Barclays Bank (client) Valuation for Loan Security purposes on Q1 & Q2, Newport. Property owner Hensol Properties Ltd. Andrew Hughes (LSH, Cardiff) acted.

5. Provide exchanges of email and other correspondence with the potential purchaser when the purchaser suggested that it would harm his interest and could prejudice portfolio transactions if he was forced to carry out a formal valuation.

It is unfortunate that the statement contained in the Supplemental Transaction Report dated 15 December 2011 (as quoted at the PAC meeting of 20 October 2015) has been taken out of context. The reference to a valuation was in relation to the security that was required for the deferred payments for the portfolio over a 2 year period, where Amber had requested a regular valuation to maintain the LTV cover following the sale of any of the assets within the phased payment period. This was **not** being requested in relation the sale/purchase price of the portfolio.

At the time of writing the Supplemental Transaction Reports (December onwards), these proposed security provisions were subject to ongoing negotiation conducted by Amber primarily via Morgan Cole (RIFW's legal advisor) and Acuity (the Purchaser's legal advisor).

We understand that the purchaser responded on the basis that he did not wish to get the portfolio re-valued every time he sold off an asset as this would be a costly exercise and there was a possibility that any new valuation would be reported below the purchase price, which would then lead to a breach of the required 200% security provision.

The purchaser's position in this regard is confirmed in the email of the 10 January 2012 attached at Appendix 5, which notes the following:

"A third party valuation of the portfolio in year 1 is likely to be below £22.19m and therefore if this value needs to be maintained, we cannot sell anything in the first year – neither party intended this. We also do not wish to commission costly valuations within one year of completion. The clause should focus on drops in the market - the best way to achieve this is our proposal. RIFW's risk is already well covered unless market now drops by 50% in 12 months. How likely is this? Every valuation is likely to be very expensive – minimum £10,000 and therefore very unwieldy for buyer to commission particularly in year 1."

We understand that Amber rejected this response and agreed a negotiated compromise, proposed by the purchaser, which allowed for 50% of the net sales receipts, upon the sale of any asset, to be paid directly to RIFW whilst there were deferred payments outstanding. The proposal enhanced RIFW's position over security against the outstanding monies and LSH confirmed its support for the arrangements.

These negotiations took place directly between Amber and the purchaser and the respective solicitors. LSH was asked to comment on the principle and, whilst we have confirmed that we supported these new arrangements, we do not have any direct email correspondence in respect of this negotiation.

It should also be noted that the purchaser did commission a pre-purchase Red Book Valuation from Savills in January 2012. We understand from the Auditor General for Wales' Report that the Valuation reported a value range for the portfolio at the date of acquisition of between £17.74m and £20.33m, which is below the purchase price of £21,747,000.

6. Clarify when LSH commenced marketing of the Monmouth site for SWLDL.

DATE:	ACTIVITY:
05.03.12	Terms of Engagement issued to Barclays Wealth
16.03.12	Terms of engagement signed and returned by Barclays Wealth and instructions confirmed.
30.05.12	Information sent out and expressions of interest requested.
20.07.12	Expressions of interest received.
16.10.12	Invitation to interested parties to submit formal offers.
30.11.12	Offer deadline.
04.01.13	Bids clarification letters issued.
14.03.13	Preferred bidder selected and draft HoTs issued.
02.09.14	Resolution to grant outline planning consent issued.
19.12.14	Outline planning consent released.
28.10.15	Conditional transaction still not completed.

This information has previously been provided in detail to the Wales Audit Office.

We trust that the above answers all the points raised and would ask that if you require any further clarification that you contact either Lee Mogridge or Jeremy Green directly.

Yours faithfully



Jeremy C Green
Director

For and on behalf of
Lambert Smith Hampton

DL +44 (0)20 7198 2220

E jgreen@lsh.co.uk

Encs.

Cc: Lee Mogridge – LSH

Agenda Item 3

Concise Minutes – Public Accounts Committee

Meeting Venue:

Committee Room 3 – Senedd

Meeting date: Tuesday, 20 October 2015

Meeting time: 09.01 – 11.06

This meeting can be viewed

on [Senedd TV](#) at:

<http://senedd.tv/en/3267>

Attendance

Category	Names
Assembly Members:	Darren Millar AM (Chair) Mike Hedges AM Sandy Mewies AM Julie Morgan AM Jenny Rathbone AM Aled Roberts AM Andrew RT Davies AM (In place of Mohammad Asghar (Oscar) AM) Alun Ffred Jones AM (In place of Jocelyn Davies AM)
Witnesses:	Jeremy Green, Lambert Smith Hampton Ltd Lee Mogridge, Lambert Smith Hampton Ltd
Committee Staff:	Fay Buckle (Clerk) Claire Griffiths (Deputy Clerk) Joanest Varney-Jackson (Legal Adviser) Alistair McQuaid (Wales Audit Office) Nick Tyldesley (District Valuer)



Cynulliad
Cenedlaethol
Cymru

National
Assembly for
Wales

	Mike Usher (Wales Audit Office)
	Huw Vaughan Thomas (Wales Audit Office)

1 Regeneration Investment Fund for Wales: Consideration of evidence received

1.1 Members considered the evidence received at the meeting held on 13 October.

Transcript

View the [meeting transcript](#).

2 Introductions, apologies and substitutions

2.1 The Chair welcomed the Members to the meeting.

2.2 Apologies were received from Mohammad Asghar. Andrew R T Davies substituted.

2.3 Jocelyn Davies excluded herself under Standing Order 18.8. Alun Ffred Jones substituted.

2.4 The declarations of interest made in the meeting on 12 October are applicable to this meeting.

3 Papers to note

3.1 The papers were noted.

3.1 Regeneration Investment Fund for Wales: Letter from James Price, Welsh Government (12 October 2015)

4 Regeneration Investment Fund for Wales: Evidence session 5

4.1 The Committee scrutinised Jeremy Green and Lee Mogridge from Lambert Smith Hampton Ltd as part of the inquiry into the Regeneration Investment Fund for Wales.

4.2 Jeremy Green and Lee Mogridge agreed to send the following information to the Committee:

- Check and confirm the dates they met with planning officials from the City of Cardiff Council and Monmouthshire County Council and submit any relevant correspondence;
- Check and confirm when, if all interest shown from potential purchasers was communicated to the RIFW Board and specifically the interest shown from Legat Owen;
- Details of the meetings held with the proposed purchaser between February 2011 and March 2012;
- Check when relationship was established with Mr Langley Davies, who from LSH acted for him and in what capacity and on what other projects (where he is a Director);
- Provide exchanges of email and other correspondence with the potential purchaser when the purchaser suggested that it would harm his interests and could prejudice the portfolio transactions if he was forced to carry out a formal valuation, and
- Clarify when LSH commenced marketing the Monmouth site for SWLD.

5 Motion under Standing Order 17.42 to resolve to exclude the public from the meeting for the following business:

5.1 The motion was agreed.

6 Regeneration Investment Fund for Wales: Consideration of evidence received

6.1 Due to time constraints, this item as not reached.

Darren Millar AM
Chair
Public Accounts Committee
National Assembly for Wales
Cardiff Bay
CF99 1NA

19 October 2015

Dear Mr Millar,

Thank you for your letter to James Price dated 21 September. I am responding on his behalf. Set out below is further clarification on the points that you have raised.

In relation to Recommendation 3, you asked about the specific proportion of Water Framework Directive Failures that could be attributed to land managed by Natural Resources Wales (NRW).

It is extremely difficult to determine exactly how many failures by water bodies to achieve good status under the Water Framework Directive can be attributed directly to land managed by NRW.

There is a mixed tapestry of land ownership in the catchments affecting the failing water bodies. As a consequence, both private and public land owners have their part to play in resolving the issues.

NRW has undertaken work to both understand and propose remediation of the causes of failures. As these solutions are rolled out we and NRW are also engaging with the private forest sector and others to share the evidence and solutions.

You also requested sight of the updated River Basin Management Plans (RBMPs) once they have been approved by the Welsh Government and published later this year.

River Basin Management Plans are due to be published by the end of this year and copies will be made available to the Committee.

These plans will give more detail on all the water bodies and catchments and what measures we and NRW propose to take.

In relation to Recommendation 6, you asked for further detail on how the rationalisation of inspections by Rural Payments Wales (RPW) and NRW will work in practice. You also requested detail on how contracts will be effectively monitored if the number of inspection visits is reduced.

The number of inspections and the selection methodology for Common Agricultural Policy (CAP) payments are set out in European Commission Regulations. The selection of farms for inspection is undertaken by RPW, as the designated Paying Agency, to meet the minimum regulatory requirements. There is no direct NRW involvement in the inspections unless an RPW visit identifies the need for specific or specialist support e.g. an environmental breach is identified. This is the existing arrangement in place.

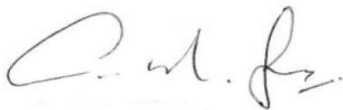
RPW and NRW will continue to work together with a view to reducing the inspection burdens on farmers and maximising efficiencies. NRW is also a key member of the Welsh Government's CAP Programme Board that gives full consideration to these matters, as well as sharing best practice and ensuring good governance.

CAP Control requirements are laid down in EU regulation 1306/2013 (overarching), EU Regulation 1307/2013 (direct payments – BPS) and EU Regulations 1305/2013 (Rural Development), plus several underlying Commission Delegated or Implementing Regulations. These set out all the rules that must be followed including administrative controls and risk selection, which form part of the Integrated and Administrative Control System (IACS).

All contracts are subject to comprehensive administrative controls which are fully undertaken before payment, regardless of whether the case is subject to a physical inspection. All farmers who hold area-based rural development contracts are required to make annual declarations regarding their land and land use to ensure they are satisfying their contractual obligations. These declarations are fed into our Integrated Administrative Controls System (IACS) and systematically checked against all other farmer declarations as well as validated against our Land Parcel Identification System (LPIS) that contains over 1.4m hectares of agricultural land in Wales. Any failure to meet contractual conditions will result in payment reductions and penalties.

Please do not hesitate to contact me if you require anything further.

Yours sincerely



ANDREW SLADE

Director

Agriculture, Food and Marine



Darren Millar AM
Chair
Public Accounts Committee

19 October 2015

Dear Mr Millar

Thank you for your letter of 21 September on behalf of the Committee regarding further information on the report into Value for Money of Motorway and Trunk Road Investment.

Responses to your questions are outlined in the attached annex.

Yours sincerely

James Price



Recommendation 3

The Committee would welcome further detail on how the Welsh Government meets the exportations. For example, we felt that a more specific commitment on the timetable of completion of the WelTAG consultation process and exactly when it is expected that the revised guidance will be issued and implemented.

Response

The draft guidance will be produced by the end of 2015. A twelve week consultation will follow in the spring of 2016 with a view to implementing the revised guidance later in 2016 following consideration of the responses received to that consultation.

Recommendation 4

The Committee would welcome an update on the outcome of the review of lower value contracts to investigate opportunities for the optimum use of ECI principle early in 2016.

Response

The review has concluded that there are benefits to early engagement of the supply chain and that lower value contracts could benefit from early engagement with contractors. As a result, guidance will be amended such that early contractor involvement procurement route should be considered for construction contracts independent of value.

Recommendation 5

The Committee noted that you will provide a further update later in the autumn on the street work's strategy which is scheduled to be published in 2015. The response did not address the Committee's concern about the pace of development of the strategy and remains unclear as to the extent to which the draft strategy covers issues relevant to major projects on the trunk road network.

Response

The pace of development of the Street Works Strategy has been proportionate to the task of engaging stakeholders and identifying all the issues that need to be addressed. Those relevant to major projects are covered but there are others of equal importance. The draft document will be consulted on in November.

Recommendation 6

Whilst acknowledging that the Welsh Government has a programme in place to monitor the condition of the motorway and trunk road network, the Committee wishes to receive more detail on the reasons for the deterioration of the motorway and trunk road network and confirmation of expectations regarding the Welsh Government's plans to improve the condition of the network, for example, with regard to the annual programme of work. The Committee was disappointed to learn that the number of defects identified on trunk roads has dramatically increased and that your stated target of not more than eight per cent of the network length requiring maintenance since 2010 has not been met and wishes to receive your comments on this.

Response

Whilst the target of not more than 8 per cent of the network requiring maintenance has not yet been achieved, there is evidence that the Welsh Government's strategy of close monitoring and targeted investment is effective. The percentage of trunk roads requiring maintenance fell from 14.3 per cent at the end of 2013 to 10.2 per cent at the end of 2014. It is too early to predict whether the investment in the current year will result in the target being met. However, the trend is now heading in the right direction.

Recommendation 7

The Committee was unclear on how the Welsh Government's proposed action will address this recommendation and similarly the future prioritisation of expenditure is not clear. I have written to the Chair of the Enterprise and Business Committee asking that that Committee considers this issue as part of its budget scrutiny.

Response

The comparison of the relative contribution that maintenance compared to improvement can make to the required performance of a transport corridor provides a way of informing the balance of investment between each.

Recommendation 13

The Committee wishes to seek clarification as to why the Welsh Government partially accepted this recommendation.

Response

This was only partially accepted because an effective information management tool for trunk road improvement projects has already been implemented. However, as previously indicated, this will now be brought into the Welsh Government's Integrated Road Information System (IRIS) along with all the other systems for managing and maintaining the motorway and trunk network.

Recommendation 14

The Committee was pleased to learn of the commitment made to a study looking at the capability and competence of the construction sector. However, we would welcome confirmation that the study will also consider the wide range of non-construction specialist skills require for major projects and maintenance of the motorway and trunk road network. In addition, it was unclear as to whether the work described would also consider the public sector perspective referred to in the recommendation.

Response

We can confirm that the study will also consider a range of non-construction specialist skills and consider the public sector perspective.

Recommendation 16

The Committee felt that it would be sufficient for its successor Committee to receive a single update following the conclusion of the anticipated three-year trial. In addition, the Committee would welcome an explanation of the policy change on undertaking a trial to erect screens on the A55 following accidents.

Response

The trial of incident screens has been an all-Wales trial, not specific to the A55. No policy change has driven this trial, more an operational opportunity to evaluate the effectiveness of such devices which are being provided by Highways England. With regards to the A55, the trial will coincide with the implementation of emergency crossing points and hardened verges, all aimed to increase the resilience of the network.

Recommendation 17

The Committee wishes to receive further details on how the Welsh Government intends to engage further with road users and clarification on the implication that you intend putting in place arrangements to replicate the work of Transport Focus in England.

Response

The traffic Wales service is being used to provide further proactive works information (A55 tunnel refurbishment as an example) and maintain an information line, email and twitter accounts to provide engagement with road users in line with the original recommendations. There will be on going engagement with users, passengers and characteristic groups through a number of means such as the Public Transport Users' Advisory Panel.

Recommendation 18

The Committee wishes to learn as to why the Welsh Government's presence at the exiting forums has been restricted of late.

Response

Officials have been and will continue to meet with officials from other organisations to plan and coordinate works. Attendance at forums is assessed for relevance and value for money.

Cyfarwyddwr Cyffredinol Iechyd a Gwasanaethau Cymdeithasol/

Prif Weithredwr GIG Cymru

Grŵp Iechyd a Gwasanaethau Cymdeithasol

Director General Health and Social Services/

NHS Wales Chief Executive

Health and Social Services Group



Llywodraeth Cymru
Welsh Government

Darren Millar AM

Chair

Public Accounts Committee

Our Ref: AG/ KH

19 October 2015

Dear Mr Millar

Unscheduled Care

Thank you for your letter of 21 September in which you raised a number of further questions in relation to unscheduled care. The further detail you requested in your letter is detailed below:

- **Flu immunisation rates for frontline NHS staff**

With regard to the variation of take up between health boards we welcome information on any factors contributing to this variation and whether any areas of good practice have been identified in health boards where take up is higher.

The reasons for variation in flu vaccine uptake across NHS Wales organisations are varied and complex. Much of the variation will rest on the local leadership, staff attitudes, ease of access to vaccination, and interpretation and implementation by health boards of national recommendations and guidance. Variation in uptake should be considered in the context of a very rapid increase in staff flu vaccination uptake over the last five years in every health board and at national level in Wales of 5.4% a year. This has moved Wales from having the lowest staff uptake in the UK in 2010/11 to uptake in Wales now higher than Scotland and Northern Ireland and within 11 percentage points of uptake in England.

In Health Boards where personal resistance from staff to the vaccine have been identified, one to one sessions with Health Board leads were offered last season from flu fighter Cymru (the support campaign from NHS Employers). This support will be offered again this year.



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Examples of good practice have been identified and shared:

Peer vaccinators. One Health Board has reported a threefold increase in flu champions. These are individuals who raise the profile of flu in their clinical area, offer guidance and support, and many of whom also vaccinate their colleagues. This increases awareness, gives an opportunity to signpost to evidence, and reduces barriers to access.

Addressing accessibility issues has been a priority for several Health Boards who report their occupational health team use mobile vaccination teams to improve ease of access to the vaccine. These teams visit clinical areas and other locations in order to take vaccination directly to staff in the place they are working. One trust offers to reimburse staff if they pay for a vaccine in their community pharmacy.

Raising awareness via internal communications includes robust communications plans in some Health Boards, which are often multifaceted and include promotion of the vaccination through internal communication. Communications plans are complemented by the national campaign which shares plans, press releases, email messages, signature blocks, intranet articles, and banks of social media material.

Leading by example is a theme in some Health Boards where the Chief Executive, Nurse Director etc. step forward to be vaccinated, have their photo taken, and actively encourage colleagues. This activity is shared in a variety of promotional material including newsletters, blogs and online activity. This personal commitment and belief in the value of flu immunisation from senior individuals encourages staff to get vaccinated.

Strong leadership offering a direct encouragement from senior staff such as Medical Director or Director of Public Health, to colleagues takes the form of emails, personal letters, blogs, online activity, news stories and more across Wales.

Decliner initiatives are being utilised by a small number of Health Boards this season. Actively collecting data on why people decline may impact in a number of ways:

1. Asking people why they say no to a flu vaccine may encourage them to think more critically about their decision.
2. Collecting information on why staff decline will inform future campaigns.
3. It indicates that this is an organisational priority

Flu fighter Cymru was engaged last season and the season before to support the staff facing campaign. They have been commissioned again this season to offer regular support and encouragement to HBs and trusts, including sharing new messages, key information, resources and guidance. This has included supplying posters and leaflets, and also stickers to identify those who have been vaccinated, to encourage others.

Staff flu incentive schemes have been shown to positively influence uptake and all HBs and trusts are offered the opportunity to access funding for a local incentive scheme. All except one have opted in for the 2015-16 flu season.

Flu fighter Cymru awards recognise, acknowledge and reward individuals and teams in NHS Wales who have demonstrated excellence, innovation and commitment to the staff facing flu campaign.

Video stories to highlight different messages, and appeal/influence different individuals working in NHS Wales have been developed and shared. [Louise's story](#) is a short but

emotional personal story from a nurse who was very ill with flu, this is the most viewed Public Health Wales video with nearly 3,000 complete views, some HBs and trusts report utilising this in training sessions.

- **GP Out of Hours Service**

We note the publication of the Wales Quality and Monitoring Standards for the Delivery of Out of Hours Services and that health boards have been instructed that the standards should be delivered by March 2018. However, the absence of data in the interim concerns us and we would welcome sight of the data being made available to the Welsh Government from each health board prior to that date.

We also seek clarification on whether Welsh Government is considering using salaried GPs to provide out of hours services as well as other options.

Welsh Government is continuing to work with Health Boards to develop a single data set for consistent and robust reporting of GP out of hours. I expect this to be available from next year so that this is visible.

It is the responsibility of health boards to plan and deliver their out of hours services with safe and effective staffing levels, based on local need. Some health boards employ salaried GPs as well as sessional GPs as part of their out of hours team. In line with the principles of Prudent Healthcare, health boards are delivering their out of hours services with a more appropriate mix of healthcare professionals to meet the needs of patients; these include pharmacists, nurses, paramedics and therapists.

- **Urgent and non-urgent GP Appointments**

We request information on the total number of GP appointments and the proportion of these which are same day appointments.

This information is not routinely available in any part of the UK. NHS Wales is at the forefront of developing a process that will allow GP systems across Wales, through Audit +, (an audit tool used by 96% of GP practices within Wales) to be interrogated to provide a range of information about GP consultations.

Welsh Government and the NHS are working with professional bodies such as GPC Wales to develop measures that provide a better understanding of access and urgency and how the information can be collected. This includes the opportunity for collection of information relating same day access appointments.

- **Impact of Immigration Bill**

We welcome further detail of the impact of changes to immigration legislation on nurses and clinicians from outside the EU entering Wales.

The UK Government recently announced temporary changes to restrictions on nurse recruitment from outside European Economic Area and nurses have now been added to the shortage occupation list on an interim basis. The Welsh Government welcomes this move, and indeed has been calling for it for some time, as it will allow overseas nurses already working in Wales to continue in their employment as well as allowing for recruitment to hard to fill posts in the immediate future.

- **Recruitment**

Primary care lists currently exist separately for England and Wales. We welcome an update on the Welsh Government's commitment to establishing a single and shared list.

Action is being taken to make it easier for GPs, based in England (and the other countries) to work in Wales through amending the GP Performers' List (Wales) Regulations to allow GPs, who are already on a Performers List in England (and the other countries), to be able to work in Wales. A key proposed amendment to the regulations will be to allow a GP to be included immediately on a LHB performers list on receipt their application with NHS Wales Shared Services Partnership, whilst NHS Wales Shared Services Partnership undertake further checks. We will be consulting on the proposed regulatory changes over the coming weeks. Also, in addition to the proposed amendments to the regulations, a new streamlined performers list application form, specifically for GPs on a performers list in England (or an other home countries), is currently being developed and agreed with NHS Wales Shared Services Partnership. This new streamlined performers list application form will reduce significantly bureaucracy.

We are confident these proposed amendments to the regulations, together with a new streamlined performers list application specifically for GPs on a performers list in England (or an other home countries), will address concerns expressed by GPs about performers list bureaucracy being a barrier to recruitment. If difficulties still persist after these changes have been introduced, the case for a UK-wide performers list could be considered further. However, it needs to be recognised there is currently no power to make UK-wide regulations on performers lists, so new primary legislation would be needed to create one. In addition, there would also be a number of policy and practical issues raised by creating a single UK-wide list. We understand Department of Health have significant reservations about the suggestion of a UK-wide list.

- **Proposed 111 service**

We seek confirmation of the revised timetable for the establishment of a 111 service.

The revised timetable for the 111 service is under consideration. The intention is to roll out the 111 service across Wales on a phased basis, commencing in 2016. We want to ensure we have the best possible evidence about the effectiveness of a 111 service and use the most up to date learning available, including the evaluation of the learning and development pilots in England which is now due to report in November. We are currently working with Abertawe Bro Morgannwg University Health Board (ABMUHB) to prepare for introducing and testing the 111 service in that area. Subject to robust and successful testing of the service model, workforce profile and the technical infrastructure, the 111 service will be available in that area from June next year. The results of the work in ABMUHB will be thoroughly evaluated and inform the future rollout of the service. It is important that we get this right rather than do it quickly.

- **My Health Online (MHOL) web based service**

We request further details on the roll out of online booking service, details of data collected to monitor the effectiveness of the service and information on how the pilot is working. We also seek further detail of the 47% of GP practices currently utilise MHOL in terms of a breakdown of the specific usage of the service for booking appointments and prescriptions.

The rollout of My Health Online to all GP practices in Wales was successfully completed in July 2015 and therefore is not considered to be a pilot. All GP practices are now able to offer the service to their patients.

We work closely with colleagues in the NHS Wales Informatics Service (NWIS) to closely monitor how effectively the service is being offered by practices, as well as the level of patient take-up.

Some of the specific data items collected, at practice level, include:

- Local Health Board
- Practice name
- If MHOL is available to the practice
- If the practice offers online appointments via MHOL;
- If the practice offers repeat prescriptions via MHOL;
- Practice patient population;
- No of patients (at a specific practice) registered to use MHOL;
- GP system (which of the two national suppliers)

We're also working with NWIS and the related GP system suppliers to go further with our intelligence, with plans in place to extend our reporting to include:

1. The number of online appointments booked (in a particular time period);
2. The number of repeat prescriptions requested (in a particular time period); and
3. The number of 'active' (recent) users

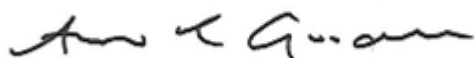
This additional detail will allow us to measure our progress against our intention to enable people to request services at a time, place and by a means that suits them.

I'm pleased to be able to say that the number of practices utilising MHOL has increased from 47% to 60% whilst the number of people signed up to use the service has also increased from around 40,000 in January 2015 to 148,000 currently. Whilst this is a significant increase, I am aware that there is still more for us to do. We aim to introduce online registration for the service from early next year to make initial access to the service easier.

In terms of how the specific usage by practices breaks down, we know that:

- 33% - 151 of 453 offer both appointments and repeat prescriptions online
- 6% - 27 of 453 offer only appointments online
- 21% - 95 of 453 offer only repeat prescriptions online

Yours sincerely



Dr Andrew Goodall

Sir Derek Jones KCB
Ysgrifennydd Parhaol
Permanent Secretary



Llywodraeth Cymru
Welsh Government

Darren Millar AM
Chair of the Public Accounts Committee
National Assembly for Wales
Cardiff Bay
CF99 1NA

28th October 2015

Dear Darren,

Thank you for your letter dated 30 September regarding the first National Procurement Service Annual Report and the accompanying frameworks and guidance.

I confirm that all future Annual Reports published by the National Procurement Service will be sent to the successor Public Accounts Committee in the Fifth Assembly as a matter of course.

Yours,
Derek



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Scrutiny of Accounts 2014-15

Additional information from National Museum Wales

Following the Public Accounts Committee, you asked us to provide additional information and a breakdown of the total resources expended. The attached shows the breakdown of the Total Resources Expended figure for Museum Operations, as shown in note 6b of the annual accounts. To confirm the total is £16.5m and comprises of a number of different elements.

Over 50% (£8,925,000) of the total figure of £16,544,00 is on staff costs. A further £2,119,000 is for utilities and rates, £1,038,000 for buildings repairs and maintenance, £759,000 for the St Fagans re-development project (being non-capitalised expenditure), and £766,000 for other operating costs including security, cleaning, telephones, stationery, travel & subsistence. As shown in the accounts there is a further £3,130,000 charge for depreciation and asset impairment, and £845,000 on central overheads comprising staff and operating costs (Finance, HR, ICT, Marketing).

2014/15 Total Resources Expended: Museum Operations

	£'000	£'000
Staffing costs	8,925	
Utilities and Rates	1,081	
Repairs & Maintenance	1,038	
St Fagans project (non-capitalised)	759	
Security	172	
Telephones	143	
Printing & Stationery	104	
T&S	98	
Cleaning	74	
Other	175	
Direct Costs		12,569
Depreciation		521
Impairment of Fixed Assets		2,609
Overheads		
Marketing	216	
Finance	126	
ICT	300	
HR	203	
		845
Total 2014/15 Museum Operations per note 6b)		16,544

September 2015

Darren Millar AM
Chair
Public Accounts Committee
National Assembly for Wales
Cardiff Bay
Cardiff

19th October 2015

Dear Chair,

Sport Wales' response to the National Assembly for Wales Public Accounts Committee

We welcome the opportunity to respond more fully to the matters that were raised during our recent evidence session. We are happy to respond further if there are any additional issues which may require clarification.

About Sport Wales

Sport Wales is the national organisation responsible for developing and promoting sport and physical recreation. We are the main adviser on sporting matters to the Welsh Government, an official supplier of applied research and are responsible for distributing funds from Welsh Government and the National Lottery to sport in Wales.

Investing in and working with a wide range of partners, on a national and local level, we aim to increase the frequency of participation in sport and physical recreation, as well as improving elite performance. We take a broad view of sport, from traditional sports, such as swimming and hockey to zumba and dance.

Sport Wales' role in relation to Local Authorities

As a number of questions from committee members related to issues that fall within the remit of Local Authorities we thought it would be useful to clarify our relationship. Sport Wales invests in every Local Authority to deliver sport in the community, this is channelled through their Local Sport Plan. Local Authorities themselves are responsible for direct investment into and management of local facilities and setting the tariffs for the public to use those facilities.

We fully recognise the importance of high quality, accessible facilities in achieving our goals. The pressure on local budgets has placed a number of these facilities at risk, as well as impacting on charges in relation to usage. We are concerned that these will have a longer term impact on the ability of communities to participate regularly in sport and physical activity.

To this end we have been proactive and are acting as the lead agency in developing a long term vision for sports facilities in Wales. This will set out why sports facilities are important to physical activity and the health of the nation. The purpose of this document is to set out the challenges that lie ahead and identify the priorities for action, providing guidance and a framework to help inform future decision making. The future facilities framework is designed to provide a clear rationale for a

built leisure infrastructure that is fit for purpose and ‘appropriate’ - reflecting future community needs – designed to satisfy the demands of different customers.

Sport Wales’ role in relation to Education

We do not directly invest in facilities on school grounds unless there is a wider benefit to the community outside of school hours, but we invest in the Education Consortia and Local Authorities in providing Play to Lean, Dragon Skills and 5/60 officers to develop the sport offer in schools. In addition the Physical Literacy Programme for Schools (PLPS), which is managed by Sport Wales, is a targeted intervention working with 66 Challenge Cymru schools across Wales. The selected schools on this programme are from some of the most deprived areas in Wales, and the interventions with these schools have focused on using physical education to reenergise the disengaged.

The programme is demonstrating how a focused child-centred approach can change attitudes and abilities and is working with pupils and parents alike. The investment for this new approach followed the recommendation in the Welsh Government commissioned School and Physical Activity Task Group’s report to raise the profile of Physical Literacy, and make it a key educational outcome for all children and young people in Wales. The investment for this programme ends in March 2016.

During this time, a Physical Literacy Framework (PLF) has been developed, building on over five years of research and pilot programmes, and is designed to enable teachers to deliver and track progress on the development of physical literacy for every child in Wales. This has also been developed as the new curriculum is emerging following the review by Professor Donaldson and has a central role to play in developing ‘healthy and confident’ pupils. We believe the PLF can be used to support the “pioneer schools” in implementing and trialling the new curriculum, and enable the up-skilling of practitioners over the long term in providing school to school support in the delivery of the PLF.

Delivery and Key Performance Indicators

On 15th October we launched the results of our 2015 School Sport Survey. This is an online survey of pupils’ sports participation and school provision of Physical Education (PE) and sport. It took place in the summer term of 2015 from 14th April until 21st July. Pupils complete a questionnaire on their participation and attitudes towards Physical Education (PE) and sport. A member of staff from each school is asked to complete a questionnaire on PE and sports provision at their school. This is usually completed by the PE coordinator in primary schools or the Head of PE in secondary schools.

For the second successive time, the 2015 survey has shown across the board increases in participation levels amongst pupils in Wales in Years 3-11. Long standing differences in participation levels continue to be observed, with female pupils and older pupils taking part less frequently in PE and sport. The headline findings are as follows:

- 48% of pupils in Years 3-11 are *hooked on sport* and take part in extracurricular or community club sport on three or more occasions per week. In 2013, the figure was 40% and in 2011 was 27%.

- Similar proportions of primary and secondary pupils are hooked on sport – 49% of primary pupils in Years 3-6 and 48% of secondary pupils in Years 7-11.
- There remains a gender difference in participation levels. 52% of boys and 44% of girls are *hooked on sport*.
- Participation levels also vary according to pupils' age, ethnicity, disability and relative level of deprivation. In 2015 the survey showed that in comparison with Wales as a whole, higher percentages were recorded for:
 - Pupils in Years 5 and 6 (52%)
 - Mixed race and black/black British pupils (52%)
 - Pupils from the least deprived schools¹ (54%)
 - Pupils in secondary schools who were Welsh speakers (55%)
- 65% of pupils enjoy PE lessons 'a lot' and 53% of pupils who enjoy doing sport in after-school or lunchtime clubs (extracurricular sport) 'a lot'.
- 62% of pupils think PE lessons and school sport help them 'a lot' to have a healthy lifestyle.

The data from this survey enables Sport Wales and partners to strategically monitor and track trends in sports participation – covering both community and school participation and tracking the provision of PE and school sport and teachers' and pupils' attitudes to PE and sport. This provides a base of evidence from which to shape sports policy and practice.

Equalities

Sport Wales has long recognised diversity at Board level as being a key to good governance and that we needed to become a beacon for our sector. Putting legislative duties to one side, we have a moral duty as leaders in sport to encourage diversity in whatever way we can. Diversity in public life will not simply happen, it takes positive action from a range of people with a concrete commitment to change. Sport Wales have been proactive in this area, not to meet any target but because we recognise we have a duty to reflect the communities we represent. Our current board is 57% female and 15% BME, so progress has been made, but there is much more to do throughout the sector.

Further to this in 2014 we launched our Calls for Action programme, which made £3 million of lottery investment available to organisations in order to boost participation from BME communities, women and girls, those with a disability and those living in poverty. As a result of this programme we have provided three year investment to a broad range of organisations including the Girl Guides, RCT Homes, StreetGames (specifically for their Us Girls programme targeting girls in deprived communities), Street Football Wales and Time to Change Wales. This investment is in recognition that we need to work with partners beyond the sport sector in order to tackle the barriers to participation for these groups.

Welsh Language

¹ The percentage of pupils who are eligible for Free School Meals (FSM) is used as a proxy measure of socioeconomic status. Schools in Free School Quartile 1 (FSM 1) have low level of pupils eligible for FSM – and are considered the least deprived. Schools in FSM4 have high levels of pupils eligible for free meals and are most deprived.

As a Welsh Government Sponsored Body, we have a statutory obligation to the Welsh Language and we are fully committed to the principle of equality. Through this we have developed a positive and proactive relationship with the office of the Welsh Language Commissioner and, as discussed at the Committee, we have arranged two conferences for national governing bodies of sport in order to promote the importance of the Welsh language in sport. Between the two events definite progress was identified with governing bodies presenting research they had undertaken as well as sharing how best to provide coach education through the medium of Welsh.

We recently responded to the Welsh Language Commissioner's Standards Inquiry, and as part of our on-going commitment to the Welsh Language our signage, website and public documents are entirely bilingual. Around 14% of our staff have previously indicated that they are Welsh speakers, although we are in the process of recollecting the data on this. The Welsh language is also a criteria of our equality impact assessments.

Our new online grant management process is fully bilingual, and we also have a Welsh speaking member in our Grants teams so that any meetings / telephone conversations can be undertaken through Welsh.

In terms of our investment into the Welsh language, Sport Wales has an excellent relationship with the Urdd, investing £250,000 last year and £310,000 this year in order to develop opportunities across Wales for young people to take part in sporting opportunities through the medium of Welsh. Investment is made in the community programme, focussing primarily on children of Primary school age. Target areas include community club development, family opportunities, appropriate competitive opportunities and workforce development. The Urdd's vision is: "To use the power of Welsh language to engage with children and young people 3-25 years old, and get them actively involved in sports; week in week out for life."

We also have a national development programme in place which is supported by a network of highly skilled coaches and volunteers to enable us to reach targets and outcomes. Figures for 2014/15 show that 5205 individuals participated in weekly clubs 1 or 2 times in Key Stage 1 and Key Stage 2 ; 68 new community clubs were established; 2550 individuals were accessing family activities; 68% of girls were accessing the community sport programme; 1500 coaches received training (750 girls) and there 440 active coaches. Since 2011, we have invested over £4.5 million in grants for sport delivered through the Welsh language.

Sport Wales are also a key partner of Gemau Cymru, which is a bilingual multi-sport event, launched in 2011 as part of a Wales wide London 2012 Legacy project, and which was established as a partnership between Welsh Government Major Events unit (MEU), NGBs, and Sport Wales, with Urdd Gobaith Cymru being commissioned as the delivery partner. Initially the scope of the event was to engage with NGBs and provide an annual mass participation multi-sport event. Gemau Cymru is a delivered completely bilingually. It provides an opportunity for talented young athletes to compete in a high profile multi-sport event while experiencing an athlete village environment. In 2015, Sport Wales committed £60,000 to support the core costs of running Gemau Cymru.

We are also proactive with our governing bodies, including a clear statement on the expectation that appropriate consideration is given to delivery of outcomes in both languages. Progress has been made by our governing bodies including the Welsh Football Trust undertaking research with their coaches and volunteers to look at how they can build the Welsh language into their coaching courses. Whilst we do not make the Welsh Language a condition of grant, we set in the award letter clear expectations that appropriate measures are taken to deliver through both languages.

The National Governing Bodies of Sport in Wales have committed to the development of the Welsh language through an agreement with the Welsh Language Commissioner based on the following areas:

- Identify a Welsh Language Lead Officer to represent your Sport (this person could be a staff member, Board member or volunteer). This person would feed into a Welsh Language Task Group/Forum, and lead on the development of the language in your Sport.
- Agree that Team Wales at Glasgow 2014 Commonwealth Games, should be a platform and springboard for raising the profile and increasing the prominence of the Welsh Language in Sport
- Identify Elite Champions of the Sport who are Welsh Speaking to be pro-active with the media and in public life – first focus to be on the Commonwealth Games in Glasgow
- Welsh Language Classes/Worshops to create a new buzz and commitment to the language
- Identify Staff/Coaches/Volunteers who are Welsh Speaking – encourage them to make this information available through wearing badges/t-shirts which state that they can speak Welsh, thus encouraging more participants to participate through the medium of Welsh
- Commitment from Sports to be visible and involved in Welsh Language Festivals such as the Urdd Eisteddfod, National Eisteddfod, Tafwyl and local Menter events.

According to our evidence, Welsh speakers are 11% more likely to be ‘hooked on sport’; almost twice as likely to be a volunteer in sport; over 5% more likely to be a sports club member; and over 10% more likely to have recently participated in sport.

Investment Strategy

Sport Wales has a set of investment principles that guide our approach. These are clearly aligned to our two aspirations of being “hooked on sport” and “creating a nation of champions” and the requirements of the Welsh Government via our annual remit letter. We base decisions on the potential partners have to meet our key strategic priorities and have in place clear agreed outcomes for our investment with each partner.

We are in the process of moving to a new online grants system will enhance the data we can collect and utilise to base future investment decisions on. The new system will also provide for an improved applicant experience via automated workflows that allows instant access to the progress of their application’s progress at every stage. It also offers a standardised approach across all grant types that will allow for a more transparent grant application process, and the system has been future-proofed to enable external partners to be able to apply online, as well as access certain information or reports.

We have provided an overview of investment into our different programmes in Appendix A.

Format of Accounts

Compared to previous years, we produce and print a much smaller number of publications with digital versions now made available for download from our website.

This year, our Annual Review and Accounts were produced as two separate documents to ensure maximum flexibility of the documents in terms of usage. The full bilingual accounts and review document would total approximately 250 pages, which is a very large document to share. In producing two documents, we can share and promote the review document on its own, or alternatively the accounts document, dependent on the audience.

However, we recognise that our current reporting structure does not clarify the detail of the extent of our investment within the annual report. We will be reviewing the way in which our annual review and accounts are produced to ensure that we have a single, easily accessible document.

I hope that this response will go some way to addressing the issues that arose during the evidence session. If you have any further queries or require additional clarification, please do not hesitate to contact me.

Yours sincerely



Sarah Powell
Chief Executive
Sport Wales

Appendix A Budget 2015-16

Funding Source	Funding Area	2015/16	2014/15
		£	£
Welsh Government	Dragon Sport	1,155,000	1,335,000
Welsh Government	5 x 60	4,643,000	4,703,000
Welsh Government	Free Swimming	3,104,000	3,500,000
Lottery	Community Chest	2,100,000	2,100,000
Lottery	Development Grants	3,000,000	4,750,000
Lottery	Calls for Action	1,443,000	750,000
Welsh Government	Communities Local	8,902,000	9,538,000
Lottery	Communities Local	6,543,000	7,600,000
Welsh Government	URDD	310,000	250,000
Welsh Government	Street Games	150,000	100,000
Welsh Government	GB Development Support	5,010,000	5,140,000
Welsh Government	Coaching	1,150,000	1,180,000
Welsh Government	GB Facility Use	1,019,000	1,019,000
Welsh Government	Skills Active/Sports Leadership	60,000	60,000
Welsh Government	Sport Wales National Centre – Cardiff NRC	336,000	319,000
Welsh Government	Sport Wales National Centre – Cardiff Renewals	25,000	6,000
Welsh Government	Sport Wales National Centre – Cardiff Capital	130,000	238,000
Welsh Government	Sport Wales National Centre – Plas Menai NRC	351,000	296,000
Welsh Government	Sport Wales National Centre – Plas Menai Renewals	25,000	45,000
Welsh Government	Sport Wales National Centre – Plas Menai Capital	200,000	80,000
Lottery	Disability Sport	590,000	590,000
Lottery	Capital Grants	1,000,000	1,700,000
Lottery	National Coaching	950,000	950,000
Lottery	Lottery Growth	350,000	-
Welsh Government	Communities National	8,766,000	8,733,000
Lottery	Communities National	2,890,000	3,240,000
Lottery	Elite Athlete	900,000	1,100,000
Lottery	Elite Coaching	2,300,000	1,700,000
Lottery	Elite Programme	1,700,000	1,600,000
Lottery	Talent Development	300,000	300,000
Lottery	National Performance	1,200,000	1,200,000
Lottery	Elite Salary Recharges and Services	1,370,000	1,181,000
Lottery	Capital Equipment	70,000	60,000

Lottery	Elite and Performance Sport	7,840,000	7,141,000
Welsh Government	Corporate Running Costs	1,327,000	1,327,000
Welsh Government	Corporate Delivery Costs	919,000	733,000
Welsh Government	Corporate Communications and Research	1,334,000	1,558,000
Welsh Government	Sports Development Programme and Staffing	2,268,000	2,251,000
Welsh Government	Corporate Capital	15,000	27,000
Lottery	Corporate Running Costs	390,000	391,000
Lottery	Corporate Delivery Costs	452,000	431,000
Lottery	Corporate Communications and Research	349,000	349,000
Lottery	Sports Development Programme and Staffing	565,000	489,000
Welsh Government	Corporate and Sports Development	5,863,000	5,896,000
Lottery	Corporate and Sports Development	1,756,000	1,660,000
Total	Welsh Government Budget	23,531,000	24,167,000
Total	Lottery Budget	19,029,000	19,641,000
Total	Sport Wales Budget	42,580,000	43,808,000

Darren Millar AM
Chair of Public Accounts Committee
National Assembly for Wales
Tŷ Hywel
Cardiff Bay
Cardiff

7 October 2015

Dear Darren

Following our appearance at your Committee on 29 September, I am writing with the additional information that you have requested. The information is set out in the attached annex.

We would like to thank the Committee for your scrutiny and feedback and, in particular, your comments about the Commission's website. The Finance Committee, on 1 October, also raised similar issues about the website's accessibility and its ease of use. I am sure that the Commission will want to ask for priority to be given to reviewing the website and identifying improvements that can be made in the short and longer term.

The Commission's approach is always to try to operate with openness, transparency and clarity. So if there is anything else that we can provide you with to assist the Committee, please do not hesitate to let me know.

Yours sincerely



David Melding AM, Deputy Presiding Officer

cc Assembly Commissioners; Claire Clancy; Nicola Callow

ANNEX

Assembly Commission: Additional information following 29 September 2015 appearance at Public Accounts Committee

1. Provide the Committee with the Internal Audit Review of effectiveness of the Commission together with the corresponding action plan.

The report and action plan are attached.

The Committee also expressed an interest in the contribution of our Independent Advisers. This review of Commission effectiveness records that: "Commissioners unanimously value the contribution made by the Independent Advisers. They add an alternative and welcome perspective to discussions. Contributions may be brief but add value to the process, succinctly summarise the key issues and offer a further independent perspective." To provide additional information about the Independent Advisers, the following documents are also attached:

- Internal Audit's summary report on the Independent Advisers;
 - the 2012 recruitment pack, which includes details of the responsibilities and remuneration for these roles;
 - relevant extracts from the report to the Assembly Commission in October 2012 on the appointment of the Independent Advisers, which includes details of the recruitment process.
2. Provide details of the budgets assigned to Women in Public Life and Vote@16? National conversation areas of work.

Women in Public Life

The Presiding Officer's Women in Public Life campaign has engaged women from all age groups and backgrounds to raise awareness about the need for more women to apply for and take up public roles and appointments.

Increasing women's parliamentary representation is one element of the campaign and this year saw the establishment of the Women in Democracy Caucus. Chaired by the Presiding Officer and made up of a cross-party group of Assembly Members, the Caucus set out to find and share best practice from other parliaments around the world on how to increase women's parliamentary representation. In March 2015, the Caucus published its report with ten recommendations outlining actions

to tackle some of the barriers that women face in terms of entering public office.

Three out of the fourteen mentees, who received training as part of Women in Public Life Development Scheme, have successfully applied for positions in public life and another two are standing for elections, one for the Assembly election in 2016 and one for town council elections.

#POWiPL events have been held on the Assembly estate, including one to mark International Women's Day 2015, when the Senedd was lit up in purple lights as part of the global #PaintitPurple campaign to raise awareness of issues still surrounding gender equality. We also held a #POWiPL event in Wrexham as part of the #SeneddWrexham week of events in March.

Lectures and talks have also been given by Julia Gillard, Janet Street-Porter, Shami Chakrabarti and Baroness Greenfield.

The total expenditure per year and by type of expenditure, to September 2015, on the #POWiPL area of work is shown in the tables below:-

Financial year	£
2011-12	£ 1,815.70
2012-13	£ 6,314.68
2013-14	£ 37,390.49
2014-15	£ 55,484.35
2015-16	£ 16,755.13
	<u>£ 117,760.35</u>

Expenditure	£
Promotional Items	£ 11,580.40
Events & Visits	£ 35,265.39
Chwarae Teg	£ 40,000.00
Portal Costs	£ 30,914.56
	<u>£ 117,760.35</u>

Staffing costs associated with the project are in addition to these costs and are part of the larger Commission and Member Support Service (CAMS) area budget.

Part of the expenditure relates to a contract with Chwarae Teg for the development and ongoing support for a web portal site, over two years from February 2014. This was the £40k referred to at the PAC session; the total value of the contract is £50k. This was procured in line with the Assembly Commission's procurement guidelines and within the delegated authority of budget managers. It was also scrutinised by the Investment and Resourcing Board in September 2013.

An additional £31k of Portal hosting and development costs have been paid to the National Federation of Women's Institutes and Women Making a Difference.

Vote@16?

One of the major strands of youth engagement work has been the Vote@16? national conversation.

This six month campaign, which has taken place against the backdrop of wider UK constitutional changes, asked 11 to 25-year-olds in Wales for their views about lowering the voting age to 16. We have had a tremendous response, with over 10,000 young people taking part in the consultation through a range of methods, including the dedicated young people's website, www.yourassembly.org; at youth group meetings attended by the Education and Outreach teams; and by using specially created information packs to allow young people to hold the debate themselves. Work has also been undertaken with Assembly Members to gather the views of young people via video and photo evidence.

The 'Vote@16?' campaign focussed on getting young people to complete an online survey or a hard copy survey about lowering the vote age and voting in general. The cost of this exercise was minimal.

The bus was taken out on three occasions specifically to promote 'Vote@16?', get video and photo content for the campaign and get copies completed of the hard copy survey. The bus went to Tasker Milward School, Dwr-y-Felin School and on another occasion went to two locations in one day (Monmouth Town Centre and a Youth Club in Abergavenny). The costs of taking the bus to these locations was minimal and covered from existing 2015-16 promotion budget.

There was one additional cost for Facebook advertising of approximately £1,900.00.

3. Agreed to send a note on the actual income performance versus anticipated income performance of the Pierhead Building.

Originally, the Pierhead was leased to provide accommodation for a range of functions that included the Pierhead visitor centre, Assembly shop, an education suite for curriculum related education programmes, meeting rooms and accommodation for the Auditor General.

A report from National Audit Office (NAO) in 2000 recommended purchase of the lease, in order to minimise the on-going cost of rental payments. In April 2002, a business case was presented to the House Committee at which point Members endorsed the recommendation to purchase the building.

The Pierhead building was not originally purchased as an income generating asset and, therefore, no income has been anticipated during the budget setting process. As an asset this iconic building plays a key part in supporting the Commission's strategic goal to engage with the people of Wales and Promote Wales. Since 2006 the building has received 1,304,063 visitors.

Currently the building is used by the Wales Governance Centre, Wales's foremost constitutional research unit, to work in partnership with the National Assembly. This partnership provides the Assembly with access to quality, relevant research enabling the legislature of Wales to continue to develop strong law making and scrutiny systems that will result in laws that are responsive to the needs of the people of Wales. No charge is made for the WGC's use of the building.

The building also provides a highly valued event space and we have invested in audio visual equipment and staging to support delivery of world class events. In the last financial year, a total of 123 events were hosted and, in the first six months of this financial year already, 70 events have been held.

Events held include the Wales Governance Centre 'Westminster in Cardiff Bay' lecture series, together with a highly successful series of events supporting the PO's Women in Public life campaign. In addition, the Futures Gallery has been used to host a programme of exhibitions that has included showcasing students work from the Welsh Academy of Arts. Complementing these events has been a number of in-conversation events with Guto Harri in conversation with Lord Wigley and with Lord Kinnock. Additionally the venue has been used to host the Tidy Wales Awards and Welsh Volunteer of the Year Awards. We do not make a charge for such events.

We believe this range of activity represents very good value for money in return for the annual costs of the Pierhead, which are around £175k per annum.

Additional items

CETV Analysis of Change

With regard to the question on pension benefits, it might be helpful for the Committee to know that where a salary increase occurs during the year, the impact this has on the pension benefits is always greater where

an individual has a number of years of previous service. This is because the Civil Service Pension Scheme is, up to 31 March 2015, a final salary scheme. The purpose of the pension benefit table is to show the impact that pay changes within the year has on an employee's pension entitlement in the Civil Service Scheme.

As the Scheme is unfunded there is no direct cost to the Assembly. The cost, like all benefits from the Civil Service Pension Scheme, is ultimately met by the tax payer through general taxation.

Addressing HM Treasury's Streamlining requirements

We are proud of our work in the Assembly and our Annual report outlines our progress in delivering the Commission's priorities. The annual report, together with the annual budget documents and reports on corporate performance measures, showcases our achievements.

We welcome HMT's initiative to streamline Annual reports and accounts, but it is critical for the Commission to balance streamlining with transparency.

As you already know, HMT proposed high level recommendations in early 2014 that would see a restructuring of the traditional 'front-half' annual report and 'back-half' financial statements into three more integrated reporting requirements based on:

- Performance – “telling the story”
- Accountability; and
- Financial statements

We are already working with WAO to identify options for change as part of our preparation for the 2015-16 Annual Report and Accounts.

The proposed new format of the accounts, which will be in line with the HMT Streamlining initiative and the 2015-16 Financial Reporting Manual, will be presented to the November 2015 Audit and Risk assurance Committee (ACARAC).

Report to the National Assembly for Wales Commission

Review of the Commission's Effectiveness

Background and scope

1. The Corporate Governance Principles adopted by the Assembly Commission require it to make arrangements to “evaluate its effectiveness from time to time”. I have completed this review in compliance with this principle.
2. This is the second review since the adoption of the Corporate Governance Principles in 2011, following on from the initial review reported to the Commission in January 2013.
3. The evidence leading to this report was obtained from discussions with:
 - The five Commissioners;
 - The Commission's Independent Advisers (Mair Barnes and Helena Feltham);
 - The Chief Executive and Clerk; and
 - The Principal Commission Secretary.
4. Additionally, I reviewed minutes and papers from Commission meetings, recent press coverage and requests for disclosure of information under the Freedom of Information Act 2000.
5. I am grateful to all those who assisted me with the review.

Summary

6. My overall finding is that the Commission has continued to make progress since the first review. In particular, Commissioners have displayed effective oversight of significant projects such as ICT Futures and developed a sharper strategic focus including the development of a suite of Key Performance Indicators.
7. I have raised a number of recommendations in this report, which are aimed at supporting the Commission in its on-going development as a high performing and effective 'governing board'.

Key findings

8. This section of the report summarises the main conclusions from the review brigaded under five self-explanatory headings.

Commission meetings and administrative arrangements

9. In respect of meetings and administrative arrangements, my review found as follows:
 - Commissioners were generally content with the present meeting arrangements. Papers and information are received in enough time and are of the right level of detail;
 - Agendas are realistic and meetings generally run to time. However, there were mixed views on the inclusion of 'any other business' on agendas. The item can be viewed as a useful item to enable Commissioners to raise new concerns but at the same time a distraction and a potential loss of focus from the main business of the meeting;
 - The Commissioners value the service they receive from the Principal Commission Secretary and the support that she provides to the meetings. The Principal Commission Secretary is due to commence a period of maternity leave in the coming months and it will be important that the Commission maintains the same level of quality of service during that period;
 - Commissioners unanimously value the contribution made by the Independent Advisers. They add an alternative and welcome perspective to discussions. Contributions may be brief but add

value to the process, succinctly summarise the key issues and offer a further independent perspective;

- Interviewees were complimentary about the Presiding Officer's inclusive style and her business-like approach to chairing Commission meetings. She has also set out a clear role for the Deputy Presiding Officer and his presence at Commission meetings continues to be valued; and
- Commissioners consider that senior managers have made valued contributions to Commission meetings and presented information in a meaningful and understandable way. The main example cited being the regular progress reports presented in respect of the ICT Futures Project.

Working corporately

10. The Commission is a corporate body and the Commissioners are the 'governing board' for the organisation. As such, they are required to act corporately in the interest of the Assembly as a whole rather than simply being representatives of party groups. In this regard:

- All Commissioners feel they are able to take a corporate view back to party groups which they are able to defend. Consequently, there are few Commission questions tabled by Members and more clarity about the decisions which the Commission take; and
- Commissioners have developed a strong command of their respective portfolios, taking the lead in discussions of their areas of responsibilities and forging effective working relationships with the Commission staff that have responsibility for these areas.

Strategy

11. One of the key roles of the Commission is to agree the organisation's strategy and monitor the achievement of its key aims and objectives. In this regard:

- Specific meetings are set aside for Commissioners to consider strategic thinking. Indeed, during April 2014, the Commission had a half day strategy meeting without a 'structured' agenda and only attended by the Commissioners, the Chief Executive and Clerk and facilitated by two Independent Advisers. The Commissioners spent considerable time in refreshing and renewing the Commission's

Strategy and setting out the Commission's vision over the final two years of the Fourth Assembly; and

- The Commission has played an active role in the development of key performance indicators to support their strategic vision. Commissioners have provided ownership and oversight of this process.

Communications

12. In respect of communications, my review found as follows:

- Interviewees noted that Communications between the Commission and Assembly Members continue to demonstrate a marked improvement from the experiences of the Third Assembly;
- Communication between the Commissioners, the Chief Executive and other senior staff is strong. Interviewees cited the successful implementation of significant projects and finalisation of the Commission's Budget as evidence of the effective relationship which has been established;
- Interviewees commented that there was little interaction with Commission staff below the most senior grades, as the running of the organisation has been delegated to the Chief Executive and her Management Board;
- However, my review did identify one occasion when staff were commended directly by a Commissioner in the Siambr at the time the Commission's budget was being debated and approved. This served as a powerful means of communication and connection with the wider body of staff and a link to the video of this was posted to the staff intranet;
- There continue to be some frustrations and disconnect in communications between the Commission and the Remuneration Board;
- Interviewees expressed frustration at local media's negative coverage of the Assembly and their lack of engagement with good news stories such as the recent launch of Machine Translation; and
- Commissioners continue to recognise their importance as leaders of the organisation. The increased high profile of the Presiding Officer and her outreach work is an important element of this work.

However, some Commissioners still believe that more can be done to be proactive and raise awareness of the Assembly.

Continuous Improvement and Forward Looking

13. The Commissioners are responsible for their own performance, effectiveness and self improvement. Moreover, as part of their wider strategic outlook and responsibilities, they also need to be forward looking and consider the challenges which will face the new Commission, after the next Assembly election. In this regard:

- The Commission fully engaged with the first review of its effectiveness, reported in 2013. However, in the intervening time it has not established a plan of action to reflect how it has implemented or made progress in respect of the original recommendations from the first review;
- The Commission receives significant benefit from the expertise and experience of its Independent Advisers which contributes significantly to its development and effectiveness as a ‘governing board’; and
- The Commission has started the process of planning for the Fifth Assembly and looked at developing a legacy statement to help inform and add value to the incoming Commission following the May 2016 election.

Recommendations

14. The following recommendations are intended to address the main findings of this review. It remains for the Commission to decide if these recommendations are accepted.

- (i) Should the Commission wish to accept the recommendations from this review then, an action plan should be established to outline how they will be addressed. Actions should be monitored and progress should be tracked. This action plan will then inform future follow up reviews.
- (ii) A check should be undertaken on the range of activities the Principal Commission Secretary undertakes in advance of her temporary departure to ensure that the quality and level of service she provides is maintained by her temporary replacement during her period of absence.

- (iii) Commissioners should maintain their involvement in the key performance indicator process. They should challenge management on the results of indicators and regularly monitor and refresh the suite of indicators. This will ensure that relevant and meaningful performance management information continues to be captured.
- (iv) Time should be taken to reflect on the usefulness of the April 2014 strategy meeting and lessons learnt from the experience of this less structured meeting approach. Exploring whether other opportunities to meet as a group outside of structured meetings could enhance the Commission's effectiveness as the 'governing board'.
- (v) Efforts should be made to identify and eliminate disconnects between Commissioners and the independent Remuneration Board. Commissioners should also take advantage of opportunities to constructively engage with the Remuneration Board as and when they arise.
- (vi) Commissioners should build on their already effective working relations with senior staff by considering raising their profile and engaging with the wider community of Commission staff. This could include, for example:
 - Recording video introductions for inclusion in induction for new starters to help explain who they are and the role they play in running the Assembly Commission;
 - Messages from Commissioners at Christmas and end of term, thanking staff for their work; and
 - Addressing all staff meetings on a periodic basis.
- (vii) The Commission should consider how it might be more proactive with the media (particularly local press) with a view to minimising the likelihood of negative stories and hence the need for defensive briefing.
- (viii) The Commission should also look at utilising social media to share its messages and widen its outreach activities.
- (ix) To support continuous improvement and complement the expert advice at its disposal from Independent Advisers, the Commission should consider the establishment of a programme of training and development. This could include areas such as

governance and financial oversight for Commissioners to ensure their knowledge is up to date.

- (x) The Commission should maintain its strategic focus in the coming year and develop a clear vision and detail of the legacy it wishes to leave for the incoming Commission of the Fifth Assembly.

15. Finally, I recommend that I review progress made against these recommendations in one year's time, with a further substantive review to be undertaken prior to the dissolution of the Fourth Assembly in spring 2016.

Gareth Watts
Head of Internal Audit
May 2014

Report to the National Assembly for Wales Commission

Review of the Commission's Effectiveness Follow up Report

Background and scope

1. The Corporate Governance Principles adopted by the Assembly Commission require it to make arrangements to "evaluate its effectiveness from time to time".
2. I completed the second full review of the Assembly Commission's Effectiveness in May 2014.
3. This report outlines the progress made by the Commission in addressing the recommendations raised in the May 2014 Report.
4. I am grateful to Sulafa Thomas, the Head of Commission Secretariat, for her assistance in providing me with the information required to complete this report.

Summary

5. The Commission has used an Action Plan to ensure that the recommendations, from the May 2014 Review, have been captured and addressed over the last twelve months.
6. I have used the Action Plan as the primary source of reference in undertaking the follow up review and where appropriate cross referred to relevant Commission meeting papers to validate the action taken.
7. The Commission has responded positively in addressing the recommendations raised in the May 2014 Report.
8. Progress has been made across all areas.
9. The Commission continues to act as a high-performing 'governing board' with a sharp focus on ensuring its commitment to continuous improvement.

10. This commitment to continuous improvement will benefit the incoming Commission, post the May 2016 National Assembly for Wales Election.

Key findings

11. The Commission continues to maintain strong stewardship over performance issues as demonstrated by its oversight of the Key Performance Indicator Report process.
12. There is also evidence of improved lines of communication with key stakeholders such as the Remuneration Board and the Assembly Commission staff over the past year.
13. The Commission has established and planned a clear programme of work over the remaining lifetime of the Fourth Assembly and remains focussed on producing a Legacy Report that can be utilised for the incoming Assembly Commission at the start of the Fifth Assembly.

Future Actions

14. A further review of the Commission's effectiveness will take place in early 2016, prior to the dissolution of the Fourth Assembly.

Gareth Watts
Head of Internal Audit
June 2015

Action Plan

The recommendations contained in the May 2014 report were accepted by the Commission. The Commission established an action plan to outline how the recommendations will be addressed, and to enable progress to be tracked.

I have assessed the progress made against the actions and this is recorded in the third column of the table below.

Recommendation	Agreed Commission Action	Assessment of Progress against Actions
1 - A check should be undertaken on the range of activities the Principal Commission Secretary undertakes in advance of her temporary departure to ensure that the quality and level of service she provides is maintained by her temporary replacement during her period of absence.	New role description prepared in readiness for arranging cover.	Discussion with Sulafa Thomas confirmed that a handover took place between June and August 2014. The effectiveness of this well managed transition is borne out by the on-going high level of secretariat service the Commission has continued to enjoy since September 2014.
2 - Commissioners should maintain their involvement in the key performance indicator process. They should challenge management on the results of indicators and regularly monitor and refresh the suite of indicators. This will ensure that relevant and meaningful performance management information continues to be captured.	Performance themed meeting of the Commission to be scheduled termly, based on the timing of the KPI report. KPIs have been refreshed.	During the year the Commission has had specific meetings set aside to discuss performance in September 2014, January 2015 and May 2015 with a further meeting scheduled for July 2015. The agreed minutes of the meetings completed to date, demonstrate the Commission's on-going challenge to management on the results of the Key Performance Indicators, Commissioner's views on the effectiveness of how they are presented and the need to enhance and refresh the indicators in certain areas.

3 - Time should be taken to reflect on the usefulness of the April 2014 strategy meeting and lessons learnt from the experience of this less structured meeting approach. Exploring whether other opportunities to meet as a group outside of structured meetings could enhance the Commission's effectiveness as the 'governing board'.

Commissioners said they valued the experience.

A second 'away day' has been agreed.

My discussions with Sulafa Thomas reveal that the Commission remain committed to utilising opportunities to increase its effectiveness and cohesiveness as a 'governing board' outside of the structured meeting environment.

During the period:

- Commission members visited Canada and Brussels in Autumn 2014;
- A planned away day was cancelled (due to unforeseen circumstance) but Commissioners continue to get together as a group outside of structured meetings;
- A visit to Bosnia-Herzegovina took place in April 2015; and
- A visit to Patagonia is planned for autumn 2015.

4 - Efforts should be made to identify and eliminate disconnects between Commissioners and the independent Remuneration Board. Commissioners should also take advantage of opportunities to constructively engage with the Remuneration Board as and when they arise.

Increase the Commission lead on communication between the two bodies.

Remuneration Board members attended a Commission meeting on 3 November 2014, and constructive discussions took place. The two boards agreed to meet again at an appropriate time.

Interaction also continues through correspondence. The Commission and the Remuneration Board could consider taking advantage of the potential window of opportunity presented by the appointment of a new Remuneration Board and new Assembly Commission over the next twelve months. Once both new boards are fully established there is the potential for early engagement and to cultivate a constructive working

		relationship, within the framework of their respective roles, on issues of mutual interest for both Boards.
<p>5 - Commissioners should build on their already effective working relations with senior staff by considering raising their profile and engaging with the wider community of Commission staff. This could include, for example:</p> <ul style="list-style-type: none"> • Recording video introductions for inclusion in induction for new starters to help explain who they are and the role they play in running the Assembly Commission; • Messages from Commissioners at Christmas and end of term, thanking staff for their work; and • Addressing all staff meetings on a periodic basis. 	<p>Update corporate induction</p> <p>Consider mechanisms to increase interaction with, and feedback to, staff.</p>	<p>A new approach to corporate induction was agreed by Management Board in August 2014.</p> <p>The Presiding Officer and Commissioners have attended all staff meetings and brunches. They are also active supporters of staff support networks such as OUT-NAW and Inspire.</p> <p>Feedback on specific aspects of the Highlight report is included in the Note to members and staff following consideration at a Commission meeting (in response to a suggestion to make it a more rounded tool).</p>
<p>6 - The Commission should consider how it might be more proactive with the media (particularly local press) with a view to minimising the likelihood of negative stories and hence the need for defensive briefing.</p>	<p>Aim to target specific audiences with appropriate materials.</p> <p>Make use of social media (Reference point 7 below).</p> <p>Consider including appropriate training or coaching in a programme of training and development</p>	<p>The Commission has built communications into the process earlier to enable a pro-active approach to both communications opportunities and potential hazards. Advice is routinely sought from the Presiding Officer's Media Manager, with meetings taking place regularly, focussed on each Commission meeting.</p>

(Reference point 8 below).		
7 - The Commission should also look at utilising social media to share its messages and widen its outreach activities.	Review the social media policy.	<p>A review of the social media policy took place during the summer of 2014. Considered by Commission in September 2014.</p> <p>Commissioners displayed a keen interest in this important area and discussed the impact of social media as part of a spectrum of engagement activity, not something to be taken in isolation. They identified that Assembly tweets are most valuable when they link to Senedd.tv and other useful sites.</p>
8 - To support continuous improvement and complement the expert advice at its disposal from Independent Advisers, the Commission should consider the establishment of a programme of training and development. This could include areas such as governance and financial oversight for Commissioners to ensure their knowledge is up to date.	Consider the establishment of a Continuous Professional Development (CPD) programme for future Commissioners.	<p>Commissioners are able to take advantage of the existing CPD programme.</p> <p>The CPD team are actively investigating details of CPD for new Commissioners in the Fifth Assembly, at the request of the current Commission members.</p>
9 - The Commission should maintain its strategic focus in the coming year and develop a clear vision and detail of the legacy it wishes to leave for the incoming Commission of the Fifth Assembly.	<p>Forward work programme details the approach to activity for the year ahead.</p> <p>(Also reference Point 3 above)</p>	<p>The detail of plans for future work is in the rolling forward work programme.</p> <p>The Commission plans to produce a legacy report before the end of the Fourth Assembly.</p>

Summary report on Independent Advisers

Background

1. Under the Government of Wales Act, the National Assembly for Wales Commission (the Commission) is a corporate body to provide property, staff and services required for the Assembly's purposes. The Commissioners are also charged with the governance of the organisation and are accountable to the Assembly. The Commission comprises the Presiding Officer and four Assembly Members nominated by their parties.
2. The Commission has adopted a set of governance principles and supporting provisions to guide the work of the Commission and its staff.
3. In order to ensure that Commissioners and senior officials can draw upon a wide range of experience to assist them in the discharge of the Commission's functions, the Commission has appointed Independent Advisers to act in an independent non-executive capacity.
4. The Commission expects Independent Advisers to offer constructive challenge across all the Commission's business with a view to ensuring that all aspects of strategy and delivery are scrutinised for effectiveness and efficiency. They contribute to the monitoring of the performance and progress of the organisation, including the use of human and financial resources, and maintain a critical overview of the organisation's financial controls and procedures.
5. As part of their due diligence, the Audit and Risk Assurance Committee (ACARAC) conducts regular and thorough anonymous effectiveness reviews with the WAO, involving all key stakeholders. The outcome in 2014 was very positive. The review will be repeated later in 2015.

Key Areas of Involvement with the Assembly Commission

Keith Baldwin

- Member of the Audit and Risk Assurance Committee (ACARAC) – attended 12/14 meetings since his appointment
- Member of the Remuneration Committee – attended 2/3 meetings since his appointment
- Attended 2 Management Board Meetings (February 2013 and February 2014) to offer challenge at discussions on the Governance Statement
- Involved in the recruitment of the Head of Internal Audit (May 2013)
- Mentors Head of Internal Audit (February 2014 onwards)
- Offers challenge to the Director of Finance – on new finance system from April 2015

Helena Feltham

- Chair of the Assembly Commission's Remuneration Committee (attended 3/3 meetings since appointment)
- Attendee at Assembly Commission meetings (attended 9 meetings since appointment)
- Involved in the recruitment of the Head of Human Resources (January 2014)
- Involved in the recruitment of members to the new Remuneration Board (June and July 2015)

Eric Gregory

- Chair of ACARAC (since November 2013; member since November 2012) – attended 14/14 meeting since his appointment to ACARAC
- Member of the Remuneration Committee
- Attended three Assembly Commission meetings since his appointment

- Attended Investment and Resourcing Board to offer challenge on moving to Phase 2 of the HR-Payroll Project
- Involved in the appointment of the Head of ICT Infrastructure
- Advised on the ICT Transformation, the corporate performance report, and change portfolio management
- Organised a presentation by a senior Cabinet Office official on Successful Change Programmes

Overall Summary

6. I consider the Commission's approach to the appointment and use of Independent Advisers to represent good value for money. The Advisers receive very modest remuneration of £5,000 for 10-15 days' work a year, with additional payments to recognise additional responsibilities (e.g. extra £2,000 for the role of ACARAC Chair). There is sufficient evidence to suggest that these Advisers go beyond the expectations of their contracts in terms of time commitments and are available for Commission staff to contact via phone and email at most times. The way in which they are appointed clearly demonstrates efficiency as they have an on-going relationship with the Commission over a reasonable amount of time rather than the Commission having to undertake regular recruitment, selection or procurement of Advisers.
7. Their effectiveness is borne out by the comments of stakeholders, including that the Advisers:
 - provide robust challenge to business decisions and take a keen and valued interest in all areas of assurance and risk management;
 - bring skills and experience from their professional careers, including in managing complex projects at a national level;
 - demonstrate diligence and commitment to the role, always contributing and making substantive comments;
 - are supportive of staff, offering their own perspective and stimulating discussion and further thinking;
 - act as strong and authoritative Chairs for ACARAC and the Remuneration Committee.
8. Their on-going involvement allows them to build up their understanding of the organisation, thus increasing their effectiveness. All three of the Advisers reviewed have made an impact at the

Assembly Commission and without exceptions have shown their commitment to their roles. Based upon the evidence gathered they are all undertaking their duties in line with the Commission's expectations of Independent Advisers.

9. The Assembly Commission is shortly to undergo a significant amount of change in its leadership. Over the next year, the Commission will recruit a new Chief Executive and Clerk and 2016 will mark the appointment of new Commissioners, a new Presiding Officer and potentially a new Deputy Presiding Officer.
10. The Independent Advisers continue to represent a rich source of advice and guidance on which the Commission can draw. At this crucial point in the Commission's development, the continuity and knowledge, which these three Independent Advisers may bring in the future, may be of significant value to the Commission.
11. However, the importance of continuity should also be set against the Assembly Commission's on-going commitment to excellence in all that it does and the potential expertise that new Advisers with different backgrounds and experiences could also contribute in the years that lie immediately ahead.

Gareth Watts

Head of Internal Audit

July 2015

N.B. Following this review, contracts for three independent Advisers were renewed for a further three years, in line with the original terms of appointment.



Independent Advisors

National Assembly for Wales Commission

Time Commitment: 15 days per annum
Duration: 3 years
Location: Cardiff
Remuneration: £5,000 per annum
Closing date: Monday 3 September

Two opportunities are available to become Independent Advisors to the National Assembly for Wales Commission. Both the successful candidates will also become members of the Assembly Commission's Audit Committee.

Background:

The National Assembly for Wales (the Assembly) is the democratically elected body that represents the interests of Wales and its people, makes laws for Wales and holds the Welsh Government to account.

The National Assembly for Wales Commission ("the Commission") was created by the Government of Wales Act 2006 and came into existence after the May 2007 Assembly elections. Its principal statutory function is to provide the National Assembly for Wales with the staff, property and services required to carry out its role effectively and efficiently.

There are five Commissioners – the Presiding Officer (as chair) and four other Assembly Members, one from each of the main political parties. The Commission employs around 350 staff serving the Assembly, headed by the Chief Executive and Clerk who is also the Principal Accounting Officer. The Commission has a total annual budget approaching £50 million. The Commission has four independent advisors, two of whom are due to stand down in the autumn of 2012. The other two existing independent advisers (Mair Barnes and Richard Calvert) will be replaced in the autumn of 2013.

Roles and Responsibilities of Independent Advisors

The Commission is seeking to appoint two independent advisors to act in a non-executive capacity advising the Commissioners and senior management on the Commission's business. This includes:

- the efficient and effective running of operations and services;
- innovative use of information technology and other resources;
- corporate governance and risk management.

The advisors appointed from this exercise will be members of the Commission's Audit Committee. The Committee acts in an advisory capacity and has no executive powers. The role of the Committee is to provide advice and support to the Commission and to the Chief Executive in respect of her Accounting Officer responsibilities.

These responsibilities include a requirement to ensure that public money is spent in a regular and proper manner and that value for money is secured in the use of resources. The Audit Committee advises on corporate governance arrangements and internal controls, including ensuring that risks are properly identified and managed. The Committee meets four or five times a year.

In addition to being members of the Audit Committee, the advisors would be asked to contribute in ways that make the most of their experience and capabilities. This could include:

- attending Commission meetings (including private meetings of Commissioners);
- acting as a sounding board and providing advice to the Presiding Officer, Commissioners or the senior management of the Commission;
- contribute to the review of improvement of performance internally;
- assist with particular areas where the independent adviser might have particular expertise or experience.

Person Specification

Candidates should provide evidence that they have the relevant experience to fulfill the role and responsibilities of the post.

The successful candidates will be expected to contribute to the development of the Commission's work and strategic planning. We are therefore looking for candidates who have experience of one or more of the following:

- strategic and board level leadership in a service delivery organisation;
- enabling transformation that is customer led and innovative;
- corporate governance, financial management and risk management;
- driving up standards of performance in an organisation;
- acting in a non-executive capacity.

Successful candidates will be able to provide evidence of:

- the ability to contribute positively to an organisation in a non-executive capacity;
- the ability to maintain a strategic vision and focus;
- the personality and presence needed to command respect and have influence with the Commissioners and Assembly Members;
- an awareness of public service delivery and the ability to operate in a political environment.

Terms of the Appointment

Remuneration

£5,000 per annum (non pensionable). Commitment is expected to be around 15 days per annum.

Duration

Each appointment will be for a 3 year term, renewable for another 3 year term subject to satisfactory performance evaluation.

Location:

Meetings are held in the Assembly Offices in Cardiff Bay.

Political and Outside Activities:

To minimise the risk of conflicts of interest, certain persons will not be considered for appointment. These are:

- Assembly Members or candidates to be Assembly Members;
- Elected members of other UK parliamentary bodies;
- Members of staff of the Assembly Commission or the Welsh Government and persons employed by Assembly Members or a group of Assembly Members;
- Members of the National Assembly for Wales Remuneration Board;
- The Counsel General (where such person is not an Assembly Member);
- The Auditor General for Wales;
- The National Assembly for Wales Commissioner for Standards;
- A person holding the appointment of Non-Executive Director of the Welsh Government.

Selection Process

The Chief Executive and Clerk of the Assembly will make arrangements for selecting candidates for appointment. In doing so she will have due regard to the principle that there should be equality of opportunity for all people.

The appointment panel will sift applications against the criteria set out in the person specification. The panel will agree a shortlist of candidates and those applicants will be invited to appear before a selection panel in late September 2012. Successful candidates will then be invited to meet with the Presiding Officer and Commissioners in October 2012 so that they can make a final selection.

It is hoped to make the appointment in early November, with the successful candidate taking up appointment straight away.

Application Process:

- Submission of an application form, CV and Equal Opportunities Monitoring Form to WIG. A NED application/Equal Opportunities form can be downloaded by clicking here: www.wig.co.uk/naw
- Welsh Assembly Commission operate under the Positive about Disabled People Scheme and welcome applications from people with disabilities. This scheme guarantees an interview to people with disabilities if they meet the essential requirements for the position. Should this apply to you, a Guaranteed Interview Scheme Declaration form can be downloaded here: www.wig.co.uk/naw
- Compilation of a short-list after the closing date from applications received;
- An interview for shortlisted candidates, with a view to the successful candidate taking up the post in November 2012.

If you have any questions about this opportunity, please contact Kathryn Brown at WIG on 020 7222 1166 or e-mail nonexecutive@wig.co.uk

Equalities Statement

The National Assembly for Wales particularly welcome and encourage applications from under-represented groups, including people from minority ethnic groups and disabled people.

We are an equal opportunities employer - This means that everybody should have the same opportunities for employment and promotion, based on their ability, qualifications and suitability for the job. Nobody should receive less favourable treatment because of their race, sex, sexuality, age, marital status, disability, religion, HIV status, family or domestic responsibilities, and working patterns, for example, part time. Nor should anybody be disadvantaged because of conditions or requirements, which cannot be shown to be justified.



To: Commissioners
From: Claire Clancy
Date: 10 October 2012

Appointment of Independent Advisors to the Commission

(N.B. personal information about candidates who were not appointed has been removed from this version of the paper)

Recommendation

- 1. Commissioners are invited to agree the appointment of new independent advisors following the recent recruitment process.**

Background

- 2.** In my note to you of 14 May, I explained that two of the Commission's Independent Advisors will step down in November this year. They are members of the Commission's Audit Committee so must be replaced by individuals with relevant governance experience. Originally, the intention was to appoint just these two independent Advisors. However, as we had a strong field of applicants, and to save the time, effort and cost of having to repeat the appointment process when our other two advisors stand down next year, we are recommending that we make four new appointments now. We will phase the introduction of the new advisors over the next year to ensure a smooth transition; the cost of the additional two advisors will be lower than repeating the recruitment campaign next year.
- 3.** A description of the appointment process is at Annex One for your information.

4. We propose making offers to the candidates. If you would prefer to meet them yourselves before the appointments are offered, please let me know and we will make arrangements for that. Otherwise, we will arrange for you to meet with them at a convenient date after they have been offered the appointment – the Presiding Officer has asked us to invite them to lunch with you.

Candidates recommended for appointment

5. The selection panel considered all of the evidence offered by the candidates and recommend that the following candidates should be offered the role of Independent Advisor. The panel recommended that the remaining candidates should not be offered a post - these candidates are shown in Annex Two (N.B. not included in this version of the paper).

Candidate	Notes
<p>Helena Feltham</p> <p>HR Director, Jack Wills Ltd.</p>	<ul style="list-style-type: none"> • Has held three executive board roles in the retail sector. • Currently HR Director for Jack Wills Ltd. – played a major strategic role in driving major growth. • Partner at Odgers Ray and Bernedtsen – executive search • HR Director for Woolworth’s South Africa 2003 – 2005. • HR Director for Marks & Spencer from 1990 – 2003. • Non-executive Director at Salisbury NHS Trust for 4 years from 1996 – helped to embed new structure and support Executive Team at time of radical change.
<p>Eric Gregory</p> <p>Portfolio of non-executive roles</p>	<ul style="list-style-type: none"> • Currently Non-executive Director with Home Office Identity & Passport Service and with Cabinet Office Electoral Registration Transformation Programme (ERTP). • Has just completed 3 years non-executive for Crown Prosecution Service and Chair of Change, Risk and Audit Committee, and member of Restructure (3-site) Board. • HR Director (and Board Member) for John Lewis Partnership from 2007 – 09. • Career with John Lewis since 1998, including as IT Director and Director of Computer Services. Earlier career in IT programming.

<p>Keith Baldwin</p> <p>Non-executive Board Member</p> <p>CVQO Ltd. and National Army Museum</p>	<ul style="list-style-type: none"> • 20 years as a Partner with PWC, most recently as Deputy Partner-in-Charge of Government Consulting. • Also led the Risk Management function of PWC's Advisory Business • Currently Non-executive of CVQO Ltd. (which helps young people obtain vocational qualifications) since 2010. • Non-executive member of National Army Museum since 2010. • Non-executive for Judicial Studies Board (within MOJ) from 2007 to 2011
<p>N.B One further candidate was selected but did not take up the role.</p>	

Recruitment process

The vacancy was advertised in the following locations:

The Whitehall and Industry Group
Western Mail
The Daily Post
The National Assembly for Wales Internet and Intranet site
Welsh Government Internet site
Welsh Government Central Database for Public Appointments

The selection panel was:

- Claire Clancy, Chief Executive and Clerk to the Assembly - Chair
- Adrian Crompton, Director of Assembly Business
- Mair Barnes, Independent Advisor to the National Assembly for Wales Commission

Short Listing

65 applications were received and the Whitehall and Industry Group, using the criteria in the Job and Person Specification, initially categorised candidates as A, B and C based on their relevant experience.

The selection panel conducted the final short list on 11 September 2012 and 11 candidates were invited to the selection process.

To enable candidates to get the most from the selection process, a range of information was provided prior to interview. This included

[Commission Strategy for the Fourth Assembly](#)
[Key issues for the Fourth Assembly](#)
[Assembly Commission Budget 2012-2013](#)
[Annual Report and Accounts for 2011-2012](#)
[Remuneration Board's Determination for Assembly Members](#)

The selection process was designed to identify people with a breadth of experience in business, industry and other sectors. The selection panel set out with the aim of appointing two advisors with a sound financial background and two who would offer broad business experience gained within blue chip or best practice organisations.

The selection process was conducted on 26 and 27 September with additional dates on 4 and 9 October to accommodate two candidates. The process involved informal

interviews with the panel. During these discussions candidates were asked a range of questions to enable them to demonstrate to panel members their suitability for the role.

Immediately prior to interview various stakeholders within the organisation met with candidates to provide them additional background information on the Assembly, the Assembly Commission and Audit Committee.

A review of all candidates was conducted by the selection panel. This included feedback from the stakeholders who had met with candidates prior to the review.

Sir Derek Jones KCB
Ysgrifennydd Parhaol
Permanent Secretary



Llywodraeth Cymru
Welsh Government

Darren Millar AM
Chair of the Public Accounts Committee
National Assembly for Wales
Cardiff Bay
CF99 1NA

Dear Darren,

22nd October 2015

Action points from the Public Accounts Committee Scrutiny of the Welsh Government Annual Accounts for 2014-15 on 06 October 2015

I hope that you and the Committee found the session on the 2014-15 Annual Accounts to be useful. I promised to write to the Committee on a number of points. These are set out below under the headings provided by the Clerk.

'Details of website traffic and number of hits the Welsh Government Consolidated Accounts receive on the web to give an indication of readership'

The web page containing the Welsh Government Consolidated Accounts for 2013-14 has been accessed on 882 separate occasions. A breakdown is provided below.

- Internal 359 (269)
- External 523 (280)

Internal refers to Welsh Government staff accessing the accounts via the Welsh Government intranet. The figures in brackets() illustrate the number of different individuals accessing the accounts information rather than the number of times the pages have been accessed.



In line with most other Government departments, the Welsh Government does not actively publicise the publication of the Annual Accounts. However, in the context of the streamlining and simplification agenda, there may well be an opportunity to feature the publication of the Accounts a little more prominently on our website next year to highlight the changes that have been made. On this theme, I have not forgotten Mike Hedges' suggestion of including links to the Accounts of funded bodies on our website. I will investigate this with my communications colleagues.

'Reasons why the amount of composting over the Welsh Government's estate has increased from 2013-14'

The increase in composting in 2014-15 (shown on Page 9 of the Accounts) is not the result of an increase in food waste, but an increase in composting resulting from the extension of food waste separation and collection facilities across the estate. During this period, more and improved bins which enabled staff to separate food waste from other rubbish were installed. Prior to this, cross-contamination had hindered our ability to compost food waste fully and effectively.

The Welsh Government remains committed to improving its waste management performance, and the increase in composting is a contributor to the overall reduction in the amount of waste we send to landfill year-on-year. Overall waste production from our estate decreased by approximately 83 tonnes between 2013-14 and 2014-15, and we will look to further improve the management of our waste through 2015-16 and beyond.

More broadly, the Welsh Government is continuing to implement a carbon management strategy for the whole of our administrative estate which includes a wide range of activities aimed at reducing our carbon footprint. This now includes evaluating the scope for incorporating renewable technology into our administrative buildings and infrastructure where appropriate. Current and planned projects include:

Existing Renewable Energy Sources:

- Biomass - Sarn Mynach, Llandudno Junction: Welsh Government has its own biomass heating system installed at its Sarn Mynach, Llandudno Junction offices. Our system burns wood pellets to provide heating and hot water to our Llandudno Junction building.
- Biomass – Rhodfa Padarn, Abersytwyth (Ceredigion County Council system – we import/purchase heat): At our Rhodfa Padarn, Aberystwyth offices we import/purchase heat from Ceredigion Council's district biomass system under the terms of a supply agreement.



- Solar Water Heating – Cathays Park; Merthyr Tydfil; Llandrindod Wells; Caernarfon; Picton Terrace and Hill House, Carmarthen; Plas Carew, Nantgarw; and Aberystwyth

Planned for 2015-16:

- Solar PV - Rhodfa Padarn Aberystwyth

Proposed for 2016-17:

- Solar PV - Cathays Park

‘Reasons why the NHS risk pool has not been itemised in the consolidated accounts for 2014-15 as it has been in previous years and explain why this information has not been reported in the accounts’

The NHS risk pool (£674m) represents the majority of the total provision (£707m) for the Welsh Government reported in the Annual Accounts. Consequently, following an initial review of how the Welsh Government could simplify and streamline the Annual Accounts and better align its content to the Whole of Government Accounts, a decision was taken to consolidate all provisions into a single total.

Velindre NHS Trust administers the risk pool on behalf of NHS Wales; Velindre's full Annual Accounts can be found on the National Assembly's website:

<http://www.assembly.wales/Laid%20Documents/AGR-LD10268/AGR-LD10268-e.pdf#search=velindre%20annual%20accounts>

Note 1.21 to the account on page 12 refers to the hosting of the Welsh Risk Pool. Note 26.3 on page 48 (3) provides details on the provision.

Further details of the NHS risk pool are included in the Annual Accounts of individual health boards.

‘Provide a full breakdown on non-cash items and AME and include the figures from 2013-14 for comparison’

A full breakdown of non cash and AME for 2014-15 and 2013-14 is provided below. Non cash and AME are distinguished as follows:

- Non cash represents elements of the budget that enable the organisation to account for items such as fair value adjustments, depreciation and provisions.



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- AME or Annually Managed Expenditure is a term used within Government budgets to describe expenditure in areas which are volatile or demand led and therefore outside the specific organisation's control. For example, student loans issued and repaid, asset impairments and pension valuations.

2014-15 Non Cash & AME

Main Expenditure Group	Non Cash			AME		
	Budget	Outturn	Variance	Budget	Outturn	Variance
	£m	£m	£m	£m	£m	£m
Health & Social Services	166.9	160.2	6.7	188.7	94.2	94.5
Local Government	0.2	-	0.2	66.8	21.8	45.0
Communities & Tackling Poverty	0.5	0.3	0.2	-72.6	-72.6	-
Economy, Science & Transport	155.0	152.7	2.3	66.9	57.3	9.6
Education & Skills	116.6	106.9	9.7	309.5	288.1	21.4
Natural Resources	9.7	9.7	-	2.9	-	2.9
Central Services & Administration	16.0	14.8	1.2	32.3	-0.8	33.1
TOTAL	464.9	444.6	20.3	594.5	388.0	206.5

2013-14 Non Cash & AME

Main Expenditure Group	Non Cash			AME		
	Budget	Outturn	Variance	Budget	Outturn	Variance
	£m	£m	£m	£m	£m	£m
Health & Social Services	168.1	147.6	20.5	159.3	120.8	38.5
Local Government	0.1	0.1	-	18.5	18.5	-
Economy, Science & Transport	128.5	116.2	12.3	47.4	17.7	29.7
Education & Skills	436.9	462.6	-25.6	241.8	221.3	20.5
Natural Resources & Food	8.8	8.7	0.1	3.6	-	3.6
Housing & Regeneration	-	-1.2	1.2	-73.0	-72.8	-0.2
Culture & Sport	3.7	3.6	0.1	2.7	-	2.7
Central Services & Administration	18.5	16.9	1.6	1.5	1.0	2.5
TOTAL	764.6	754.5	10.2	401.8	304.5	97.3



2014-15 Non Cash variances

Health and Social Services (£6.7m): the budget primarily funds the depreciation charges arising on the NHS estate. Forecasts are sensitive to fluctuations in capital schemes progression, valuations and timing of capital additions and disposals.

Economy, Science and Transport (£2.3m): this is related to a lower than anticipated level of capital maintenance expenditure on ancient monuments within Cadw.

Education and Skills (£9.7m): this budget covers the estimated annual charge for the write-off of student loans. The calculated charge is generated by a statistical model developed by the UK Department for Business, Innovation and Skills. The charge is applied to the value of the student loan book. The modelling is complex and takes many social and economic factors into account and as such is difficult to forecast accurately.

Central Services and Administration (£1.2m): this derives from depreciation charges associated with the Welsh Government estate. The estate is subject to an independent five yearly valuation and it is difficult to forecast the outcome.

2014-15 AME variances

Health and Social Services (£94.5m): the first element of the underspend is £74.2m on impairments in the value of NHS assets. Of this, £51.6m was as a result of a revised technical accounting treatment agreed with Wales Audit Office. The remaining £22.6m related partly to variations between interim and final District Valuer valuations, and partly to scheme timing for asset completions and disposals.

The second element is £19.8m covering movements on provisions. The Welsh Risk Pool provision movement was £9.6m. The budget is based upon the most likely trend analysis of claims in the pool during the year. Actual out-turn reflects variations in the valuation, timing or probability of individual claims within the pool. A further £10m arose in respect of potential new provisions anticipated relating to legal matters. As at 31 March 2015 it was established that provisions were not required in respect of these matters.

Local Government (£45m): on HM Treasury's advice, officials requested budget cover of £45 million as part of the second Supplementary Budget to cover an on-going legal case at UK Government level. However, this litigation case had not progressed sufficiently to warrant providing for a liability in the accounts.

Economy, Science and Transport (£9.6m): this arose as a result of provisions not being required in respect of potential loan guarantee arrangements and funding set aside for museum and library pension deficits not being required.



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Education and Skills (£21.4m): this mainly related to the student loans budgets which are demand-led and difficult to forecast. Loan issues and repayments in the year were less than anticipated.

Natural Resources (£2.9m): this relates to pension liabilities arising from the transfer of staff from the Environment Agency Wales to Natural Resources Wales on 1 April 2013. Whilst the cover has been included in the two years since the transfer it has not been required.

Central Services and Administration (£33.1m): the majority of this variance related to the inclusion in the Second Supplementary Budget for exchange rate losses on funding for future EU projects receivable in Euros. However, it was not possible to calculate a value due to the range of variables (future exchange rates, final claims to be received from projects etc.), the number of possible outcomes for each variable, and the unknown probability of the factors that affect these variables.

'How the Welsh Government addresses cash management and in particular the £86.8m underspend relating to health boards'

Cash Management

The Welsh Government has been a member of the HM Treasury Cash Management Scheme since it began at the start of the financial year 2001-02. The objectives of the scheme are to obtain reliable forecasts of departmental cashflow to inform the Debt Management Office's operational work of managing the Government's daily cash needs. A subsidiary objective of the scheme is to fund departments through the Supply system in response to departments' forecasts of their monthly Supply need.

The Welsh Government's central finance team is responsible for providing monthly cash management forecasts to HM Treasury. Working closely with Welsh Government departments, the central finance team provides a monthly forecast figure for Welsh Government and also a daily BACS spend forecast. The daily BACS figure is reviewed and can be amended 7 days prior to the date the BACS file is paid. The monthly forecast cannot be amended once submitted.

Within the Cash Management Scheme there are 22 large Government departments including the Welsh Government. A target variance ($\pm 5\%$) is set by HM Treasury and departments are rewarded or penalised depending on how well they perform against each of these. The charges and rebates are calculated on monthly net cashflow, monthly and daily BACS forecasts and daily Clearing House Automated Payment System (CHAPS) forecasts. Treasury provide monthly feedback on performance and maintain monthly league tables for both monthly forecasting and BACS forecasting.



A summary of Welsh Government's performance in the HM Treasury League Tables since 2012 is provided below.

Year	Monthly Forecast		BACS Forecast		Rebate
	League Table	Accuracy %	League Table	Accuracy %	
2012-13	15th	5.47%	5 th	2.55%	£164,505
2013-14	9th	2.84%	2 nd	0.54%	£184,338
2014-15	5th	1.87%	3 rd	0.70%	£151,632
2015-16 (to Aug 15)	6th	1.56%	2 nd	0.23%	£43,657

NHS Ambit underspend

There are two sets of financial controls in operation for the Welsh Government:

- the HM Treasury resource control totals (CTs) which include the Departmental Expenditure Limit (DEL) and Annually Managed Expenditure (AME)
- the Ambit, a large proportion of which comprises the cash paid out by the Welsh Government.

As a result differences arise between the outturn reported for Treasury control totals and Ambit. For example in FY2014-15 the total DEL and AME variance was £106m with AME representing the majority (£94m), whereas the Ambit variance was £87m.

The variance on the Ambit of £87m comprised the following main items:

- £5m on the combined revenue and capital allocations.
- £20m AME in relation to provisions for clinical negligence.
- £55m of resources consumed by the NHS in Wales for which the related cash was not drawn from Welsh Government and, therefore, did not score against the Ambit.

'Details of what the £19.6m other liabilities consists of'

This represents the liability arising from repayable loans from the Welsh Government to Finance Wales. Therefore, the liability only appears in the consolidated accounts as money owed by Finance Wales.

'When the original receipts were expected in for the special payments relating to Tryst Engineering Company and Desk Link Office'

The liquidation process for a company can take between 2-6 years to complete. Therefore, it is unlikely that the losses or any recovery will be realised within the same financial years as the company first becoming insolvent. Details for the specific companies reported on in the 2014-15 Annual Accounts are as follows:

- Tryst Engineering Ltd: The Welsh Government was notified in March 2011 that the company had gone into liquidation.
- Desk Link Office Furniture Ltd: The company went into Administration in December 2008 and finally went into Liquidation in June 2010.

'Situation regarding restocking of anti-viral drugs for a pandemic influenza outbreak'

All UK Countries have agreed to maintain a capability to respond to a flu pandemic with a 50% Clinical Attack rate of a pandemic virus. Wales maintains sufficient stock levels to safeguard public health and meet these requirements. The strategic drug stores mainly contain antivirals and antibiotics.

As part of this process stock is purchased and has a finite life. Since 2012, we have had in place an agreement to reprocess antivirals when they reach their expiry date, at much reduced cost. Antibiotic stocks held for this purpose cannot be re-processed and have to be written off and repurchased. The main reason for the increase in write off value is that a large batch of antibiotic stock expired in 2014-15.

'The cause of the losses regarding Careers Choices Dewis Gyrfu Ltd'

The results reported for consolidated wholly owned companies details two separate elements for Careers Choices Dewis Gyrfu Ltd; the profit /loss and share capital and reserves. The explanations for the reductions in both are as follows:

- The loss reported under profit/loss is mainly due to a one off payment of £2.5m for a programme of redundancies.
- The reduction in the value of the share capital and reserves position is due to a revaluation of the existing pension liabilities.

For your reference, I have also enclosed a copy of Careers Choices' Annual Accounts.



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'Details of the strategy in place to achieve a gender balance of 50:50 by 2020'

The formal launch of the '50:50 by 2020' campaign took place on 15 July 2014. Organisations were asked to make a pledge to improve gender balance within their organisations by 2020. I set an organisational target to have a gender balance of 50% female in the Welsh Government Senior Civil Service by the year 2020. This is a demanding target to meet during a period of tight public finances, with very limited external recruitment.

Based on September 2015 headcount figures, 43.9% of the 155 members of the Welsh Government Senior Civil Service are female. This shows an increase of 1.9% since July 2014 when the commitment was made. Ongoing work supporting the achievement of the 2020 pledge includes:

Women Together Network: a refresh of the staff network *Women Together*. The network will actively support women at all levels on personal and career development, building their networks, and raising confidence levels.

The Women as Leaders Programme: the first cohort of Women as Leaders Programme has been designed and centrally funded. The programme is for High Performing/High Potential women currently in Executive Bands within the Welsh Government and aims to provide the opportunity to further develop women into senior leadership roles. The first cohort of 16 delegates started the programme in April 2015 and is due to end in February 2016. Building on the positive feedback already received from these delegates, a second cohort of the programme has been established to run from October 2015 to April 2016, training another 19 delegates.

Mentoring: we are working to develop and expand the mentoring opportunities available to women in the organisation, including the investigation of creative approaches such as 'speed mentoring'.

We are also doing more research amongst staff to establish what barriers are faced by women in reaching senior leadership roles to help us further tailor and increase the effectiveness of the programme of activities in place to support the Welsh Government's achievement of the 50:50 by 2020 pledge.



I hope that this response answers the Committee's questions adequately. If you require further information, please do let me know.

Yours,
Derek

Derek Jones



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REGISTERED NUMBER: 07442837 (England and Wales)

**CAREER CHOICES DEWIS GYRFA LTD
GROUP STRATEGIC REPORT,
GROUP DIRECTORS REPORT AND
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2015**

CAREER CHOICES DEWIS GYRFA LTD

YEAR ENDED 31 MARCH 2015

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FOR THE YEAR ENDED 31 MARCH 2015**

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CAREER CHOICES DEWIS GYRFA LTD

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COMPANY INFORMATION

DIRECTORS:

Mr P G Davy
Mrs M Foster
Mr N Frow
Mrs K Lennox
Ms K Phillips
Mr I Prys-Jones
Mrs E Richards
Mrs S A Roberts-Davies
Mr R Spear
Mrs L Somme-Dew
Mr J Taylor
Mr R A Wright

SECRETARY

Mrs N J Lawrence

REGISTERED OFFICE:

Unit 1, Brecon Court
William Brown Close
Llantarnam Park
Cwmbran
NP44 3AB

REGISTERED NUMBER:

07442837 (England and Wales)

AUDITORS:

Auditor General for Wales

CAREER CHOICES DEWIS GYRFA LTD

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GROUP STRATEGIC REPORT

The Directors present their strategic report of the company and the group for the year ended 31 March 2015.

Career Choices Dewis Gyrfa Ltd (CCDG) is a wholly owned subsidiary of the Welsh Government and trades as Gyrfa Cymru Careers Wales. We provide the all age, independent and impartial careers information, advice and guidance service for Wales. The principle risks and uncertainties that face CCDG are covered in the following Report of the Directors.

We deliver a remit set by the Minister for Education and Skills and support the Welsh Government's strategic objectives as identified in the Programme for Government and related Welsh Government policies, such as the Youth Engagement and Progression Framework (YEPF). The overall focus for our service is to help people make effective decisions and become independent in managing their careers. This includes making realistic career decisions and plans, and ensuring successful progression and positive outcomes for individuals, who we support to gain appropriate training, further learning or employment. Our work helps to develop the nation's skills base and to support the effectiveness of expenditure on education and training, thereby contributing to the economic and social well-being of Wales.

CCDG is part of the broader "Careers Family" in Wales which includes the Welsh Higher Education Careers Advisory Services, Secondary Schools, Further Education Institutions, Work Based Learning Providers, Local Authority Youth Services, Learning Coaches, Jobcentre Plus, Probation and Youth Offending Services and others.

The CCDG remit offers adults and young people access to high quality services through face-to-face, online and telephone interactions. Face-to-face guidance is targeted toward those clients who will benefit most from this approach. Developing the online offer has continued to be a key priority in order to extend our services during a time of shrinking resources. In December 2014, a new career search section of the website was launched providing new and additional information on over 1,000 occupational areas. This new feature includes access to real-time information on the labour market, training courses and jobs. In September 2014 the Common Area Prospectus was launched providing learners with the ability to search for local post 16 provision.

CCDG operates a national helpline to access careers information and advice, during 2014-15 over 11,921 individuals used this helpline to access our services. In setting up this new helpline facility in 2012, CCDG operated the service from a number of centres across Wales. However, during 2015-16 CCDG will be centralising the operation of the helpline into one location. CCDG also manages the Welsh Government's Apprenticeship Matching Service (AMS) and the Jobs Growth Wales (JGW) services. During 2014-15 both of these key online services continued to be a focus for our support to both adults and young people.

In September 2014 the Welsh Government announced that the CCDG budget for 2014-15 would be reduced by £2.2m from £29m to £26.8m and the indicative budget for 2015-16 would be £20m. As a result of this reduction in budget, CCDG undertook a voluntary release scheme between December 2014 and March 2015 resulting in a reduction of 88 staff. Additionally, a number of offices across Wales were identified for closure. A staff consultation was held concerning these closures and the list of office closures during the 2015-16 financial year were agreed. The revised remit for CCDG identified a number of changes for the delivery of our services, this included the removal, from September 2015, of the National Work Experience Database and the support for schools in Health and Safety vetting of employers offering work experience opportunities.

Since the announcement from Welsh Government on the reduction in the CCDG 2015-16 budget, additional funding of £2.1m per year has been secured from the Welsh Government for the delivery of a new Individual Skills Gateway. This new service will complement the existing CCDG service by providing additional support to adults who are defined as short term unemployed. The support will involve an assessment of the skills needs of an individual client; provide individual and group guidance to help with development of effective career management and employability skills; and refer individuals to skills training, education or employment opportunities. The additional funding is for face-to-face services for 25+ clients and developing an online prospectus of provision for adults.

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Additionally, in conjunction with the Welsh Government an application has been submitted to the Wales European Funding Office (WEFO), for £3.2m of European Social Fund support for the Activate your Potential project that will provide employer-linked activities and opportunities, supplemented with careers information, advice and guidance to young people aged 11-18 at greatest risk of becoming NEET. CCDG have also secured £0.7m for a strategic project to support Education Business Links from Welsh Government.

CCDG continues to work in partnership with a range of organisations in the Careers Family to contribute to the following outcomes for people in Wales, which support our mission of inspiring individuals for a skilled economy:

1. **Awareness:** Greater understanding and awareness of Labour Market information (LMI) and the learning, training and employment opportunities available to them. Awareness of their own strengths, skills and abilities, where they can improve and who can help them;
2. **Aspiration:** Increased ambition and motivation to participate in employment, education and training;
3. **Ability:** Improve the effective use of skills and competencies to make decisions, resilience to adapt and change to deal with changing circumstances ; and
4. **Action:** Improve the effective use of confidence, skills and ability to use their contacts, to implement plans, make successful applications for, and sustainable employment, learning and training opportunities.

We will develop a set of indicators to monitor progress against these outcomes, which cannot be achieved by one organisation alone. The specific actions that CCDG will make to contribute to these outcomes in 2015-16, for which we alone are accountable, are set out in our 2015-16 Business Plan.

COMPANY PERFORMANCE 2014-15

Company performance is assessed both internally and externally in relation to business targets, quality standards and financial health. For the 2014-15 year key output data includes:

	2014-15	2013-14
Number of young people in education receiving a guidance interview	63,315	48,425
Number of post education 16 – 24 year olds receiving a guidance interview	27,363	23,506
Number of Adults 25 plus receiving a guidance interview	12,701	10,996
Number of H&S vetting visits completed	4,914	5,952
Number of students placed into work experience via the National Work Experience Database	21,145	22,097
Number of visits (sessions) to careerswales.com	2,304,257	1,790,838
Number of telephone calls to our Freephone helpline – Careers Wales Connect	37,892	27,461
Number of email interactions with clients	110,089	110,814

The output data in the above table demonstrates that CCDG's performance is in line with the Board's expectations.

In 2014-15 the Welsh Government set CCDG three key performance indicators (KPIs):

1. Sustained progression of young people through education and into employment or further training/education;
2. Reductions in the number of young people who are outside the Education, Employment and Training system;
3. Wide scale and effective programme of employer engagement which is shown to improve the learning outcomes from careers and World of Work Curriculum delivery.

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CCDG were required to track progress against these KPIs and work with Welsh Government to develop further proposals for outcomes based monitoring and the wider performance and value offered through the differentiated service model. CCDG produces annual Destination Report providing information on the destination of pupils in years 11, 12 and 13-14 in schools during the business year. The destinations survey was conducted as at 31 October 2014 and was published as Official Statistics in April 2015. A follow-up on the survey was conducted as at 31 March 2015 and analysis, of this update, is underway to determine the extent to which school leavers have sustained their destinations in the period from 31 October 2014 to 31 March 2015. Achievement against KPI 1 and 2 is taken from this analysis of school leaver data.

In terms of achieving the KPI's the following information is based on results for 2013-14 and are measured by improvements from the prior year. Achievement data for 2014-15 KPI's is currently not available. A report on this data will be presented to Welsh Government later in the financial year.

KPI 1 : Year 11 pupils entering full time education increased by 1.81% in 2013-14 in comparison to the previous year. Proportionally, slightly fewer learners left full time education prematurely in 2013-14 (2.9%) than in 2012-13 (2.95%), evidencing an increase in the sustainability of learners in full time education over the period. Between October 2013 and March 2014 clients in employment and training rose by 2.67% and notably, more young people leaving their initial destinations in October 2013 (e.g. full time education) had entered employment and training by March 2014 (2.67%).

KPI 2: The Destination Census method of calculation provided evidence that Careers Wales met the requirements of KPI 2 for the 2013-14 business year by a 0.5% drop in the number of NEET's between October 2012 and October 2013.

KPI 3 : This KPI is a populating figure and not something that Careers Wales can achieve on its own without help from partner organisations. Careers Wales commissioned Beaufort Research to look at this area and set a baseline against which improvements could then be measured in the future. The data will be considered on a 2-3 year cycle as the impact of this particular KPI is best measured over a longer period.

FINANCIAL PERFORMANCE FOR THE YEAR

The results for the financial year are shown on page 20 onwards.

CCDG's Financial Statements currently show that the group has negative reserves of £21.1m. The primary reason for these negative reserves is the net pension deficit of £27.3m. This deficit is an estimate of the expected shortfall of assets over liabilities in the CCDG Local Government Pension Schemes funds.

CCDG performance is assessed both internally and externally in particular through its Remit Letter and Framework Document that are annually agreed with the Welsh Government. Performance against the Remit Letter is monitored by the Welsh Government and CCDG provides quarterly reports to Welsh Government to assist in this monitoring process and needs to manage its performance within the agreed budget.

The Framework Document allows CCDG to carry-over from one financial year to the next any drawn but unspent cash balances of up to 2% of the agreed total gross annual budget (as set out in the remit letter and being exclusive of income deemed to be private funds). The table below shows the position for the 2014-15 period:

Item	£m – Oct Est
Agreed total gross budget	26.8
Allowable carry over - 2%	0.5
Year end Cash and cash equivalents	4.6
Year end current liabilities	4.9
Unspent cash balance as at 31 March 2015	(0.3)

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The principle source of income for CCDG is the Welsh Government and during the year the total income from Welsh Government was £29.5m.

During 2014-2015 £0.4m was received from the European Social Funding, this was significantly reduced compared to 2013-14 due to the ending of two ESF supported projects in September 2014.

FUTURE DEVELOPMENTS

The CCDG Business Plan for 2015-16 expects the Welsh Government income to be £23.9m. As shown in the table below, this includes funding for specified projects to the value of £2.8m. The income from ESF projects is expected to increase to £3.2m during 2015-16 with the Activate your Potential project starting in April 2015.

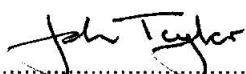
Funding Source	£m	£m
Welsh Government - core	20.0	
Welsh Government – Individual Skills Gateway	£2.1	
Welsh Government – Strategic project	£0.7	
Welsh Government React	£1.1	
Sub-total Welsh Government		£23.9
European Funding - ESF	£3.2	
Other contract Income	£0.7	
Estimated total income 2015/16	£27.8	

PRINCIPAL RISKS AND UNCERTANTIES

The principal risks that face CCDG are its potential future budget reduction and the development of its website. Following the completion of a comprehensive review of the website during 2014-15, CCDG has concluded that the website requires significant changes in relation to its infrastructure and database management. It is critical to CCDG and the users of its web services that this significant development work is completed with the minimum of disruption to users.

Discussions are continuing with Welsh Government on future budget issues and in line with current best practice CCDG has project management procedures in place to manage the delivery of the web based projects.

ON BEHALF OF THE BOARD:



Mr J Taylor - Director

Date: 14/7/15

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GROUP DIRECTORS REPORT

The Directors present their report with the Financial Statements of the company and the group for the year ended 31 March 2015. CCDG has adopted the International Financial Reporting Standards (IFRS).

For this financial year the Career Choices Dewis Gyrfa T/A Gyrfa Cymru Careers Wales Group comprises of eight companies as follows:

Gwent Careers Service Partnership Ltd
Careers Wales Cardiff and Vale Ltd
Careers Wales West - Gyrfa Cymru Gorllewin Ltd
Careers Wales Mid Glamorgan and Powys Ltd
North East Wales Careers Services Ltd
Gyrfa Cymru Gogledd Orllewin Cyfyngedig
Careers Wales Association Ltd
Career Choices Dewis Gyrfa Ltd

The Welsh Ministers are the sole member of CCDG and CCDG is the sole member of each of the companies within the group. All companies within the group are limited by guarantee with all Directors agreeing to contribute the sum of £1 in the event of the company being wound up. This will be the last year that we will be reporting as a Group following approval from the Welsh Minister the seven subsidiary companies were dissolved at Companies House as at May 25th 2015. Note 20 gives an explanation of the final transfer of cash between the subsidiary and the parent.

DIVIDENDS

No dividends will be distributed for the year ended 31 March 2015.

EVENTS SINCE THE END OF THE YEAR

Information relating to events since the end of the year is given in note 16 to the Financial Statements.

DIRECTORS

The Directors shown below have held office during the period from 1 April 2014 to the date of this report:

Ms R H Brookes
Mr P G Davy
Mr G L Evans
Mrs M Foster
Mr N Frow
Mr H M Jones
Mrs K Lennox
Mr I J Maund
Mr W H Norris
Ms K Phillips
Mr I Prys-Jones
Mrs E Richards
Mrs S A Roberts-Davies
Dr D M Roberts
Mr R Spear
Mrs L Somme-Dew
Mr J Taylor
Mr R A Wright
Mr P Westwood

Changes in Directors holding office are as follows:(at Companies House filling date):

Mr P Westwood – resigned 23 May 2014
Ms R H Brookes – resigned 23 May 2014
Mr G L Evans – resigned 01 December 2014

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Mr H M Jones - resigned 01 December 2014
Mr I J Maund - resigned 04 June 2014
Mr W H Norris – resigned 23 May 2014
Dr D M Roberts – resigned 01 December 2014
Mrs M Foster – appointed 23 May 2014
Mrs S A Roberts-Davies - appointed 26 June 2014
Ms K Phillips – appointed 05 December 2014
Mrs E Richards - appointed 01 December 2014
Mrs L Somme-Dew - appointed 03 December 2014

All the Directors, other than Mr R Spear, are non-executive Directors and are unpaid. As well as being Directors of CCDG Mr R Spear is also an employee of CCDG.

Mr J Taylor has been appointed as the Chair of CCDG for the period 29 April 2013 to 31 March 2016. The post of Chair is remunerated at £337 per day for attendance at meetings or other agreed activities relating to the work of Careers Wales for up to 40 days per year.

GOING CONCERN AND EVENTS AFTER THE REPORTING PERIOD

In adopting the going concern basis for preparing the Financial Statements, the Directors have considered the business activities as well as the company's principal risks and uncertainties as set out in the Corporate Risk Register.

Following the transfer of ownership to the Welsh Government, on 1 April 2013, CCDG became a public body, funded directly by the Welsh Government. Through the CCDG remit letter the Board of Directors has received confirmation that the Welsh Government will continue to provide both revenue and capital support at a sufficient level to enable CCDG to continue as a going concern until at least 31 March 2016. After making enquiries and having reviewed the group's forecasts the Directors have concluded that there are no material uncertainties which would create any doubts to CCDG's ability to continue in business over the next 12 months. Therefore, the Board will continue to adopt the going concern basis in preparing the annual report and accounts.

The Welsh Minister approved a request to dissolve the subsidiary companies. DS01 forms were signed by the Directors of each of the CCDG subsidiaries and these were submitted to Companies House. As of June 2015, all seven companies have received confirmation that they have been dissolved and the 2015-16 financial statements will be at company rather than group level.

NON-CURRENT ASSETS

Details of non-current assets/PPE are shown in note 8 to the accounts.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The main financial risks for CCDG are cash flow management and budgeting. The CCDG budget for the 2014-15 period received an in year reduction of £2.2m to £26.8m. Additionally, the Welsh Government has informed CCDG that the Budget for the 2015-16 period will be £20m, a reduction of 25%. Previously, additional funding from Welsh Government has been available to support a number of strategic projects and part of this funding is continuing in 2015-16.

With regard to cash flow management, there is no significant credit risk and CCDG maintains a healthy cash balance on short term deposit. At the end of the 2014-15 period CCDG has a positive cash balance of £4.6m therefore credit, liquidity and cash flow are not considered to be a material risk.

As part of the financial planning for 2015-16 the management team have been able to secure an addition £2.1m from Welsh Government for the new Individual Skills Gateway and work is also progressing with Welsh Government on an application to secure £3.2m of European Social Fund support for the Activate your Potential project for 2015-16.

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STAFF

Policy in respect of disabled persons

CCDG has an Equal Opportunities Policy which indicates our commitment to an active equal opportunities policy from recruitment and selection, through training and development, performance reviews and promotion and retirement. We promote an environment free from discrimination, harassment and victimisation, where everyone will receive equal treatment regardless of gender, colour, ethnic or national origin, disability, age, marital status, sexual orientation or religion. People with disabilities will have full and fair consideration for all vacancies. We are committed to interviewing those people with disabilities who fulfil the minimum criteria, and we will endeavour to retain employees in the workforce if they become disabled during employment. We will actively retrain and adjust their environment where possible to allow disabled employees to maximise their potential.

Employee Consultation

We remain committed to employee involvement and CCDG has a recognition agreement with Unison. Management and Unison engaged proactively in Partnership training promoted by Wales TUC and Welsh Government. Partnership working has been implemented and embraced by both sides and has resulted in an improvement in industrial relations and productive joint working. Employees are kept well informed of the performance and strategy of the company through personal briefings, regular meetings, email and updates by the Chief Executive through our weekly newsletter LINC that is sent to all staff.

Employees are able to interact with one another, post information about clubs and groups in their area and can gain access to information about corporate events through the use of the CCDG intranet.

SUPPLIER PAYMENT POLICY

CCDG is committed to the prompt settlement of invoices and other claims for payment. In the case of goods and services where the supply has been satisfactorily completed the company's objective is to pay within 30 days of receipt of the invoice.

Environment Report

The purpose of this report is to provide information on the environmental performance of CCDG during April 2014 - March 2015. CCDG recognises that its wide range of activities and services have both positive and negative impacts on the environment and wish to manage and minimise these wherever possible. To help us achieve this aim we have implemented the independently audited Green Dragon Environmental Standard. CCDG currently holds Level 2 of the award. We will complete the roll out of the initiative to all our offices during the 2015/16 financial year, for this year 25 offices will be within audit scope. Where offices are in shared facilities and we do not have full control of the environmental impacts, we have deemed these to be out of scope for audit purposes. Our aim is to continuously improve our environmental performance by the management and monitoring of our environmental impacts. We will be introducing stronger monitoring systems to improve our data capture.

Our overarching principles as detailed within our environmental policy

1. Ensuring that every step is taken to eliminate all sources of pollution from our operations. In doing so we will comply fully with all relevant environmental legislation and regulations by maintaining an environmental register.
2. Reducing our carbon footprint and minimising our adverse impact on the environment in the way we operate by:
 - conducting a regular review of our environmental impacts on at least an annual basis and producing an improvement plan which will be reviewed on a quarterly basis.
 - monitoring our energy, water consumption and our use of consumable materials and setting targets to reduce these.
 - providing training to all staff on environmental awareness.

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- producing guidance on how to eliminate and/or reduce our waste and improve our recycling of waste to meet our waste hierarchy duty.
 - supporting staff in understanding how to use ICT to reduce business mileage and continuing to encourage car sharing for business travel.
 - setting annual targets to reduce business travel and make available information on the availability and suitability of using public transport.
3. Continuously seeking to improve environmental performance through the introduction of an Environmental Management System to monitor and review our performance.
 4. Raising staff awareness, encouraging their participation in environmental matters and seeking jointly to develop new ideas and initiatives, including the production of an Eco Code for our offices.
 5. Making our Environmental Policy publicly available.

How we manage the process

The scope of the environmental management system includes all activities and functions of CCDG and each of our offices is audited on a regular basis to ensure all areas meet the requirements at Level 2 of the Green Dragon Standard. CCDG have published our Environment policy on the careerswales.com website.

CCDG have established a green team which meets quarterly to review performance against targets. The group reviews the findings of the internal audit reports and advises corrective actions. Staff can email suggestions to the group and these are reviewed and where appropriate implemented. This group is a key element in embedding sustainable work practices across Careers Wales. They regularly attend our offices giving presentations to staff.

We have a fully documented management system which is located on our intranet system and each office has a combined Health and Safety/ Environmental Manual. We inform staff about our performance and provide information fact sheets on sustainable practices by issuing articles regularly in our weekly staff bulletin.

All legal requirements that are applicable to Careers Wales have been documented in the Environmental Legal Register which is updated every six months. All waste transfer notes, COSHH risk assessments and MSD product sheets are kept at a local level and they are checked during internal audits. The most significant environmental aspects are documented within the Environmental Aspects Register. All staff are encouraged to take ownership of the standard, each office is in the process of designing and implementing their own eco code and have developed a plan to continuously improve their performance. The improvement plan will be reviewed quarterly at local team meetings.

To support the national direction as detailed within The Welsh Government's Sustainable Development scheme, 'One Wales, One Planet' coupled with the Well Being of Future Generations Bill, we have identified the activities that generate greenhouse gases. We have identified two areas: Carbon Dioxide from travel and energy use. We have established reduction targets in both these areas. We have set a target of reducing our travel mileage by 5% and our energy consumption by 3% in 2015-16.

Environmental Performance

Water Consumption

The total consumption of water over the last twelve months data held for each of the CCDG sites is 2,990,000 litres. We aim to reduce these figures between Jan 2015-Jan 2016 by undertaking the following initiatives:

- Where appropriate we will reduce water pressure – if the water pressure is over 5 bars in the office we will consider installing a pressure reducing device.
- We will use water efficient maintenance activities when offices are refurbished.
- Where appropriate we will install a special water saving device in the cistern so less water is wasted when you flush the toilet.

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- Where appropriate we will fit spray inserts in often-used taps. These reduce the amount of water from the faucet but don't reduce washing efficiency.
- Where appropriate we will fit new percussion taps, which turn off after a set period.
- Where appropriate we will fit variable flush handles to all applicable toilet cisterns.

Business Travel

Transport is a major contributor to air pollution. We have introduced a number of initiatives to help reduce our travel mileage. We have reduced the number of meetings that we hold and we encourage the use of video conferencing. We no longer have company cars, we have brought in new guidance that all travel should be by public transport where appropriate. We also encourage car sharing and restrict travel to necessary journeys only. All travel over 200 miles requires staff members to use a hire car from the lower grade options of energy efficient cars. We have recently adopted a policy of paying 20p a mile for staff who cycle to business meetings. All our offices are accessible through public transport.

Total business mileage by staff in 2014-15 was 1,184,887 miles. We will be updating our record systems to report on rail and air emissions for the next financial year.

Energy Usage

We use energy-saving devices and equipment to reduce electricity consumption and encourage staff to reduce consumption whenever possible.

Energy consumption KWH – Electricity 1,014,928

Energy consumption KWH – Gas 1,945,909

Greenhouse gas emissions (CO2 Missions) 1,231 CO2 tonnes

Financial Costs : Expenditure

Gas £40,454

Electricity £157,573

Water £20,026

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ANNUAL CORPORATE GOVERNANCE STATEMENT

INTRODUCTION

As the Chief Executive (Accounting Officer) I am personally responsible for the overall organisation, management and staffing of CCDG.

The Governance Statement brings together in one place all disclosures about matters relating to an organisation's governance, risk and control. As Accounting Officer I am personally responsible for the Governance Statement which outlines how I have discharged my responsibility to manage and control the resources of CCDG during the course of the year.

CORPORATE GOVERNANCE

Corporate Governance is the system by which organisations are directed and controlled. The Board of CCDG is responsible for the governance of CCDG and compliance with the corporate governance code. The Board's role is to satisfy itself that an appropriate governance structure is in place and to ensure through myself, as Chief Executive, that the organisation operates within the policy framework set by the Welsh Government.

The Board comprises a Chair, Mr J Taylor and up to 13 other Directors who are appointed by the Welsh Government. The Chair is a remunerated position and the Chief Executive is also a Director. The Board has met five times this year.

Each Director and the members of the Senior Management Team complete a Related Party Declaration form to ensure that potential conflicts of interest are identified. This form was last completed to March 2015. The Directors are reminded to declare any conflicts of interest prior to Board and Committee meeting. Any conflicts are then declared in the minutes and the Director does not take part in that agenda item.

The Board have appointed three Committees with their own Terms of Reference to discharge its responsibilities and to obtain the assurance required that demonstrate good governance practices are in place. These Committees are:

- Audit and Risk Committee
- Employee Services and Remuneration Committee
- Finance and Business Development Committee

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The Directors' attendance at the Board and Committees is shown in the tables below:

MEMBERSHIP AND ATTENDANCE RECORD 2014-15

Meetings of the Board of Directors

	26/06/14	25/09/14	16/12/14	13/02/15	26/03/15	Attendance
Mr J Taylor (Chair)	√	√	√	√	√	5/5 100%
Mr R A Wright	√	√	√	X	√	4/5 80%
Dr D M Roberts (Vice Chair)	√	√				2/2 100%
Mrs E Richards			√	√	X	2/3 66.6%
Mr G L Evans	X	X				0/2 0%
Mr H M Jones	√	√				2/2 100%
Mr I Prys-Jones	√	X	√	√	√	4/5 80%
Mrs K Lennox	√	√	√	√	X	4/5 80%
Ms K Phillips			√	√	X	2/3 66.6%
Mrs L Somme-Dew			√	√	√	3/3 100%
Mrs M Foster	X	√	√	√	√	4/5 80%
Mr N Frow	√	√	√	√	√	5/5 100%
Mr P G Davy	√	√	√	√	√	5/5 100%
Mrs S Roberts-Davies	√	√	√	√	X	4/5 80%
Chief Executive	√	√	√	√	√	5/5 100%
Director of Resources/Company Secretary	√	√	√	√	√	5/5 100%
WG Observer	√	√	√	√	√	5/5 100%

*Mr R A Wright was unable to attend the meeting dated 13/02/2015, due to a change in the meeting date.

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Audit & Risk Committee Meeting

	16/04/14	14/05/14	16/07/14	31/10/14	10/02/15	Attendance
Mr I Prys-Jones (Chair)	√	√	√	√	√	5/5 100%
Mr I J Maund	√	√				2/2 100%
Mr N Frow	√	√	X	√	√	4/5 80%
Mr P G Davy	√	√	√	√	√	5/5 100%
Chief Executive	√	√	X	√	√	4/5 80%
Director of Resources	√	√	√	√	√	5/5 100%
WAO (External Auditors)	√	√	√	√	√	5/5 100%
KTS (Internal Auditors)	√	√	√	√	√	5/5 100%

Employer Services & Recruitment Committee

	19/05/14	12/11/14	Attendance
Dr D M Roberts (Chair)	√	√	2/2 100%
Mr G L Evans	√	√	2/2 100%
Mrs K Lennox		√	1/1 100%
Chief Executive	√	√	2/2 100%
Director of Resources	√	X	1/2 50%

Finance & Business Development Committee

	04/09/14	04/12/14	05/03/15	Attendance
Mr R A Wright (Chair)	√	√	√	3/3 100%
Mrs L Somme-Dew			√	1/1 100%
Mrs M Foster			√	1/1 100%
Mrs K Lennox	√	√		2/2 100%
Chief Executive	√	X	√	2/3 66.6%
Director of Resources	√	√	√	3/3 100%

* Mrs K Lennox changed in the financial year from being a member of the Finance and Business Development Committee to the Employer Services and Recruitment Committee.

All Committee meeting minutes are provided to the Board together with a verbal report from the Committee Chair at every Board meeting. The Chief Executive and the Director of Resources are Executive members of each Committee.

CAREER CHOICES DEWIS GYRFA LTD

YEAR ENDED 31 MARCH 2015

Audit & Risk Committee

The Committee consisted of four Directors until the resignation of Mr I Maund in June 2014. It met five times in the year. The CCDG appointed Internal Auditors, KTS Owens Thomas, and the Auditor General for Wales are invited to attend all meetings of the Committee. The Committee discharges its responsibilities over issues of risk management systems, internal control, internal audit, statutory audit of consolidated accounts and governance through its Terms of Reference:

- i. To ensure that the company has a sound system of financial control, and effective processes for the identification, assessment and management of risk;
- ii. To recommend the appointment of bankers, internal auditors, external auditors and other financial advisers, as required, following due process;
- iii. To establish a sound procedure for procurement, to ensure efficiency and value for money;
- iv. To ensure, in accordance with legislation, that the company has effective policies for dealing with suspected irregularity, fraud or bribery;
- iv. To ensure the company has monitoring systems in place for quality assurance;
- v. To consider such other matters as may be referred to the Committee by the Board; and
- vi. To report to the Board.

Over the year the Committee's areas of focus included:

- Internal audit reports covering specific business areas
- Reviewing any recommendations from internal audit
- Reviewing recommendations from the 2013-2014 external audit
- Reviewing risk management
- Review and recommendation to the Board of amendments to the Financial regulations

Employee Services and Remuneration Committee

The Committee consisted of three Directors and met twice in the year. Their Terms of Reference are:

- i. To promote and support the implementation of the HR strategy and associated action plans;
- ii. To ensure that the Company complies with employment legislation and regulations;
- iii. To promote and support the development of appropriate employment policies, including those for appointment, terms and conditions, discipline, grievance, reward and recognition of employees;
- iv. To ensure that there is an appropriate pay structure and, subject to affordability, to determine pay levels of the Chief Executive and the Senior Management of the Company;
- iv. To consider such matters as may be referred to the Committee by the Board, and
- v. To report to the Board.

Finance and Business Development Committee

The Committee consisted of two Directors until the appointment of two new Directors in January 2015 and met three times in the year. The Committee monitor the financial reporting process. Their Terms of Reference are:

- i. To keep under review the financial health of the company;
- ii. To develop and recommend a viable business plan, and a budget for the company each year;
- iii. To consider and make recommendations on Financial Statements, and in particular the annual accounts of the company;
- iv. To ensure that the company develops policies relating to the health and safety, ICT and premises;
- iv. To consider such other matters as made be referred to the Committee by the Board; and
- v. To report to the Board.

Board and Committee Effectiveness

In December 2013 a questionnaire was completed by the Directors considering the following:

- What information they received
- The finances of the organisation
- Their awareness of legal and ethical laws and regulations relating to CCDG
- The organisations Stakeholders
- The role and responsibilities of Board Directors
- Governance in general
- The Board's position within the organisational structure
- Their understanding of risk management and internal control in CCDG

CCDG's internal auditors reviewed the findings and found in the main they were positive.

CAREER CHOICES DEWIS GYRFA LTD

YEAR ENDED 31 MARCH 2015

During 2014-15 the Welsh Government held two recruitment exercises and as a result 5 new Directors were appointed. Additionally the Welsh Government started a further recruitment exercise in February 2015.

The Board is of the view that the findings from the December 2013 review are still relevant, however, a full review of the Board effectiveness will be completed in 2015-16 following the completion of the current Welsh Government recruitment exercise.

The Senior Management Team

Until December 2014, the Senior Management Team (SMT) consisted of the Chief Executive, Director of Corporate Services and the four Regional Directors. Following the Welsh Government announcement that it was reducing the CCDG Budget, I undertook a review of the SMT. As a result of the review a Regional Director and the Director of Corporate Services applied for early release under the CCDG voluntary early release scheme. In October 2014, the Board agreed to release the two Directors and an additional 77 staff and a further 9 were agreed in January/ February.

The new SMT now consists of the Chief Executive and four Directors with functional based responsibilities covering the whole of Wales.

The team meet regularly, weekly by video conference and monthly face- to- face to discuss and agree corporate and operational matters. A CCDG performance report is produced quarterly and presented to Welsh Government to monitor progress against the business plan.

Risk Management

Responsibility for the management of the risks relating to the operations of CCDG lies with the Board of Directors. CCDG has undertaken a comprehensive assessment of the risks it faces. The principal risks are contained in the CCDG Risk Register which is reviewed on a regular basis by the Audit and Risk Committee and the Senior Management Team.

The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the organisation's aims and objectives and to manage them efficiently, effectively and economically. CCDG's Risk Register identifies potential risks arising from the operation of the company. These risks are prioritised within a Risk Matrix and provided with a risk profile according to the impact and likelihood of the risk occurring. These risk ratings are reviewed at each meeting of the Audit and Risk Committee and reported to each Board meeting. The Risk Register includes a list of the preventative measures for each of the risks identified, as well as the contingency measures to reduce the consequences of an incident to a lower risk level and to facilitate recovery in the event of any crisis arising. The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives - it can therefore only provide reasonable and not absolute assurance of effectiveness.

As Chief Executive I have responsibility for reviewing the effectiveness of the system of internal control. This review is informed by the work of the appointed internal auditors and the managers within CCDG who have responsibility for the development and maintenance of the internal control framework, together with comments and recommendations made by the external auditors in their management letter and internal auditors in their reports. The internal auditors submit regular reports and provide an independent annual opinion on the adequacy and effectiveness of CCDG's system of internal control, together with recommendations for improvement. The internal auditors operate to standards defined by the Public Sector Internal Audit Standards. They attend Audit and Risk Committees and present their reports to the Committee and progress on the planned work programme. They provide an annual internal audit opinion based on an objective assessment of the framework of governance, risk management and control. The internal audit opinion provided moderate assurance on the adequacy and effectiveness of CCDG's framework of governance, risk management and control in the year. The internal audit identified no significant control weaknesses and therefore nothing to suggest that the organisation was not maintaining a low risk status. The following areas were audited within the year, redundancy, petty cash, procurement, budgetary and control and capital assets.

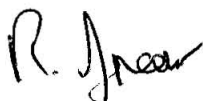
CAREER CHOICES DEWIS GYRFA LTD

YEAR ENDED 31 MARCH 2015

The Internal Audit Strategy is set by the Audit and Risk Committee and is reviewed by the Board. More generally, CCDG is committed to a process of continuous development and improvement, developing systems in response to any relevant reviews and developments in best practice in this area. Appropriate action plans are in place to address any weaknesses identified and to ensure continuous improvement. Managers are implementing both the Internal Audit's recommendations and the recommendations from the external audit management letter. The Audit and Risk Committee will continue to monitor this activity.

The annual audit opinion by the internal auditors was that they were able to provide moderate assurance upon the adequacy and effectiveness of CCDG's framework of governance, risk management and control in the year to 31 March 2015. A number of weaknesses for which they felt that enhancements to the control systems were necessary to improve existing arrangements were identified. They were however satisfied that appropriate action had been identified by management to deal with these issues. No significant control weaknesses were identified and therefore their opinion was there was nothing to suggest that the organisation was not maintaining a low risk status.

I am satisfied that for the 2014-15 financial year a sound governance framework and system of internal controls were in place. They supported the achievement of CCDG's policies, aims and objectives; facilitated effective exercise of CCDG's functions and safeguarded public funds and assets for which the Accounting Officer is personally responsible. These matters of governance and control are in accordance with the responsibilities that had been assigned to me, in the Framework Document issued to us by the Welsh Government.



Richard Spear
CCDG Chief Executive and Accounting Officer

CAREER CHOICES DEWIS GYRFA LTD

YEAR ENDED 31 MARCH 2015

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Report of the Directors and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have elected to prepare the Financial Statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing these Financial Statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently
- Make judgements and accounting estimates that are reasonable and prudent
- State that the Financial Statements comply with IFRS
- Prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's and the group's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the Directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the group's auditors are unaware, and each Director has taken all the steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the group's auditors are aware of that information.

AUDITORS

The Auditor General for Wales is appointed by the Welsh Government as the Company auditors.

ON BEHALF OF THE BOARD:



Mr J Taylor - Director

Date: 14/7/15

CAREER CHOICES DEWIS GYRFA LTD

YEAR ENDED 31 MARCH 2015

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF CAREER CHOICES DEWIS GYRFA LTD

I have audited the Financial Statements of Career Choices Dewis Gyrfa Ltd for the year ended 31st March 2015 which comprise the Consolidated Statement of Profit or Loss, the Consolidated Statement of Profit or Loss and Other Comprehensive Income, the Consolidated and Company Statements of Financial Position, the Consolidated and Company Statements of Changes in Equity, the Consolidated Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND THE AUDITOR

As explained more fully in the Statements of Directors' Responsibilities set out on page 17, the Directors are responsible for the preparation of financial statements which give a true and fair view.

My responsibility is to audit the Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Financial Reporting Council's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the Financial Statements sufficient to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors and the overall presentation of the Financial Statements.

I am also required to obtain sufficient evidence to give reasonable assurance that the expenditure and income have been applied to the purposes intended by the National Assembly for Wales and the financial transactions conform to the authorities which govern them.

In addition, I read all the financial and non-financial information in the Career Choices Dewis Gyrfa Ltd Group Strategic and Directors Report to identify material inconsistencies with the audited Financial Statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

OPINION ON FINANCIAL STATEMENTS

In my opinion:

- the Financial Statements give a true and fair view of the state of affairs of the group as at 31 March 2015 and of the group's loss for the year then ended;
- the Financial Statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON REGULARITY

In my opinion in all material respects, the expenditure and income have been applied to the purposes intended by the National Assembly for Wales and the financial transactions conform to the authorities which govern them.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In my opinion:

- the information given in the Strategic Report and Report of the Directors' for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements; and
- the information given in the Governance Statement with respect to internal control and risk management systems in relation to financial reporting processes is consistent with the Financial Statements.

CAREER CHOICES DEWIS GYRFA LTD

YEAR ENDED 31 MARCH 2015

MATTERS ON WHICH I REPORT BY EXCEPTION

I have nothing to report in respect of the following matters where the Companies Act 2006 requires me to report to you, if, in my opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us;
- the Financial Statements are not in agreement with the accounting records and returns;
- certain disclosures of Directors' remuneration specified by law are not made; or
- I have not received all the information and explanations I require for my audit.

REPORT

I have no observations to make on these Financial Statements.



Huw Vaughan Thomas
Auditor General for Wales
15th July 2015

Auditor General for Wales
24 Cathedral Road
Cardiff CF11 9LJ

CAREER CHOICES DEWIS GYRFA LTD

YEAR ENDED 31 MARCH 2015

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 MARCH 2015**

		2015 £'000	2014 £'000
	Notes		
CONTINUING OPERATIONS			
Revenue	2	30,803	33,751
Administrative expenses		<u>(30,810)</u>	<u>(31,360)</u>
OPERATING PROFIT/(LOSS) BEFORE COST OF FUNDAMENTAL REORGANISATION		(7)	2,391
Cost of fundamental reorganisation	4	<u>(2,485)</u>	<u>-</u>
OPERATING PROFIT/(LOSS)		(2,492)	2,391
Finance costs	5	(6,376)	(6,630)
Finance income	5	<u>5,821</u>	<u>5,383</u>
PROFIT/(LOSS) BEFORE TAX		(3,047)	1,144
Tax expense	7	<u>(9)</u>	<u>-</u>
PROFIT/(LOSS) FOR THE YEAR		<u>(3,056)</u>	<u>1,144</u>
Profit/(loss) attributable to: Owners of the parent		<u>(3,056)</u>	<u>1,144</u>

The notes from page 28 to page 60 form part of the Financial Statements

CAREER CHOICES DEWIS GYRFA LTD

YEAR ENDED 31 MARCH 2015

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2015**

		2015 £'000	2014 £'000
	Notes		
PROFIT/(LOSS) FOR THE YEAR		(3,056)	1,144
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified to profit or loss:			
Actuarial Profit/(Loss) on pension scheme	7	(11,723)	18,172
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		<u>(11,723)</u>	<u>18,172</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>(14,779)</u>	<u>19,316</u>
Total comprehensive income attributable to: Owners of the parent		<u>(14,779)</u>	<u>19,316</u>

The notes from page 28 to page 60 form part of the Financial Statements

CAREER CHOICES DEWIS GYRFA LTD

YEAR ENDED 31 MARCH 2015

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 MARCH 2015**

	Notes	2015 £'000	2014 £'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	8	3,144	2,967
Intangible Assets	9	<u>824</u>	<u>476</u>
		<u>3,968</u>	<u>3,443</u>
CURRENT ASSETS			
Trade and other receivables	10	2,641	1,988
Cash and cash equivalents	11	<u>4,600</u>	<u>7,434</u>
		<u>7,241</u>	<u>9,422</u>
TOTAL ASSETS			
		<u>11,209</u>	<u>12,865</u>
LIABILITIES			
NON-CURRENT LIABILITIES			
Pension liability	15	27,317	14,879
Trade and other payables	13	<u>175</u>	<u>-</u>
		<u>27,492</u>	<u>14,879</u>
CURRENT LIABILITIES			
Trade and other payables	13	4,855	4,347
Tax payable	7	<u>9</u>	<u>7</u>
		<u>4,864</u>	<u>4,354</u>
TOTAL LIABILITIES			
		<u>32,356</u>	<u>19,233</u>
TOTAL ASSETS LESS LIABILITIES			
		<u>(21,147)</u>	<u>(6,368)</u>
EQUITY			
Retained earnings	12	<u>(21,147)</u>	<u>(6,368)</u>
TOTAL EQUITY			
		<u>(21,147)</u>	<u>(6,368)</u>

For the year ended 31 March 2015, the company was entitled to exemption from the requirements of Part 16 of the Companies Act 2006 under section 482 of this Act (non-profit making companies subject to public sector audit).

The Financial Statements were approved by the Board of Directors on 14/7/15 and were signed on its behalf by:



 Mr J Taylor - Director
 Registered company number: 07442837

The notes from page 28 to page 60 form part of the Financial Statements

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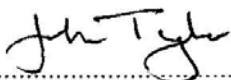
CAREER CHOICES DEWIS GYRFA LTD

YEAR ENDED 31 MARCH 2015

**COMPANY STATEMENT OF FINANCIAL POSITION
31 MARCH 2015**

	Notes	2015 £'000	2014 £'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	8	3,144	2,967
Intangible assets	9	824	476
		<u>3,968</u>	<u>3,443</u>
CURRENT ASSETS			
Trade and other receivables	10	2,641	3,003
Cash and cash equivalents	11	4,600	5,763
		<u>7,241</u>	<u>8,766</u>
TOTAL ASSETS		<u>11,209</u>	<u>12,209</u>
LIABILITIES			
NON-CURRENT LIABILITIES			
Pension liability	15	27,317	14,879
Trade and other payables	13	175	-
		<u>27,492</u>	<u>14,879</u>
CURRENT LIABILITIES			
Trade and other payables	13	4,855	4,347
Tax payable	7	9	6
		<u>4,864</u>	<u>4,353</u>
TOTAL LIABILITIES		<u>32,356</u>	<u>19,232</u>
TOTAL ASSETS LESS LIABILITIES		<u>(21,147)</u>	<u>(7,023)</u>
EQUITY			
Retained earnings	12	(21,147)	(7,023)
TOTAL EQUITY		<u>(21,147)</u>	<u>(7,023)</u>

The Financial Statements were approved by the Board of Directors on 14/11/15 and were signed on its behalf by:



Mr J Taylor - Director
Registered company number: 07442837

CAREER CHOICES DEWIS GYRFA LTD

YEAR ENDED 31 MARCH 2015

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2015**

	Retained earnings £'000	Revaluation reserve £'000	Total equity £'000
Balance at 1 April 2013	(25,856)	172	(25,684)
Changes in Equity			
Total comprehensive income	<u>19,488</u>	<u>(172)</u>	<u>19,316</u>
Balance at 31 March 2014	<u>(6,368)</u>	<u>-</u>	<u>(6,368)</u>
Changes in equity			
Total comprehensive income	<u>(14,779)</u>	<u>-</u>	<u>(14,779)</u>
Balance at 31 March 2015	<u>(21,147)</u>	<u>-</u>	<u>(21,147)</u>

The notes from page 28 to page 60 form part of the Financial Statements

CAREER CHOICES DEWIS GYRFA LTD

YEAR ENDED 31 MARCH 2015

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2015

	Retained earnings £'000	Total equity £'000
Balance at 1 April 2013	(349)	(349)
Changes in equity		
Total comprehensive income	<u>(6,674)</u>	<u>(6,674)</u>
Balance at 31 March 2014	(7,023)	(7,023)
Changes in equity		
Total comprehensive income	(14,124)	(14,124)
Balance at 31 March 2015	<u>(21,147)</u>	<u>(21,147)</u>

The notes from page 28 to page 60 form part of the Financial Statements

CAREER CHOICES DEWIS GYRFA LTD

YEAR ENDED 31 MARCH 2015

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2015**

	Note	2015 £'000	2014 £'000
Cash flows from operating activities			
Cash generated from operations	1	(1,249)	964
Interest paid	5	(6)	-
Tax paid		(7)	(18)
Net cash from operating activities		<u>(1,262)</u>	<u>946</u>
Cash flows from investing activities			
Purchase of intangible assets	9	(1,315)	(951)
Purchase of property, plant and equipment	8	(303)	(127)
Sale of tangible fixed assets		-	-
Interest received	5	<u>46</u>	<u>26</u>
Net cash from investing activities		<u>(1,572)</u>	<u>(1,052)</u>
Cash flows from financing activities			
Net cash from financing activities		-	-
Decrease in cash and cash equivalents		(2,834)	(106)
Cash and cash equivalents at beginning of year	11	<u>7,434</u>	<u>7,540</u>
Cash and cash equivalents at end of year	11	<u><u>4,600</u></u>	<u><u>7,434</u></u>

The notes from page 28 to page 60 form part of the Financial Statements

CAREER CHOICES DEWIS GYRFA LTD

YEAR ENDED 31 MARCH 2015

NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2015

1. RECONCILIATION OF PROFIT/(LOSS) BEFORE CORPORATION TAX TO CASH GENERATED FROM OPERATIONS

	Note	2015 £'000	2014 £'000
Profit/(Loss) before corporation tax		(3,047)	1,144
Depreciation charges	8	126	68
Amortisation charge	9	967	476
De-recognition charge		-	17
Movement in provision		-	(95)
Finance costs	5	6,376	6,630
Finance income	5	(5,821)	(5,383)
		<u>(1,399)</u>	<u>2,857</u>
Decrease/(increase) in trade and other receivables	10	(653)	824
(Decrease)/increase in trade and other payables	13	683	(3,221)
Difference between pension charge and cash contributions		<u>120</u>	<u>504</u>
Cash generated from operations		<u><u>(1,249)</u></u>	<u><u>964</u></u>

CAREER CHOICES DEWIS GYRFA LTD

YEAR ENDED 31 MARCH 2015

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

1. ACCOUNTING POLICIES

Basis of preparation

The Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The Financial Statements have been prepared under the historical cost convention as modified by the revaluation of certain assets.

References to the Group in the notes to the accounts refer to CCDG and its subsidiaries. Reference to Company refers to CCDG, the parent company.

The accounts for the year ending the 31 March 2015 have been prepared in £000's and the comparative figures for 2014 have been restated from £'s to £000's.

Basis of consolidation

The consolidated accounts for the group incorporate the accounts of the parent company and its subsidiary undertakings, all of which were prepared to 31 March 2015. Entities over which the group has the ability to exercise control are accounted for as subsidiaries.

Transactions and balances between group companies are eliminated. No profit is taken on transactions between group companies. Uniform accounting policies are applied.

Revenue recognition

Revenue is recognised in the year to which the work is done. Income received in advance of the work being done is classified as deferred income.

Provisions

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation.

Cash and Cash equivalent

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand and deposits held at the bank.

Property, plant and equipment

Land and Buildings are valued at fair value, on the basis of open market value for existing use, and are subject to independent professional revaluation in accordance with the RICS valuation standards every five years. They were valued on this basis on the 29 March 2013 by Hirons, Morgans & Yapp, RICS registered valuers. The valuers have assumed that the properties are free from structural or design defects, rot, infestation and that they comply with all necessary statutory requirements. The valuers have also assumed that the properties are free from mortgages and charges. No environmental matters were considered to have a significant bearing on value. The properties were physically inspected in February 2012 and for this valuation exercise the valuers relied on floor areas provided by CCDG and did not undertake a detailed measuring exercise. The next revaluation will take place in March 2018, and thereafter at five year intervals.

Freehold property has been split into two compartments, buildings and land. Only the buildings element has been depreciated. In the case of land and buildings, associated legal and professional fees will also be capitalised

Only individual items over £2,500 are classified as fixed assets. CCDG do not group assets for capitalisation.

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Freehold property	- Straight line over 50 years
Leasehold property	- Lesser of 5 years or remaining lease term
Fixtures and fittings	- 5 years
Computer equipment	- 3 years

Intangible Assets

Software Licenses with a finite useful life will be amortised over that life on a straight line basis.

CAREER CHOICES DEWIS GYRFA LTD

YEAR ENDED 31 MARCH 2015

Internet web development will be amortised over two years, from the date the development went live on the website. In the first year a full year of amortised costs are included in the statement of profit and loss.

The amortisation costs of intangible assets are included in administrative expenses within the Consolidated Statement of Profit and Loss.

Taxation

Current taxes are based on the results shown in the Financial Statements and are calculated according to local tax rules, using tax rates enacted or substantially enacted by the statement of financial position date.

Employee benefit costs

For defined benefit schemes the amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the profit and loss account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the consolidated profit and loss and other comprehensive income. Defined benefit schemes are funded, with the assets of the scheme held separately from those of the group, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities.

The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately after other net assets on the face of the balance sheet.

Operating Leases

Operating lease rentals are charged in the profit and loss account. The company aim to have break clauses built into their leases to reduce company commitment. An assessment of leases is undertaken to ensure they are operating and not finance leases.

Government Grants

Revenue grants are released to income and expenditure over the life of the project to which they relate.

Use of estimates and judgements

The preparation of the Financial Statements requires the company to make estimates and assumptions that affect the application of policies and reported amounts. Estimates and judgements are reviewed on an ongoing basis. Revisions to the accounting estimates are recognised in the period in which the estimate is revised and in any future period affected.

Information about significant areas of estimation and critical judgement in applying accounting policies that have the most significant effect on the amounts recognised in the Financial Statements is included in the following note:

Note 15 - The measurement of defined benefit contributions depends on the selection of certain assumptions which include the discount rate, salary growth, rate of increase in deferred pensions and expected return on scheme assets.

Other significant areas of estimates and critical judgements are:-

- Property, plant and equipment revaluations and leasehold valuations are based on professional advice.
- Accrual estimates at the year-end have been based on work completed or goods received but not invoiced.

Going concern

The Directors are aware that in 2015-16 the Welsh Government funding will reduce for CCDG. However the Directors do not consider this will affect the going concern of the company as the company have managed to secure other sources of income from Welsh Government and ESF funds.

CAREER CHOICES DEWIS GYRFA LTD

YEAR ENDED 31 MARCH 2015

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued

FOR THE YEAR ENDED 31 MARCH 2015

2. REVENUE

	2015 £'000	2014 £'000
Welsh Government	29,470	31,185
ESF projects	378	1,312
Other contracts	955	1,254
	<u>30,803</u>	<u>33,751</u>

3. EMPLOYEES AND DIRECTORS

	2015 £'000	2014 £'000
Wages and salaries	20,586	19,759
Social security costs	1,390	1,498
Other pension costs	5,218	3,997
	<u>27,194</u>	<u>25,254</u>

The average monthly number of employees during the year was as follows:

	2015	2014
Management and Administration	99	111
Service delivery	652	664
	<u>751</u>	<u>775</u>

	2015 £'000	2014 £'000
Directors' remuneration	<u>120</u>	<u>95</u>

The remuneration of Directors includes salary, NI and relevant pension costs.

The number of Directors to whom retirement benefits were accruing was as follows:

Final Salary scheme	<u>1</u>	<u>1</u>
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4. COSTS OF FUNDAMENTAL REORGANISATION

As a result of a large reduction in the CCDG Budget for 2015-16, the company undertook a voluntary release scheme between December 2014 and March 2015 resulting in a reduction of 88 staff. The associated costs of this exercise, including actuarial pension strains, was £2.485m.

CAREER CHOICES DEWIS GYRFA LTD

YEAR ENDED 31 MARCH 2015

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2015

5. NET FINANCE INCOME

	2015 £'000	2014 £'000
Finance income:		
Deposit account interest	46	26
Expected return on pension scheme assets	<u>5,775</u>	<u>5,357</u>
	<u>5,821</u>	<u>5,383</u>
Finance costs:		
Bank interest	6	-
Interest on pension scheme liabilities	<u>6,370</u>	<u>6,630</u>
	<u>6,376</u>	<u>6,630</u>
Net finance income	<u>(555)</u>	<u>(1,247)</u>

CAREER CHOICES DEWIS GYRFA LTD

YEAR ENDED 31 MARCH 2015

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2015**

6. PROFIT/(LOSS) BEFORE TAX

The profit/(loss) before tax is stated after charging:

	2015 £'000	2014 £'000
Other operating leases	1,045	957
Depreciation	126	67
De-recognition charged to profit and loss	-	17
Amortisation	967	476
Auditors' remuneration - External	80	140
Internal	33	32
ESF Internal Grant Certificate	6	5
	<u>2,257</u>	<u>1,694</u>

7. CORPORATION TAX

Analysis of tax expense

	2015 £'000	2014 £'000
Release of accrual in year	-	(4)
Charge in year	<u>9</u>	<u>4</u>
Total tax expense in consolidated income statement	<u>9</u>	<u>-</u>

CCDG only pays corporation tax on interest receivable and non-core activities at the UK corporation tax rate of 20%. Tax charge for 2014-15 based on bank deposit interest of £46k at 20% (2013-14: £20k at 20%)

Tax effects relating to effects of other comprehensive income

	Gross £'000	2015 Tax £'000	Net £'000
Actuarial (losses) on pension scheme	<u>(11,723)</u>	<u>-</u>	<u>(11,723)</u>

	Gross £'000	2014 Tax £'000	Net £'000
Actuarial gains on pension scheme	<u>18,172</u>	<u>-</u>	<u>18,172</u>

CAREER CHOICES DEWIS GYRFA LTD

YEAR ENDED 31 MARCH 2015

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2015**

8. PROPERTY, PLANT AND EQUIPMENT

Group 2014-15

	Leasehold Improvements	Land and Buildings	Fixtures and Fittings	Computer Equipment	Totals
	£'000	£'000	£'000	£'000	£'000
COST OR VALUATION					
At 1 April 2014	109	2,885	10	31	3,035
Additions: during the year	172	-	14	117	303
Disposals: during the year	-	-	(3)	(2)	(5)
At 31 March 2015	<u>281</u>	<u>2,885</u>	<u>21</u>	<u>146</u>	<u>3,333</u>
DEPRECIATION					
At 1 April 2014	11	43	4	10	68
Charge for year	48	42	2	34	126
Disposals: during the year	-	-	(3)	(2)	(5)
At 31 March 2015	<u>59</u>	<u>85</u>	<u>3</u>	<u>42</u>	<u>189</u>
NET BOOK VALUE					
At 31 March 2015	<u>222</u>	<u>2,800</u>	<u>18</u>	<u>104</u>	<u>3,144</u>
At 31 March 2014	<u>98</u>	<u>2,842</u>	<u>6</u>	<u>21</u>	<u>2,967</u>

Notes relating to PPE:-

There were no assets held for sale at the year end.

CAREER CHOICES DEWIS GYRFA LTD

YEAR ENDED 31 MARCH 2015

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2015**

8. PROPERTY, PLANT AND EQUIPMENT – continued

Company 2014-15

	Leasehold Improvement s £'000	Land and Buildings £'000	Fixtures and Fittings £'000	Computer Equipment £'000	Totals £'000
COST OR VALUATION					
At 1 April 2014	109	2,885	10	31	3,035
Additions: during the year	172	-	14	117	303
Disposals during the year	-	-	(3)	(2)	(5)
At 31 March 2015	<u>281</u>	<u>2,885</u>	<u>21</u>	<u>146</u>	<u>3,333</u>
DEPRECIATION					
At 1 April 2014	11	43	4	10	68
Charge for year	48	42	2	34	126
Disposal during the year	-	-	(3)	(2)	(5)
At 31 March 2015	<u>59</u>	<u>85</u>	<u>3</u>	<u>42</u>	<u>189</u>
NET BOOK VALUE					
At 31 March 2015	<u>222</u>	<u>2,800</u>	<u>18</u>	<u>104</u>	<u>3,144</u>
At 31 March 2014	<u>98</u>	<u>2,842</u>	<u>6</u>	<u>21</u>	<u>2,967</u>

CAREER CHOICES DEWIS GYRFA LTD

YEAR ENDED 31 MARCH 2015

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2015**

8. PROPERTY, PLANT AND EQUIPMENT – continued

Group 2013-14

	Leasehold Improvements	Land and Buildings	Fixtures and Fittings	Computer Equipment	Deferred Revenue Expenditure	Freehold Property Improvements	Leasehold Property Improvements	Totals
COST OR VALUATION	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2013	258	3,576	531	1,059	403	198	492	6,517
Additions: during the year	108	-	5	14	-	-	-	127
Additions: due to Intercompany transfers	-	2,850	10	17	1	35	-	2,913
Disposals: during the year	-	-	(1)	-	-	-	-	(1)
Disposals: due to Intercompany transfers	(750)	(3,576)	(531)	(1,046)	(403)	(198)	-	(6,504)
De-recognition-charge to Statement of Profit and Loss	-	-	(4)	(13)	-	-	-	(17)
Re-classification	493	35	-	-	(1)	(35)	(492)	-
At 31 March 2014	109	2,885	10	31	-	-	-	3,035
DEPRECIATION								
At 1 April 2013	258	726	520	1,032	402	163	492	3,593
Charge for year	11	43	4	8	-	-	-	66
Disposals: during the year	-	-	-	-	-	-	-	-
Disposals: due to Intercompany transfers	(750)	(726)	(520)	(1,030)	(402)	(163)	-	(3,591)
Re-classification	492	-	-	-	-	-	(492)	-
At 31 March 2014	11	43	4	10	-	-	-	68

CAREER CHOICES DEWIS GYRFA LTD

YEAR ENDED 31 MARCH 2015

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2015

NET BOOK VALUE

At 31 March 2014

<u>98</u>	<u>2,842</u>	<u>6</u>	<u>21</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,967</u>
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At 31 March 2013

<u>-</u>	<u>2,850</u>	<u>11</u>	<u>27</u>	<u>1</u>	<u>35</u>	<u>-</u>	<u>2,924</u>
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CAREER CHOICES DEWIS GYRFA LTD

YEAR ENDED 31 MARCH 2015

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2015**

8. PROPERTY, PLANT AND EQUIPMENT – continued

Company 2013-14

	Leasehold Improvements	Land and Buildings	Fixtures and Fittings	Computer Equipment	Deferred Revenue Expenditure	Freehold Property Improvements	Totals
COST OR VALUATION	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2013	-	-	-	13	-	-	13
Additions: during the year	108	-	5	14	-	-	127
Additions: due to Intercompany transfers	-	2,850	10	17	1	35	2,913
Disposals: during the year	-	-	(1)	-	-	-	(1)
De-recognition-charge to Statement of Profit and Loss	-	-	(4)	(13)	-	-	(17)
Re-classification	1	35	-	-	(1)	(35)	-
At 31 March 2014	109	2,885	10	31	-	-	3,035
DEPRECIATION							
At 1 April 2013	-	-	-	2	-	-	2
Charge for year	11	43	5	8	-	-	67
Disposals: during the year	-	-	(1)	-	-	-	(1)
At 31 March 2014	11	43	4	10	-	-	68

CAREER CHOICES DEWIS GYRFA LTD

YEAR ENDED 31 MARCH 2015

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2015**

NET BOOK VALUE

At 31 March 2014

<u>98</u>	<u>2,842</u>	<u>6</u>	<u>21</u>	<u>-</u>	<u>-</u>	<u>2,967</u>
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At 31 March 2013

<u>-</u>	<u>-</u>	<u>-</u>	<u>11</u>	<u>-</u>	<u>-</u>	<u>11</u>
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CAREER CHOICES DEWIS GYRFA LTD

YEAR ENDED 31 MARCH 2015

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2015**

9. INTANGIBLE ASSETS

	Restated Software Licences £'000	Restated Website Development £'000	Total £'000
COST			
At 1 April 2014		951	951
Additions	575	740	1,315
At 31 March 2015	575	1,691	2,266
AMORTISATION			
At 1 April 2014		475	475
Charge for the year	121	846	967
At 31 March 2015	121	1,321	1,442
NET BOOK VALUE			
At 31 March 2015	454	370	824
At 31 March 2014		476	476

CAREER CHOICES DEWIS GYRFA LTD

YEAR ENDED 31 MARCH 2015

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2015**

10. TRADE AND OTHER RECEIVABLES

	2015 £'000	2014 £'000
Current:		
Trade receivables	1,250	750
Other receivables	766	305
Prepayments and accrued income	625	933
	<u>2,641</u>	<u>1,988</u>

Company

	2015 £'000	2014 £'000
Current:		
Trade receivables	1,250	750
Amounts owed by group undertakings	-	1,015
Other receivables	766	305
Prepayments and accrued income	625	933
	<u>2,641</u>	<u>3,003</u>

11. CASH AND CASH EQUIVALENTS

Group

	2015 £'000	2014 £'000
Cash in hand	2	3
Bank accounts	4,598	7,431
	<u>4,600</u>	<u>7,434</u>

Company

	2015 £'000	2014 £'000
Cash in hand	2	3
Bank accounts	4,598	5,760
	<u>4,600</u>	<u>5,763</u>

CAREER CHOICES DEWIS GYRFA LTD

YEAR ENDED 31 MARCH 2015

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2015**

12. RESERVES

Group

	Retained earnings £'000	Revaluation reserve £'000	Totals £'000
At 1 April 2013	(25,856)	172	(25,684)
Profit for the year	1,144	-	1,144
Transfer to retained earnings	172	(172)	-
Pension Actuarial Gain	<u>18,172</u>	<u>-</u>	<u>18,172</u>
At 31 March 2014	(6,368)	-	(6,368)
(Loss) for the year	(3,056)	-	(3,056)
Pension Actuarial Loss	<u>(11,723)</u>	<u>-</u>	<u>(11,723)</u>
At 31 March 2015	<u>(21,147)</u>	<u>-</u>	<u>(21,147)</u>

Company

	Retained earnings £'000	Totals £'000
At 1 April 2013	(349)	(349)
(Loss) for the year	(24,846)	(24,846)
Pension actuarial gain	<u>18,172</u>	<u>18,172</u>
At 31 March 2014	(7,023)	(7,023)
(Loss) for the year	(2,401)	(2,401)
Pension Actuarial Loss	<u>(11,723)</u>	<u>(11,723)</u>
At 31 March 2015	<u>(21,147)</u>	<u>(21,147)</u>

13. TRADE AND OTHER PAYABLES

Group

	2015 £'000	2014 £'000
Current liabilities:		
Trade payables	763	484
Social security and other taxes	513	1,038
Other payables	340	602
Holiday Pay Accrual	318	239
Accruals and deferred income	1,873	995
VAT	992	989
Computer Licenses	<u>56</u>	<u>-</u>
	<u>4,855</u>	<u>4,347</u>
Non-current liabilities:		
Computer Licenses	<u>175</u>	<u>-</u>
	<u>175</u>	<u>-</u>
Aggregate amounts	<u>5,030</u>	<u>4,347</u>

CAREER CHOICES DEWIS GYRFA LTD

YEAR ENDED 31 MARCH 2015

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2015**

13. TRADE AND OTHER PAYABLES - continued

	Company	
	2015 £'000	2014 £'000
Current		
Trade payables	763	484
Other payables	853	1,640
Accruals and deferred income	1,873	995
Holiday Pay Accrual	318	239
VAT	992	989
Computer Licenses	<u>56</u>	
	<u>4,855</u>	<u>4,347</u>
Non-current liabilities:		
Computer Licenses	<u>175</u>	<u>-</u>
	<u>175</u>	<u>-</u>
Aggregate amounts	<u>5,030</u>	<u>4,347</u>

14. LEASING AGREEMENTS

Group

Minimum lease payments under operating leases fall due as follows:

	Operating lease	
	2015 £'000	Restated 2014 £'000
Net obligations repayable		
Within one year	886	948
Between one and five years	2,739	2,874
In more than five years	<u>3,038</u>	<u>3,250</u>
	<u>6,663</u>	<u>7,072</u>

The 2014 figures have been restated following a review of all premises leases. It was discovered that the leases for the premises at Newport and Llantarnam had fixed increases every five years and these increases were not included in last year's calculations. This has resulted in an increased lease commitment of £629k over the lifetime of the leases.

CAREER CHOICES DEWIS GYRFA LTD

YEAR ENDED 31 MARCH 2015

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

15. EMPLOYEE BENEFIT OBLIGATIONS

Each of the companies within the group contributes to the Local Government Pension Scheme (LGPS) a defined benefit pension scheme being the following:

Company	Fund
Gwent Careers Service Partnership Ltd	Greater Gwent (Torfaen) Pension Fund
Careers Wales Cardiff and Vale Ltd	Cardiff and Vale of Glamorgan Pension Fund (C&V)
Careers Wales West - Gyrfa Cymru Gorrlewin Ltd	Dyfed Pension Fund which is operated by Carmarthenshire County Council (Dyfed)
Careers Wales Mid Glamorgan and Powys Ltd	Rhondda Cynon Taf Pension Fund and the Powys County Council Pension Fund
North East Wales Careers Services Ltd	Clwyd Pension Fund
Gyrfa Cymru Gogledd Orllewin Cyfyngedig	Gwynedd Council Pension Fund
Careers Wales Association	Rhondda Cynon Taf Pension Fund (RCT)

The date of the most recent full actuarial valuation of the above funds was carried out on the 31 March 2013 by the following Actuaries. The qualified Actuaries are not employees of any of the companies within the group.

Company	Actuary
Gwent Careers Service Partnership Ltd	Mercer
Careers Wales Cardiff and Vale Ltd	Aon Hewitt
Careers Wales West - Gyrfa Cymru Gorrlewin Ltd	Mercer
Careers Wales Mid Glamorgan and Powys Ltd - RCT & Powys	Aon Hewitt
North East Wales Careers Services Ltd	Mercer
Gyrfa Cymru Gogledd Orllewin Cyfyngedig	Hymans Robertson
Careers Wales Association	Aon Hewitt

As stated previously, CCDG is an admitted member of seven LGPS's in Wales. The Local Government Pension Scheme (Administration) Regulations 2008 (as amended) provide the statutory framework. Each of the Schemes, that CCDG is an admitted member, is a defined benefit final salary scheme under which the benefits are specified in the governing legislation (the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 (as amended)). The required levels of employee contributions are also specified in the Regulations. Updated Regulations (The Local Government Pension Scheme Regulations 2013) covering a new LGPS replaced the existing Scheme with effect from 01 April 2014 and will provide for members to accrue pension on a career average revalued earnings basis rather than final salary. The actuaries have taken this into account in determining employer contribution rates in the 2013 actuarial valuation.

Members' accrued benefits are guaranteed by statute and the level of member contributions are fixed in the Regulations at a level which covers only part of the cost of accruing benefits. CCDG is responsible for paying the balance of the cost of delivering the benefits to members. Each LGPS Fund has a Funding Strategy Statement (FSS) that focuses on the pace at which these liabilities are funded and, insofar as is practical, the measures to ensure that employers or pools of employers pay for their own liabilities.

The FSS is prepared by the Administering Authority in collaboration with the Fund Actuary and after consultation with the Fund's employers and investment advisors. A separate strategy is produced by each of the LGPS's.

CAREER CHOICES DEWIS GYRFA LTD

YEAR ENDED 31 MARCH 2015

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2015**

15. EMPLOYEE BENEFIT OBLIGATIONS - continued

The FSS is produced in accordance with Regulation 35 of the Local Government Pension Scheme (Administration) Regulations 2008 (as amended) and the guidance paper issued in October 2012 by the Chartered Institute of Public Finance and Accountancy (CIPFA) Pensions Panel.

Funding is the making of advance provision to meet the cost of accruing benefit promises. Decisions taken regarding the approach to funding will therefore determine the rate or pace at which this advance provision is made. Although the Regulations specify the fundamental principles on which funding contributions should be assessed, implementation of the funding strategy is the responsibility of the Administering Authority, acting on the professional advice provided by the actuary. The purpose of the FSS is:

1. to establish a clear and transparent fund-specific strategy which will identify how employers' pension liabilities are best met going forward;
2. to support the regulatory requirement to maintain as nearly constant employer contribution rates as possible; and
3. to take a prudent longer-term view of funding those liabilities.

The intention is for each of the Fund's FSS to be both cohesive and comprehensive for their Fund, recognising that there will be conflicting objectives which need to be balanced and reconciled. While the position of individual employers must be reflected in the statement, it must remain a single strategy for each Administering Authority to implement and maintain.

CAREER CHOICES DEWIS GYRFA LTD

YEAR ENDED 31 MARCH 2015

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2015**

15. EMPLOYEE BENEFIT OBLIGATIONS - continued

For the purpose of these accounts, all of the funds are disclosed separately below but have been aggregated in their impact on the Financial Statements.

The amounts recognised in the Statement of Financial Positions are as follows:

	Present Value of funded obligations	Fair Value of plan assets	Sub - total	Present Value of unfunded obligations	Surplus / (Deficit)	Net Asset / Net Liability
	£'000	£'000	£'000	£'000	£'000	£'000
Gwent Careers Service Partnership Ltd	(27,039)	20,082	(6,957)	-	(6,957)	(6,957)
Careers Wales Cardiff and Vale Ltd	(19,260)	23,630	4,370	(70)	4,300	4,300
Careers Wales West Gyrfa Cymru Gorllewin Ltd	(44,176)	36,802	(7,374)	(254)	(7,628)	(7,628)
Careers Wales Mid Glamorgan and Powys Ltd – RCT	(32,604)	28,252	(4,352)	-	(4,352)	(4,352)
Careers Wales Mid Glamorgan and Powys Ltd – Powys	(7,710)	6,220	(1,490)	-	(1,490)	(1,490)
North East Wales Careers Services Ltd	(20,072)	14,693	(5,379)	-	(5,379)	(5,379)
Gyrfa Cymru Gogledd Orllewin Cyfyngedig	(24,243)	18,091	(6,152)	(34)	(6,186)	(6,186)
Careers Wales Association (CWA)	(1,428)	1,803	375	-	375	375
	<u>(176,532)</u>	<u>149,573</u>	<u>(26,959)</u>	<u>(358)</u>	<u>(27,317)</u>	<u>(27,317)</u>

Duration Information as at the end of the accounting period

The duration of the employers liabilities is the average period between the calculation date and the date at which benefit payments fall due.

LGPS Fund	C&V	CWA	Flintshire	Gwent	Dyfed	RCT	Powys
Years	20.8	24.5	21	22	21	20.4	18.8

Note that the above figures are for funded obligations only and do not include the unfunded pensioner liabilities.

CAREER CHOICES DEWIS GYRFA LTD

YEAR ENDED 31 MARCH 2015

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2015**

15. EMPLOYEE BENEFIT OBLIGATIONS - continued

The aggregated impact on the Financial Statements is as follows

The amounts recognised in the statement of financial position are as follows:

	Defined benefit pension plans	
	2015 £'000	2014 £'000
Present value of funded obligations	(176,532)	(144,799)
Fair value of plan assets	<u>149,573</u>	<u>130,255</u>
	(26,959)	(14,544)
Present value of unfunded obligations	<u>(358)</u>	<u>(335)</u>
Deficit	<u>(27,317)</u>	<u>(14,879)</u>
Net liability	<u>(27,317)</u>	<u>(14,879)</u>

The amounts recognised in profit or loss are as follows:

	Defined benefit pension plans	
	2015 £'000	2014 £'000
Current service cost	3,385	3,857
Interest cost	6,370	6,630
Expected return	<u>(5,775)</u>	<u>(5,357)</u>
	<u>3,980</u>	<u>5,130</u>
Actual return on plan assets	<u>17,351</u>	<u>7,355</u>

Changes in the present value of the defined benefit obligation are as follows:

	Defined benefit pension plans	
	2015 £'000	2014 £'000
Opening defined benefit obligation	145,134	153,135
Current service cost	3,385	3,791
Contributions by scheme participants	1,095	1,073
Interest cost	6,370	6,630
Actuarial losses/(gains)	23,983	(16,174)
Benefits paid	<u>(3,096)</u>	<u>(3,321)</u>
Curtailments	19	-
	<u>176,890</u>	<u>145,134</u>

CAREER CHOICES DEWIS GYRFA LTD

YEAR ENDED 31 MARCH 2015

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2015**

15. EMPLOYEE BENEFIT OBLIGATIONS - continued

Changes in the fair value of scheme assets are as follows:

	Defined benefit pension plans	
	2015 £'000	2014 £'000
Opening fair value of scheme assets	130,255	121,861
Contributions by employer	3,350	3,353
Contributions by scheme participants	1,095	1,073
Assets administration expenses	(76)	(66)
Expected return	5,775	5,357
Actuarial profit/(loss)	12,260	1,998
Benefits paid	(3,086)	(3,321)
	<u>149,573</u>	<u>130,255</u>

The amounts recognised in the statement of comprehensive income are as follows:

	Defined benefit pension plans	
	2015 £'000	2014 £'000
Actuarial profit/(loss)	<u>(11,723)</u>	<u>18,172</u>
	<u>(11,723)</u>	<u>18,172</u>
Cumulative amount of actuarial profit/(loss)	<u>(25,740)</u>	<u>(14,017)</u>

The following note provides details of each of the companies' actuaries assumptions and asset allocations

Careers Wales Mid Glamorgan and Powys - RCT

	31.03.15 (%)	31.03.14 (%)
Principal Financial Assumptions		
Discount rate	3.3	4.3
RPI Inflation	3.0	3.4
CPI Inflation	1.9	2.4
Rate of increase to deferred pensions	1.9	2.4
Rate of increase to pensions in payment	1.9	2.4
Rate of general increase in salaries	3.4	3.9

Mortality assumptions

Based on recent actual mortality experience of members within the Fund and allow for expected Future mortality improvements

CAREER CHOICES DEWIS GYRFA LTD

YEAR ENDED 31 MARCH 2015

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2015**

15. EMPLOYEE BENEFIT OBLIGATIONS - continued

	31.03.15	31.03.14
Males		
Future lifetime from age 65 (aged 65 at accounting date)	23	22.9
Future lifetime from age 65 (aged 45 at accounting date)	25.2	25.1
Females		
Future lifetime from age 65 (aged 65 at accounting date)	25.9	25.8
Future lifetime from age 65 (aged 45 at accounting date)	28.3	28.2
	31.03.15 (%)	31.03.14 (%)
Asset allocation		
Equities	69.0	71.0
Property	5.6	5.9
Gov Bonds	9.7	8.5
Corporate Bonds	11.7	11.7
Cash	4.0	2.9
Total	100	100

Expected contribution for accounting period ending 31 March 2016 - £0.982M

Sensitivity analysis

The approximate impact of changing the key assumptions on the present value of the funded defined benefit obligation as at 31 March 2015 is set out below. In each case, only the assumption mentioned is altered; all other assumptions remain the same.

Funded LGPS benefits

Discount rate assumption

	+0.1% p.a.	-0.1% p.a.
Adjustment to discount rate		
Present value of total obligation (£M's)	31.946	33.275
% change in present value of total obligation	-2.0%	2.1%

Rate of general increase in salaries

	+0.1% p.a.	-0.1% p.a.
Adjustment to salary increase rate		
Present value of total obligation (£M's)	32.764	32.446
% change in present value of total obligation	0.5%	-0.5%

CAREER CHOICES DEWIS GYRFA LTD

YEAR ENDED 31 MARCH 2015

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2015**

15. EMPLOYEE BENEFIT OBLIGATIONS - continued

Rate of increase to pensions in payment and deferred pensions assumption, and rate of revaluation of pension accounts assumption

Adjustment to pension increase rate	+0.1% p.a.	-0.1% p.a.
Present value of total obligation (£M's)	33.131	32.087
% change in present value of total obligation	1.6%	-1.6%

Post retirement mortality assumption

Adjustment to mortality age rating assumption *	-1 year	+1 year
Present value of total obligation (£M's)	33.459	31.749
% change in present value of total obligation	2.6%	-2.6%

**A rating of +1 year means that members are assumed to follow the mortality pattern of the base table for an individual that is 1 year older than them*

Careers Wales Mid Glamorgan and Powys - Powys

	31.03.15	31.03.14
Principal Financial Assumptions	(%)	(%)
Discount rate	3.2	4.3
RPI Inflation	2.9	3.4
CPI Inflation	1.8	2.4
Rate of increase to deferred pensions	1.8	2.4
Rate of increase to pensions in payment	1.8	2.4
Rate of general increase in salaries	3.3	3.9

Mortality assumptions

Based on recent actual mortality experience of members within the Fund and allow for expected Future mortality improvements

	31.03.15	31.03.14
Males		
Future lifetime from age 65 (aged 65 at accounting date)	23.0	22.9
Future lifetime from age 65 (aged 45 at accounting date)	25.2	25.1
Females		
Future lifetime from age 65 (aged 65 at accounting date)	25.5	25.4
Future lifetime from age 65 (aged 45 at accounting date)	27.8	27.7

CAREER CHOICES DEWIS GYRFA LTD

YEAR ENDED 31 MARCH 2015

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2015**

15. EMPLOYEE BENEFIT OBLIGATIONS - continued

	31.03.15 (%)	31.03.14 (%)
Asset allocation		
Equities	53.0	52.3
Property	7.4	6.1
Gov Bonds	16.3	16.1
Corporate Bonds	8.6	13
Cash	5.2	2.5
Other	9.5	10
Total	<u>100</u>	<u>100</u>

Expected contribution for accounting period ending 31 March 2016 - £0.12M

Sensitivity analysis

The approximate impact of changing the key assumptions on the present value of the funded defined benefit obligation as at 31 March 2015 and the projected service cost for the year ending 31 March 2016 is set out below. In each case, only the assumption mentioned is altered; all other assumptions remain the same

Funded LGPS benefits

	+0.1% p.a.	-0.1% p.a.
Discount rate assumption		
Adjustment to discount rate		
Present value of total obligation (£M's)	7.57	7.86
% change in present value of total obligation	-1.9%	1.9%
Projected service cost (£M's)	0.15	0.15
Approximate % change in projected service cost	-3.0%	3.0%
Rate of general increase in salaries		
Adjustment to salary increase rate	+0.1% p.a.	-0.1% p.a.
Present value of total obligation (£M's)	7.74	7.68
% change in present value of total obligation	0.4%	-0.4%
Projected service cost (£M's)	0.15	0.15
Approximate % change in projected service cost	0.0%	0.0%

Rate of increase to pensions in payment and deferred pensions assumption, and rate of revaluation of pension accounts assumption

	+0.1% p.a.	-0.1% p.a.
Adjustment to pension increase rate		
Present value of total obligation (£M's)	7.83	7.60
% change in present value of total obligation	1.5%	-1.5%
Projected service cost (£M's)	0.15	0.15
Approximate % change in projected service cost	3.0%	-3.0%

Post retirement mortality assumption

	-1 year	+1 year
Adjustment to mortality age rating assumption *		
Present value of total obligation (£M's)	7.91	7.51
% change in present value of total obligation	2.6%	-2.6%
Projected service cost (£M's)	0.16	0.14
Approximate % change in projected service cost	3.4%	-3.4%

CAREER CHOICES DEWIS GYRFA LTD

YEAR ENDED 31 MARCH 2015

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2015**

15. EMPLOYEE BENEFIT OBLIGATIONS - continued

**A rating of +1 year means that members are assumed to follow the mortality pattern of the base table for an individual that is 1 year older than them*

Careers Wales Cardiff and Vale Ltd

	31.03.15	31.03.14
Principal Financial Assumptions	(%)	(%)
Discount rate	3.2	4.3
RPI Inflation	2.9	3.4
CPI Inflation	1.8	2.4
Rate of increase to deferred pensions	1.8	2.4
Rate of increase to pensions in payment	1.8	2.4
Rate of general increase in salaries	2.8	3.4

Mortality assumptions

Based on recent actual mortality experience of members within the Fund and allow for expected Future mortality improvements

	31.03.15	31.03.14
Males		
Future lifetime from age 65 (aged 65 at accounting date)	23.8	23.7
Future lifetime from age 65 (aged 45 at accounting date)	25.8	25.7

Females		
Future lifetime from age 65 (aged 65 at accounting date)	26.7	26.6
Future lifetime from age 65 (aged 45 at accounting date)	29.0	28.9

	31.03.15	31.03.14
	(%)	(%)
Asset allocation		
Equities	77.4	78.3
Property	5.9	5.4
Gov Bonds	6.8	6.9
Corporate Bonds	7.9	8
Cash	1.7	1.3
Other	0.3	0.1
Total	<u>100</u>	<u>100</u>

Expected contribution for accounting period ending 31 March 2016 - £0.41M

CAREER CHOICES DEWIS GYRFA LTD

YEAR ENDED 31 MARCH 2015

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2015**

15. EMPLOYEE BENEFIT OBLIGATIONS - continued

Sensitivity analysis

The approximate impact of changing the key assumptions on the present value of the funded defined benefit obligation as at 31 March 2015 and the projected service cost for the year ending 31 March 2016 is set out below. In each case, only the assumption mentioned is altered. We have not included sensitivity of unfunded benefits on materiality grounds.

Funded LGPS benefits

Discount rate assumption		
Adjustment to discount rate	+0.1% p.a.	-0.1% p.a.
Present value of total obligation (£M's)	18.86	19.66
% change in present value of total obligation	-2.1%	2.1%
Projected service cost (£M's)	0.60	0.64
Approximate % change in projected service cost	-3.4%	3.5%
Rate of general increase in salaries		
Adjustment to salary increase rate	+0.1% p.a.	-0.1% p.a.
Present value of total obligation (£M's)	19.38	19.14
% change in present value of total obligation	0.6%	-0.6%
Projected service cost (£M's)	0.62	0.62
Approximate % change in projected service cost	0.0%	0.0%
Rate of increase to pensions in payment and deferred pensions assumption		
Adjustment to pension increase rate	+0.1% p.a.	-0.1% p.a.
Present value of total obligation (£M's)	19.55	18.97
% change in present value of total obligation	1.5%	-1.5%
Projected service cost (£M's)	0.64	0.60
Approximate % change in projected service cost	3.5%	3.4%
Post retirement mortality assumption		
Adjustment to mortality age rating assumption *	-1 year	+1 year
Present value of total obligation (£M's)	19.77	18.75
% change in present value of total obligation	2.6%	-2.6%
Projected service cost (£M's)	0.64	0.60
Approximate % change in projected service cost	3.2%	-3.36%

A rating of +1 year means that members are assumed to follow the mortality pattern of the base table for an individual that is 1 year older than them.

CAREER CHOICES DEWIS GYRFA LTD

YEAR ENDED 31 MARCH 2015

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2015**

15. EMPLOYEE BENEFIT OBLIGATIONS - continued

Careers Wales Association

Principal Financial Assumptions	31.03.15 (%)	31.03.14 (%)
Discount rate	3.3	4.4
RPI Inflation	3.0	3.4
CPI Inflation	1.9	2.4
Rate of increase to deferred pensions	1.9	2.4
Rate of increase to pensions in payment	1.9	2.4
Rate of general increase in salaries	3.4	3.9

Mortality assumptions

Based on recent actual mortality experience of members within the Fund and allow for expected Future mortality improvements

	31.03.15	31.03.14
Males		
Future lifetime from age 65 (aged 65 at accounting date)	23	22.9
Future lifetime from age 65 (aged 45 at accounting date)	25.2	25.1
Females		
Future lifetime from age 65 (aged 65 at accounting date)	25.9	25.8
Future lifetime from age 65 (aged 45 at accounting date)	28.3	28.2

	31.03.15 (%)	31.03.14 (%)
Asset allocation		
Equities	69.0	70.7
Property	5.6	5.8
Gov Bonds	9.7	9.5
Corporate Bonds	11.7	10.8
Cash	4.0	3.2
Other	0	0
Total	<u>100</u>	<u>100</u>

Expected contribution for accounting period ending 31 March 2016 - £0.036M

Sensitivity analysis

The approximate impact of changing the key assumptions on the present value of the funded defined benefit obligation as at 31 March 2015 is set out below. In each case, only the assumption mentioned is altered; all other assumptions remain the same.

CAREER CHOICES DEWIS GYRFA LTD

YEAR ENDED 31 MARCH 2015

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2015**

15. EMPLOYEE BENEFIT OBLIGATIONS - continued

Funded LGPS benefits

Discount rate assumption	+0.1% p.a.	-0.1% p.a.
Adjustment to discount rate		
Present value of total obligation (£M's)	1.393	1.463
% change in present value of total obligation	-2.4%	2.5%
Projected service cost (£M's)	0.047	0.051
Approximate % change in projected service cost	-3.7%	3.9%

Rate of general increase in salaries

Adjustment to salary increase rate	+0.1% p.a.	-0.1% p.a.
Present value of total obligation (£M's)	1.435	1.421
% change in present value of total obligation	0.5%	-0.5%
Projected service cost (£M's)	0.049	0.049
Approximate % change in projected service cost	0.0%	0.0%

Rate of increase to pensions in payment and deferred pensions assumption

Adjustment to pension increase rate	+0.1% p.a.	-0.1% p.a.
Present value of total obligation (£M's)	1.457	1.399
% change in present value of total obligation	2.1%	-2.0%
Projected service cost (£M's)	0.051	0.047
Approximate % change in projected service cost	3.9%	-3.7%

Post retirement mortality assumption

Adjustment to mortality age rating assumption *	-1 year	+1 year
Present value of total obligation (£M's)	1.465	1.391
% change in present value of total obligation	2.6%	-2.6%
Projected service cost (£M's)	0.051	0.047
Approximate % change in projected service cost	3.5%	-3.5%

**A rating of +1 year means that members are assumed to follow the mortality pattern of the base table for an individual that is 1 year older than them*

Careers Wales West- Gyrfa Cymru Gorllewin

Financial assumptions	Beginning of period (%)	End of period (%)
Rate of CPI inflation	2.4	2.0
Rate of increase in salaries	3.9	3.5
Rate of increase in pensions	2.4	2.0
Discount rate	4.5	3.3

Mortality assumptions

Non Retired members	95% male 94% females	95% males 94% females
Retired members	95% male 94% females	95% males 94% females

CAREER CHOICES DEWIS GYRFA LTD

YEAR ENDED 31 MARCH 2015

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2015**

15. EMPLOYEE BENEFIT OBLIGATIONS - continued

Life expectancy of a male (female)

Future pensioner aged 65	25.4 (28) years	25.5 (28.1) years
Current pensioner aged 65	23.2 (25.7) years	23.3 (25.8) years

Expected contribution for accounting period ending 31 March 2016 - £654k

Sensitivity analysis

Disclosure item	Central	Sensitivity 1	Sensitivity 2	Sensitivity 3	Sensitivity 4
		+ 0.1% p.a. discount rate	+ 0.1% p.a. inflation	+ 0.1% p.a. pay growth	1 year increase in life expectancy
	£'000	£'000	£'000	£'000	£'000
Liabilities	44,430	43,507	45,372	44,688	45,275
Assets	(36,802)	(36,802)	(36,802)	(36,802)	(36,802)
Deficit/(Surplus)	7,628	6,705	8,570	7,886	8,473
Projected Service Cost for next year	1,096	1,061	1,132	1,096	1,120
Projected Net Interest Cost for next year	241	217	272	250	269

North East Wales Careers Services

Financial assumptions	Beginning of period (%)	End of period (%)
Rate of CPI inflation	2.4	2.0
Rate of increase in salaries	3.9	3.5
Rate of increase in pensions	2.4	2.0
Discount rate	4.5	3.3
Mortality assumptions		
Non Retired members	87% male 82% females	87% males 82% females
Retired members	94% male 93% females	94% males 93% females

Life expectancy of a male (female)

Future pensioner aged 65	26.2 (29.2) years	26.3 (29.3) years
Current pensioner aged 65	23.3 (25.8) years	23.4 (25.9) years

Expected contribution for accounting period ending 31 March 2016 - £358k

CAREER CHOICES DEWIS GYRFA LTD

YEAR ENDED 31 MARCH 2015

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2015**

15. EMPLOYEE BENEFIT OBLIGATIONS - continued

Sensitivity analysis

Disclosure item	Central	Sensitivity 1	Sensitivity 2	Sensitivity 3	Sensitivity 4
		+ 0.1% p.a. discount rate	+ 0.1% p.a. inflation	+ 0.1% p.a. pay growth	1 year increase in life expectancy
	£000s	£000s	£000s	£000s	£000s
Liabilities	20,072	19,661	20,492	20,177	20,453
Assets	(14,693)	(14,693)	(14,693)	(14,693)	(14,693)
Deficit/(Surplus)	5,379	4,968	5,799	5,484	5,760
Projected Service Cost for next year	418	405	432	418	427
Projected Net Interest Cost for next year	172	163	185	175	184

Gwent Careers Service Partnership Ltd

Financial assumptions	Beginning of period (%)	End of period (%)
Rate of CPI inflation	2.4	2.1
Rate of increase in salaries	3.9	3.6
Rate of increase in pensions	2.4	2.1
Discount rate	4.6	3.4
Mortality assumptions		
Non Retired members	98% male 97% females	98% males 97% females
Retired members	98% male 97% females	98% males 97% females
Life expectancy of a male (female)		
Future pensioner aged 65	25.2 (27.8) years	25.3 (27.9) years
Current pensioner aged 65	23 (25.4) years	23 (25.5) years
Expected contribution for accounting period ending 31 March 2016 - £419k		

CAREER CHOICES DEWIS GYRFA LTD

YEAR ENDED 31 MARCH 2015

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2015**

15. EMPLOYEE BENEFIT OBLIGATIONS - continued

Sensitivity analysis

Disclosure item	Central	Sensitivity 1	Sensitivity 2	Sensitivity 3	Sensitivity 4
		+ 0.1% p.a. discount rate	+ 0.1% p.a. inflation	+ 0.1% p.a. pay growth	1 year increase in life expectancy
	£'000	£'000	£'000	£'000	£'000
Liabilities	27,039	26,464	27,627	27,200	27,539
Assets	(20,082)	(20,082)	(20,082)	(20,082)	(20,082)
Deficit/(Surplus)	6,957	6,382	7,545	7,118	7,457
Projected Service Cost for next year	592	573	612	592	605
Projected Net Interest Cost for next year	229	216	249	235	246

Careers Wales North West - Gyrfa Cymru Gogledd Orllewin

Financial assumptions	31.03.15	31.03.14
	% p.a.	% p.a.
Pension increase rate	2.5	2.9
Salary increase rate	4.4	4.7
Discount rate	3.3	4.3

Mortality

Average future life expectancy at age 65	Males	Females
Current pensioners	22.0 years	24.0 years
Future pensioners	24.4 years	26.6 years

Expected contribution for accounting period ending 31 March 2016 - £432k

Sensitivity analysis

	Approx. % increase to Employer	Approx. monetary amount (£)
Changes in assumptions at 31.03.15		
0.5% decrease in Real Discount Rate	14%	3,397
1 year increase in member life expectancy	3%	728
0.5% increase in the Salary Increase Rate	5%	1,319
0.5% increase in the Pension Increase Rate	8%	1,977

CAREER CHOICES DEWIS GYRFA LTD

YEAR ENDED 31 MARCH 2015

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 MARCH 2015

15. EMPLOYEE BENEFIT OBLIGATIONS - continued

Amounts for the current and previous period are as follows:

	2015 £'000	2014 £'000
Defined benefit pension plans		
Defined benefit obligation	(176,890)	(145,134)
Fair value of scheme assets	149,573	130,255
Deficit	(27,317)	(14,879)

16. EVENTS AFTER THE REPORTING PERIOD

The Financial Statements were authorised for issue by the Board of Directors on the 7th July 2015. The Welsh Government have the power to amend the Financial Statements after issue.

17. ULTIMATE CONTROLLING PARTY

On the 1 April 2013 the members of the company resigned and the Welsh Government was appointed as the sole member. From this date the Welsh Government had ultimate control of the group. During the year CCDG was the ultimate parent undertaking of the group by being the sole member of each of the following companies:

Gwent Careers Service Partnership Ltd	Registered number: 03035717
Careers Wales Cardiff and Vale Ltd	Registered number: 03037730
Careers Wales West - Gyrfa Cymru Gorllewin Ltd	Registered number: 04176235
Careers Wales Mid Glamorgan and Powys Ltd	Registered number: 03026118
North East Wales Careers Services Ltd	Registered number: 03039009
Gyrfa Cymru Gogledd Orllewin Cyfyngedig	Registered number: 03009975
Careers Wales Association Ltd	Registered number: 03955822

All companies have been included in the consolidated accounts. The subsidiaries previously provided careers information, advice and guidance service and the facilitation of education business links.

18. SHARE CAPITAL

The company is limited by guarantee with all Directors agreeing to contribute the sum of £1 in the event of the company being wound up.

19. GOING CONCERN

The group Financial Statements currently show that the company has negative reserves of £21,147k. The primary reason for the negative reserves is the pension deficit of £27,317k. This deficit is an estimate of the expected shortfall of assets over liabilities in the group pension funds.

It is not expected that significant additional pension contributions will be required in the short term and therefore it is the view of the Directors that the company continues to be a going concern.

On the 1 April 2013 CCDG became a wholly owned subsidiary of Welsh Government.

The Directors are aware that in 2015-16 the Welsh Government have indicated that funding will reduce for CCDG. However the Directors do not consider this will affect the going concern of the company.

CAREER CHOICES DEWIS GYRFA LTD**YEAR ENDED 31 MARCH 2015****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2015****20. RELATED PARTY**

CCDG is a wholly owned subsidiary of the Welsh Government, and therefore the Welsh Government is regarded as a related party. During the year, CCDG received income from the Welsh Government of £29.470m. At the year end, CCDG was owed £886k by the Welsh Government.

During the year the following transactions took place between CCDG and its subsidiaries:

Amounts Received from the subsidiaries by CCDG:

Gwent Careers Service Partnership Ltd	£424,839
Careers Wales Cardiff and Vale Ltd	£766,363
Careers Wales West – Gyrfa Cymru Gorllewin Ltd	£287,481
Careers Wales Mid Glamorgan and Powys Ltd	£191,462
North East Wales Careers Services Ltd	£0
Careers Wales Association Ltd	£0
Gyrfa Cymru Gogledd Orllewin Cyfyngedig	£0

During the year, CCDG entered into transactions with organisations in which the following Directors and Senior Management employees have declared an interest.

Director	Body	Payments Received by CCDG	Nature of link
Mr Iwan Prys Jones	North Wales Economic Ambition Board	£53,629	Programme Director

Director/ Senior Management	Body	Payments Made by CCDG	Nature of link
Mr S Harford	Howells Solicitors	£24,920	Daughter employee
Mr P Davy	Caerphilly County Borough Council - Expenditure	£18,040	Head Of Programmes
Mrs S Finnegan-Dehn	Career Development Institute - Expenditure	£46,825	Board Member of CDI
Dr D M Roberts	Bangor University	£1,500	Director

CAREER CHOICES DEWIS GYRFA LTD

YEAR ENDED 31 MARCH 2015

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2015**

21. CAPITAL COMMITMENTS

Purchase orders to the value of £137k have been raised for capital expenditure on various company premises and purchase orders for website development and translation amount to £39k but these have not been provided for in the Financial Statements.

22. LOSS OF PARENT COMPANY

As permitted by Section 408 of the Companies Act 2006, the income statement of the parent company is not presented as part of these Financial Statements. The parent company's loss for the financial year was £14,124k (2014 – loss £24,846k).



Llywodraeth Cymru
Welsh Government

Eich cyf/Your ref
Ein cvf/Our ref
Darren Millar AM
Chair – Public Accounts Committee
National Assembly for Wales
Cardiff Bay
Cardiff
CF99 1NA

28 October 2015

**PUBLIC ACCOUNTS COMMITTEE REPORT
INTRA-WALES – CARDIFF TO ANGLESEY – AIR SERVICES: FINAL
REPORT
RESPONSE TO REQUEST FOR CLARIFICATIONS**

On 29 September you wrote to James Price (Deputy Permanent Secretary – Economy, Skills and Natural Resources Group) with a number of clarifications to the Welsh Government's response to the Final Report.

Please find attached the Welsh Government's response.

Yours sincerely

Simon Jones
Acting Director – Transport and ICT Infrastructure

Welsh Government response to the PACs request on 1 October 2015 for clarification of Welsh Government responses dated 10 September 2015.

PAC comment, recommendation 1:

The Welsh Government has accepted this recommendation in principle, on the basis that it reserves the right to change the scope of a commission where possible within procurement rules. The response is framed simply in the context of any future external advice regarding the Air Service whereas the Committee's intention was for practice to be adopted and applied throughout the Welsh Government. We therefore wish to seek a more corporate response to this recommendation.

In responding further the Welsh Government may wish to consider the Auditor General's February 2013 report on The Procurement and Management of Consultancy Services. One of the recommendations in that report related to the development by public bodies of template documentation to set out all essential factors which they should consider when purchasing consultancy services. The Committee's own report on this subject, published in September 2013, recommended that Welsh Government should ensure that business cases exist for different procurement exercises, and are robust.

WG response (September 2015):

The Welsh Government will, when commissioning any external advice in relation to the Intra Wales Air Service, establish in advance a clear and detailed scope of the work required. The Welsh Government may decide to adjust, amend or increase the scope of work required on the basis of the evidence provided during the commission where this is possible within procurement rules.

Additional comments:

Following the recommendations made by the Wales Audit Office in its report on the Procurement and Management of Consultancy Services (February 2013) the Welsh Government – through Value Wales and the National Procurement Service – has developed best practice template documentation, including a template business case, which is available for all public bodies across Wales to access via the Procurement Route Planner, hosted on the Sell2Wales website.

Within Welsh Government, the Director of Commercial and Procurement, is responsible for delivering the Commercial Governance workstream of the Permanent Secretaries 'Preparing for the Future' programme. The scope of this workstream includes reviewing how procurement is carried out across Welsh Government, including where procurement responsibility is delegated. This work will help ensure that consistent best practice approaches are applied across the whole organisation.

The introduction of an improved Purchase to Pay process (P2P) across Welsh Government by April 2016 will also help to drive consistency of approach through improved financial approval processes and the use of Category Management techniques.

PAC comment, recommendation 2:

The Welsh Government has accepted this recommendation in principle but again has responded specifically in the context of the Air Service contract, rather than from a corporate perspective. We therefore seek assurances that the recommendation will be applied more widely. Furthermore, your response does not make it clear why the recommendation has only been accepted in principle. Given the Committee's previous concerns regarding the timetable for the most recent procurement exercise, the Committee therefore seeks confirmation of the anticipated timetable for the completion of a review to inform any future procurement exercise ahead of the expiry of the current Air Service contract in December 2018.

WG response (September 2015):

We will continue to monitor the performance of the Intra Wales Air Service contract to inform any future review regarding the continuation of the service beyond its 2018 expiry date. Any future review will be completed in time to inform a procurement exercise.

Additional comments:

The Welsh Government's Commercial Governance workstream includes the establishment of a Welsh Government wide contracts register, providing the mechanism through which contracts can be reviewed and future requirements assessed.

The Welsh Government will allow adequate time to review future requirements and decide the most appropriate strategy for any future procurement.

PAC comment, recommendation 3:

The Welsh Government has accepted this recommendation and the Committee welcomes the commitment that has been given to continue work with all parties to explore opportunities to extend the opening times at RAF Valley and the potential for the airport to be developed to enable larger aircraft to be used on the air service route. However, the Committee welcome further evidence setting out the Welsh Government's assessment of these issues, and any related costs and benefits. In the case of the use of larger aircraft, any such assessment might understandably be best undertaken when there is also clearer evidence of there being a growth in demand to support a larger aircraft.

WG response (September 2015):

The Welsh Government liaised with RAF Valley and Isle of Anglesey council on these issues during the procurement for the current contract. We will continue to explore with all parties the potential opportunities for extending the opening times of

RAF Valley, including at weekends. We will also continue to explore the potential for the airport to meet National Aviation Security Programme (NASP) to enable larger aircraft to be used on the route, should passenger and commercial demand support it.

Additional comments:

The Welsh Government is working with the MoD at RAF Valley, the Anglesey Council and the Operator, Links Air, to explore the potential opportunities to extend the opening times of Anglesey Airport. The Welsh Government aims to undertake this investigation by the end of April 2016. It will engage with industry specialists to identify any likely costs, benefits, barriers and revenue generation as a result of any extended operational hours. The investigation will consider the potential demand to operate an increased timetable, existing passenger numbers, and connectivity with other routes to/from Cardiff Airport. It will consider the operational restrictions at RAF Valley such as the MoD's willingness to allow the airport to operate outside of the RAF's current opening times, and any implications of health and safety, insurances and other issues to be considered, such as the RAF's policy on runway de-icing. The work will look at cost implications in relation to increased staffing & other related overheads at either end of the route. The investigation will also consider what is allowed under EC Regulation 1008/2008 which identifies the common rules for the operation of PSO air services in the Community, and it will consult with the CAA to understand any wider issues.

PAC comment, recommendation 4:

Although the Welsh Government has accepted this recommendation it would be helpful to the Committee if Welsh Government could reconfirm the latest expected timetable for the closure of RAF Valley, given previous slippage, and set out the related timetable for publicity to passengers. The Committee's recommendation pointed to the needs for communication 'well in advance' to ensure minimum disruption to uptake of the service.

WG response (September 2015):

We will ensure that the service operator, Links Air, publicise to passengers any changes to the service due to any temporary closure of RAF Valley. We will also continue to engage with Isle of Anglesey Council, RAF Valley and Links Air on this issue to work together to minimise the impact any temporary closure could have on passengers using the service.

Additional comments:

The latest expected timetable for the closure of RAF Valley is August 2016. Ticket sales for the PSO flights are available approximately 6 months in advance via Links Air's online booking engine. Links Air provides service changes and disruption contingency information on its website in line with ticket sales availability. The operator is currently working closely with the RAF and the CAA to provide a contingency plan solution which aims to minimise disruption to the PSO. Any

timetable changes and other relevant information will also be advertised at Anglesey Airport.

PAC comment, recommendation 6:

The Committee welcomes the Welsh Government's commitment to the publication of annual passenger data at the start of 2016, the Committee seeks further detail to quantify the higher passenger numbers in the first six months of the current contract compared with the same period in the previous year.

WG response (September 2015):

Passenger numbers for the first 6 months of the new contract have been in excess of those for the same period from the previous year. We will publish passenger numbers on an annual basis which will include a comparison with figures published by the Civil Aviation Authority.

Additional comments:

The increase in passenger numbers of the current contract when compared with the same period in the previous year is likely to be attributable to factors such as an increase in awareness of the PSO during the 2014 tender exercise, the increase of marketing/communications activity under the new contract which is driving the implementation of a high-growth strategy by the operator. It is expected that the annual review of the service, to be undertaken by Links Air following the first complete contract year, will also consider this.

PAC comment, recommendation 7 & 9:

The Welsh Government has accepted these recommendations but the response to recommendation 7 appears to place the onus on Links Air to make use of the passenger survey information. However, the response to recommendation 9 confirms that the Welsh Government will be reviewing Links Air's marketing strategy. The Committee wishes to seek clarification of whether any such review would take into account relevant information from the passenger surveys. Furthermore, the Welsh Government's response to Recommendation 9 does not confirm whether this review will be undertaken in early 2016 as recommended by the Committee and seeks clarification of this.

WG response (September 2015):

Recommendation 7: The passenger surveys will be an important tool for Links Air to use to identify passenger requirements for the air service. The results should be a valuable resource for the company enabling it to better market the service to increase patronage.

Recommendation 9: One of the key metrics we will use to assess the success of Links Air's marketing strategy will be the increase in the number of passengers using

the service. We will conduct a review of Links Air's marketing strategy, materials produced, budget spent and targets achieved to ensure that they have marketed the service in accordance with the contract agreement.

Additional comments:

Links Air is required to undertake an independent annual review of the service. The Welsh Government has requested that Links Air includes the review of its passenger survey data within its annual service review. The Welsh Government's review of the marketing strategy will not specifically review the passenger survey data, although we would expect Links Air to consider all relevant pieces of information when developing its marketing strategy.

The Welsh Government can confirm that it intends undertaking its review of the marketing strategy in early 2016.

PAC Comment, Recommendation 8:

Although Welsh Government has accepted this recommendation the Committee wishes to seek an explicit commitment that it will include in its publication of the annual passenger figures and assessment of the value for money of the service, any suitable comparisons.

WG response (September 2015):

We will include a calculation of subsidy cost per passenger with the publication of annual passenger figures to enable an assessment of the value for money of the service.

Additional comments:

As previously stated, we will provide suitable information to allow the assessment of the value for money of the service.

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Date: 29 October 2015
Our ref: HVT/2402/fgb
Page: 1 of 2

Dear Darren

THE DRAFT WALES BILL

Thank you for your letter of 20 October 2015 inviting me to comment on the draft Wales Bill.

It appears that the provisions currently contained in the 2006 Act that protect certain key aspects of existing legislation relating to the Auditor General's functions have been reproduced in the draft Bill, albeit in a re-arranged form. Those provisions protect the Auditor General's powers to undertake examinations and studies of the Welsh Government and related bodies, and the Auditor General's overall audit independence, and they are appropriate.

I do, however, have some general value for money-related concerns at the apparent effect of paragraph 218 of the new Schedule 7A and paragraph 8 of the new Schedule 7B proposed by the draft Bill. These provisions appear to present scope for argument as to whether public bodies that could be considered integral parts of the Welsh public sector are excluded from the definition of "Welsh public authority". Such an exclusion would seem to arise in the case of bodies with general or supplementary powers that are not confined to exercise "only in relation to Wales", which by virtue of subparagraphs 218(4) and (5) and subparagraphs 8(3) and (4) would seem to put the relevant bodies outside the definition. Examples of such powers may include the general powers of Local Health Boards (under paragraph 13 of Schedule 2 to the National Health Service (Wales) Act 2006, and the WAO's powers for the provision of services (under section 19 of the Public Audit (Wales) Act 2013). I think it would be desirable to have clarity on this point, as the present drafting seems to present potential for dispute and consequential expense.

Another matter that is of relevance to the Wales Audit Office and the Welsh public sector in general is that the draft Bill seems to raise a need for a consequential amendment to the Public Contracts Regulations 2015 so as to allow Welsh public bodies to continue to advertise their requirements on “Sell2Wales” instead of “Contracts Finder”. Regulation 1 of the 2015 Regulations provides that Part 4 of those Regulations (which concerns “Contracts Finder”) does not apply to bodies that wholly or mainly exercise “Welsh devolved functions”. However, “Welsh devolved functions” is defined in the Regulations as functions within the Assembly’s competence under section 108 of the Government of Wales Act 2006. If the exemption from using Contracts Finder is to continue to have effect, the reference to section 108 will need to change to section 108A.

I believe that the normal means for making such an amendment to regulations is by statutory instrument, for which there is provision in the draft Bill. The UK Government may already have such an amendment in mind, but in any case it may be helpful for the Welsh Government to keep this matter in view.

I should also mention that I am concerned at the draft Bill’s reduction in the protection of section 30 of the Government of Wales Act 2006. Under paragraph 7(2)(xv) of the new Schedule 7B, subsections (2) to (4) of section 30 of the 2006 Act are excluded from protection from modification by Assembly legislation. The effect of this is to allow the removal of the preclusion from PAC membership of Welsh Ministers and to allow the removal of the preclusion of a member of a government party from chairing the Committee. Such developments would not be conducive to good scrutiny and governance.

Given the Finance Committee’s functions relating to the Wales Audit Office, I am copying this letter to Jocelyn Davies AM.

Yours sincerely



HUW VAUGHAN THOMAS
AUDITOR GENERAL FOR WALES

cc Ms Jocelyn Davies AM, Chair, Finance Committee