

Agenda – Public Accounts Committee

Meeting Venue:

Committee Room 3 – The Senedd

Meeting date: 16 April 2018

Meeting time: 13.45

For further information contact:

Fay Bowen

Committee Clerk

0300 200 6565

SeneddPAC@assembly.wales

(Pre-meeting)

(13.45 – 14.00)

1 Introductions, apologies, substitutions and declarations of interest

(14.00)

2 Paper(s) to note

(14.00 – 14.05)

(Pages 1 – 2)

2.1 Challenges of Digitalisation: Letter from the Welsh Government (4 April 2018)

(Pages 3 – 5)

2.2 Care experienced children and young people: Additional information from the WLGA (April 2018)

(Pages 6 – 8)

2.3 Care experienced children and young people: Additional Information from the Fostering Network (April 2018)

(Pages 9 – 20)

2.4 Public Procurement: Letter from the Welsh Government (20 March 2018)

(Pages 21 – 24)

3 Natural Resources Wales: Scrutiny of Annual Accounts 2015–16

(14.05 – 14.10)

(Page 25)

PAC(5)–10–18 Paper 1 – Scrutiny of Annual Accounts 2015–16 – Update on action plan



- 4 Audit of Cardiff and Vale University Health Board’s Contractual Relationships with RKC Associates Ltd and its Owner**
(14.10 – 14.15) (Pages 26 – 47)
PAC(5)–10–18 Paper 2 – Letter from Maria Battle, Chair of Cardiff and Vale University Health Board
PAC(5)–10–18 Paper 2A – Annex
- 5 Scrutiny of Accounts 2017–18: Consideration of responses to the Committee report**
(14.15 – 14.30) (Pages 48 – 118)
PAC(5)–10–18 Paper 3 – Response from the Arts Council for Wales
PAC(5)–10–18 Paper 4 – Response from the Assembly Commission
PAC(5)–10–18 Paper 5 – Response from the Future Generations Commissioner for Wales
PAC(5)–10–18 Paper 6 – Response from the National Library of Wales
PAC(5)–10–18 Paper 7 – Response from Sport Wales
PAC(5)–10–18 Paper 8 – Response from the Welsh Government
- 6 NHS Wales Informatics Services: Evidence Session 1**
(14.30 – 16.00) (Pages 119 – 125)
Research Briefing
PAC(5)–10–18 Paper 9 – Paper from NWIS

Andrew Griffiths – NWIS Director and Chief Information Officer for Wales
Steve Ham – Chief Executive, Velindre NHS Trust
- 7 Motion under Standing Order 17.42 to resolve to exclude the public from the meeting for the following business:**
(16.00)
Items 8, 9 & 10 and Item 1 of the meeting on 23 April 2018
- 8 NHS Wales Informatics Services: Consideration of evidence received**
(16.00 – 16.10)

9 Resourcing for Brexit scrutiny: Letter from the Llywydd (16 March 2018)

(16.10 – 16.20)

(Pages 126 – 131)

PAC(5)-10-18 Paper 10 – Letter from the Llywydd (16 March 2018)

**10 The Welsh Government's initial funding of the Circuit of Wales
Project: Consideration of the draft Report**

(16.20 – 17.00)

(Pages 132 – 141)

PAC(5)-10-18 Paper 11 – Correspondence with the Heads of the Valleys
Development Company

PAC(5)-10-18 Paper 12 – Correspondence with the Welsh Government

PAC(5)-10-18 Paper 13 – Draft Report

Concise Minutes – Public Accounts Committee

Meeting Venue:

Committee Room 4 – Tŷ Hywel

Meeting date: Monday, 19 March 2018

Meeting time: 14.49 – 15.45

This meeting can be viewed

on [Senedd TV](#) at:

<http://senedd.tv/en/4511>

Attendance

Category	Names
Assembly Members:	Nick Ramsay AM (Chair) Mohammad Asghar (Oscar) AM Adam Price AM Lee Waters AM
Wales Audit Office:	Huw Vaughan Thomas – Auditor General for Wales Matthew Mortlock
Committee Staff:	Fay Bowen (Clerk) Claire Griffiths (Deputy Clerk)

1 Introductions, apologies, substitutions and declarations of interest

- 1.1 The Chair welcomed the Members to the meeting.
- 1.2 Apologies were received from Neil Hamilton AM, Vikki Howells AM and Rhianon Passmore AM. There were no substitutes.

2 Paper(s) to note

- 2.1 The papers were noted.



2.1 NHS Waiting Times for Elective Care in Wales and Orthopaedic Services: Update from the Welsh Government

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

3.1 The motion was agreed.

4 The Welsh Government's Supporting People Programme: Consideration of the draft report

4.1 Members considered the draft report and noted that a revised version will be prepared taking into effect their comments.

5 Public Procurement: Consideration of Terms of Reference for National Procurement Service Review

5.1 Members considered and discussed the Terms of Reference for the Welsh Government's Review into the National Procurement Service.

5.2 It was agreed that, the Chair would write to the Welsh Government with the Committee's comments on the terms of reference together with their initial views from this inquiry and return to it, on publication of the Review, in the autumn.

Agenda Item 2.1



Grŵp Yr Economi, Sgiliau a Chyfoeth Naturiol
Economy, Skills and Natural Resources Group

Llywodraeth Cymru
Welsh Government

Nick Ramsay AM
Chair
Public Accounts Committee
National Assembly for Wales
Cardiff Bay
Cardiff
CF99 1NA

4 April 2018

Dear Chair

Re: Public Accounts Committee meeting 15 January 2018: UK Government Digital Service

Thank you for your letter of 8 March, in which you raised a number of questions on the relationship between the Welsh and UK Governments in respect of procurement of digital services.

Question 1 - How much the Welsh Government is actually using the Government Digital Service (GDS) Digital, Data and Technology (DDat) procurement frameworks.

Welsh Government makes extensive use of the GDS Digital, Data and Technology (DDat) procurement frameworks, particularly GCloud and the Digital Outcomes and Specialists framework. The table below demonstrates our increasing year-on-year invoiced spend through the GCloud framework. We use GCloud for our smaller digital sourcing requirements.

	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	Total
G-Cloud	£86,800	£111,699	£51,883	£187,856	£530,987	£602,182	£1,571,407

Source: Crown Commercial Service

Larger digital requirements go through the Digital Outcomes and Specialists framework.

This framework has been operating since February 2016. The Crown Commercial Service (CCS) have not yet supplied us with the equivalent invoiced spend information for the Digital Outcomes and Specialists framework so I have instead listed the contracts that we have awarded to date and the associated values. We are also currently procuring support for the Discovery Phases of the Electronic Land Register project and the Student Finance Wales project via this framework.



Date	Digital Outcomes and Specialists Requirement	Contract Value
July 2017	Delivery partner for Welsh Revenue Authority digital tax collection and management system	£1,794,730
October 2017	Closing Learning Wales	£45,000
November 2017	The Wales Gateway Project	£587,336

Welsh Government uses Microsoft Azure for cloud hosting but we have procured this through the National Procurement Services (NPS) IT Products and Services Framework. This approach provides us with the ability to specify that the services are provided from the Microsoft Datacentre in Wales.

Question 2 - Provide reasons as to why the Welsh Government would not be directly using these procurement frameworks and instead creating separate versions.

The Welsh Government uses the GDS Ddat procurement frameworks for the majority of our digital procurements and we do not have our own separate versions.

We have, however, undertaken a market engagement exercise that identified two areas that need addressing. These are:

1. an easy and quick route to market for Welsh SMEs to meet small project resourcing needs. Historically Welsh SMEs have not been well represented on the Digital Frameworks.
2. the opportunity to provide a framework for public sector organisations to procure Welsh Language standards-compliant software and services.

Neither of these is fully provisioned for in the current GDS Ddat frameworks.

Question 3 - In England they are using the new mechanisms, as stated in your letter, which provide for quick procurement and an iterative, experimental approach. The Welsh Government is appearing to prefer the old-style large IT contracts which last for many years and take considerable time to procure. In this instance, can you clarify what the lead-in times for the Welsh Government procurement frameworks are in comparison to the English ones and why they are not apparently being used together with how much has been spent on the English procurement frameworks.

As already demonstrated, Welsh Government uses the new ways of contracting. It does however have some older style legacy contracts which are coming to an end. An example is our contract with Atos (and its predecessor Siemens Business Services) which will come to an end on 11 January 2019. Post-January 2019 Welsh Government will be using a modern multisourcing arrangement and is already undertaking a phased move to the new multisourcing delivery model with the substantive elements of our digital and ICT services being brought under direct in-house control. This is demonstrated by the spend through the Atos contract which has reduced from £51 million in FY 2012/13 to £34 million in FY 2017/18.

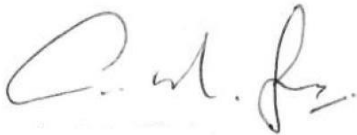
Furthermore, digital services are no longer routinely procured through the Atos contract and are instead being procured using a mixture of GDS (GCloud and Digital Outcomes) and wider CCS frameworks together with NPS frameworks. An increasing number of projects are also being delivered using in-house resources and third party contractors. The following table shows the Welsh Government spend through the GDS, wider CCS frameworks and NPS frameworks for the last three years. This table does not include the spend for the Digital Outcomes and Specialists framework as I have explained above.

	2015/16	2016/17	2017/18
CCS Frameworks	£ 2,617,246	£ 1,336,196	£ 490,838
G-Cloud	£ 187,856	£ 530,987	£ 602,182
NPS ICT Frameworks	£ 545,607	£ 3,085,472	£ 4,994,385
	£3,350,709	£4,952,655	£6,087,405

Source: Crown Commercial Service and National Procurement Service

I hope that this information is helpful.

Yours sincerely,



ANDREW SLADE
 Director General – Economy, Skills and Natural Resources Group

Agenda Item 2.2

Y Pwyllgor Cyfrifon Cyhoeddus / Public Accounts Committee
PAC(5)-10-18 PTN2

WLGA Response to Supplementary Questions:

**Public Accounts Committee
Care Experienced Children and Young People**

April 2018

1. Additional detail on how a preventative care fund could look like to provide real focus on prevention and developing those preventative and early intervention services for children.

The WLGA has welcomed the Integrated Care Fund established by Welsh Government (originally the Intermediate Care Fund) but has also called for this Fund to be accompanied by a separate transformation fund with the aim of implementing new prevention strategies that will drive real change and improvements in the availability of preventative services. Increasing demand and financial pressures mean there is an urgent need to focus and invest more on prevention, reducing the demand for more complex and expensive services and making the most efficient and effective use of health and social care resources. We would like to see a Preventative Integrated Care Fund established, which builds on the success factors from the Integrated Care Fund (e.g. joint decision-making; focused interventions based on need and demand) to develop more preventative services, speed up service integration, particularly in relation to primary and community based services so that communities can benefit from a more coordinated and holistic approach to health management, social care and well-being.

While local government already receive funding for social care, and they have the freedom in principle to spend other sources of income on these types of preventative initiatives, they cannot do it within existing budgets at the scale required and during this prolonged period of austerity. It is also difficult for local authorities to build a business case to invest scarce resources in initiatives where the financial benefits will in the main accrue to other agencies such as the NHS or the benefits system, or where the financial return won't be realised for many years.

We recognise that providing additional financial support is exceptionally challenging, especially given the financial pressures across the public sector. However, the alternative is that without resources specifically for community, primary and secondary prevention, there is a risk that we won't see the radical step change required to reduce impacts on the NHS and social care.

We need to shift from a service that reacts when people have acute need or a crisis to one which focuses on prevention to reduce demand for acute services. We believe a new and additional fund specifically for this purpose is necessary to provide a stable funding environment for existing services to make the shift to a system geared more towards

prevention – which would include easing the transition from hospital to community-based services.

The introduction of a Preventative Integrated Care Fund would enable some double running of new investment in preventative services alongside ‘business as usual’ in the current system, until savings can be realised and reinvested into the system – as part of wider local prevention strategies.

There is general recognition of the benefits of prevention – and it is now codified in the Social Services and Well-being (Wales) Act – but very little has been done at the scale that will be necessary to see meaningful impact.

There is a need for flexibility at the local level, provided through additional funding, to enable local authorities and partners to make the scale of changes necessary, with a focus on transformation of preventative services rather than a fund that maintains the existing provision of services. This includes a need to consider:

- Integrated primary and community based teams
- Strong community services linked with social care provision
- Examining how our nursing and residential home residents can be cared for in a fundamentally different way.
- Carving out space and time for people to do the work

2. The issue of some anomalies in spend between local authorities. The figures referred to in Committee were that Monmouth have increased their expenditure by 105 per cent and Wrexham have cut their expenditure by 30 per cent.

Following consultation with the local authorities referred to in Committee it appears that the data that was referenced is misleading because there have been changes to the Welsh Government forms that collect the data.

The data used to calculate the 30 per cent reduction in Children Looked After Services expenditure for Wrexham was taken from the Line 10 total from the social services out-turn return for each year from 2011-12 to 2016-17. However, the Line 10 total is an area where there have been some classification changes in the services included. It is this that distorts the data time series and so does not reflect the true picture.

The total Children’s and Families Services expenditure for Wrexham (Line 26 of the social services out-turn forms) actually increased by 24.74% between 2011-12 and 2016-17.

3. Is there any evidence that the pupil development grant is being well spent in delivering outcomes for the children?

The WLGA has previously submitted evidence to the Children, Young People and Education Committee’s inquiry on targeted funding to improve educational outcomes. The full submission can be found [here](#).

The WLGA fully supports the policy intentions behind the PDG in the current economic climate and the purpose of the grant as it recognises the adverse impact that poverty and deprivation having on educational outcomes.

Whilst the WLGA itself does not hold or collect information about individual pupil or school experiences of the PDG all 22 authorities have been consulted for their views and experiences. There is no doubt that schools value the additional resources provided by the PDG in the current financial climate of continuing austerity, but it is far more difficult to assess fully and effectively the impact of the funding. Assessing the impact of targeted resources is more problematic as it is difficult to establish a causal relationship between any educational intervention and outcomes. The WLGA has therefore always advocated a whole system approach and a holistic strategy to addressing the impact of poverty on attainment. Such strategies need to be part of a whole authority approach to school improvement and raising standards and a fully integrated part of service delivery and financial planning.

Public Accounts Committee

Inquiry into Care Experienced Children and Young People: Additional information from the Fostering Network Wales

Best practice examples of measuring the impact of fostering

Details of a project that has been running in England and is now starting to work in Wales are below. The project is run by Coram Voice together with the University of Bristol and is call Bright Spots. It helps local authorities to understand better the well-being of their children in care (aged 4–18) and care leavers (18–25).

The programme started because currently official statistics provide only a partial picture of children in care and care leavers' lives. Data focuses on areas such as where children live, how many moves they have and how they are doing in terms of education and employment. None of this information tells us about the experience of care from children's own viewpoints: are they happy, safe and feel they are doing well?

The [Bright Spots programme](#) directly addresses these gaps in our knowledge. The project has created a set of well-being indicators to allow services to design their work around what young people say is important to them. The indicators are measured by two new online surveys – 'Your Life, Your Care' (YLYC) and 'Your Life Beyond Care' (YLBC). The tools are strongly evidence based, they were developed with young people and have been carefully tested and piloted. The design process involved gathering the views of nearly 200 looked after children and care leavers, literature reviews, cognitive interviews and we also included the perspectives of professionals and policy-makers ([Wood & Selwyn, 2017](#) and [Baker, 2017](#)).

Bright Spots is currently working with the Children's Commissioner for Wales on a pilot to run the survey with six local authority areas in Wales, funded by the Welsh Government.

The Pilot areas are:

- Flintshire
- Rhondda Cynon Taff

- Cardiff
- Swansea
- Pembrokeshire
- Caerphilly

The pilot will be completed by the summer of 2018.

Also attached are the two latest reports from the programme.



Our Lives Our Care
2017 full report.pdf



Our Lives Our Care
2017 summary.pdf

Additional information Fostering Wellbeing Masterclasses

It is envisaged that Foster Carers, supervising social workers, children's social workers, 16+ and YOS, Health and Education staff across Cwm Taf come together to take part in this programme.

The Fostering Wellbeing Programme

What is Fostering Wellbeing?

The Fostering Network has been funded by Welsh Government to work in partnership with Cwm Taf Social Services and Well-being Partnership Board over the next 2 years. This work is part of the 'Improving Outcomes for Children' ministerial advisory groups work programme and aims to test and evaluate social pedagogy principles (focused on education and the upbringing of children) in a foster care environment.

What are Social Pedagogy Principles?

Good relationships are at the centre of a person's wellbeing and **what has happened cannot be undone, but can be understood to provide lessons for the future. Shared values and attitudes** of all those involved with a child/young person being looked after, need to be made explicit and underpin decisions that are made about their wellbeing. These are key principles of social pedagogy, as is the need for all those involved with a child/young person being looked after, including

the foster carers and the children/young person, having **equality of status** in the relationship.

What will the programme deliver?

The Fostering Network will work directly with foster carers and co-professionals in the Merthyr and Rhondda Cynon Taf areas, delivering learning, bringing people together and sharing best practice across service boundaries.

How will this be achieved?

There will be **five core masterclasses** and these will be delivered three times in various venues across the region. The classes will bring health, social care and education professionals together with foster carers and those who are or have been looked after, for shared learning and development. The first series of masterclasses was completed in December 2017 and the second will complete in March 2018. Both series have been very well received by all participants. They found it particularly challenging at times but by entering wholeheartedly into an authentic and shared enterprise to improve the wellbeing of our most vulnerable children and young people, have gained both professionally and personally.

Masterclass Series Three – Dates and Venues

Course Title and Facilitator	Learning Outcomes	Date Time and Venue
<p>Fostering Wellbeing Programme Masterclasses</p> <p>Facilitated by The Fostering</p>	<p>Masterclass 1 – Knowing and Meeting Needs</p> <p>All the child’s needs have to be met i.e. it is essential to understand and respond to the whole child/young person to improve his/her wellbeing.</p>	<p>Central South Consortium Tŷ Dysgu, Nantgarw CF15 7QQ</p> <p>18.04.18</p>

<p>Network</p> <p>Participants should attend all five classes.</p>	<p>Each person's view of life and the wider world will differ, arising from their background, experiences and own mind-set.</p> <p>Masterclass 2 - Living and Growing What has happened cannot be undone but can be understood and provide lessons for the future. Encouraging aspiration and ambition is essential in the development of positive attitudes.</p> <p>Masterclass 3 - Me, You, Us and Them Good relationships are at the centre of a person's wellbeing. Those working with a child/young person being looked after need to know the difference between the behaviours of the professional self, personal self and private self and in what situations the appropriate behaviour applies</p>	<p>Central South Consortium Tŷ Dysgu, Nantgarw CF15 7QQ</p> <p>25.04.18</p> <p>University South Wales Conference Centre, Llantwit Road, Treforest, Pontypridd CF37 1DL</p> <p>14.05.18</p> <p>University South Wales Conference Centre, Llantwit Road, Treforest, Pontypridd CF37 1DL</p> <p>24.05.18</p> <p>University South Wales Conference Centre, Llantwit Road, Treforest,</p>
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	<p>Masterclass 4 – Hands On Positive values and attitudes are best nurtured through practical activities shared between child/young person and carer. Learning to help oneself is just as important as learning to build relationships with others.</p> <p>Masterclass 5 – Working as One The shared values and attitudes of all those involved with a child/young person being looked after need to be made explicit and underpin decisions about their wellbeing. All those involved with a child/young person being looked after, including the foster carers and the children/young person, have equality of status in the relationship.</p>	<p>Pontypridd CF37 1DL</p> <p>12.06.18</p> <p>All Masterclasses run from 9.30am – 1.30pm (registration and coffee at 9.00am)</p> <p>Lunch will be served at 1.30pm for those who are able to stay</p>
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Masterclass Outline

Masterclasses	Title	Principles (based on	Masterclass outline	What participants from series one
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		social pedagogy)		said about the day.....
1	<i>Knowing and Meeting Needs</i>	<p>All the child's needs have to be met i.e. it is essential to understand and respond to the whole child/young person to improve his/her wellbeing.</p> <p>Each person's view of life and the wider world will differ, arising from their background, experiences and own mind-set.</p>	<ul style="list-style-type: none"> • What children and young people who are looked after want us to know. • The what and why of the Fostering Wellbeing Programme 10 principles. • Wellbeing and meeting the needs of children and young people. • Life stories – those in care, foster carers, social workers, health professionals • Engaging with children and young people – the PACE model • Person centred planning • Reflecting, learning and 	<ul style="list-style-type: none"> – “10 principles and 5 needs, hearing from a range of agencies, importance of reflection were all really useful.” (Deputy headteacher) – “Fantastic speakers – well chosen” (Foster carer) – “The stories of the care leaver and foster carer, it's a reminder of why I do my role” (Registered manager) – “I enjoyed it all, listening to the speakers sharing their personal experiences was so powerful” (LSA) – “Speakers were fabulous” (Kinship carer) – “All of it was enjoyable – very

			applying lessons	<p>informative on lots of topics including PACE & PCP in schools.” (Headteacher)</p> <p>– “I understand better how a child may feel, being more aware of what my role is and should be.” (Social worker)</p> <p>– “I found the health presentation to be very informative.” (Foster carer)</p>
2	<i>Living and Growing</i>	<p>What has happened cannot be undone but can be understood and provide lessons for the future.</p> <p>Encouraging aspiration and ambition is essential in the</p>	<ul style="list-style-type: none"> • Understanding loss and trauma—more than just theory • The Four Fs • Turning points 1: Emotion coaching, nurturing trust and confidence • Turning points 2: a foster carer’s 	<p>– “Once again, as with last week, the whole day was both useful and enjoyable” (Social worker)</p> <p>– “great information, I enjoyed listening and will do further research at home...” (Foster carer)</p> <p>– “I enjoyed it all again. The</p>

		development of positive attitudes.	<p>story</p> <ul style="list-style-type: none"> • Turning points 3: raising aspiration – a young person looked after • Reflecting, learning and doing 	<p>personal stories are inspirational” (Early Years LSA)</p> <ul style="list-style-type: none"> – “Excellent speaker about loss and trauma left me wanting more.” (Social worker) – “Emotion coaching – a really useful tool I can use going forward.” (Foster carer) – “Emotion coaching, brain science, – Fantastic!” (Wellbeing Officer, Special school)
3	<i>Me, You, Us and Them</i>	<p>Good relationships are at the centre of a person’s wellbeing.</p> <p>Those working with a child/young person</p>	<ul style="list-style-type: none"> • What are the characteristics of a ‘good’ relationship? • The psychology of identity and relationships • The 3 Ps and appropriate behaviours; 	<ul style="list-style-type: none"> – “Another fantastic masterclass” (Talk and Play co-ordinator) – “Inspirational...time out from office to pause and reflect on current practice and how we can do things

		<p>being looked after need to know the difference between the behaviours of the professional self, personal self and private self and in what situations the appropriate behaviour applies.</p>	<p>setting and crossing boundaries; attitudes to risk.</p> <ul style="list-style-type: none"> • Communication and behaviour • Developing positive relationships in the school and at home – the ELSA effect • Reflection, learning and doing 	<p>differently” (CLA team manager).</p> <ul style="list-style-type: none"> – “The variety of speakers all bring a wealth of information and experience” (Headteacher) – “ I enjoyed everything...the combination of topics keeps it fresh” (Foster carer)
4	<i>Hands On</i>	<p>Positive values and attitudes are best nurtured through practical activities shared between child/young person and carer.</p> <p>Learning to help oneself is just as</p>	<ul style="list-style-type: none"> • The Common Third – a practical approach to building relationships • Educational context in Wales – a freeze-frame insight • A good school experience: (a) foster carer (b) senior 	<ul style="list-style-type: none"> – “...fantastic, real life stories [from a foster carer] are always a great learning frame” (Registered manager RCT) – “Hearing schools ideas and experiences of promoting the education and emotional wellbeing of CLA was very useful” (Senior

		<p>important as learning to build relationships with others.</p>	<p>leaders in school and Learning Support Assistants</p> <ul style="list-style-type: none"> • Building self-sufficiency and resilience; learning to learn and The Learning Zone • School based play therapy – lessons to carry over into the home • Reflecting, learning and doing 	<p>social worker)</p> <ul style="list-style-type: none"> – “I enjoyed the activities and speakers, play therapy great” (Foster carer) – “Practical tips to take back to the setting” (LSA secondary school) – “Everyone is working towards improving the best outcomes for our children, not feeling like you are on your own.” (Foster carer) – “Every child matters, importance of recognition, self regulation. Ensure the common third is prominent to enhance togetherness, time and space, side by side experiences and emotional growth.” (Deputy
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				headteacher)
5	<i>Working as One</i>	<p>The shared values and attitudes of all those involved with a child/young person being looked after need to be made explicit and underpin decisions about their wellbeing.</p> <p>All those involved with a child/young person being looked after, including the foster carers and the children/young person, have equality of status in the</p>	<ul style="list-style-type: none"> • Roles and responsibilities of foster carers and co-professionals . • Values and attitudes of foster carers and co-professionals – perceptions and reality; barriers and bridges; status and equality. • What works and what needs to change for the better? – insider views from a care leaver, foster carer, social worker, teacher, family court solicitor, director of education and director 	<ul style="list-style-type: none"> – “Very useful listening to various roles of the speakers” (LSA) – “Another fantastic masterclass, despite the snow disruption” (Talk and Play co-ordinator) – “Reflecting on the experiences of Sam as a care leaver, he is an inspiration to us all” (ACM Fostering) – “Table discussions with social workers and foster carers – sharing the same vision.” (Advisory teacher) – “Inclusion and shared minds – focus on resilience.” (Care leaver)

		relationship.	<p>of social services.</p> <ul style="list-style-type: none"> • The Fostering Wellbeing Programme 10 principles <ul style="list-style-type: none"> - how can they work in practice? • Reflecting, learning and applying lessons 	<ul style="list-style-type: none"> - “Loved it all, best day so far” (Education officer and foster carer) - “Sam!! Amazing speech! Inspirational! What he said will help us look at what we do and make changes that will benefit looked after children” (Social worker)
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**Grwp yr Economi, Sgiliau a Chyfoeth Naturiol
Economy, Skills and Natural Resources Group**

Cyfarwyddwr Cyffredinol - Director General



**Llywodraeth Cymru
Welsh Government**

Nick Ramsay AM
Chair
Public Accounts Committee
National Assembly for Wales
Cardiff Bay
Cardiff
CF99 1NA

20 March 2018

Dear Chair

PAC Inquiry into Public Procurement in Wales

You requested further information from Welsh Government following our session with PAC on 5 March 2018 and this information is provided below.

- **Andrew Slade agreed to send a copy of the Review's Terms of Reference together with the membership of the Stakeholder Review Group**

The Terms of Reference for the National Procurement Service (NPS) / Value Wales Review are provided at Annex 1 and the membership of the Stakeholder Review Group is provided at Annex 2.

- **Andrew Slade agreed to send available data on the current numbers of qualified procurement personnel relative to the public sector's £6 billion of expenditure together with an estimate of the size of the staffing deficit.**

Information supplied by the Chartered Institute of Procurement and Supply (CIPS) indicates there are 384 CIPS members working in the public sector in Wales but only 326 of these are fully qualified (58 are at student level).

Any staffing deficit is difficult to estimate as it depends on the methodology used for determining the value of spend per procurement professional and officials are aware of a number of ratios that could be applied. These range from the McClelland methodology which recommends one procurement professional for every £10m of spend, to the UK Government's methodology which is based on one procurement professional for every £20m of spend.

Looking at £6bn of annual spend, the number of CIPS qualified procurement staff required across the Welsh public sector would vary between 300 and 600 using the UK Government and McClelland methodologies respectively. Applying the different ratios therefore provides a very different perspective on capacity ranging from no deficit (or, in fact, a surplus of 26 qualified professionals) to a shortfall of 274 qualified procurement staff.

Parc Cathays/Cathays Park
Caerdydd/Cardiff
CF10 3NQ

As part of the NPS and Value Wales review that is underway, we will consider ratios of spend per procurement professional. We will engage with stakeholders to establish whether it is possible to identify a meaningful all-Wales methodology bearing in mind that different public bodies address these issues in different ways which reflect their own needs and circumstances.

- **Andrew Slade agreed to provide a note of the Welsh Government's assessment of Research from Cardiff University in 2012 regarding a perceived shortage of procurement personnel.**

The Welsh Government has not undertaken a detailed formal assessment of the 2012 paper by Professor Kevin Morgan of Cardiff University entitled 'Values for Money', in which he referred to a perceived shortage of procurement personnel. The paper cited a 'simple good practice rule' which recommends that every £15 million of public spending should equate to one qualified CIPS manager. (This links to the information provided above in respect of procurement personnel.) On the basis of this good practice rule, Professor Morgan calculated a shortfall of some 174 professionals across the Welsh public sector at the time.

While Professor Morgan's paper added to the debate at the time, Welsh Government were concerned that his work did not appear to make reference to the important and innovative work undertaken by Value Wales in respect of Community Benefits and wider socio-economic impacts. This work had been acknowledged in many other quarters.

- **Sue Moffatt agreed to provide a copy of the latest Hays annual salary survey which shows the disparity between pay rates of procurement staff in the public and private sectors**

A link to the survey is provided below:-

<https://www.cips.org/knowledge/procurement-topics-and-skills/people-and-skills/career-development/#tabs-4>

Please do not hesitate to contact me if you need any further information.

Yours sincerely



ANDREW SLADE
Director General
Economy, Skills and Natural Resources

Review of the National Procurement Service and Value Wales

Terms of Reference

1. The purpose of the Review is to refocus the role of the National Procurement Service for Wales (NPS) and Value Wales within the Welsh Government.
2. It will develop organisational proposals for using the public sector's £6bn annual procurement spend to maximise the economic, social, environmental and cultural well-being of future generations in every part of Wales.
3. Proposals will cover the range, scope and model of services that the Welsh Government can provide for the public sector; the extent to which those services can be self-funded; and the oversight and scrutiny required for their effective operation.
4. The Review will be conducted as a partnership between Welsh Government and its public sector partners in collaboration with business. It will:
 - Respond to opportunities presented by the Wellbeing of Future Generations Act and delivery of the national wellbeing goals;
 - Learn from three years' experience of the NPS ;
 - Learn from customer insight and feedback;
 - Learn from the findings of the Wales Audit Office reports on Public Procurement and the NPS;
 - Support delivery of Prosperity for All;
 - Support delivery of the Economic Action Plan (EAP); and
 - Take advantage of any procurement opportunities which may arise from leaving the EU.
5. The Review comprises four work packages:
 - Work Package 1 – establish baseline of current services;
 - Work Package 2 – the Service Model - development of a future operating model to support public service delivery;
 - Work Package 3 – setting out a new approach to provide effective oversight of the services and to foster ownership from customers; and
 - Work Package 4 – development of a sustainable funding model to support delivery of the services defined under Work Package 2.
6. Governance of the Review will be managed through a Review Oversight Board and Review Stakeholder Group. The NPS Delivery Group will provide the means for delivering the work packages.
7. The Review is planned to be completed by September 2018, by which time final recommendations will be submitted to the Cabinet Secretary for Finance.

Review of NPS and Value Wales - Stakeholder Group Membership

Name	Position	Organisation
Andrew Falvey (Chair)	Commercial Director	DVLA
Howard Allaway	Procurement Manager	Higher Education Purchasing Consortium for Wales
Paul Ashley-Jones	Head of Procurement	Pembrokeshire Council
Judith Budding	Head of Corporate Procurement Services	Welsh Government
Ben Cottam	Head of External Affairs	FSB Cymru
Richard Dooner	Programme Manager	WLGA
Neil Frow	Director	NHS Wales Shared Services Partnership
Jonathan Hopkins	Deputy Director, Value Wales	Welsh Government
Sophie Howe	Future Generations Commissioner	Office of the Future Generations Commissioner for Wales
Umar Hussain	Chief Financial Officer	South Wales Police
Liz Lucas	Head of Procurement	Caerphilly Council
Eurgain Powell	Change Maker	Office of the Future Generations Commissioner for Wales
Arwel Staples	Head of Procurement	Denbighshire Council
Marion Stapleton	Deputy Director, Strategy (and lead policy official for the Review)	Welsh Government
Nick Sullivan	Head of Commercial Policy, Value Wales (and Project Manager for the Review)	Welsh Government
Geraint Thomas	Head of Finance and Procurement	South Wales Fire and Rescue Service
Karen Wolliner	Head of Procurement	Higher Education Funding Council for Wales



Ein cyf/Our ref: NRW/17/058
Agenda Item 3

Ty Cambria / Cambria House
29 Heol Casnewydd / 29 Newport Road
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Ebost/Email:

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Mr Nick Ramsey
Chair, National Assembly for Wales, Public
Accounts Committee
National Assembly for Wales
Cardiff Bay
CF99 1NA

6 April 2018

Dear Nick,

Natural Resources Wales Response to Annual Report and Accounts Scrutiny 2015/16

Claire Pillman, has asked me to update you on the latest position with regards to the progress NRW has made in addressing the recommendations of the Committee in respect of the above.

Following our last update in November 2017, we have continued to implement the measures outlined in our Action Plan and this progress was reviewed by our Audit and Risk Assurance Committee on 2nd March.

Wales Audit Office have now commenced an audit of the Action Plan and have this week asked NRW to respond to a number of questions relating to the transitional arrangements NRW put in place following the termination of the Long-Term Timber Contracts awarded to BSW Timber. Considering WAO's on-going audit it would seem sensible for us to allow this to conclude and to defer the April 9th update to the PAC to a future date and I trust this is acceptable.

A copy of this letter has been sent to Andrew Slade, Director of Environment and Rural Affairs at Welsh Government, and our sponsorship team.

With best wishes,



Paul Subacchi

Pennaeth Gwasanaethau Cymorth Busnes, Cyfoeth Naturiol Cymru
Head of Business Support Services, Natural Resources Wales

Agenda Item 4



GIG
CYMRU
NHS
WALES

Bwrdd Iechyd Prifysgol
Caerdydd a'r Fro
Cardiff and Vale
University Health Board

Ysbyty Athrofaol Cymru
University Hospital of Wales
UHB Headquarters

Heath Park
Cardiff, CF14 4XW

Parc Y Mynydd Bychan
Caerdydd, CF14 4XW

Eich cyf/Your ref:
Ein cyf/Our ref: MB-sdd-04-6839
Welsh Health Telephone Network:
Direct Line/Llinell uniongychol: 02920 745684

**Maria Battle
Chair**

9 April 2018

Mr Nick Ramsay AM
Chair Public Accounts Committee
National Assembly for Wales
By email: SeneddPAC@assembly.wales

Dear Mr Ramsay

I write further to our attendance at the Public Accounts Committee on 25 September 2017 to provide an update as requested in your letter of 31 October 2017.

I attach a copy of the updated action plan which has been monitored by our Audit Committee (at its meetings in September and December 2017 and February 2018) and considered at the September 2017 and March 2018 meetings of the UHB Board, all in public session.

The action plan reflects the progress that has been made since the last report to the Public Accounts Committee. A review has also been conducted by Internal Audit to establish if the reported improvements being made by the Health Board are occurring as stated, and I am pleased to say that this has resulted in a finding of Substantial assurance. Three recommendations for improvement were made by Internal Audit; these were accepted and responded to as part of the report presented to the February Audit Committee. A copy of the completed Internal Audit report is also provided with this letter.

The NHS Wales Audit and Assurance Services undertook a similar review specifically within NHS Wales Procurement Services in August 2017.

As referenced by the Public Accounts Committee, Internal Audit is also to conduct a review within the Health Board of contracts. This will take place this financial year and the outcome reported to our Audit Committee, I will also share the final Internal Audit report with the Committee.

Summary of action plan progress

Of the 26 actions contained within the action plan, only 4 now remain outstanding.

The action around review of the procedures used to recruit Executive Directors and other Senior Managers has been amended as partially complete acknowledging that even though the review of the procedures was conducted by July 2017, amendment of the Recruitment and Selection Policy and Procedure is needed to reflect the

changes in practice to fully conclude this action and provide robust assurance. The updated policy and procedure is due for approval in May 2018.

Full closure of the Action Plan was intended for March 2018, the following 4 actions have not yet been concluded:

- Full implementation of the no purchase order no payment system – the initial date set for completion of this action has been extended to ensure there are no unintended consequences to patients or impact on continuity of service, this will now be achieved by June 2018;
- Development of an internal protocol providing a system for senior leaders to raise concerns – a number of systems are currently in place. The Safety Valve and Freedom to Speak Up were launched in 2013 and 2016 respectively. However, the Executive Nurse Director, the Head of Corporate Governance and I, taking into account the observations of the Public Accounts Committee, have ensured further work is undertaken and there will be a re-launch of the procedure for NHS staff, including senior leaders, to raise concerns. A Working Group chaired by the Executive Nurse Director has been established to take this work forward and a report is to be presented to the UHB Management Executive on 9 April 2018. This is in addition to work outlined below in relation to culture;
- Circulation of a bulletin to the UHB Board and throughout the UHB reinforcing the Nolan principles of Good Governance – finalisation of this communication will form part of the Working Group's agenda to ensure the content aligns with outcomes of the Group and will be launched at the same time as the procedure.
- Standing Financial Instructions and Standing Orders – revision will take place to reflect the model Standing Financial Instructions and Standing Orders being developed on an All Wales basis. This National work is not yet concluded.

UHB Culture

In 2016 we launched our Freedom to Speak Up helpline, supported by a number of information sources. This was on the basis of research in partnership with Cardiff University and our own cultural workshop in which we explored the experience of those who had raised concerns previously.

The learning from this has been integrated in our Values Programme and we have recently commissioned an evaluation of Freedom to Speak Up activity. The evaluation shows us that since its launch in July 2016, the Freedom to Speak Up pages have been accessed over 4300 times, the YouTube videos 590 times and the information about how to raise a concern 718 times. The next phase of evaluation will collect further information about staff awareness and feedback from those who have used the helpline. This intelligence will be fed into the aforementioned Working Group to enable us to develop further resources to improve UHB culture and increase confidence around raising concerns.

We continue to make a significant investment in our Values Programme. Throughout 2017 we heard from staff, patients and their families and carers about their experiences and these have formed the basis of a Values Behaviour Framework which we launched at the end of 2017. We are explicit in the Framework about our expectation that staff speak out. More than 3000 staff were involved in its development and trained on how to give feedback about issues of concern. We also now include this training in all our leadership, management and supervisor programmes. Our Assistant Director of Organisational Development chairs the All Wales Staff Survey Project Board and has ensured the 2018 survey contains questions about raising concerns, enabling us to monitor our progress over time.

The All Wales Procedure for NHS Staff to Raise Concerns was updated in December 2017, and the revised version adopted by the UHB's Resource and Delivery Committee on 30 January 2018. This provides that the CEO and Vice-Chair can be contacted should a staff member feel they cannot raise a concern with their manager. In addition I am joined by our Independent Member (Legal) as the named Independent Member for Freedom to Speak Up. Again the Working Group is looking at how we can continue to strengthen the internal processes that support this procedure and ensure that the system adequately serves those that speak up and gives all staff the confidence to do so.

Review of payments

As the Public Accounts Committee is aware, following an internal review of all manual payments made to Consultants or individuals, we referred two contracts to NHS Counter Fraud Service Wales in addition to the referral made by the Wales Audit Office. These investigations are nearing conclusion and I will provide an update to the Committee as soon as the outcome is available.

Following final completion of the action plan, closure reports will come back to the Audit Committee and Board and I will of course share the completed signed off action plan with the Public Accounts Committee.

Yours sincerely



Maria Battle
Chair

Encs:

- Action plan dated 5 April 2018
- Internal Audit report dated 14 February 2018

Action Plan in Response to the Wales Audit Office Report in Respect of Cardiff and Vale University Health Board's Contractual Relationships with RKC Associates Ltd and its Owner

Conclusion 1 - The way in which the Cardiff and Vale University Health Board (UHB) procured and managed HR consultancy contracts awarded to RKC Associates fell well short of the standard that the public has a right to expect of a public body

- a) The UHB failed to comply with its own procurement procedures when it awarded consultancy contracts to RKC Associates in November 2014 and June 2015 and in consequence both the contracts and payments made under them are potentially unlawful.
- b) The award of consultancy contracts to RKC Associates breached public procurement rules.
- c) The UHB failed to undertake due diligence checks of RKC Associates resulting in the UHB being exposed unnecessarily to financial and reputational risk.
- d) The UHB was in breach of its own Standing Financial Instructions when it agreed contracts with RKC Associates which had been drafted by the owner of RKC Associates.
- e) The UHB appointed the owner of RKC Associates to deliver consultancy projects, but the UHB utilised her as a senior member of staff and, in consequence, has potentially over-claimed VAT amounting to £58,162.
- f) As the Officer who signed the contracts with RKC Associates in November 2014 and June 2015, the UHB's Chief Operating Officer had a duty to ensure proper process had been followed. The failure to do so has cast doubt on whether the decisions to award these contracts were based entirely on valid considerations.
- g) The UHB did not exercise effective financial monitoring of its contracts with RKC Associates, with payments exceeding the contracted value and contractual expenses not being verified.

UHB Response to Conclusion 1

Following publication of the Wales Audit Office report, a full report was received at the UHB's Board meeting on 27 July 2017 and discussion conducted in the public session of that meeting. In addition, the report has been raised at the meetings of our Management Executive (ME) and Health Systems Management Board (HSMB), and discussed with Senior Trade Union / Staff Side representatives and at our Local Partnership Forum (LPF).

As acknowledged by the Wales Audit Office, the UHB has a number of detailed policies and procedures covering this area. These have been developed to standardise processes based on best procurement practice and set out the governing principles for public procurement, for example, the Scheme of Delegation, Standing Orders, Standing Financial Instructions and Financial Control Procedures. Regrettably, these processes were not followed on this occasion, and there was no reference to the UHB's Head of Procurement as provided for in our Scheme of Delegation.

The Procurement Guide for Staff which was developed in conjunction with NHS Wales Shared Services Partnership Procurement Services, and approved through the All Wales Directors of Finance Sub Group in 2015, is provided to UHB staff as part of the training delivered by the UHB Procurement Department and will be further reinforced throughout the UHB.

Prior to the Wales Audit Office report, a review of our processes was already in train in response to changes to the IR35 legislation¹ relating to off-payroll working in the public sector. In addition, the process around requesting approval of contracts has been changed, a procurement checklist that sets out a defined approval hierarchy has been implemented to ensure compliance with Standing Orders and EC Regulations and that more than one signatory is obtained. All external Consultancy contracts are now signed off by the CEO.

The UHB, in conjunction with its colleagues in Procurement and Human Resources / Workforce, has developed this action plan to make the necessary further improvements to ensure no similar incidents of this kind occur in the future. The Action Plan will be presented to the UHB Board on 28 September 2017 and its Audit Committee on 26 September 2017 and will thereafter be monitored by the Audit Committee. The Action Plan has also been shared with Wales Audit Office.

¹ Her Majesty's Revenue and Customs (HMRC) introduced the 'intermediaries legislation' commonly known as IR35 or off-payroll rules in April 2000. This legislation is intended to combat tax abuse by an individual who would be treated as an employee were it not for the fact that they provide their services via their own company, called 'disguised employees' by HMRC. From April 2017, where a public sector organisation engages an off-payroll worker through their own limited company, that organisation will become responsible for determining whether the rules should apply, and, if so, for paying the right tax and National Insurance Contributions.

Conclusion 1 Action Plan	Lead	Completion	Update	Status
Training				
1. Provide training for all Board members on the law, rules and regulations relating to employment and procurement at the August Board Development Day.	Director of Corporate Governance	Aug 2017	Complete Training delivered on 31/08/17.	
2. Cascade the training provided at Clinical Board senior management teams and throughout the organisation to Directorate Management level.	Executive and Clinical Board Directors	Oct 2017	Complete Discussed at ME on 04/09/17 & cascaded.	
Review				
3. Undertake review of external consultancy categories in the purchase to pay system for period 2014-2017 to ensure compliance with procurement rules.	Head of Procurement	Aug 2017	Complete Reports received by CEO and Director of Finance.	
4. Review the Procurement Guide for Staff and revise to reflect process changes connected with the IR35 legislation.	Head of Procurement	Sep 2017	Complete	
Process				
5. Provide the Procurement Guide for Staff to the Management Executive Team meeting for cascading to Clinical Boards, and Corporate Departments.	Director of Finance	Sep 2017	Complete Approved by ME on 25/09/17	
6. Publish the Procurement Guide for Staff across the UHB and place on intranet and internet for ease of staff access.	Director of Corporate Governance	Oct 2017	Complete	
7. Implement a no purchase order, no payment system to prevent the processing of manual payments.	Head of Procurement	June 2018 (original date set was Mar 2018)	Roll out has taken place in the Executive Team, UHB "no purchase order, no payment" Group meets monthly & feeds into the National Group. Full implementation now expected by June 2018.	
8. Develop and cascade process guidance for off-payroll working.	Head of Procurement	Aug 2017	Complete Approved by ME on 14/08/17, taken to HSMB on 17/08/17 for cascading by Clinical Board Directors.	

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Conclusion 2 - The way in which an HR consultancy contract was awarded to RKC Associates in February 2016, along with the actions of key decision-makers, compromised the integrity of the procurement process

- a) The UHB embarked upon a procurement process for a contract and invited and evaluated tenders for that contract, despite the fact that RKC Associates had been engaged in advance of the tender process.
- b) The robustness and integrity of the advertised procurement process was compromised in several key respects and the UHB's Chief Operating Officer participated in the process despite knowing that RKC Associates had already been engaged in advance of the procurement process commencing.
- c) The Procurement Department failed to keep adequate documentation of the procurement process.
- d) The UHB delayed seeking formal written approval for the fixed-term appointment of a new Director of Workforce and Organisational Development, resulting in the UHB incurring unnecessary expenditure on a consultancy contract.

UHB Response to Conclusion 2

The UHB has taken steps to strengthen its existing processes and extend training at all levels to reinforce the requirements in relation to these areas.

We recognise however that policies / procedures and training, whilst the foundation of good practice, are part of a bigger picture that includes a culture of sound behaviours and values, adherence to the rules at all levels of the organization, checks to ensure this is happening and an environment that enables individuals to confidently highlight departure from any rules no matter how senior those involved. As part of the communication with the UHB following receipt of this report, the CEO has asked staff to share any concerns they may have with him and provided assurance that anything raised will be explored to provide reassurance regarding our systems / processes and decisions made.

Procurement compliance reports are already presented to the UHB's Audit Committee outlining for example Contract Extensions and Single Quotation or Single Tender Actions. Steps are also being taken to put in place more vigorous checks around our processes to flag potential issues and to achieve more robust oversight and business scrutiny by our Management Executive Team, Board and its Committees.

We are committed to utilising temporary employment contracts rather than consultancy contracts wherever possible.

Conclusion 2 Action Plan	Lead	Completion	Update	Status
Training 1. Develop and deliver an enhanced training programme for procurement staff focusing on the conclusions of the Wales Audit Office report.	Head of Procurement	Sep 2017	Complete All training complete, refresher sessions will continue.	
2. Obtain quality management accreditation for the Procurement Department in respect of its tendering processes.	Head of Procurement	Mar 2018 (original date set was Nov 2017)	Complete Audit took place 15/02/18 & full ISO Accreditation awarded with no findings of non-compliance.	
3. Develop a Procurement flowchart for use by Board and Senior Managers.	Head of Procurement	Oct 2017	Complete Flowchart considered by ME on 11/12/17 & agreed that Executives will cascade through Management Structures.	
Audit 4. Enhance existing audit processes within the Procurement Department to verify compliance with contract procedure.	Head of Procurement	Sep 2017	Complete Forward programme for audit planned & training of Clinical Boards & departments to continue.	
Review Internal Audit Programme to include audits relevant to the issues highlighted in this report and to test compliance with new processes.	Director of Finance	Nov 2017 (original date set was Sep 2017)	Complete Specific audit included in 2018 plan, to look at overall progress of action plan & review in detail a sample of actions.	
Assurance 6. Enhance the statutory compliance report provided at each Audit Committee to include our compliance with and exceptions to recruitment requirements, Standing Orders and Standing Financial Instructions.	Directors of Finance and Workforce and Organisational Development	Sep 2017	Complete Standing agenda item with first report received at Audit Committee on 26/09/17.	
7. Review the Terms of Reference for the Remuneration and Terms of Service Committee to include a requirement to report any Executive level secondments and Consultancy appointments for approval to this Committee.	Director of Corporate Governance	Jan 2018 (original date set was Oct 2017)	Complete Review approved by Board on 30/11/17. Amendment made to note at the next meeting of the Remuneration and Terms of Service Committee.	

Conclusion 3 - The process followed by the UHB that led to the appointment of the owner of RKC Associates to the position of Director of Workforce and Organisational Development in April 2016 was fundamentally compromised, lacked transparency and was poorly documented.

- a) It is unclear why the UHB decided to proceed with a recruitment process for a Board level position with only a single candidate who had not applied for the position when it was originally advertised.
- b) The recruitment process was poorly documented and, as a consequence, it is not clear when the person who had been overseeing the recruitment exercise became a candidate.
- c) The integrity of the recruitment process was compromised because the sole candidate had access to some of the assessment questions in advance of being interviewed for the position.
- d) The information provided to the Board and its Remuneration and Terms of Service Committee regarding the appointment was inaccurate, incomplete and inconsistent.

UHB Response to Conclusion 3

High level appointments are not as frequent as other positions within the UHB and are often challenging to recruit due to small numbers of applicants with the relevant skills and experience.

As a result of this report, the UHB has looked at how these senior appointment processes are conducted and how the office of the Chief Executive and Director of Workforce and Organisational Development can work better together to ensure compliance with processes and that satisfactory documentation is maintained.

We also recognise that we can better support our Independent Board Members in relation to their Committee roles, to equip them to confidently scrutinise decisions and hold us to account.

Conclusion 3 Action Plan	Lead	Completion	Update	Status
Review 1. Review the procedures used to recruit Executive Directors and other Senior Managers.	Assistant Director of Workforce and Organisational Development	May 2018 (target date set Jul 2017)	Partially Complete Process revised & now to be reflected in the updated Recruitment and Selection Policy & Procedure which is due for approval in May 2018.	
2. Review the quality of information and its presentation to the Remuneration and Terms of Service Committee.	Chair and Director of Corporate Governance	Mar 2018 (target date set Sep 2017)	Complete New process introduced in January 2018 whereby all papers are assured by Chair & Director of Corporate Governance prior to publication. Checklist formulated to support this scrutiny.	
Process 3. Revise the Executive recruitment process to include a clear defined role for the Director of Workforce and Organisational Development which can be delegated to their Deputy or Director of Corporate Governance if circumstances require or a conflict arises.	Chief Executive	Aug 2017	Complete Process revised & now to be reflected in the updated Recruitment and Selection Policy & Procedure.	
Training 4. Arrange training for Independent Board Members, including those sitting on the Remuneration and Terms of Service Committee, covering their roles and responsibilities. This should also provide them with example questions they may wish to ask and the minimum information they may require to assist them in discharging their role.	Director of Corporate Governance	Aug 2017	Complete Included in the programme for the August Board Development Day.	
5. Provide legal and governance training for all Board members on their roles and responsibilities at the October Board Development Day.	Director of Corporate Governance	Oct 2017	Complete Included in the programme for the October Board Development Day.	

Additional Improvements				
Action Plan	Lead	Completion	Update	Status
Whistleblowing				
1. Review current Procedure for NHS Staff to Raise Concerns which includes whistleblowing to ensure it is fit for purpose and easy for staff to raise any concerns regarding non-compliance.	Director of Workforce and Organisational Development	Jan 2018 (target date set Oct 2017)	Complete All Wales Procedure adopted, Working Group established to re-launch Procedure, agree underlying process & improve culture.	
2. Develop an internal protocol providing a system for senior leaders to raise concerns, with clear lines of reporting should a concern relate to the Chair, Vice Chair or Chief Executive.	Director of Corporate Governance	Apr 2018 (target date set Oct 2017)	This will be developed by the above Working Group.	
Governance and Accountability Framework				
3. Revise the UHB Governance and Accountability Framework to reflect any amendments by the Directors of Finance All Wales Group to the Standing Financial Instructions and Standing Orders.	Director of Corporate Governance	June 2018 (target date set Mar 2018)	Model Standing Financial Instructions and Standing Orders being developed on an All Wales basis.	
Back Page 36	4. Review and revise the UHB's Scheme of Delegation.	Director of Finance	Feb 2018 (target date set Oct 2017)	Complete Review presented to Audit Committee on 27/02/18 & Scheme of Delegation revised to include off-payroll working.
	5. Circulate a bulletin to the UHB Board and throughout the UHB reinforcing the Nolan principles of Good Governance and duties of probity / candour and the Values and Standards of Behaviour Framework.	Directors of Corporate Governance and Communications	Apr 2018 (target date set Oct 2017)	Draft prepared, final version delayed to ensure content aligns with outcomes of Working Group.
Communication				
6. Communicate openly and transparently with staff about the findings of this report, the actions being taken by the UHB and their progress. This will include public meetings of Board / Audit Committee and meetings of LPF, Clinical Board Directors, HSMB and publishing of the action plan on the intranet for access by all staff, supplemented by other communication bulletins.	Chief Executive and Chair	Oct 2017	Complete Reports at Board, ME, HSMB, LPF. Continued dialogue with Senior Trade Union / Staff Side representatives, CEO communication placed on intranet and internet. Action plan monitored by Audit Committee.	

Action plan on WAO Audit of RKC Associates

Final Internal Audit Report

2017/18

NHS Wales Shared Services Partnership

Audit and Assurance Services

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Appendix A	Management Action Plan
Appendix B	Assurance opinion and action plan risk rating

Review reference:	C&V-1718-42
Report status:	Final Internal Audit Report
Fieldwork commencement:	January 2018
Fieldwork completion:	February 2018
Draft report issued:	14 th February 2018
Management response received:	14 th February 2018
Final report issued:	14 th February 2018
Auditor/s:	Ian Virgill, Deputy Head of Internal Audit; Kimberley Rowe, Principal Internal Auditor
Executive sign off:	Peter Welsh, Director of Governance
Distribution:	Peter Welsh, Director of Governance Sian Rowlands, Head of Corporate Governance
Committee:	Audit Committee

ACKNOWLEDGEMENT

NHS Wales Audit & Assurance Services would like to acknowledge the time and co-operation given by management and staff during the course of this review.

Disclaimer notice - Please note:

This audit report has been prepared for internal use only. Audit & Assurance Services reports are prepared, in accordance with the Service Strategy and Terms of Reference, approved by the Audit Committee.

Audit reports are prepared by the staff of the NHS Wales Shared Services Partnership – Audit and Assurance Services, and addressed to Independent Members or officers including those designated as Accountable Officer. They are prepared for the sole use of the Cardiff and Vale University Health Board and no responsibility is taken by the Audit and Assurance Services Internal Auditors to any director or officer in their individual capacity, or to any third party.

1. Introduction and Background

Our review of the progress made against the Action Plan prepared to address issues raised in the Wales Audit Office (WAO) report on the contractual relationships with RKC Associates Limited and its owner was completed in line with the 2017/18 Internal Audit plan for Cardiff and Vale University Health Board (the UHB).

The UHB developed a comprehensive action plan following the WAO audit of the UHBs contractual relationships with RKC Associates Ltd and its Owner. This action plan has been developed to ensure necessary further improvements are made to avoid similar incidents occurring in the future.

The action plan was presented to the Board at its July 2017 meeting. It was subsequently presented to the Public Accounts Committee in September 2017 and a further update on implementation is required in April 2018.

Progression of the action plan is reported and monitored by the Audit Committee.

The relevant lead Executive Director for the review is the Director of Corporate Governance.

2. Scope and Objectives

The objective of our review was to evaluate and determine the adequacy of the systems and controls in place for reporting progression against the agreed actions, in order to provide assurance the Health Board's Audit Committee that risks material to the achievement of the systems objectives are managed appropriately.

The main purpose of our review was to establish if the reported improvements being made by the Health Board are occurring as stated to enable completion and closure of the agreed actions.

The areas that this review sought to provide assurance on are:

- The UHB has appropriate processes in place to monitor and report on the progress towards the implementation of agreed actions;
- The reported level of progress against the planned actions is an accurate reflection of improvements implemented; and
- The agreed actions are being effectively implemented in line with planned timescales.

3. Associated Risks

The potential risks considered in this review are as follows:

- Identified actions may not be effectively implemented


OPINION AND KEY FINDINGS

4. Overall Assurance Opinion

We are required to provide an opinion as to the adequacy and effectiveness of the system of internal control under review. The opinion is based on the work performed as set out in the scope and objectives within this report. An overall assurance rating is provided describing the effectiveness of the system of internal control in place to manage the identified risks associated with the objectives covered in this review.

The level of assurance given as to the effectiveness of the system of internal control in place to manage the risks associated with the Action plan on WAO Audit of RKC Associates is **Substantial assurance**.

The overall level of assurance that can be assigned to a review is dependent on the severity of the findings as applied against the specific review objectives and should therefore be considered in that context.





RATING	INDICATOR	DEFINITION
Substantial Assurance		The Board can take substantial assurance that arrangements to secure governance, risk management and internal control, within those areas under review, are suitably designed and applied effectively. Few matters require attention and are compliance or advisory in nature with low impact on residual risk exposure.

The process for monitoring and providing updates on the Action Plan in Response to the WAO Report in respect of C&V UHB's Contractual Relationships with RKC Associates Ltd and its Owner ('The Action Plan') is well managed by the Corporate Governance team.

The reported level of progress against the planned actions is predominantly an accurate reflection of improvements implemented and the audit only noted a few minor issues. The agreed actions are being effectively implemented, however, it has been identified that in part initial target completion dates were over ambitious and some actions have surpassed the planned timescales; despite this good progress has been made against remaining outstanding actions.

5. Assurance Summary

The summary of assurance given against the individual objectives is described in the table below:

Assurance Summary					
1	Identified Actions may not be Effectively Implemented				✓

* The above ratings are not necessarily given equal weighting when generating the audit opinion.

Design of Systems/Controls

The findings from the review have highlighted no issues that are classified as weakness in the system control/design for Action plan on WAO Audit of RKC Associates.

Operation of System/Controls

The findings from the review have highlighted three issues that are classified as weakness in the operation of the designed system/control for Action plan on WAO Audit of RKC Associates.

6. Summary of Audit Findings

The key findings are reported in the Management Action Plan.

RISK: Identified actions may not be effectively implemented

The following areas of good practice have been noted:

- The Action Plan and its subsequent update report is kept as a live document and managed appropriately by the Head of Corporate Governance with frequent progress reports provided to Audit Committee;
- Audit conducted testing of a sample of eight actions with a status of 'complete', there was sufficient evidence to provide assurance that seven of these actions were reasonably complete and the progress update provided to audit committee is an accurate reflection of improvements implemented. Details of the one action deemed partially complete can be found in Appendix A of this report;
- Five of these actions were completed within the timescale initially indicated, with three surpassing this date.
- Audit conducted testing of a sample of four actions with a status of 'non/partially complete' and are satisfied that the commentary provided in update report was a reasonable reflection of actions undertaken.

- All of the planned completion dates of uncompleted actions have surpassed and were therefore not achieved, however, testing has concluded that three of these actions will be complete in time for closure of the action plan in March 2018.

The following significant issue was identified:

- Whilst progress has been made to implement the new 'No PO No Pay' Policy (Conclusion 1, Action 7), full implementation of this is not anticipated until summer of 2018 and therefore will not be complete in time for full closure of the Action Plan by March 2018.

7. Summary of Recommendations

The audit findings, recommendations are detailed in Appendix A together with the management action plan and implementation timetable.

A summary of these recommendations by priority is outlined below.

Priority	H	M	L	Total
Number of recommendations	0	1	2	3

Finding 1 - Deadlines for Non-Complete Actions (Operating effectiveness)	Risk
<p>All of the planned completion dates of the four uncompleted actions tested have surpassed and were therefore not achieved, however, testing has concluded that three of these actions will be complete in time for closure of the action plan in March 2018.</p> <p>Whilst progress has been made to implement the new 'No PO No Pay' Policy (Conclusion 1, Action 7), full implementation of this is not anticipated until summer of 2018 and therefore will not be complete in time for full closure of the Action Plan by March 2018.</p>	<p>Identified actions may not be effectively implemented</p>
Recommendation	Priority level
<p>Action timescales should be reasonably considered and further updates to the audit committee should include achievable updated target completion dates.</p>	<p>Medium</p>
Management Response	Responsible Officer/ Deadline
<p>Accepted.</p> <p>We will continue to emphasise the importance of realistic timescales when assisting in the development of action plans.</p> <p>Action</p> <p>Update report for the February Audit Committee will contain this information.</p>	<p>Director of Corporate Governance</p> <p>February 2018</p>

Finding - 2 - Complete Actions not fully supported (Operating effectiveness)	Risk
<p>Testing of a sample of eight actions with a status of 'complete' was conducted to ensure there was sufficient evidence to provide assurance that actions were reasonably complete and the progress update provided to audit committee is an accurate reflection of improvements implemented.</p> <p>Conclusion 3, Action 1 was deemed to only be partially complete:</p> <ul style="list-style-type: none"> It is evident from the draft 'Employment Policies Sub Group' minutes that the Recruitment and Selection Policy has been discussed, particularly the executive recruitment processes as a result of the WAO report and the policy will cover all staff. However, this policy is still in draft and going through consultation, it is due to be approved by the EPSG in March 2018 with the intention of approval by the Resource and Delivery Committee in May 2018. Whilst the procedures have been 'reviewed' no changes will be formally made until May therefore this action is not fully complete. 	<p>Identified actions may not be effectively implemented</p>
Recommendation	Priority level
<p>Further updates to the audit committee should include Conclusion 3, Action 1 as not fully complete and commentary updated to reflect outstanding approval of the Recruitment and Selection policy by the Resource and Delivery Committee.</p>	<p>Low</p>

Management Response	Responsible Officer/ Deadline
<p>Accepted. Action Update report for the February Audit Committee will contain this information.</p>	<p>Director of Corporate Governance February 2018</p>

Finding 3 - Complete Actions passed target date (Operating effectiveness)	Risk
<p>Five of the eight 'complete' actions tested were completed within the timescale initially indicated, with three surpassing this date:</p> <ul style="list-style-type: none"> • Conclusion 2 - Action 5 (Planned for Sept 17, completed Nov 17) • Conclusion 2 - Action 7 (Planned Oct 17, Completed Jan 18) • Conclusion 3 - Action 1 (Planned July 17, Not yet complete) <p>The action plan was not updated to indicate that the actions had not been completed within the original planned timescales.</p>	<p>Identified actions may not be effectively implemented</p>

Recommendation	Priority level
<p>Action timescales should be reasonably considered and realistic and achievable target completion dates should be set. Where initial planned completion dates are not achieved then updated planned dates should be recorded on the action plan.</p>	<p>Low</p>

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Management Response	Responsible Officer/ Deadline
<p>Accepted.</p> <p>We will continue to emphasise the importance of realistic timescales when assisting in the development of action plans.</p> <p>Action</p> <p>Updated action plan for the February Audit Committee, subsequent Board and Public Accounts Committee will contain this information.</p>	<p>Director of Corporate Governance</p> <p>February 2018</p>


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Appendix B - Assurance opinion and action plan risk rating

Audit Assurance Ratings

 **Substantial assurance** - The Board can take **substantial assurance** that arrangements to secure governance, risk management and internal control, within those areas under review, are suitably designed and applied effectively. Few matters require attention and are compliance or advisory in nature with **low impact on residual risk** exposure.

 **Reasonable assurance** - The Board can take **reasonable assurance** that arrangements to secure governance, risk management and internal control, within those areas under review, are suitably designed and applied effectively. Some matters require management attention in control design or compliance with low to **moderate impact on residual risk** exposure until resolved.

 **Limited assurance** - The Board can take **limited assurance** that arrangements to secure governance, risk management and internal control, within those areas under review, are suitably designed and applied effectively. More significant matters require management attention with **moderate impact on residual risk** exposure until resolved.

 **No assurance** - The Board can take **no assurance** that arrangements to secure governance, risk management and internal control, within those areas under review, are suitably designed and applied effectively. More significant matters require management attention with **high impact on residual risk** exposure until resolved.

Prioritisation of Recommendations

In order to assist management in using our reports, we categorise our recommendations according to their level of priority as follows.

Priority Level	Explanation	Management action
High	Poor key control design OR widespread non-compliance with key controls. PLUS Significant risk to achievement of a system objective OR evidence present of material loss, error or misstatement.	Immediate*
Medium	Minor weakness in control design OR limited non-compliance with established controls. PLUS Some risk to achievement of a system objective.	Within One Month*
Low	Potential to enhance system design to improve efficiency or effectiveness of controls. These are generally issues of good practice for management consideration.	Within Three Months*

* Unless a more appropriate timescale is identified/agreed at the assignment.

Agenda Item 5



Cyngor Celfyddydau Cymru
Arts Council of Wales

Tuesday, 6 March 2018

Mr Nick Ramsey AM
Chair
Public Accounts Committee
National Assembly for Wales
Cardiff Bay
Cardiff CF99 1NA

Dear Mr. Ramsey

Public Accounts Committee: Scrutiny of Accounts 2016/17

I write to respond to the Committee's report on the *Scrutiny of Accounts 2016/17*.

We welcomed the opportunity to meet with the Committee and have read its report with care. We entirely accept the Committee's general encouragement to make statutory accounts more accessible to the public. Whilst the format of these is largely prescribed given our charitable status, we'll continue to make what changes that we can to achieve this goal.

There are two recommendations in the Committee's report that are specific to the Arts Council of Wales. I'll deal with each in turn.

Recommendation:

We are not content with the level of support the Arts Council of Wales is providing to support engagement with NEETs and recommend that the Arts Council review this support with a view to increasing it.

Response:

We note the Committee's concerns. Previous support to NEETs was targeted through a single European-funded programme. With European funding no longer available we have had to re-appraise our approach. Rather than limiting activity to a single programme we have extended our support to children and young people living in poverty (including NEETs). We have ambitious plans for the future and look forward demonstrating to the Committee that engagement with NEETs has increased as a result of our activities.

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Swyddfeydd Lleol/Local Offices:

Caerdydd/Cardiff, Bae Colwyn/Colwyn Bay, Caerfyrddin/Carmarthen
Rhif Elusen Gofrestredig/Registered Charity Number: 1034245

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Rydym yn croesawu gohebiaeth yn y Gymraeg a'r Saesneg, ni fydd gohebu drwy gyfrwng y Gymraeg yn arwain at oedi.
We welcome correspondences in Welsh and English, corresponding in Welsh will not lead to a delay.

Recommendation: We are concerned that the role of Director of Finance at the Arts Council of Wales is now a part time post and we recommend that the Board of the Arts Council confirm that it is satisfied that responsibility for strategic financial oversight of the Council is being satisfactorily fulfilled within the organisation

Response:

We note the Committee's concerns. The creation of a new part-time role of Director of Finance was a consequence of an organisational review in which we reduced our running costs to increase funding to front-line arts activity. This required savings at all levels within our organisation, including at a senior level. The previous post of Director of Finance and Resources was discontinued with non-financial responsibilities re-assigned to other suitably qualified senior managers.

Prior to its introduction, the rationale for the reduced hours post was scrutinised by the Council's Audit and Risk Committee, HR and Remuneration Committee and internal auditors (Deloitte). Since their introduction, we can confirm that the new arrangements have been operating satisfactorily and no concerns have been noted. We expect this continue and would wish to reassure the Committee that our financial performance is subject to routine monitoring by our independent internal and external auditors (the Wales Audit Office).

Finally, if I can be of further assistance to the Committee please don't hesitate to let me know.

*Yours sincerely
Nick Capaldi*

Nick Capaldi
Chief Executive



Cynulliad Cenedlaethol Cymru
Comisiwn y Cynulliad

National Assembly for Wales
Assembly Commission

Nick Ramsay AM
Chair of Public Accounts Committee
National Assembly for Wales
Tŷ Hywel
Cardiff Bay
CF99 1NA

9 March 2018

Dear Nick

Public Accounts Committee Report on the Scrutiny of Accounts 2016–17

I am writing in response to the Public Accounts Committee report on the Scrutiny of Accounts 2016–17. I would like to thank the Committee for their scrutiny and for highlighting our commended use of infographics, which help make our statistics eye-catching and accessible to our users. We will continue to develop our approach of including accessible and transparent information within our Annual Report and Accounts document.

I would also like to again take this opportunity to assure the Committee that we remain as committed as ever to providing assurance through external scrutiny and audit as well as our internal governance framework. This work is vital in underpinning our confidence that we use resources efficiently, economically and effectively in delivering our services to the Assembly.

Both of your Committee's recommendations concerning the Commission are addressed in full in the attached Annex.

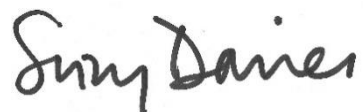


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If you would like any further information on any matter covered in the Annex, please do not hesitate to let me know.

Yours sincerely

A handwritten signature in black ink that reads "Suzy Davies". The signature is written in a cursive, flowing style.

Suzy Davies

cc Assembly Commissioners, Manon Antoniazzi, Nia Morgan



Public Accounts Committee Report on the Scrutiny of Accounts 2016–17

Recommendation 17. We recommend that the Assembly Commission provide us with details of how its capacity review has tested staffing levels and provide details of how staff are deployed to deliver the Assembly Commissions priorities.

A copy of the Capacity Review Report will be provided to the Committee.

As part of phase 1 of the review, we:

- benchmarked our staffing levels against those from the Scottish Parliament and the Northern Ireland Assembly;
- explained the development and expansion of the staffing levels within the constitutional context;
- pinpointed significant events such as the insourcing of ICT which while increasing headcount continues to deliver recurrent financial savings and efficiency to the Commission;
- outlined the impact on staffing levels of having a relatively low number of elected members despite increasing powers;
- provided a service by service breakdown of how staff are currently deployed; and
- explained the process behind the capacity planning process which outlines how resources are allocated to deliver on the Commission's priorities.

As a general principle, the Commission is committed to staying within its current establishment figure of 491 for the duration of the Fifth Assembly.

Phase 2 of the review will now see further detailed work which will include end to end reviews of key systems in order to maximise their effectiveness and efficiency.

We are also gathering more quantitative data to highlight the volumes of work which various teams face as well as undertaking scenario planning exercises to project potential future demands resulting from further constitutional change, which includes Brexit.



Recommendation 18. The Committee recognises the importance of effectively managing staff absences while ensuring the wellbeing of staff. We recommend that Assembly Commission continue to carefully monitor staff absence levels including analysis of the causes of sickness absence to ensure these are managed appropriately.

Since 2014 there has been a focus both on utilising the new HR IT system to improve system management and reporting, and on management capability and support for employees with health conditions. This has improved the accuracy of our data, and enabled a targeted approach to absence management. A focus on support for musculoskeletal-related absences in 2014–2015 has resulted in a subsequent reduction.

The focus over the past 18 months has been on mental wellbeing, and since we signed the Time change Wales pledge in October 2016 we have taken great strides to break down the stigma often associated with mental health, by focussing instead on mental wellbeing for all at the Commission. Our mental health statistics have increased in the first instance, which has been a positive sign that stigma is reducing and staff are increasingly comfortable declaring their personal stories.

The Assembly Commission Management Board take very seriously the need to protect colleagues' wellbeing in the workplace and Commission employee absence statistics are regularly monitored and discussed to ensure patterns are identified or new approaches can be tested. Figures to date consistently fall within the CIPD published public sector average.

Assembly Commission
March 2018



Capacity Review

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Foreword

As a publicly funded organisation, the Assembly Commission must consistently demonstrate that it uses its resources effectively and efficiently. It is in this context that in September 2017, we initiated a review of the Assembly Commission's structure and processes to understand how resources are currently allocated within the organisation and to evaluate whether this provides the most effective and efficient deployment of these resources.

Assembly Members, Support Staff and Assembly Commission staff will need to work together to agree priorities and the allocation of resources in order to meet the challenges ahead and have the flexibility to respond to changes in demand.

We are pleased to present this Report, which records the findings from the first phase of the review. The Report also provides an evidence base for the next phase of work, which will look to develop solutions to ensure the most effective and efficient deployment of resources, to deliver the Commission's objectives for the Fifth Assembly and beyond.

Assembly Commission

Executive Summary

In September 2017, the Commission asked the Chief Executive and Clerk to the National Assembly for Wales to lead a review of the Assembly's structure and processes to understand how resources are currently allocated within the organisation and to evaluate whether this provides the most effective and efficient deployment of these resources.

The initial stage of the review, covered in this report, provides an evidence base for the next phase of work, which will look to develop solutions to ensure the most effective and efficient deployment of resources to deliver the Commission's objectives for the Fifth Assembly and beyond. The review has engaged extensively with Assembly Commission staff and with Assembly Members and their support staff. As the review moves into the implementation phase we will need to engage further with Members and their staff to ensure that services continue to meet their needs.

The National Assembly for Wales has undergone a series of radical transformations of its powers and structure in the 18 years since it was established. The UK's decision to leave the EU is likely to bring further changes to the Assembly's role and workload.

These new demands have necessitated a period of growth in staff numbers in order to realise the goals, priorities and needs set by the Commission and Assembly Members. The current size of the Assembly Commission is 491 established posts with 454 Full Time Equivalent (FTE) staff¹.

As part of the review we have benchmarked our staff numbers against those of the Scottish Parliament and the Northern Ireland Assembly. We have also carried out specific benchmarking on numbers of staff involved in delivering bilingual services with parliaments who work bilingually to varying extents.

¹ The Establishment figure represents the number of substantive posts determined necessary to deliver the agreed Commission Strategy; it is the established organisational structure and is fairly static over time. Changes to the Establishment figure are as a result of agreed changes to organisational priorities. . The Full Time Equivalent (FTE) number, which is presented in the Annual Report and Accounts to conform to accounting requirements, is the actual number of staff employed, including part time staff, those on reduced working hours, maternity and secondment cover and job share.

Capacity Review

The Scottish Parliament has an establishment of 504 posts, the Northern Ireland Assembly establishment is 344.9; the National Assembly for Wales therefore sits in terms of size between these two institutions.

The benchmarking exercise highlighted the difficulty of making comparisons in this way as there are many variables that affect the resourcing of parliamentary services and the relationship to the number of elected Members is complex. Further work with our colleagues in other parliaments will help us to better benchmark models of service delivery to ensure that we continue to follow and help develop best practice in parliamentary services.

Resourcing the National Assembly for Wales involves a range of challenges, from optimising the efficiency and effectiveness of parliamentary procedures, having to meet numerous statutory requirements, accommodating a wide range of working patterns from term time working to shift systems, being prepared for and reacting rapidly to internal and external political and other imperatives. The Assembly has adopted different approaches to meet these challenges, including a unique integrated approach to support committees, use of call off contracts for demand led services and adopting a mix of approaches to deliver projects.

Being able to better understand and develop the skills and capabilities of our staff was a strong theme emerging from the review; the importance of having the right skills available as well as having the right capacity will continue to be central to our ability to meet changing demands.

The culture of the Commission is centred on the delivery of tailored, high quality and highly responsive 'gold standard' services to meet the needs of the Commission and Members. In order to ensure that we can continue to deliver effective and high-quality services we will have to make sure that these services continue to meet the needs of users, focussing on those things that add the most value.

Opportunities to improve the way we work were captured during the review and fall into two categories: those which have an organisation-wide impact and are discussed below; and those having a service or activity specific impact. The latter will be assessed and developed at a service level. The organisation-wide change opportunities are:

Capacity Review

- Agreement of priorities;
- Improved planning and delivery;
- Greater agility in capacity and capability; and
- Development of shared understanding.

To deliver the outcomes of the review the Assembly Commission will:

- set up a steering group to manage the implementation of the Capacity Review's actions;
- support the Commission in the prioritisation of new projects and initiatives;
- enhance links from priorities to operational planning and personal objectives;
- undertake further detailed analysis of our structures and ways of working to evaluate whether these will remain effective in light of future demands;
- continue to review and challenge existing systems with initial work looking at:
 - Internal management and governance arrangements;
 - The ways in which we enable Members to make more informed decisions about organising their committee work and the detail and frequency of information we provide them with which outlines the resource implications of those decisions;
 - Review the end to end support arrangements for committees;
 - How we resource and deliver internal and external communications; and
- we will take steps to improve communications with staff and other stakeholders. Communicating and reinforcing the responsibilities of teams and empowering the right people to make decisions within the context of a clear set of priorities.

Completing these actions will help to contribute to a greater unity of purpose and direction across the organisation and provide a foundation for the challenges ahead.

Capacity Review

Exceptional and wide-ranging changes to circumstances, such as an increase in the number of Assembly Members may require further assessment of the Commission's required capacity. However, as a general principle, the Commission is committed to staying within its current establishment figure of 491 for the duration of the Fifth Assembly.

We will recommend to future Commissions that a similar Capacity Review exercise is undertaken at the beginning of each Assembly to enable them to plan effectively.

Introduction

Why we undertook this review

Assembly Commission spending is rightly subject to close scrutiny by Members (both in their capacities as individual Members and as members of Assembly Committees) and the wider public. The Commission must continue to be able to demonstrate proper stewardship of public money. It must be clear and transparent in its budget setting and expenditure on staff and resources and to show that its expenditure is efficient, effective and economical.

The Commission has experienced a period of growth in terms of staff numbers as we have faced new and increasing demands including, constitutional change, in-sourcing of ICT, increases in security needs and higher expectations of our stakeholders. We recognise that it will not always be possible to meet these new challenges by increasing the size of our organisation. We will continue to consider whether different ways of working and organizing ourselves, would increase the effectiveness and efficiency of our services

In September 2017, the Commission asked the Chief Executive and Clerk to lead a capacity review of our structure and processes to understand how resources are currently allocated within the organisation and to evaluate whether this provides the most effective and efficient deployment of resources to deliver the Commission's objectives for the Fifth Assembly and beyond.

How we undertook this review

The review has been informed by a range of qualitative and quantitative evidence, including:

- Surveying all Assembly Commission staff (359 responses with 190 respondents providing detailed comments equating to 665 individual improvement ideas and issues);
- Meeting with all Assembly Commission Heads of Service;
- Attending team meetings of service areas across the Commission;
- Attending a meeting of the Chairs Forum;

Capacity Review

- Individual meetings with Committee Chairs;
- Meeting with party group chiefs of staff;
- Analysis of recruitment decisions, service and capacity plans; HR resourcing reports, internal audit reports, the Annual Report and Accounts and other organisational data;
- Data from the Scottish Parliament and Northern Ireland Assembly to help benchmark, where possible to do so; and
- Benchmarking our bilingual services to those of other bilingual legislatures.

The review team was supplemented by a working group to provide support and challenge. Input and advice from the Assembly Commission's Independent Advisers has also been invaluable in helping shape the review.

The review provides an evidence base for the next phase of work, which will look to agree and develop solutions to implement the accompanying action plan.

The report structure

This report records the findings of the review which are structured around the objectives set in the review's terms of reference:

Staffing the Assembly Commission: To analyse how staff resources are currently allocated within the organisation and evaluate whether this provides the most effective and efficient deployment of resources to deliver the Commission's objectives.

Benchmarking: To benchmark our services against those provided by other parliaments and enable the Commission to take a view about how this aligns with the Commission's evolving priorities.

Opportunities to work differently: To work with staff to identify activities which are no longer a priority or could be delivered differently, bringing together other strands of ongoing work on efficiency and effectiveness to identify and exploit ways of doing things better.

Staffing the Assembly Commission

The constitutional context

The role and powers of the Assembly have increased significantly since 1999. The pressures on the Assembly are very likely to continue to increase as a result of a move to a reserved powers model of devolution, the devolution of taxation and borrowing powers (including income tax-varying powers), further devolution of other responsibilities, and Brexit.

The National Assembly for Wales has undergone a series of radical transformations of its powers and, in one case, its very structure – in the 18 years since it was established. The Government of Wales Act 2006 led the way to the separation of a single corporate body into the Welsh Government, National Assembly and Assembly Commission in 2007, with a further fundamental shift after the Referendum in 2011 to full primary legislative powers. Tax-raising powers and further changes to the devolution settlement and responsibilities of the institution arose from the Wales Acts of 2014 and 2017.

The size of the Welsh Government has changed over time to reflect the Assembly's role and powers. When the Assembly was first established, its Standing Orders limited the size of the Cabinet to nine. The limit was increased to 14 by section 51 of the Government of Wales Act 2006. However, there has remained a capacity constraint of 60 Members on the Assembly itself, which imposes significant challenges when seeking to hold the executive to account.

The size of the Assembly makes membership of two, sometimes three, demanding committees inevitable for most backbench Members from all political parties. As an illustrative example, once the members of the Welsh Government and the Deputy Presiding Officer have been taken into account, there are 15 backbench Welsh Labour Members. These 15 Members must between them fill a place on the Assembly Commission, six committee chairs and 31 committee places. As there are four Labour places on each of the policy and legislation committees, the result is that more or less all the party's backbenchers will be in committee on Wednesday mornings and all day on Thursday, when four committees may be meeting concurrently.

Capacity Review

Looking forward, the Assembly is operating in a context of unprecedented constitutional change in the UK, due to the result of the referendum on EU membership.

The UK's decision to leave the EU is likely to bring further changes to the Assembly's role and workload. The Assembly has a critical role in ensuring that the voice of the Welsh people is heard in the Brexit negotiations. It will need to play its part in overseeing the negotiations, and scrutinising the legislation which will follow.

The precise nature of the impact of Brexit on the Assembly's role, powers and workload is not yet clear, as we cannot know with any certainty at this point what the constitutional arrangements will be in the post-Brexit UK, nor what the repatriation of powers from the EU will mean for the responsibilities and legislative competence of the Assembly. However, the UK Government has indicated that it anticipates the responsibilities of the National Assembly for Wales, the Northern Ireland Assembly and the Scottish Parliament will increase.

It is clear that the Assembly will have a role to play in scrutinising the establishment and operation of any such legal, constitutional and policy frameworks, whatever form they take. We can therefore expect that the Assembly's role during the Brexit process, and within the post-Brexit UK, will include shaping public policy in Wales in areas previously reliant on approaches set at European level; scrutinising a large volume of primary legislation, secondary legislation and Legislative Consent Memoranda; scrutinising intergovernmental working; facilitating and undertaking joint scrutiny with other legislatures; and influencing the debate on where powers returned from the EU should lie.

While there may be uncertainty about the powers the Assembly has as a consequence of Brexit, it is clear that Members' workload will certainly not be reduced and is likely to grow.

The Assembly Commission will also monitor closely any developments regarding the recommendations of the Report of the Expert Panel on Assembly Electoral Reform and consider the potential implications on the capacity, resourcing and ways of working.

The development of the Assembly Commission structure

From its creation, the Assembly Commission's approach to resourcing and service provision has been to aim for excellence in all aspects. Features of the levels of service it delivers are pace, responsiveness to the demands of Members and delivery that is often tailored to the needs of individual committees and Members. This latter point in particular is one that often marks the Assembly out from other parliaments.

Over the period since the separation of the executive and legislative branches in 2007, the Assembly Commission has seen an increase in the people resources allocated to it in order to realise the goals, priorities and needs set by the Commission and Assembly Members. This has included:

- providing corporate infrastructure to the Assembly Commission as a new organisation following separation from the Welsh Government. This has included establishing and developing a human resources function to support the maturing organisation and equipping the organisation with its own legal, governance and procurement functions;
- insourcing ICT arrangements to resource the organisation with effective ICT skills and expertise which delivers better value for money than pre-existing arrangements of contracting services;
- providing greater levels of security, acknowledging the escalating threats in respect of terrorism;
- better supporting Members and their staff to discharge their duties in the light of increasing roles in respect of legislative and financial scrutiny and broader constitutional change;
- further improving our service provision in relation to bilingual working to ensure that both official languages are treated equally; and
- responding to increased expectations from Assembly Members and the people of Wales on our engagement work and digital services. Including expectations of transparency and accessibility of information and being able to communicate quickly with our audiences in response to the emergence of 24 hour news platforms.

Capacity Review

The Commission has accepted the Finance Committee's recommendations that future changes in our budget should not exceed that seen in the Welsh Block grant and that we do not increase the number of posts for which we budget during 2018–19.

Given the pressures identified during this review, it is imperative we plan prudently during the coming months to make sure we have flexibility to respond to needs as they arise.

The current Assembly Commission structure

The Assembly Commission published its Strategy for the Fifth Assembly in July 2016. For each strategic goal, the Commission's aim is:

*'to set and maintain high standards as a Welsh public service leader during a time of closer public scrutiny and enhance our international reputation as an effective, open, world class parliamentary institution.'*²

The Commission's budget strategy seeks to continue excellent levels of support, whilst also taking account of the broader financial context, which is seeing most public-sector organisations having to economise and maximise the effectiveness and efficiency.

To underpin the Assembly Commission's Strategy senior management has established a planning 'thread' that runs from the strategy and goals, through corporate priorities and into our service and capacity planning. This is supported by an assurance framework, which helps to ensure evidence of effective planning and decision taking.

Since August 2016, the Commission administration has been divided into three Directorates (Assembly Business, Assembly Resources and Commission Services), reporting to the Chief Executive. The Directorates are further sub-divided into service areas, led by Heads of Service.

The Chief Executive, Directors and Heads of Service make up the Management Board, which regularly meets formally and informally to review, coordinate, and share information on policy and operational matters. The

² Assembly Commission Strategy 2016–2021, July 2016

Capacity Review

Management Board is responsible for ensuring that the alignment with strategy and priorities is consistent.

The Investment and Resourcing Board (IRB) (comprising the Chief Executive and Clerk, Directors and the Head of Human Resources) is responsible for decisions on investment and staffing resources and for oversight of the Commission's budget.

Within the Assembly Commission, there is an established service and capacity planning process with decisions taken on an organisation-wide basis twice a year, informed by detailed proposals from each Directorate. The authority to recruit for all posts, whether new posts as part of an approved capacity plan or 'back filled' posts, can currently only be granted by the Investment and Resourcing Board (IRB).

Details of the current establishment and full time equivalent (FTE) numbers per service area can be found in the table below; changes to the numbers of FTE employed by the Assembly Commission since 2007 are laid out in Appendix A.

Capacity Review

Section	Establishment (Sept 17)	FTE (Sept 17)
Commission & Members Support Service (CAMS)	32	32.34
Legal Services	15	14.08
HR	33	28.59
Estates and Facilities Management (EFM)	30	30.12
Financial Services	14	13.43
ICT	45	42.99
Research Service	44	40.27
Committee and Chamber Services	24	23.30
Translation and Reporting Service (TRS)	47	43.72
Policy and Legislation Committee Services (PLCS)	33	32.41
Communications	32	27.27
Security	74	65.16
Governance, Audit and Procurement Service	15	14.15
Co-ordination Unit	6	6.00
Strategic Transformation Service (STS)	14	14.00
Parliamentary Venues & Visitor Services (PAVVS)	33	26.09
Totals	491	453.92

Approaches to resourcing

Resourcing the Assembly Commission involves a range of challenges, from optimising the efficiency and effectiveness of parliamentary procedures, having to meet numerous statutory requirements, accommodating a wide range of working patterns from term time working to shift systems, being prepared for and reacting rapidly to internal and external political and other imperatives.

Capacity Review

The Assembly is well-regarded among parliaments for the integrated way in which it supports its committees. The approach is recognised as encouraging a holistic approach to providing expertise and supporting Assembly Members to best effect.

Some services which are particularly demand-led or require access to additional temporary resources or specialist expertise at particular points in time have external contracts in place which allows them more flexibility to meet demands, such as Legal Services, Estates, ICT applications development and Translation.

The academic engagement work led by the Research Service is also a means of pulling in additional academic expertise for a short term duration to enhance capacity and capability of teams mainly within the Business Directorate. This has included knowledge exchange partnerships with Cardiff University on geographical information systems (GIS) and inter-parliamentary joint working e.g. on Brexit.

Assembly Commission staff also demonstrate a commitment to continuous improvement across all aspects of the services delivered. Recently we have introduced new structures and ways of working following reviews of Assembly events and our security services. We have also delivered new solutions in respect of searching our Record of Proceedings and the processes around tabling of questions and amendments.

While we recognise the many effective ways in which we deliver our services, opportunities for improvement have also been identified. Responses from our survey to staff found that smarter planning of work, increased collaboration across teams and ensuring that work flows efficiently were common improvement themes.

Culture of the organisation

A culture of excellence and striving for continuous improvement is one that the majority of staff recognise in their responses to the review. Many described the culture of the Commission as focused on delivering the highest possible quality outputs and service. This has resulted in high quality services which Members and their support staff tell us they value. Results of successive, annual Member and Member Support Staff surveys indicate high levels of satisfaction with Commission services. Members have

Capacity Review

noted that the level of support that they receive is very extensive and compares favourably to other parliaments.

An integral part of organisational ethos has seen the Commission traditionally adopt an un-hesitating and immediate response to service requests from Members, Commissioners and the Presiding Officer. This approach, combined with the desire to deliver to the highest possible standard, has led to an increase in the resources needed to respond effectively. Analysis of recruitment approval forms and service plans show that increasing demands to deliver more and higher quality services is a significant contributor to the increasing size of the Assembly Commission.

Contributors to the review reported undertaking one-off pieces of work for both Members and internal services that can quickly escalate into weeks of work which adds pressure on existing resources to meet all service requests. Research, Legal and Communications have all reported this issue.

Skills and capabilities

Understanding and developing the skills and capabilities of our staff was a strong theme emerging from the review. Contributors identified the importance of having the right skills available as well as having the right capacity. We have benefitted from good levels of investment in developing staff as evidenced by our repeated attainment of the highest levels of Investors in People (IiP) awards and positive feedback from Member and Commission staff surveys. The staff we spoke to talked about the importance of continued investment in staff development but also in ensuring that training is properly focussed on delivering business benefits and is aligned with our strategic goals.

A review of learning and development needs is currently underway with the purpose of establishing the Assembly's current training offering; undertaking a learning gap analysis; understanding the skills/ knowledge/ learning that is required and how these can be delivered.

It is vital that our learning and development function is aligned to our strategic direction and that our offering is benefits led and is focused on delivering outcomes which enable and enhance the value our services deliver.

Capacity Review

Assembly Member Support Staff (AMSS) have indicated that they place significant value on the support they receive from the Commission in respect of their professional development, noting that the *“professional development team continue to provide a range of increasingly valuable training courses and resources which are helping AMSS to improve their skills so that they can perform their roles more effectively and efficiently”*.

Benchmarking

Benchmarking establishment size

Assembly Commission staff across all Directorates maintain close links with other parliaments in the UK and Ireland, as well as in Australia and Canada, other Commonwealth countries and elsewhere around the world. Among the many benefits of these connections is the opportunity on regular basis to share and identify best practice in delivering parliamentary services which are value for money.

We know from the relationships we have developed that parliaments are resourced in different ways, to meet specific needs. The variables (which are considerable) affecting resourcing decisions include:

- the political and financial context;
- the parliament’s functions and procedures, including the number of official languages;
- the number of Members and the levels of Member support staff;
- the way Members perceive and discharge their responsibilities;
- the resources available to the parliament from other organisations/sectors of society; and
- the choices made by senior managers about how to organise teams to make the most of skills and experience.

As such, direct, clear comparisons are difficult to achieve. By way of illustration, the Scottish Parliament, which is usually cited as the most similar institution to the National Assembly for Wales, differs in many respects, such as:

- History, culture and politics
- Size
- Committee system
- Procedures and configuration of clerking teams
- Services available to Members, e.g. to support backbench legislation
- Legal system (i.e. Scotland has a jurisdiction separate from England and Wales)

Capacity Review

- Legislative competence
- Language policy

At face value, it might be expected that some differences – size, legislative competence – would mean more staff for the Scottish Parliament; whereas others – a less ambitious language policy, less support for backbench legislation – would mean fewer staff. However, in reality, these differences are less distinct. Understanding them will need a detailed examination of why and how services are structured and resourced, as well as of the way staff numbers are reported, tasks undertaken, and responsibilities shared across different teams.

Within the timeframe for this review, we have not been able to undertake this detailed level of analysis in relation to our most familiar comparators – the other devolved parliaments in the UK, nor indeed a wider global benchmarking.

Nevertheless, we have been able to benchmark our staff numbers against those at both the Scottish Parliament and the Northern Ireland Assembly and this is presented in the tables below. The Scottish Parliament has an establishment of 504 and the Northern Ireland Assembly reports an establishment of 344.9. For the reasons outlined above, the statistics must be used with significant caution.

The figures in the two tables below have been analysed in line with the structure of the Scottish Parliament and the Northern Ireland Assembly, respectively. Consequently, where appropriate we have grouped the comparative services from the National Assembly for Wales together in order to make direct comparisons possible.

Capacity Review

Scottish Parliament Service Area	Scottish Parliament Establishment (Sept 2017)	National Assembly for Wales Establishment (Sept 2017)
Chamber, Reporting and Broadcasting	75	62*
Committees and Outreach	62	59
Digital Services	62	54
HR and Facilities Management	57	58
Finance (including Payroll and Allowances) and Security	110	108
Legal Services, Procurement and Audit	25	30
Research, Communications and Public Engagement	92	103
Offices of the PO, Chief Executive, ACEs International Relations, officeholders	21	17
Total	504	491

Capacity Review

Northern Ireland Assembly Service Areas	Northern Ireland Establishment (Sept 2017)	Wales FTE Establishment (Sept 2017)
Directors Offices and Commission Support	14.0	32
Finance	20.8	14
HR Office and Equality Unit	16.2	33
Estates, porter service, and security services	89.3	104
Committees and Plenary services	73.2	77
Communications, Public Engagement & Official Report	56.9	112*
Information Systems	17.6	45
Legal Services	9.8	15
Research Service	37.1	44
Audit, Governance and Procurement	10.0	15
Total	344.9	491

*Figures for the National Assembly include Translation staff

Each organisation is unique and the three legislatures are all structured differently. We should also note that AMs in Wales are entitled to three Full Time Equivalent Members of Support Staff. The number of Support Staff permitted to Members of the Scottish Parliament (MSPs) rose from two to three following the 2016 election. In Northern Ireland Members of the Legislative Assembly (MLAs) are entitled to two staff.

Headline figures show that the Northern Ireland Assembly has much lower staff numbers than either the National Assembly for Wales or the Scottish Parliament.

The three legislatures have differing numbers of Members – there are 60 AMs in Wales, 129 MSPs in Scotland and the Northern Ireland Assembly had 108 MLAs up until the March 2017 election, after which the number of Members reduced to 90.

Capacity Review

The level of bilingual working and commitment to bilingualism of the National Assembly for Wales, marks it out as different to the other two devolved legislatures. This has a big impact on our resourcing requirements and most obviously can be seen in the size of the Translation and Reporting Service. However, it also has a very practical impact on a range of other services.

For example, the Assembly's commitment to deliver increasing levels of briefing support to committees entails considerably shorter deadlines for written work than would be seen in monolingual parliaments and that, in turn, increases demand on services such as Research. The entire legislative process is undertaken in two languages rather than one, doubling the work associated with amendments and accompanying explanatory memoranda, drafting and proof reading. The Assembly Commission's Official Languages Scheme provides for the equal treatment of both languages which draws resource into translation for internal Commission meetings, Welsh Language teaching and training for Members, their staff and the staff of the Assembly Commission.

Other differences between Northern Ireland and Wales and Scotland include a far lower resource for ICT, 17.6 posts in Northern Ireland as compared to 45 posts in Wales and 63 posts in Scotland. The Assembly Commission took a business decision to fully insource all ICT functions three years ago. This resulted in recurrent savings (£1M per annum) and an in-house team which provides dedicated customer account support to Assembly Members, bespoke applications development and digital solutions amongst other services.

Northern Ireland has smaller Members' Business Support and Education Outreach Teams and does not have an equivalent of the National Assembly's, Translation Service. In Northern Ireland, Standing Orders do provide for Members to speak in the language of their choice; however, a Speaker's ruling requires that Members must also provide an English translation. Translation is provided on an agency basis at an approximate cost of £18k pa with no establishment posts

The Scottish Parliament has an establishment figure which is 13 above the National Assembly figure. Again, it is structured in a different way but in many areas staff levels are similar.

Capacity Review

The Scottish Parliament also does not have a direct equivalent to Members Business Support Service, the Remuneration Board, Continuous Professional Development or the Translation Service (a difference in establishment of approximately 48 posts covering services not provided in Scotland).

Benchmarking bilingual services

As previously highlighted, a key distinguishing feature of the Assembly is its bilingualism. It has two official languages, Welsh and English. Under the Official Languages Act 2012, the Assembly is required to publish a scheme for every Assembly term. It sets out our ambition, service standards and improvement themes to which we are held to account annually to ensure that we deliver enshrined duties to provide rights to the public and to Assembly Members to interact with the Assembly in the official language of their choice.

The Assembly Commission's Bilingual Skills Strategy published under the first Official Languages Scheme [OLS] requires service areas to publish their own language plans. The plans give Heads of Service the means to identify the bilingual capacity required in each team in relation to their service's day-to-day functions, and outlines how each team makes the best use of the language skills within the team and beyond.

We have looked to benchmark our bilingual services against those of Scottish Parliament in their provision of support for Gaelic, the legislative Assembly of Ontario, and the House of Commons of Canada, see Appendix B.

The Assembly's specialist bilingual capability is managed through the Translation and Reporting Service (TRS). The team consists of 47 establishment posts covering a mix of specialists and multi-skilled staff able to work across one or more of the three skills covered by this service: transcription of the official report; translation and interpretation.

The reporting service is responsible for the official (written) reports of all Plenary and Committee meetings. The Plenary report is published fully bilingually and its translation is contracted out at a cost of circa £180K per annum. Committee transcripts are published in the spoken language with Welsh contributions translated into English.

Capacity Review

All published procedural documents are made available in both English and Welsh at the same time, internal and private documents may be provided bilingually. Interpretation is available for all Assembly Business and at events and internal meetings upon request. The Assembly operates a fully bilingual website and software systems utilise bilingual interfaces where practicable. Translation work for these are usually handled by Translation and Reporting Services.

The Scottish Parliament supports the use of Gaelic in parliamentary proceedings, interpretation is available providing notice is given. The Official Report is in spoken language with transcription of the English interpretation of any Gaelic spoken (this is also the situation in the Northern Ireland Assembly with respect to the Irish language. Translation and interpretation is provided through two external contracts totalling circa £105K per annum with no establishment posts.

The Legislative Assembly of Ontario with 107 Members uses English and French. The Official Report is published in the spoken language only and is not translated; 21 full time plus 6 on call staff are available to transcribe the Official Report. Interpretation is provided to all House sittings and televised committees by 6 full time staff supplemented by freelance interpreters as necessary. House documentation (e.g. Votes & Proceedings, Orders & Notices) are available in both English and French, with translation provided by specialist translation services. The size of the translation service is not known.

The House of Commons of Canada with 334 Members are fully bilingual, English and French. Committee and Plenary reports and all procedural documents are published in both languages. Approximately 160 employees (75% of which are part-time) cover reporting and interpretation. All translation work is carried out by a separate Translation Bureau which is not part of the House of Commons establishment. The Translation Bureau consists of approximately 117 translators and 10 administrators.

Opportunities to work differently

Opportunities to improve the way we work were captured during the review and fall into two categories: those which have an organisation-wide impact and are discussed below; and those having a service or activity specific impact. The latter will be assessed and developed at a service level. The organisation-wide change opportunities are:

- Agreement of priorities;
- Improved planning and delivery;
- Greater agility in capacity and capability; and
- Development of shared understanding.

Action 1

We will set up a steering group to manage the implementation of the Capacity Review's actions. This group will:

- oversee the prioritisation, resourcing, delivery and benefits of this programme;
- ensure that the Capacity Review programme of work and that of the other Assembly commission change programmes and projects are aligned;
- report into the Assembly Chief Executive and Directors and disseminate information through the Commission's Management Board; and
- Actively engage with staff and communicate regularly on progress.

Agreement of priorities

New priorities for the Commission are being driven by the increasing pressures on the Assembly in terms of legal and regulatory change, constitutional change and the heightened expectations, especially around engagement of our stakeholders: Assembly Members, the people of Wales and partner organisations. The Assembly operates in a rapidly changing environment which can result in multiple, complex and competing priorities.

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Given the finite size of Assembly Commission's resources, all priorities compete for the same resource.

To continue to deliver new initiatives and changes, the Commission will need to be able to better manage these competing priorities and at the same time ensure that its resources are being used in the most efficient and effective ways. A set of prioritisation criteria for use by IRB is currently being developed and is set to be piloted in coming months to help the IRB prioritise the projects and investments into the next financial year and beyond.

In the future on-going effective prioritisation will depend on:

- The supply of accurate and timely information on the costs, benefits and impact of competing investment and change initiatives to support decision making;
- The relative impact, benefits and costs of change initiatives to be assessed against a set of agreed criteria for prioritisation;
- A shared understanding and agreement on the Commission's strategic goals and high-level priorities across the important groups of influence including the Commission, the Business Committee, the Committee Chairs forum and party groups. Mechanisms will be required to strengthen and focus this dialogue; and
- Effective communication of agreed priorities including the reasons behind decisions, to internal and external stakeholders.

Action 2

We will support the Commission in the prioritisation of new projects and initiatives, through:

- the use of agreed and established prioritisation criteria tools and processes;
- the provision of accurate and timely information on the benefits and resource implications of options for change; and
- establishing effective channels of communication and engagement between the various stakeholders.

Improved planning and delivery

The efficient and effective delivery of prioritised initiatives requires aligned planning, such that:

- There is better alignment of budget, service and capacity planning;
- A clear line of sight exists from strategic goals to operational planning and personal objectives; and
- Benefits are realised through effective and proportionate change and assurance activities that supports good governance.

Some of the work now planned includes:

- Review of annual corporate reporting with an intention to reduce potential duplication within the system;
- Renewing the Commission's suite of Key Performance Indicators (KPIs);
- An internal audit review of the Performance Management Development Reports (PMDRs) to ensure that they remain fit for purpose;
- On-going dialogue and review of project and programme governance and assurance arrangements; and
- The use of a cross organisational Working Group to help ensure that the Commission is prepared and compliant with General Data Protection Regulation (GDPR).

In addition to continuous improvement, the Commission delivers change through formally managed projects monitored by the Investment and Resourcing Board (IRB). Investment is approved or declined based upon the assessment of the benefits and costs of project proposals.

New approaches to change management and agile project management have been adopted aimed at increasing the effectiveness of change projects. The Commission is learning from and benchmarking these new approaches with similar organisations including the UK Government Digital Service (GDS), the Parliament Digital Service (PDS) and colleagues in the Scottish Parliament.

Capacity Review

Most new priorities of the Assembly Commission will result in formal projects or initiatives. To deliver these effectively and efficiently the Commission will continue to need to ensure:

- the clear understanding of the purpose and desired benefits of change initiatives;
- the management of the impact on day-to-day business;
- effective monitoring of progress
- the effective allocation of change management expertise; and
- improved clarity of responsibilities.

Action 3

We will improve links from priorities to operational planning and personal objectives, through:

- on-going scenario planning to assess demands for future years and develop options for how those demands can be addressed;
- implementing newly developed cycles for budget, service and capacity planning that will ensure activity is aligned and will minimise the impact on our resources of planning and governance tasks;
- ensure our annual reporting cycle is fit for purpose but does not place a significant burden on resources;
- ensuring a clear line of sight from the Assembly Commission's priorities to personal objectives; and
- enhancing the oversight and management of change across the Assembly Commission bringing together learning and good practice.

Agile capacity and capability

The third theme of the strategic-level opportunities to work differently looks at ways to bring greater agility to the Commission's capacity and capability by:

- Improving the agility and skills of our workforce to respond to changing demands;
- Continuing to review and challenge existing structures and systems with a view to developing options for improved ways of working; and
- Realising the benefits from optimising the use of existing and new technologies.

Work is underway to develop the latest People Strategy for the Assembly. This will reflect the need to create a more agile workforce. We will ensure that, through this strategy, we build our skills and capability to meet future needs as well as those of today.

We will need to consider whether the working patterns that have evolved over time remain effective in meeting the demands placed on the Commission staff, or whether there are benefits to be gained for both the organisation and individuals in introducing changes.

The Assembly Commission must continue to review and challenge existing service structures, systems, internal management and governance arrangements, to develop improved ways of working that are as efficient and effective as possible.

During the Capacity Review we spoke with Members, their support staff and Commission staff, to gather ideas for change. As well as the four main themes for change discussed here, many specific process change ideas were also suggested. Three suggestions stood out as they received a significant number of comments and these are:

- Enabling Members to make more informed decisions about organising their committee work, by providing more regular and detailed information about the resource implications of these decisions;

Capacity Review

- Review of the end-to-end support arrangements for committees, to ensure that all Commission resources supporting committee work are being used as effectively and efficiently as possible; and
- Ensure that the skills, capacity, processes and technology for effective internal and external communications are in place.

Across all services there was an identification of the need to ensure that we take full advantage of information technologies available to the Assembly. This was especially true of the collaboration and document management capabilities offered by Office 365 and SharePoint.

Action 4

Exceptional and wide-ranging changes to circumstances, such as an increase in the number of Assembly Members may require further assessment of the Commission's required capacity. However, as a general principle, the Commission is committed to staying within its current establishment figure of 491 for the duration of the Fifth Assembly.

At present with the commitment to work within the establishment figure and in light of new priorities facing the Commission the Steering Group will undertake further detailed analysis of our organisational structures and working practices and make recommendations to ensure that they remain effective in light of future demands.

We will recommend to future Commissions that a similar Capacity Review exercise is undertaken at the beginning of each Assembly to enable them to plan effectively and ensure that their strategies can be delivered.

Action 5

We will continue to review and challenge existing systems and develop options for improved ways of working. This ongoing programme of continuous improvement will be managed through the Steering Group. The Capacity Review has identified a number of areas for initial investigation.

We will review:

- Internal management and governance arrangements;

Capacity Review

- The ways in which we enable Members to make more informed decisions about organising their committee work and the detail and frequency of information we provide them with which outlines the resource implications of those decisions;
- Review the end to end support arrangements for committees; and
- How we resource and deliver internal and external communications.

Development of a shared understanding

The final strategic change theme to emerge from the review is that of developing a shared understanding of the purpose and functions of Commission Services, to enable:

- clarity of understanding of responsibilities across teams internally and with Members, their offices and other stakeholders;
- the expectations of the important points of influence to be managed within the context of the Commission's priorities; and
- The development of a one organisation ethos ensuring a shared sense of ownership and responsibility.

A lack of clarity of understanding of the changing roles and responsibilities of the Commission's services can lead to inefficiency both internally and between Members, their offices and these internal teams.

Members' support staff reported their lack of awareness of the roles of some teams within the Commission. They suggested that more 'one stop shop' contact points would save Assembly Members' and staff time in having to contact multiple departments over similar issues.

Services designed around users and their needs are more cost effective helping more people to get the right outcome for themselves and for the Assembly. Members' support staff that we spoke to said that they highly valued involvement at the design stage of services and being able to discuss what they needed with Commission staff responsible for delivering services. They noted that in all cases this early engagement resulted in better outcomes for themselves and Members.

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Improving clarity of responsibilities, clear lines of sight in our planning and clear priorities will boost the 'one organisation' culture of the Assembly. Further steps to improve communications with staff, share organisational values and empower the right people to make decisions within the context of our priorities will enhance this culture.

Action 6

We will take steps to improve communications with staff and other stakeholders. Communicating and reinforcing the responsibilities of teams and empowering the right people to make decisions within the context of a clear set of priorities.

Completing these actions will help to contribute to a greater unity of purpose and direction across the organisation and provide a foundation for the challenges ahead.

Next Steps

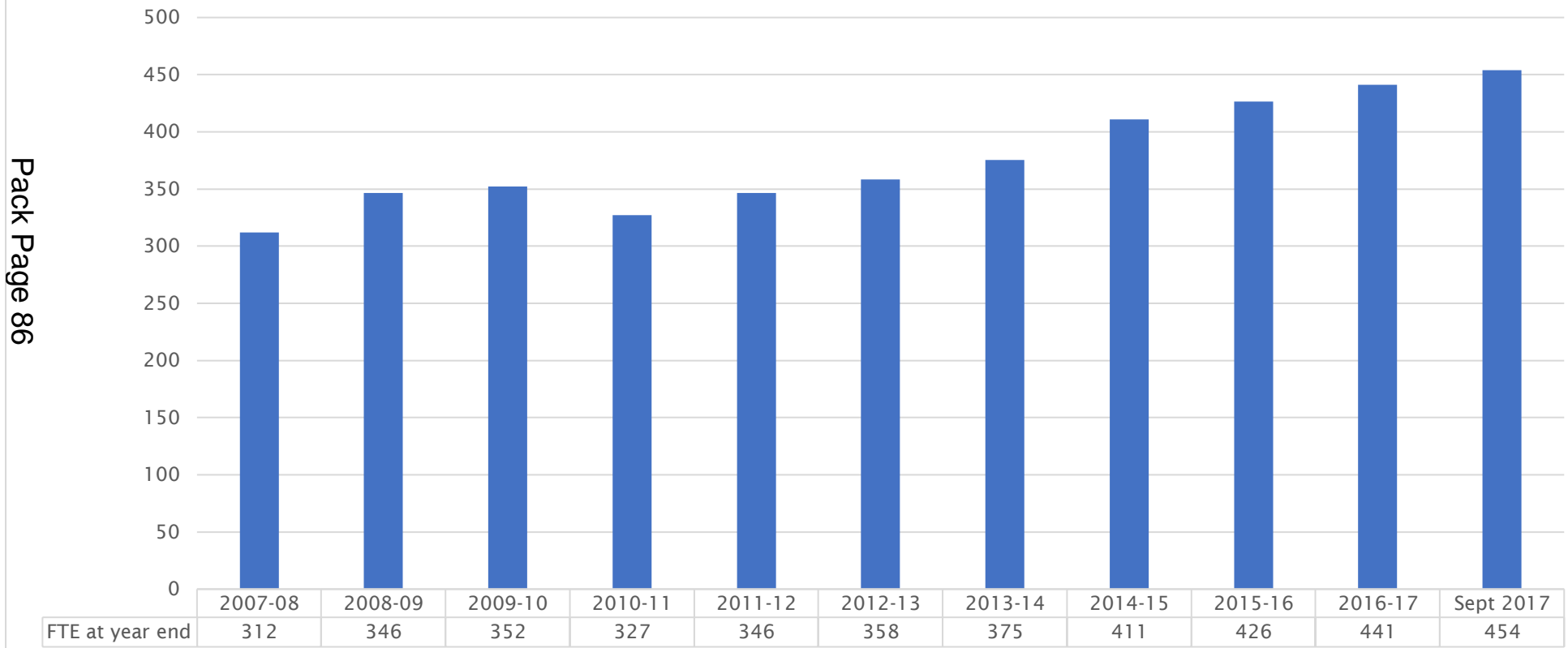
During the next phase of the Capacity Review we will develop our approaches to meet new challenges, many of which are unclear at this stage such as the impact of Brexit and potential electoral reform.

The Steering Group will be chaired by the Director of Resources and its membership will be drawn from across the Assembly Commission. By May 2018, the Steering Group will have in place a plan for taking forward major elements of the work. The Group will keep the Commission updated on progress.

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Appendix A. Assembly Commission Full Time Equivalent 2007 to 2017

FTE at year end, total rounded



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	FTE at Year End by Service Area (rounded)										
Service Area	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	Sept 2017
CAMS	21	24	25	33	27	17	33	36	39	32	32
Legal	7	8	9	9	10	9	12	12	12	13	14
HR	19	24	24	14	12	22	32	28	26	31	29
EFM	27	31	32	29	25	28	25	26	29	28	30
Finance	20	19	16	15	15	16	12	16	16	12	13
ICT	13	17	17	14	18	17	20	37	41	43	43
Research	33	37	35	33	35	35	33	36	38	40	40
CCCS	20	25	26	23	22	23	17	20	22	24	23
CTRS	33	34	34	33	37	36	38	37	40	42	44
PLCS	26	28	28	25	25	25	26	28	27	33	32
Communications	38	43	27	31	25	25	25	23	23	23	27
Security	56	56	59	49	59	60	58	61	61	66	65
Gov & Audit					14*	17	13	14	13	14	14
Co-ordination Unit							4	5	6	6	6
FoH / PAVVS			21"	19	23	26	23	24	24	23	26
STS							4	8	9	10	14
Total	312	346	352	327	346	358	375	411	426	441	454

*previously part of corporate unit in CAMS

#previously grouped with Communications

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Appendix B. Bilingual Parliaments Benchmarking:

Comparison of Reporting, Translation and Interpretation Services, December 2017

Institution	Members	Bilingual services	Resources
National Assembly for Wales Pack Page 88	60	<ul style="list-style-type: none"> – Bilingual Welsh and English (both Official Languages under 2012 Act) – Published procedural documents made available in both languages at the same time – All Assembly Business interpreted from Welsh into English and interpretation available at event on request – All internal & private documents made available in the language of choice – Plenary record fully bilingual – Committee transcripts in spoken language with Welsh contributions translated – Fully bilingual website – Software systems bilingual interfaces where practicable. 	<ul style="list-style-type: none"> – Mix of specialists and multi-skilled staff able to work across one or more specialisms. 47 establishment posts broken down as follows: <ul style="list-style-type: none"> ○ 9 Management, Official Languages Scheme, admin & Welsh skills development posts ○ 16 Editors ○ 7 Editor / Translators ○ 1 Senior Interpreter ○ 6 Editor / Translators / Interpreters ○ 8 Translators – Additionally translation of the full Plenary report is contracted out at a cost of circa £180K pa

Capacity Review

Institution	Members	Bilingual services	Resources
Scottish Parliament	129	<ul style="list-style-type: none"> – Working language is English, Scottish Parliamentary Corporate Body (SPCB) is under a legal duty to make and develop provision in Gaelic. – Gaelic may be used in parliamentary proceedings, with notice given and interpretation is then provided. The Official Report is in spoken language with transcription of English interpretation of any Gaelic spoken. – (mostly) Bilingual website 	<ul style="list-style-type: none"> – Official Report: No of Staff members and Budget number have been requested as benchmark data has been provided at directorate level – 1 x FTE Gaelic Development Officer – Translation and Interpretation is provided through two external contracts totalling circa £105K pa
Legislative Assembly of Ontario	107	<ul style="list-style-type: none"> – English and French – Official Report in spoken language only, is not translated – Interpretation provided to all House sittings and televised committees – House documentation (e.g. Votes & Proceedings, Orders & Notices) available in both English and French provided by specialist translation services – Fully bilingual website 	<ul style="list-style-type: none"> – Reporting staff: 21 full time plus 6 on call, mix of English only and English / French speakers – Interpretation staff: 6 full time supplemented by freelance interpreters as necessary – Translation staff numbers and costs are not available

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Institution	Members	Bilingual services	Resources
House of Commons of Canada	334	<ul style="list-style-type: none"> – Bilingual English and French – Committee and Plenary reports and all procedural documents published in both languages – Fully bilingual website 	<ul style="list-style-type: none"> – Approximately 160 employees (75% of which are part-time) covering reporting and interpretation. – The translation of all work is done by a separate Translation Bureau which is not part of the House of Commons, Translation Bureau staff: <ul style="list-style-type: none"> ○ 43 (41 translators + 2 administration) for the Hansard (Plenary Report) ○ 33 (31 translators + 2 administration) for Committee Deliberations ○ 41 (35 translators + 6 administration) for Documents (any other documents emanating from Parliament – committee reports, letters, householders, financial reports, policies, internal memos, etc.)

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By email.

09/03/2018.

Response to National Assembly for Wales Public Accounts Committee Scrutiny of Accounts 2016-17.

Dear Nick,

Thank you for sharing the work of the Public Affairs Committee in producing the Scrutiny of Accounts 2016-17 report and recommendations. I have read these with interest, both in terms of how the recommendations can support successful implementation of the Well-being of Future Generations Act as well as to how I can continually improve the reporting process of my own office.

Responses to specific recommendations raised by the Committee after consideration of my first Annual Report and Accounts are shown below and I would also like to take this opportunity to respond to two of the cross-cutting recommendations and themes within the report

Cross-cutting theme of Evaluating Schemes and Measuring Impact

Paragraph 26: *“The evaluation and monitoring of schemes was raised primarily as an issue with Sport Wales but there is a wider principle that all publicly funded bodies should apply value for money principles to projects they undertake”*

The introduction of the Well-being of Future Generations Act places a duty on many Public Bodies to set well-being objectives to contribute to our National Well-being goals, to use the sustainable development principle, and to set out the steps it will take to meet these objectives. It seems to me that the sustainable development principle therefore needs to be embedded into the design of evaluation and monitoring mechanisms. This fits well with consideration of Value for Money where this is thought of in its widest sense and not misinterpreted as short-term cost savings.

My team are supporting and encouraging Public Bodies to embed the sustainable development principle into the design phase of projects and services. Two guidance documents have been produced – the Future Generations Frameworks for projects and infrastructure and a joint framework with Welsh Government for service design. Both are aimed at supporting Public Bodies (and others) to design projects and services that help evaluate and maximise contribution to our national Well-being Goals and together with Value for Money considerations provide a solid basis for evaluating and measuring the impact of schemes, using the five ways of working set out within the Sustainable Development principle.

Cross-cutting theme of Reserves/Cash Policy

Recommendation 4: We recommend that the Welsh Government give consideration to the different approaches to reserves policies for its sponsored bodies particularly given the greater flexibility afforded to it by the new Wales Reserve from 2018-19.

We welcome and support this recommendation which aligns with the Well-being of Future Generations Act requirement for Public Bodies to adopt the sustainable development principle and, in particular, demonstrate how they are budgeting and planning for the long term. Allowing greater flexibility would support this approach.

Recommendations specific to the Future Generations Commissioner for Wales

Recommendation 5: The Committee recommends that the Future Generations Commissioner for Wales includes in future annual reports and accounts information about the performance of their office against objectives.

Accepted. Year one was primarily concerned with setting my strategic vision and I reported on my progress against the four strategic purposes as set out in my strategic plan. In future annual reports I will provide information on my organisation's performance against five strategic performance measures.

Recommendation 6: The Committee recommends that the Future Generations Commissioner for Wales provides the Committee with an update on the implementation of her recommendations to other organisations in future annual reports to enable monitoring implementation.

Accepted. An update will be included in my 2017-18 Annual Report.

Recommendation 7: The Committee recommends that the Future Generations Commissioner for Wales's office evaluates the high proportion of secondments within her workforce within two years (January 2020) to consider whether it is impacting on the organisation's outputs and efficiency.

I have a very broad statutory remit and a modest budget with which to resource my Office. I elected to make permanent appointments to core roles where I believe there is a clear and ongoing business need for continuity. Secondments and collaborative partnerships are proving to be a smart way to resource efficiently because they allow me to draw in knowledge, skills and experience for projects and programmes of work that have a finite lifespan, they bring fresh perspective into the mix and deepen our collective understanding and connections with partnership organisations. Secondments can also be a good way to resource shared agendas, sometimes without financial cost to my Office.

Working with others through partnerships, collaborations and secondments is a long-term policy and will be a key way in which I will discharge my statutory duties (and is a key element of the Sustainable Development principle defined within the Act). I will evaluate and update on its impact on my organisation's outputs and efficiency as part of the annual reporting process.

Recommendation 8: The Committee recommends that the Future Generations Commissioner for Wales illustrates to the Committee the impact of her agile working environment and promotes any good practice she identifies.

Noted. I will include an illustration in my 2017-18 Annual Report.

Recommendation 9: The Committee recommends the Future Generations Commissioner for Wales revisit the disclosure of remuneration for senior staff, ensuring that it sets out information to enable direct comparison of the level of remuneration paid to the Directors within the Office of the Future Generations Commission for Wales and employed by other bodies.

Accepted and noted for 2017-18 note to the Accounts.

Thank you for the opportunity to respond to the report.

Yours sincerely,



Sophie Howe



Llyfrgell Genedlaethol Cymru
The National Library of Wales

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8 March 2018

Dear Nick

Thank you for the Committee's report which has been discussed by the Board of Trustees and management. I enclose a response to the three recommendations relating to the National Library of Wales. We welcome the Committee's acknowledgement that the National Library has made good progress in addressing the issues identified in the Wales Audit Office Governance and Performance Report (2016) and, indeed, this reflects our own very positive discussions with the Wales Audit Office on progress since 2015.

However, the Trustees were disappointed with recommendation PAC 21 relating to the management of the Library's Pension Scheme. Whereas the Board has always acknowledged that the viability of the scheme requires constant vigilance and may require future changes, as advised by the Library's actuaries, the recommendation does not appear to recognise that there is no direct equivalence between the management of pension scheme liabilities and future costs and the level of funding received from the Welsh Government.

The decision whether the current scheme is sustainable is reviewed every three years by the Library's actuaries. Their subsequent advice informs the decisions made by the pension trustees. Welsh Government funding is not central to this ongoing management process. If the level of funding from the Welsh Government fell substantively in the future, the existing pension scheme would close and a new defined contributions scheme would replace it. I have provided a detailed explanation with this letter outlining the position which I hope will be helpful for members of the Committee.

With regard to recommendation PAC 22, you may wish to note that the Wales Audit Office has supported the four year planning process undertaken by the Library to produce the current Strategic Plan. All forward planning processes are required to make planning assumptions and, in the case of the National Library, the current plan approved by the Cabinet Secretary for Economy and Transport outlines the objectives to be achieved with the current revenue baseline which has been indicatively agreed until 2020. If funding is reduced during 2020/21, the Library will need to agree with the Welsh Government which core services would not be delivered and the level of the associated compulsory redundancies to be implemented. The Library already leads the sector in developing the National Digital Library, supporting public and other library services and willingly accepts the role of acting as a national archive in the absence of a strategic service. However, if Wales is to support a vibrant and efficient National Library service going forward, there is an associated cost.



The Library has been managing a declining level of grant from the Welsh Government for a period which predates the current period of austerity. In cash terms, it now receives the same amount as in 2006, a decrease of between 30% and 40% in real terms. Through cutting its costs and raising its income, it has still succeeded in balancing its annual budget.

As was noted at the Committee meeting, the Library has lost a third of its workforce since 2014. The Board and I consider that the work to continue to develop ambitious digital services for the people of Wales in a challenging financial environment demonstrates commendable management of existing resources by the Executive. The following table provides a funding comparator with the National Library of Scotland which has fewer core responsibilities than NLW and smaller collections.

Government Funding 2017/18	NLW	NLS
Grant in Aid (Revenue Funding)	£9.585m	£13.180m
Purchase Fund	£200k	£1m

In relation to recommendation PAC 23, I enclose an outline timetable of activities to complete our Workforce Development Plan which is being progressed in co-operation with the Library's three recognised Trade Unions, FDA, PCS and Prospect. As outlined in the Library's Strategic Plan, this is scheduled to be completed by December 2018.

I would welcome an opportunity to discuss the report's recommendations with you as Chair of the Committee.

Yours sincerely



Rhodri Glyn Thomas

President, National Library of Wales

Recommendation PAC 21

We recommend that the National Library of Wales reviews its pension scheme as a matter of urgency and provide assurances to the Committee that it can operate a Scheme that is sustainable in the longer term given the continued austerity and pressure on public funds.

Background

The Library's pension Scheme is a Defined Benefit (DB) and Final Salary scheme. It has been in operation since 1975 when it replaced the previous pension arrangements and took on its liabilities. The Pension Scheme is operated as a trust and governed by an independent board of trustees appointed from the membership and from the Library's Board. The Scheme is a "funded" scheme, which means that it holds investments which it uses to pay pension benefits. This is different to many public sector schemes that are "unfunded" (such as the Principal Civil Service Pension Scheme (PCSPS)) where no assets are held.

Scheme sustainability

The Scheme's financial position is subject to a triennial valuation by its independent Actuary. The Actuary's responsibilities and duties are set out in statute (Pensions Act 1995). The last valuation was carried out at 31 March 2016, and for monitoring purposes interim calculations are performed every six months subsequently. At 31 March 2016 the Scheme was assessed as being 99.4% funded; previously at 31 March 2013 this was 100%. The interim valuations carried out since the 2016 valuation indicate that the Scheme continues to be at or around fully funded, and slightly in surplus at September 2017.

In the 2016 valuation the Actuary identified two main issues: historic liabilities and the cost of future service.

Historic Liabilities

The Scheme's funding level had declined slightly from 100% to 99.4% and the historic liabilities slightly exceeded the assets held by £400K. The Library agreed to make deficit contributions of £32K per annum for the 3 years until the next triennial valuation. With every funded defined benefit pension scheme the employer is exposed to the risk that historic liabilities will grow faster than its assets and a deficit will arise. The two main risks affecting the value of assets and liabilities are investment returns and longevity of members. Therefore, in addressing the PAC's recommendation that the Scheme is "sustainable in the longer term", the Library cannot change the historic liabilities that have accrued for more than 40 years, and it will continue to address this liability by making deficit payments in order to fund this gap if liabilities exceed assets. However the Scheme trustees, in agreement with the Library's Board, have recently made changes to the management arrangements for the Scheme's assets, currently worth around £70M. Blackrock have been appointed following a competitive process to operate a fiduciary management arrangement. Although the Scheme's assets had grown by over a quarter since the 2016 valuation, the outlook for future growth had changed and a fiduciary management arrangement should be better placed to manage the Scheme's assets in the more volatile circumstances that are anticipated.

Cost of future service

The Actuary identified in the 2016 valuation that the cost of accruing service in future would increase and a total contribution of 30.2% would be required. The Trustees considered the actions which could be taken and, in consultation with the Library, offered staff the option of either paying 3% more into the Scheme to retain a retirement age of 60, or the rest of their service would increase to a retirement age of 65. Just over half of staff opted to pay increased contributions. As part of this exercise the Trustees also considered moving the Scheme from final salary to career average revalued earnings (CARE). However the cost reduction in doing this of around 1% would not have met the increase in costs that the Actuary had identified in the triennial valuation, and it would also have made the Scheme more complex (and therefore costly) to administer.

The next Scheme valuation is due at 31 March 2019 and at present there are no indications that the financial position of the Scheme has moved significantly to cause the Library to take action. However, if the valuation indicated a further worsening in the cost of future accrual then there are a number of options that the Library could present to the staff to manage the costs: increasing retirement age further, increasing staff contributions, or changing the accrual rate.

Review of the Scheme by the Library's Board

At various times during the past, the Library has considered how it can best manage the risks of the pension scheme, many years before the Hutton report was commissioned. Over the past 20 years the Library has improved the funding position from just over 60% to around fully funded, making it currently one of the better funded public pension schemes. The funding assumptions behind the scheme are relatively prudent in comparison to the generality of public pension schemes, but relatively optimistic in relation to many private sector schemes. It should be noted that the Scheme obtained a Crown Guarantee in 2003 which gives a degree of assurance regarding future funding risks. In the early/mid 2000s the Library also opened negotiations with the Treasury to see if it was possible to move the Scheme members into the PCSPS. However at the time, the plan failed to progress any further because of the relatively large deficit which existed in the Scheme at the time.

The Library's Scheme is a fairly standard public sector scheme operated on an 80ths accrual basis with 3/80ths lump sum: its benefits are not particularly unreasonable in the public sector context and are certainly not excessively generous. One of the changes made after the Hutton report to the PCSPS was to reduce the accrual rate to 60ths, but with a lump sum buy-out. The Library considered this change for its own Scheme, but the assessment was that this would at best be cost-neutral, or more likely to marginally increase costs. Therefore in this respect, the Scheme is actually probably less generous than the PCSPS.

The Library's Board has consistently monitored the risks of the Pension Scheme and considered the option of closing the Scheme to new entrants in 2017. If the Library chose to do this, then the costs of operating the Scheme would increase over time as the aging membership approached retirement age, and this had to be weighed against the risks of keeping the Scheme open and allowing new entrants to accrue service. The Library decided to adopt the latter given that, if it decided for the former, then it would have to introduce a Defined Contribution (DC) scheme at much lower cost in order to offset the increase in contributions for a closed Scheme. Furthermore, this would have been contrary to an instruction in the Library's 2017/18 Remit Letter from the Welsh Government for the

Library to consider the issues associated with aligning as far as possible the terms and conditions of the staff with those of the Civil Service.

Conclusion

No employer operating a DB scheme is in a position to guarantee that the funding is totally secure. However, the Library's scheme:

- is a funded scheme, unlike many of the major public sector schemes;
- has relatively high funding levels for a public sector scheme;
- has used reasonable assumptions to assess its financial position;
- has recently negotiated significant changes to the Scheme with the members to reduce the cost of future service;
- has proactively managed the risks of the Scheme in relation to its substantial investment portfolio and associated investment risk;
- is ready to act on any recommendations resulting from the next triennial valuation at 31 March 2019 as regards future service accrual, and
- has been regularly reviewed by the Library's Board in relation to its sustainability at various times during the last few years, most recently in the autumn of 2017.

Regarding the reference to continued austerity and pressures on public funding, this is a somewhat different issue to the sustainable long term funding of the Scheme in relation to its assets and liabilities. In a situation where the Library's Grant-in-Aid was cut significantly by the Welsh Government, then it is likely that the Library would close the current DB scheme and move staff to a Defined Contributions option where the employer's contribution cost would be considerably lower, and all the investment and longevity risks are transferred to the membership. This would be a radical move that would be difficult to agree with the staff, and again, would be in contravention of the Government's stated aim to support an alignment of employment terms with the Civil Service and wider public service.

PAC recommendation 22

We are concerned that the National Library for Wales has not fully recognised the challenges and implications of declining future funding and we recommend that the National Library clearly set out its scenario planning for the future how it intends to respond to this decrease in funding.

Background

The Library, more than most bodies in the public sector, has had experience over a long period of reducing budgets, predating the current period of "austerity" by several years. The challenge of reducing budgets is not a new experience for the Library. Revenue Grant-in-Aid (GIA) is now £9.585M – the same cash level as it was in 2006; effectively a 30%-40% reduction in real terms. The austerity cuts reduced the capital budget by 40% and the Collections Purchase Grant by 50%. These are cuts which have been extremely difficult to cope with, but the Library has managed to reduce its costs – principally by reducing staff numbers – to be commensurate with its income.

Financial Management

Apart from the reduction in budgets, one of the greatest challenges for the Library has been the inability of the Welsh Government to provide any form of medium term indicative budgets. For 4 years, the Library was only provided with budgets for one year at a time: this has made even planning for the medium term very difficult (as was noted in the WAO Report). The Library has been provided with indicative budgets up to 2019/20, and these indicate that the GIA will remain flat over this period. The Library has therefore based its plans on the reasonable assumption of a flat GIA. Any substantive change to the budget in 2020/21 will require prior discussion with the Welsh Government of which core services will be lost and the level of associated compulsory redundancies.

As pay is 75% of the Library's revenue budget, operating costs are particularly sensitive to any changes. It is therefore disappointing to note that the Welsh Government's arrangements for the Library's Pay Remit continue to be very late. For example, the Pay Remit due from 1 April 2017 was not given to the Library until October 2017, and rather than the 1% per annum cost which the Library had initially expected, the overall cost to the Library of a 2% uplift or £1k over 2 years will be in the region of 4.5%. If the Welsh Government expects the Library to follow the Welsh Government's Pay Remit then it is apparent that it will need to change the current planning mechanism. The Library has recently been awarded temporary funding to cover the current pay award, and has requested further discussions with the Welsh Government regarding the timescale for receiving any further forward planning advice related to the next public sector pay award due on 1 April 2019. In comparison, the National Library of Scotland has been provided with additional baseline Grant in Aid during this financial year to provide a 3% uplift for staff.

Cost Reductions

If future funding was to decrease significantly, then the focus of cost reductions would have to be made on the largest element of cost, staff pay. Staff pay is relatively low in the Library, as was noted in the Committee meeting, median pay is £23K as opposed to £35K in the Welsh Government. The difference in the median pay is caused by the fact that about 40% of the Library's staff earn £20K or less, and that there are very few staff in middle or senior management posts. The Library's staffing structure resembles a very flat pyramid, whereas the Welsh Government has a more equivalent number of staff at all salary grades. The consequence of the Library's staff structure in comparison to the Welsh Government is that there are fewer options for restructuring solely at middle and senior management, and staff losses would have to be made at all levels, but with higher losses likely at the lower grades where there are greater numbers of staff. This would have a direct impact on public services as many of these staff are concerned with providing frontline services.

The Library has arrived at this position because it has been under such a long period of financial pressure. The flat pyramidal structure which remains has extremely limited options for further slimming down in response to further budget cuts which would not directly affect core services. Defending services to the public has been a priority in the Library's planning as it has reduced staff numbers from 300 to 230.

The Library is therefore in a position with extremely limited options for cost reductions which would not directly affect its status as a national institution. There is a minimum level of funding required if the Welsh Government requires national institutions with impact and reach.

Pensions and Non-Government income

Paragraph 170 of the report again refers to the issue of the pension scheme. As has been noted, the only way of reducing pension costs as a response to a significantly reduced budget would be to close the current Defined Benefit (DB) scheme, and move to a lower cost Defined Contribution (DC) scheme. The implications for the staff in this would be profound, and would almost certainly result in damaging industrial action. However the move from DB to DC would have to be a serious consideration if a cut in GIA precipitated a funding crisis.

The Library has relatively few options as far as increasing non-Government sources of income, particularly to cover core revenue costs. It has been successful in increasing commercial income to £700K per annum and has set an ambitious target of raising income from commercial activities, research grants and charitable donations to £1m by 2021. The Library has also successfully managed its charitable funds investments from a value of £3m in 2009 to over £11m in 2018. The Library has committed up to £2.5m to finance its bid for £5m to the Heritage Lottery Fund to establish the National Broadcast Archive, as well as drawing on the £300K income created by the investments to fund other developmental projects. However, by now, the capacity of charitable funds to finance additional costs without affecting long term sustainability is now close to its limit for long term commitments.

Conclusion

Had the Library not been planning for and recognising the challenges of future reductions in GIA then a financial crisis would have inevitably occurred a number of years ago. The future funding from GIA is a risk that continues to be managed and it has been acknowledged as the most important strategic risk for over 10 years. The options to respond to future cuts in GIA are limited: staff numbers would have to be reduced, and overheads such as the DB pension would be under threat. In addition to its current management, the Library requires longer term GIA budget planning from the Welsh Government, as well as revised mechanisms for the Pay Remit if it is to be in a position to manage its future financial risks successfully.

PAC 23

We are concerned that the pace of change and timescales for delivery of the National Library for Wales' Work force plan are insufficient. We recommend that the National Library set out explicitly its plan of action for delivering its plan as a matter of urgency and share this with the Committee at the earliest opportunity.

Workforce Development Plan Timeline

Task	Progress to date	Responsibility	Key dates
Work towards harmonising key human resources policies with those of the Welsh Government, in consultation with recognised trade unions.	<p>The policies below have been written in line with the Welsh Governments policies.</p> <ul style="list-style-type: none"> • Annual Leave • Temporary Responsibility Payments • Career Break <p>(Shared with Partnership Council – November 2017)</p> <ul style="list-style-type: none"> • Maternity / Adoption Leave • Shared Parental Leave • Paternity Leave • Parental Leave 	Executive Team Human Resources and Partnership Council	<p>Await response from Partnership Council to:</p> <ul style="list-style-type: none"> • Annual Leave • Temporary Responsibility Payments • Career Break <p>Response to be received by 31/03/2018</p> <p>Ready to be presented to Partnership Council:</p> <ul style="list-style-type: none"> • Maternity / Adoption Leave • Shared Parental Leave • Paternity Leave • Parental Leave <p>Response to be received by 30/06/2018</p>
	<p>Changes to Staff Superannuation Scheme were implemented following a period of consultation with the Partnership Council which gave members the option to pay additional member contribution at a rate of 3% of Pensionable Salary and retain the NRD 60 benefits. Staff who did not elect the NRD 60 benefits have NRD65 Benefits for future service.</p>	Executive Team Human Resources	Implemented as of 1 July 2017.
	<p>As part of the Pay Remit 2017 – 2019 discussions the Library has agreed to sign the Dying to Work Charter by April 2018.</p>	Executive Team Human Resources and Partnership Council	April 2018.

	The Library has also agreed to set up a task and finish group to look at the possibility of adopting the Wellbeing Hour for staff.	Executive Team Human Resources and Partnership Council	June 2018.
Make an initial assessment of the terms and conditions of National Library staff and the implications of bringing those into line with Welsh Government terms and conditions (WG Remit Letter 2017/18)	HR Unit conducted an assessment of terms and conditions at the National Library and National Museum in comparison to those of Welsh Governments. Copy of the assessment was shared with WG in October 2017.	Executive Team / Human Resources	Completed - July 2017.
Continue to improve the relationship between management, staff and union representatives	Bi-monthly meetings between NLW Executive Team and Partnership Council	Executive Team Human Resources Partnership Council	Ongoing.
	A monthly meeting between the Library's Human Resources Unit and Partnership Council continues to meet to discuss policies, terms and conditions.		
	Librarian/Chief Executive disseminates a regular all staff blog	Librarian/Chief Executive	Ongoing.
	Librarian/Chief Executive conducts quarterly meetings with all staff.		
	President and Librarian/Chief Executive holds quarterly meetings with national Trade Union representatives	Librarian / Chief Executive Partnership Council	Ongoing.
	Monthly all staff core brief disseminated	Librarian/ Chief Executive	Ongoing.

Ensure staff receive appropriate training to provide high quality services and any key skills gaps are identified and addressed strategically in your workforce development and succession planning	All staff Skills Audit conducted and analysed. Report on any current skills gap and future needs commissioned.	Executive Team Delivery Group Human Resources	To be completed by 30/03/2018. Report of Skills Audit findings and training programme to be presented to Executive Team by 31/05/2018. Report on Skills Gaps and Future Needs to be presented to the Executive Team by 30/09/18 NB The Library and TUs are members of the Historic Wales Strategic Partnership Skills mainstreaming group who is looking to adopt a structural approach to skills across the organisations and heritage sector as a whole. The Library is the only partner to have commissioned a Skills Audit to date.
	Succession Planning Policy – shared with Partnership Council – December 2017.	Executive Team Human Resources Partnership Council	Response from Partnership Council to be received by 9 March 2018.
	Stress Audit The Library and Partnership Council have conducted two separate stress audits (in order to benchmark against previous year results).	Executive Team Human Resources Partnership Council	Completed. Action Points from both audits will be presented jointly with Human Resources and Partnership Council to Executive Team by 31/03/2018.
	Contribute to the Public Service Staff Commission's workforce planning exercise.	Executive Team Human Resources	Completed 30/7/2017.
	Draft People Strategy/Workforce	Executive Team Human	Early October 2018 meeting

	Development Plan discussed with Partnership Council. Final Draft Plan	Resources Partnership Council	To be presented to Board of Trustees – 23 November 2018.
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11 March 2018

Nick Ramsay AM
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Dear Nick

Thank you for the opportunity to offer evidence to the Public Accounts Committee regarding the scrutiny of Sport Wales' Annual Report 2016/17. The check and challenge is always valuable to our organisation, and I have read the Committee's Report and recommendations with interest.

Please find enclosed the response from Sport Wales, addressing the relevant Committee recommendations (14, 15 and 16). This is in addition to supplementary evidence supplied to the Committee, outlining a programme of reviews, summarised here as an appendix for convenience.

As you'll know, the way forward for many of the challenges in sport lies in strong collaboration and partnership. That principle is reflected in this response, and I look forward to working with the Committee in future.

Yours sincerely

Sarah Powell
Chief Executive

Sport Wales Response

Public Accounts Committee: Scrutiny of Accounts 2016-17

Detailed below is the response from Sport Wales in respect of Recommendation 14,15,16 from the Public Accounts Committee, Scrutiny of Accounts 2016-17.

Recommendation 14. *The Committee recommends that Sport Wales share the outcome of the evaluation of their Young Peoples Programmes with the Public Accounts Committee for consideration*

Sport Wales Response

We will share the outcome of the external review which is currently underway and will be completed by the end of June 2018.

Sport Wales has provided additional written evidence to the Committee regarding the range of reviews and evaluations undertaken to date on the young people's programmes. These are summarised in the appendix for convenience. The Committee may wish to note that the current review of the young people's programmes and free swimming were planned as part of Sport Wales' business planning cycle and agreed with the Welsh Government as part of our normal evaluation and monitoring work. This was set out in our Business Plan published at the start of the year 2017-18.

The findings from the reviews will be published on the Sport Wales website and shared with key stakeholders and will be used to shape the development of a new Sport Wales Strategy.

Recommendation 15. *We recommend that Sport Wales monitor the impact the promotion of 3G pitches has on access to local authority owned pitches, sharing the outcomes of this monitoring with this Committee, and work to ensure that facilities remain as accessible to all as possible.*

Sport Wales Response

Sport Wales is working in partnership with national governing bodies of sport to monitor the impact Sport Wales' investment is having into 3G pitches. This collaborative partnership between the FAW Trust, Welsh Rugby Union and Hockey Wales has been established to strategically plan and provide expert advice to artificial pitch developments in Wales. An Evaluation Report was completed in March 2017 to monitor impact and a full copy is available if required. The executive summary findings from the report show that:

Key outcomes

“Two years in, the project is achieving its short and medium-term goals. Fourteen projects have been completed and funding has been allocated to a further 22 sites. The case studies and consultation with stakeholders show that the investment had enabled the following outcomes to date:

- *An increase in participation levels with existing users taking part more frequently and new users now becoming involved.*
- *More opportunities for women, girls and juniors.*
- *Coaches observing improved skill levels amongst players and more opportunities for competition and performance development.*
- *A better experience for participants, clubs, and families now able to use good quality facilities and avoiding frequent cancellations of matches and training sessions.*
- *Freeing up overused grass pitches, allowing their quality to be improved, and adopting a more strategic approach to facility usage across a region.*

- *Club hub models offering multiple sport/activity opportunities in a central venue, aiming to draw in families and new users as part of a wider related offer around artificial surfaces.*
- *Avoiding the loss of a facility altogether, or the loss of a specific sport in a region.”*

Sport Wales is also committed to working closely with a range of partners (national governing bodies of sport, local authorities and other providers) to ensure that sports facilities across Wales are available, affordable and accessible to community clubs and groups. In addition to the aforementioned Evaluation Report, there are a number of interventions that Sports Wales has in place to better understand the impact of 3G pitches:

A comprehensive all Wales Sports Facilities database has been established. This includes details of all artificial pitch surfaces, and also natural grass pitches in Wales. The database will monitor changes to the number of pitches available and whether there are any changes in ownership over time.

This database is also informing our evidence base around pitches through a number of analyses including:

- A Facility Planning Model
- Determining SROI (Social Return on Investment) of key built sport facilities
- Work with the University of South Wales to look at accessibility to a range of facilities showing where there is relative under-provision.
- Mapping School Sport Survey 2015 provision data. This work showcases where grass pitches and artificial pitches at schools are open to the public at different times of the day and on weekends.

Sport Wales is a statutory consultee on planning matters relating to changes in playing pitch provision. Sport Wales has a partnership agreement in place with Fields in Trust to advocate the benefits of, and to protect natural grass pitches. There is an ongoing system in place to monitor this work.

The FAW Trust is piloting work with Councils across Wales to devise Local Facilities Plans to set a long-term vision to protect and attract investment in facilities as well as convincing schools to open their facilities for community usage. The principle of opening up school sport facilities outside school hours to meet community need is one that Sport Wales supports.

Recommendation 16. *We recommend that Sport Wales undertake to promote and protect access to all local authority owned sport facilities for all.*

Sport Wales Response

Sport Wales is committed to promoting participation and to encouraging more people to play sport, ensuring everyone can lead an active lifestyle through sport and realise their potential.

Sport Wales will continue to take appropriate action to promote and protect access to all sport facilities in Wales. Although it is the responsibility of each local authority to determine the range, cost and accessibility of sport facilities under their control, Sport Wales will continue to promote and work with the Local Authorities to protect access to facilities.

Sport Wales has undertaken the following work:

- The development of [Facilities for Future Generations: A Blueprint for Sport and Active Recreation in Wales](#) Sport Wales developed this guiding document with support from the sport sector to allow major facility providers - including local government - to strategically plan and manage sports facilities for the long term
- Sport Wales continues to provide ongoing support to Welsh Government as it develops a Sport Facilities Strategy for Wales. This includes an analysis of future facility needs at a community and elite / performance level
- Sport Wales is currently developing a policy on how best to support the effective asset transfer of small scale sports facilities (eg. pitches, pavilions). Often, the management of sports facilities are transferred from local authorities to local community groups and Sport Wales advocates an approach to ensure the transfer creates a sustainable, long term management solution
- Sport Wales provides ongoing advice to The Welsh Government's 21st Century Schools Programme to ensure schools develop appropriate sports facilities and to ensure they are accessible to local community groups
- Sport Wales is a statutory consultee on planning matters relating to changes in playing pitch provision. Sport Wales has a partnership agreement in place with Fields in Trust to advocate the benefits of, and to protect natural grass pitches.
- Sport Wales distributes Lottery grants which are used to further develop sporting opportunities on existing facilities, including small scale capital improvement schemes (for example, pitch drainage schemes)

Young People Programmes

1. Dragon Multi-Skills and Sport

Aim of the programme

Dragon Multi-Skills and Sport is the next step on the physical literacy journey after Play to Learn (3-7years). The aim is for young people aged 7-11 years:

- To continue along their physical literacy journey by developing the key physical skills that are applicable to and transferable across a range of different sports.
- To proactively recruit more parents, teachers and young leaders into sports leadership and provide them with pathways into volunteering, coaching, officiating or administration.
- To support community clubs in developing their provision for children aged 7-11 years, strengthening links between clubs and schools.

Formal learning and evaluation

- Local / Regional Management Information Reports: to help inform stakeholders of the provision in their local area; to performance manage staff; report on KPI targets to Welsh Government
- **Dragon Sport Review – Multi-skills – Interim Report (March 2010) by Sue Burgess**
- **Review of Dragon Sport (August 2010) by Arad Consulting**
- **Pilot Evaluation of Dragon Multi-skills (May 2012) by Bright Purpose**
- Independent evaluation (2017) To be completed June 2018

2. Secondary School - 5x60

Aim of the programme

Building upon the early developments achieved through Play to Learn and Dragon Multi-Skills & Sport, the aim is for young people aged 11-16 years:

- To continue along their physical literacy journey by further developing the key physical skills that are applicable to and transferable across a range of different sports and physical activities, as well as reinforcing their positive experiences;
- To support community clubs in developing their provision for children aged 11-16 years, strengthening links between clubs and schools;
- To proactively recruit young leaders into sports leadership and provide them with pathways into volunteering, coaching, officiating or administration.

Formal learning and evaluation

- Local / Regional / National Management Information Reports: to help inform stakeholders of the provision in their local area; as a local performance management tool; and to report on KPI targets to Welsh Government
- Initial pilot phase **review (2006) by InVEST**

- Evaluation of the 5x60 programme: Report on the progress to the Welsh Assembly Government **(2009) by Greenstreet Berman Limited**
- Process Evaluation of 5x60 scheme: Final Report **(2010) by Greenstreet Berman Limited**
- Physical Activity, Extracurricular Sport and the '5x60' Initiative: Leisure Lifestyles and Young People in Wales, **2007-2009 (2011) – PhD Thesis by Anna Leyshon** (Cardiff Metropolitan University)
- Sports Participation amongst 14-21 year olds. How do we encourage young people to stay involved in sport? **(2012) Final report to Sport Wales by Brightpurpose**
- 5x60 Evaluation Report: Linking schools with the community to sustain participation **(2012) by S Wilcox (research project - University of South Wales)**
- School Sport Investment Review **(2015) – internal review by Sport Wales**
- independent evaluation **(2017) To be completed June 2018**

Physical literacy journey

Dragon Multi-skills and Sport and 5x60 are two approaches to supporting a young person's physical literacy journey. They build on the early developments achieved through Play to Learn to enable a continuum of progressive learning.

This recent '15 Year Success story' video reel <https://vimeo.com/211272295> demonstrates the benefits and achievements of our investment in PE and school and community sport.

Case studies

Active Story Time

In June, colleagues in Conwy held 3 days of Active Story Time training for the staff members of the 10 libraries in Conwy, and for 36 healthy preschool settings. Over the 3 days, more than 80 people attended the training that was delivered by Sharon Mason from 'Play Learn Play'.

The aim of the project is to encourage these community settings to introduce a new element in to their current story time. Through bringing books to life by using the puppets and movements we can ensure that the children of Conwy are active, healthy and gaining skills for life. Through supporting these settings to encourage children to get moving, we are ensuring that they have a positive start on their physical literacy journey.

Below is a short video of the training days explaining its purpose. There are several settings already running sessions.

https://www.youtube.com/watch?v=_qc0GoJyhWo

Young Ambassador-led training for school governors in Conwy

Young Ambassador-led approach regarding School Governor Training on physical literacy and the impact of multi-sport opportunities as part of extra-curricular provision.

This is a new and different approach to try and influence School Governors with responsibility for Health and Well Being areas of the National Curriculum, regarding the understanding, importance and priority given to physical literacy within their schools. (delivered by GOLD Young Ambassadors

on a County wide basis) – also linking this to the LA education services agenda “promoting learner health and well-being “and a KPI focusing on pupil voice.

There has been a positive impact – evidenced in the School Sport Survey results. The percentage of pupils participating in sport on 3+ occasions a week increased from 39% in 2013 to 79% in 2015. There has also been a 19-percentage point increase in pupils feeling listened to.

St Christopher’s SEN School, Wrexham

Leadership and Participation opportunities within a SEN setting

Last year 20 pupils successfully completed the Sports leaders Level 2. The group have gained over 80 hours leadership experience. The pupils themselves persuaded the 5x60 Officer to start the Level 3 course this year. The pupils now volunteer in the community and mentor younger pupils. The pupils also volunteer at the SEN Festivals for Wrexham Junior Schools.

The school is very proud of the pupil’s achievements and how it proves that boundaries can be broken. These Leaders have seen first-hand what is possible to achieve and it has been an amazing journey for everyone at the school.

Tackling Crime, anti-social behaviour and the disengaged, Flintshire

Through working with key partners such as the Drug and Alcohol team, the youth service, education and schools and North Wales Police we have launched an anti-social behavior ‘door step’ club system. The clubs currently run in Hope, Hawarden, Flint, Deeside and Mold. Participation ranges between 15 – 45 per session. We have mainly used football as a vehicle for engagement but have also utilized golf, fitness and the spa in this approach, where through working with clubs, NGBs and providers we have been able to offer a sustainable provision and at an affordable price to encourage further participation.

Young Leaders Pathway

Monmouthshire sports development team have purchased a licence from Sports Leaders UK which will allow them to train every Year 5 pupil on the Play Maker Leadership Award (circa 1000 pupils). The award focuses on developing learner’s leadership skills. Bronze Young Ambassadors will be identified from the Play Makers to lead and advocate sport and physical activity within the school setting.

Active Gwent – Physical Literacy

The Active Gwent region have worked collaboratively to develop physical literacy opportunities across the region. During 2016/17, 500 physical literacy sessions have been established in communities across Gwent. Developing junior club structures across the region has been a focus through up-skilling over 490 coaches and 570 parents on their understanding of how to develop physically literate children and young people.

Active Gwent Positive Futures Programme

Funding: £70k Sport Wales funding matched by Gwent Police & Crime Commissioner

Gwent Positive Futures is a sport based social inclusion programme, using sport as a tool to engage young people in communities identified as 'hot spots' by partners or through referral into alternative education settings. In 2016-17 the programme has engaged over 9,000 young people into sport and physical activity, leading to:

- Increases in sport participation amongst disengaged children and young people;
- Reduction in anti-social behaviour at key times where sport based diversionary activity has hooked in young people;
- Reductions in anti-social behaviour at key periods of the year; and
- Increases in school attendance, personal development and engagement in young people at risk of becoming 'NEETs'.

Shan Morgan
Ysgrifennydd Parhaol
Permanent Secretary



Llywodraeth Cymru
Welsh Government


Nick Ramsay AM
Public Accounts Committee Chair
National Assembly for Wales
Cardiff Bay
CF99 1NA

28 March 2018

Dear Mr Ramsay,

Public Accounts Committee: Scrutiny of Accounts 2016-17 Report

I attach my responses to the PAC report covering the Scrutiny of Accounts 2016-17, for the recommendations addressed to the Welsh Government for your attention.

Yours,


Shan Morgan
Ysgrifennydd Parhaol/ Permanent Secretary
Llywodraeth Cymru/ Welsh Government



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

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

Recommendation 1. We recommend that Welsh Government consider how to include information about its performance and adopt this practice for the preparation of next year's annual report and accounts before issuing further guidance to WGSB.

Through the annual accounts the Welsh Government reports on its stewardship of the Welsh Budget which has been approved by the National Assembly for Wales, and its performance in relation to the administration of the organisation.

Welsh Ministers, in accordance with their objectives and priorities, make decisions on spending priorities which they report on separately. Prior to 2016-17, the accounts cross-referenced performance reporting by linking to the annual report produced on the Programme for Government. In future, the performance reporting element will be cross-referenced to the new Well-being of Future Generations Report which will be produced in the summer of 2018.

Recommendation 2. The Committee recommends that the Welsh Government make clear the requirements with which it aims to comply when preparing its annual report and accounts and be clear about the Welsh requirements for Annual Reports, and ensure that all bodies comply with this guidance, including themselves. This will help to provide sufficient and appropriate information is disclosed enabling effective scrutiny.

In preparing the annual accounts the Welsh Government complies with the requirements in the Financial Reporting Manual (FRoM). The only exceptions are items that are not material to the Welsh Government accounts, which are excluded in line with simplifying and streamlining the presentation of the accounts.

As a devolved Government, the Welsh Government is the relevant authority for defining what additional information should be contained within the annual report and accounts and those of its arms-length bodies. Therefore, we also consider relevant legislation in Wales; such as the Wellbeing of Future Generations Act, and the views of the users of the accounts.

The Welsh Government considers the main audience for the annual accounts to primarily be:

- Welsh citizens
- Assembly Members – including members of the Cabinet, Finance Committee and Public Accounts Committee
- Welsh Government Board and Audit and Risk Committee

By simplifying and streamlining the accounts over the last two years, the Welsh Government has sought to provide information which is accessible and relevant to this audience. We are happy to act on any feedback received about ways to improve the presentation of this information.

The Welsh Government communicates its annual accounts requirements to its sponsored bodies through Accounts Directions. Compliance with these requirements is assessed as part of the external audit of those organisations' accounts each year.

Recommendation 4. We recommend that the Welsh Government give consideration to the different approaches to reserves policies for its sponsored bodies particularly given the greater flexibility afforded to it by the new Wales Reserve from 2018-19.

The creation of a single Wales Reserve is both an enhancement and simplification of the previous Budget Exchange arrangements and is in place to enable the Welsh Government to carry forward unallocated resources and to manage any volatility in revenues from devolved taxes.

Budgets for external bodies are agreed with and allocated by the relevant Welsh Government sponsor division from within the division's budget. Sponsored bodies are able to agree to carry forward resource budgets from one year to the next provided the sponsor division can accommodate the additional expenditure within their overall budget. The current reserve limits refer to limited sums of cash that sponsored bodies retain at year end.

Recommendation 10. The Committee recommends that the Welsh Government provides the committee with an update on its internal Audit work before the Committee's scrutiny of the Welsh Government's 2017-18 accounts enabling us to give due consideration to progress prior to our detailed consideration of the accounts in September 2018.

Following a 2015-16 recommendation, it was agreed the Welsh Government's Internal Audit Service would schedule a review of the oversight arrangements for Welsh Government - funded schemes, administered by external organisations, as part of its work programme for the financial year 2017/18. This was to assess whether there are sufficient and proportionate safeguards in place to prevent fraud.

The terms of reference for the 2017/18 audit have been agreed and fieldwork started with the first phase of audit work covering the procedures relating to the oversight arrangements on a Welsh Government-wide basis. Two further phases will follow, to include a review of a sample of grants awarded, to study arrangements in greater depth and a review of where procurement has been used to identify a provider to deliver grants on our behalf.

At the planning stage for the phase one audit, it was necessary to identify what types of organisation were within the scope as bodies administering these types of grant schemes include Welsh Government Sponsored Bodies, the NHS, local authorities, the police, schools, third sector and private organisations. Our audit work, focusses on organisations where there is less assurance about arrangements.

We will provide a further update about this work when the annual accounts are published later this summer.

During 2017/18, other audit work undertaken by the Internal Audit Service and the Welsh Government's European Funds Audit Team. Reviews by the WAO have also contributed to the range of assurances available with respect to the management of grant schemes, both by the Welsh Government itself and by external organisations on its behalf.

Recommendation 11. The Committee recommends that the Welsh Government clearly demonstrates how its performance management systems are robust and produce tangible outputs.

The Welsh Government takes the management of its employees' performance very seriously. We closely follow the development and implementation of new approaches to performance management in other parts of the Civil Service and the wider public and private sectors. Based on evidence of what has worked well elsewhere, we will continue to align with good practice and adopt a new approach to performance management from 1 July 2018. This will link personal objectives closely to the delivery of Prosperity for All: the National Strategy and the themes of the Wellbeing of Future Generations Act, concentrating on an employee's strengths and involving regular coaching conversations between line managers and individuals.

A two-stage process for dealing with any performance issues, should they arise, will remain. This first stage uses specific and measurable performance improvement plans to address any identified issues in performance. These are reviewed on a monthly basis for up to six months with regular updates provided to senior managers. Where there has been limited or no improvement, formal underperformance procedures may be put in place at the second stage. These procedures operate in accordance with ACAS guidance.

Recommendation 12. The Committee recommends that information relating to the number of all Welsh Government staff earning over £100,000 within a year should be included in the Welsh Government's consolidated accounts as well as included in the separately published pay policy. We recommend this information is published at the same time as the audited accounts.

The table of Welsh Government staff earning over £100,000 will be included in the 2017-18 Annual Accounts and the pay policy statement, which will be published at the same time as the accounts.

Recommendation 13. The Committee recommends that disclosures in the financial statements on the Welsh Government's budget and outturn are clear and transparent

The Welsh Government already endeavours to provide clear and transparent reporting on outturn in the Statement of Reported Outturn which is a key component of the annual accounts. However, the current reporting can be complicated due to the requirement to manage within both Ambit and DEL budgets. Nevertheless, this issue will be pursued through the alignment of Accounts and budget work which is currently in progress.

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Wales Audit Office Report on Informatics Systems in NHS Wales

	<p>Velindre NHS Trust and NHS Wales Informatics Services</p> <p>Evidence in response to Public Accounts Committee inquiry into the Wales Audit Office Report on Informatics systems in NHS Wales:</p> <p>Steve Ham, Chief Executive, Velindre NHS Trust and</p> <p>Andrew Griffiths, Director of NHS Wales Informatics Services</p>
Contact	<p>Steve Ham, Chief Executive, Velindre NHS Trust</p> <p>Phone: 029 2019 6175</p> <p>Email: Steve.Ham2@wales.nhs.uk</p>
Date:	<p>16th April 2018</p>

Introduction

1. Velindre NHS Trust and NHS Wales Informatics Services (NWIS) welcome the opportunity to contribute to the Public Accounts Committee inquiry into the Wales Audit Office Report on Informatics systems in NHS Wales. We recognise that digital technology and information are essential enablers in the transformation of health and care for the people of Wales. This was set out in *Informed Health and Care - A Digital Health and Care Strategy for Wales* (2015) and has been further emphasised by the recently published *A revolution from within: Transforming health and social care in Wales* (the Parliamentary Review of Health and Social Care in Wales, 2018). NHS Wales has made significant progress since the publication of *Informed Health and Care* and we expect the pace of delivery to accelerate as a result of a number of improvements we have recently made.
2. Velindre NHS Trust and NWIS contributed to the Welsh Government (WG) response to the Wales Audit Office's report and support the acceptance of each of the 13 recommendations and the actions outlined. We believe that we have made progress on a significant number of the Wales Audit Office recommendations since the field work was completed in 2017 and further improvements are already underway.
3. We recognise that implementing changes enabled by new information systems and technology are not just technical and require changes of culture, behaviours and working practices across organisations. As a result, responsibility does not lie with NWIS or Health Board's and Trust's informatics services alone, and are equally dependant on wider organisational leadership and engagement with staff and the public. We continue to work closely with NHS, Local Authority and WG policy colleagues in agreeing and delivering these improvements.
4. WG has committed to publishing a new long- term plan for health and social care in Wales in the spring and there has been extensive engagement by colleagues across health and social care in shaping that response. During this process we have highlighted

the potential role for informatics and digital technology to play a central role in delivering the quadruple aim and the priorities set out in the new long-term plan.

Question 1 -*The Welsh Government's leadership role for informatics in NHS Wales, including, for example, ensuring NHS bodes agree what 'Once for Wales' means in practice.*

5. We will address the issues of wider informatics leadership and 'Once for Wales' separately:

Leadership within informatics

6. The delivery of the Informatics strategy across NHS Wales is built on collaboration between WG, Health Boards, Trusts and the NHS Wales Informatics Service (NWIS). We both have key leadership roles within the informatics in NHS Wales.

Steve Ham – Velindre NHS Trust

7. In addition to his role Chief Executive of Velindre NHS Trust, which is the host organisation for NWIS, Steve is also the lead NHS Chief Executive for Informatics (each Chief Executive takes in national leadership and coordination roles for specific areas). Steve is also the joint senior responsible officer for the delivery for *Informed Health and Care* (with Peter Jones, Deputy Director Digital Health and Care, WG Health and Social Services Group).

Andrew Griffiths - NHS Wales Informatics Services

8. Andrew is Director of NWIS and in addition to his responsibility for managing NWIS he is also the programme director for the delivery of *Informed Health and Care*. While NWIS is hosted within Velindre NHS Trust, for the delivery of services provided by NWIS the Director is managerially accountable to Frances Duffy in WG (Director of Primary Care and Innovation, Welsh Government Health and Social Services Group).
9. Both Steve and Andrew are members of NHS Wales Informatics Management Board (NIMB), which oversees informatics across NHS Wales. NIMB is a Portfolio Board accountable for the delivery of programmes (and projects) established to support the delivery of the *Informed Health and Care* Strategy (the programmes) and creates an environment where programmes can succeed in delivering the changes necessary for the benefits to be realised. NIMB provides assurance and advice to WG, and reports directly in to the NHS Wales Executive Board on all aspects of informatics.
10. Both Steve and Andrew have worked together with WG colleagues to develop a wider group of informatics leaders: Executive Director leads for Informatics; Assistant Directors for Informatics; Clinical Informatics leads and NWIS Directors, through NIMB and the introduction of an annual strategy conference, regular strategy workshops and to share good practice and aligning local and national priorities. The Assistant Directors for Informatics peer group has also been developed and is now recognised as an advisory group to NHS Chief Executives.

11. The four work-streams of the informed health and care strategy are now well established. Strategic Leads have been appointed to head up each of the work-streams and ensure that appropriate governance and reporting arrangements to NIMB are in place.
12. Each Health Board and Trust has been strengthening clinical leadership locally in informatics. The recently established a Clinical Chief Information Officer Network, facilitated by the NWIS, will play an important role in the further development of these clinical leaders.

Once for Wales

13. The definition of 'Once for Wales' agreed by NIMB was developed through a collaborative process and is owned across health boards, Trusts and NWIS. "Once for Wales" is about "all parties involved in health and care in Wales working collaboratively, to add value and deliver the strategy of a single electronic patient record, ensuring that information is entered once and is made available to all those who need it, at the time and place they need it".
14. Its combination of commitments common standards; national repositories and services; and applications is powerful and will help us accelerate the pace of change and the delivery of benefits for patients, for clinicians, for service delivery and policy development, across the NHS in Wales.
15. We welcome and support WG's plans to establish a new Welsh Technical Standards Board (WTSB). This will lead and accelerate work on agreeing the use of common standards, which is critical to delivering the commitments in *Informed Health and Care* and will enable further integration of data across all health and care systems (and delivering the Once for Wales definition).

Question 2 - *The work the Welsh Government is doing to better understand the costs of delivering its vision for informatics and how that could be funded given the downwards trend in spending on ICT and the £484 million estimate of the cost of delivering the vision for informatics on top of current budgets.*

16. The development of Strategic Outline Programmes (SOPs) for informatics within each NHS organisation is a major step forward which, along with the increasing focus on informatics within Health Board's and NHS Trust's Integrated Medium Term Plans (IMTPs), has supported the development of the National Informatics Plan 2018/19, agreeing the highest national informatics priorities, and will help inform WG allocation of capital resources in 2018/19.
17. It is also important to recognise that while both capital and revenue funding will inevitably be a constraint, our ability to recruit and retain staff with the skills we need for informatics and service change, within NWIS and the wider health and care system, are also a key constraint. Prioritisation of our investment of staff time, and funding, will therefore remain critical. The development of the National Informatics Plan 2018/19 will

be a major step forward in this and the publication of health and social care long-term plan in the spring will allow us commence the development of a 3 year National Informatics Plan for 2019/23.

18. We support WG plans to undertake a robust assessment of the investments required; the predicted business benefits; evaluate alternative funding models and savings opportunities; and the engagement of Health Boards, NHS Trusts and NWIS in this work.

Question 3 - *The extent of resourcing and investment at a local level.*

19. There is increasing evidence of the importance placed in informatics in service improvement in the national delivery plans groups and in each NHS organisation's IMTP. The development of Strategic Outline Programmes (SOPs) for informatics within each NHS organisation has laid out the scale of the challenge facing the NHS nationally and locally.
20. We recognise that it is important for us to align national and local investment to accelerate progress. NIMB informed the prioritisation of £10M capital investment in national and local informatics, in 2018/19, to improve cyber-security and the acceleration of the roll out of national clinical systems and have committed to develop pan Wales plans for investment in informatics infrastructure and cyber-security in 2018/19.
21. The future publication of the WG health and social care long-term plan will allow us commence the development of a National Informatics Plan for 2019/23, to help further align national and local investment in informatics across health and social care.

Question 4 – *The effectiveness of governance and accountability arrangements in light of concerns identified by the Auditor General and the recommendations of the Parliamentary Review to bring bodies such as NWIS within a strengthened central NHS Wales Executive function.*

22. We support WG plans to address this through its reviews into infrastructure and system design and governance. This will include an assessment of progress to date and how barriers to progress can be overcome, and will be taken forward as part of NIMB's forward work plan for the coming year. During 2017/18 we have worked to build collaboration through increased transparency and communication. We believe this is starting to bear fruit and will support WG plans in this area.
23. We are working with WG colleagues to ensure that the reporting to both WG and Health Boards and NHS Trusts, on both the delivery of informatics programmes and projects and their related benefits, is improved and support the proposals to improve this further in 2018/19.

Question 5 - *Local leadership, including clinical leadership, and NHS bodies' perspectives on the factors behind slow progress in delivering the electronic patient record.*

24. While there has been significant progress in delivering the electronic patient record and the benefits that arise from it across Wales, both the WAO report and the Parliamentary Review have identified a number of issues that have limited the rate of progress in its delivery. While we have a clear vision, until recently the number of projects and priorities have been growing without explicit consideration of the impact on delivery of other projects. The challenges of securing funding to invest in the recruitment of both specialist informatics staff and staff with skills to lead service change and benefits realisation have limited progress in this area.
25. NHS Chief Executives agreed improvements in the development of and NHS assurance of informatics business case at their February 2018 meeting. This will ensure earlier and wider engagement, and common assurance processes to accelerate the development of cases and support "start; stop; accelerate" decisions.
26. NIMB has supported the development of an improved prioritisation process during 2017/18 to help increase the focus on the highest national priorities. Alignment of local and national priorities through the collaborative development of the National Informatics Plan will help address this.
27. We expect the first National Informatics Plan to be agreed at the April 2018 NIMB Meeting. While this will be short term (i.e. 1 year in the first instance), this will help us be clear on the highest national priorities, to accelerate their delivery, and also importantly be clear on the role of NIMB in agreeing the additional or removal of national informatics priorities. We support the WG plans to utilise NIMB to continue the prioritisation work, taking into account the Parliamentary Review's recommendation to "start; stop; accelerate" and to commence the development of a 3 -year National Informatics Plan, once the health and social care long-term plan has been published.

Question 6 - *Workforce challenges, including recruitment and retention of ICT specialists.*

28. We recognise that there are major challenges to recruiting and retaining all areas of informatics staff, not just ICT specialists, within Agenda for Change. The impact of Brexit on this recruitment and retention of scarce skills in this area is also difficult to quantify.
29. NWIS has a comprehensive workforce strategy and function with a particular focus on recruitment, retention, staff and organisational development. Evidence of the success of this is that turnover is below industry average and at NHS average with the workforce headcount increased by 20% to 550 Whole Time Equivalent (WTE) over the last two financial years.
30. NWIS works collaboratively with NHS organisations on professional development of the informatics workforce and has undertaken ground breaking work with the Welsh

University sector through partnership arrangements to bring academic and work based training together. The most advanced element of this is co-location of NWIS Offices with University of Wales Trinity Saint David's and the establishment of the jointly Welsh Institute of Digital Innovation.

31. We support the WG proposals to develop partnerships across the public sector; with academia and with private sector businesses to support economic development in Wales. This is not an issue for NWIS alone but for the wider informatics community across health and care in Wales.

Question 7 - *Getting greater clarity about whether the intended benefits of investment are being achieved.*

32. NIMB, through the Planned Future work stream of the Strategy Delivery Programme, has developed a common framework for describing and quantifying benefits. Further work is planned to improve this further and to find ways to quantify and measure benefits more consistently.
33. Recent reporting to NIMB have increased the focus on system utilisation as a proxy for benefit realisations. Work is also already underway on implementing agreed changes to improve the Business Case process, which will also increase the focus on benefits, including that resources are identified to support benefits identification and business change; and ensuring effective benefit ownership, to improve their quantification and realisation.

The Parliamentary Review

34. A number of the issues and challenges within the Auditor General for Wales Report were also considered by the Parliamentary Review into Health and Social Care report, "A revolution from within: Transforming health and social care in Wales", published in January 2018.
35. The Parliamentary Review report makes a major contribution to the debate on how to create a sustainable health and care system in Wales in the future. We agree that a different system of care is needed – one that is seamless across health and social care, physical and mental health, and secondary and primary community care.
36. The Report recommended "Putting the people in control", through advances in the availability and use of information in treatment and care to recast the relationship between users and professionals. This will mean Wales actively providing information about care; seeking assessing and scaling technologies that enhance access to advice and information, and supporting users and care professionals to adapt. In addition, the report recommended harnessing innovation and accelerate technology and infrastructure developments.

37. The Parliamentary Review report recognises that we have been moving towards a more integrated system for a number of years and there are many good examples of new models of care that are already working in Wales. The challenge is how we can be more radical and ambitious, to accelerate the pace in moving to a genuinely seamless system. Following the Parliamentary Review report, we are working with the WG and other organisations in the health and social care sector to develop a plan of action that will deliver the best services to the people of Wales.

Summary and conclusion

38. As stated earlier, we recognise that digital technology and information are essential enablers in the transformation of health and care for the people of Wales. NHS Wales has made significant progress since the publication of *Informed Health and Care in 2015* and we expect the pace of delivery to accelerate as a result of a number of improvements we have recently actioned.

39. We expect that, the new long -term plan for health and social care in Wales will build on the priorities set out in the *Informed Health and Care* strategy and the first National Informatics Plan (which we expect to finalise at the April NIMB meeting) will set out a central role for information and digital technology in delivering the quadruple aim and the new priorities for NHS Wales. The plans for improving governance; clarifying accountabilities and structures are likely to impact on NWIS roles and wider informatics planning and delivery.

40. We remain committed to working closely with NHS, Local Authority and WG policy colleagues in accelerating the pace of improvement in informatics across Wales to support delivery of the quadruple aim.

Agenda Item 9

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

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Mr Michael Carrick
Heads of the Valley Development Company
By email:

michaelcarrick@aventacapital.co.uk

14 March 2018

Dear Mr Carrick,

As you may be aware the Public Accounts Committee has been considering issues arising out of the initial funding of the Circuit of Wales, as highlighted in the Auditor General for Wales 2017 report. Through the course of the inquiry we have also received evidence on the decision making process around the cabinet decision not to provide the support requested by the Heads of the Valley Development Company.

As part of this consideration, the Committee has been provided with a copy of the note of the meeting held between HODVC and the Welsh Government on 30 June 2017. The Committee notes that the Welsh Government advise that this note has not been agreed with you. I am therefore writing to clarify whether you consider this note to be a true and accurate record of the meeting.

I would be grateful for a response by 6 April 2018, to aid the Committee's deliberations on this matter.

Yours sincerely,



Nick Ramsay AM
Chair





Nick Ramsay AM
Chair
Public Accounts Committee
National Assembly for Wales
Cardiff Bay
Cardiff
CF99 1NA

16 March 2018.

Dear Mr Ramsay

PAC – Circuit of Wales

Thank you for your letter of 14 March 2018 in which you sought our view on whether the file note produced by the Welsh Government of a telephone discussion on 30 June 2017 was a true and accurate record of the meeting.

The Welsh Government did reach out to us on 14 February 2018 with a file note of the phone call which I circulated to the other participants on the call : Richard Parry-Jones, Martin Whitaker and Gheev Changizi of Kleinwort Hambros.

We internally discussed the note and reverted back on the 20 February with our marked-up comments over areas where we disagreed with the position stated and seeking redaction of commercially sensitive identities of funding partners that had not consented for their disclosure. We were advised that the PAC would be provided with a copy of our agreed note. A series of iterations then occurred where:

- On 22 February Welsh Government advised that they would provide the file note as drafted by WG but would attach our detailed comments as an appendix; then
- On 5 March, Welsh Government advised that they would not be providing our detailed comments but provide a statement that HOTVDC was not provided with the note at the time and had requested changes to three areas; then
- On 7 March, Welsh Government advised that the file note that had been provided to the Public Accounts Committee did not contain any commentary regarding HOTVDC other than to inform that this had not been agreed with HOTVDC.

I would therefore advise that the note provided to the Public Accounts Committee was not an agreed position and in our opinion did not reflect a true and accurate reflection of the meeting. For completeness I attach a copy of the note that we marked up and sent to the Welsh Government.

I would also emphasise that unlike other meetings with Welsh Government over this period we were not provided with a file note of the conversation at the time.



Heads of the Valleys
Development Company Ltd

Yours sincerely

Michael Carrick
CEO

Notes of meeting with HOVDC to discuss Balance sheet issue re Circuit of Wales 30 June 2017

Attendees: Mick McGuire (MMcG) – Welsh Government
Andrew Jeffreys (AJ) - Welsh Government
Steve Davies (SD) – Treasury, Welsh Government
Tracey Mayes – Welsh Government
Richard Parry-Jones (RPJ) – HOVDC
Gheev Changizi (GC) – HOVDC
Martin Whittaker (MW) – HOVDC
Michael Carrick (MC) – HOVDC

1. AJ and SD introduced their roles within WG treasury. AJ was introduced as the Welsh Treasury expert on balance sheet treatment and had been instrumental in the assessment. AJ clarified he was not an expert but engaged with experts in UK treasury.
2. MMcG stated that the primary reason of the meeting is to discuss issues arising from the likely classification of the Circuit of Wales (CoW) project. The discussions at the meeting are to be treated as confidential.
3. HOVDC stated that they were disappointed and disenchanted in the decision not to support the project. They had previously worked with Treasury on balance sheet treatment of similar projects. They had asked for the meeting to better understand the WG decision and to discuss if this can be taken forward. They also stated their disappointment in the lack of communication on the way forward.
4. WG – Economic activity is recorded and classified in the national accounts based on rules provided by Eurostat. The budgetary treatment flows from whether this activity is classified to the public or private sector. ONS would classify the company. Its debt would be classified to the public or private sector accordingly. WG have had concerns on whether the debt would be classified to the public sector for some time. AJ has been aware of the project for some time and of potential issues with classification since around spring 2016. AJ met with MC, MW and Peter Thomas at that time, when classification was discussed. At that time the guarantee was bigger than the recent proposal. Classification was not therefore a new concern. MC acknowledged their earlier meeting, specifically noted that the approach agreed would be to jointly engage with the company in presenting proposals to Treasury and said he was confident then that it would not be classified on balance sheet and he remains bullish today.
5. MW – In July 16 there was a meeting where HOVDC talked about the balance sheet concerns and shared examples of projects underwritten by government where the debt was not on the balance sheet. HOVDC have always understood-acknowledged that the project costs for the CoW needed to be off the Welsh Government balance sheet. HOVDC, nor its range of experienced advisors still cannot seem to understand how the

current proposal could be classified on the balance sheet. They need to understand what parts of the proposal in terms of contracts and the risks that means the financial debt will end up on the Welsh Government balance sheet. HOVDC needs to understand that if they have different views on this than WG what can be done to take the project forward.

6. WG – There has been no ONS decision at this time as they will only give a classification decision on an actual contractual proposition. This process could take between two or three months. It would take longer if a decision were referred to Eurostat, which AJ thought was possible given the novel nature of the proposition, and its high public profile. AJ said that advice had been sought by Ministers on whether there was a risk that CoW would be classified to the public sector; and that advice had been given, i.e., that there is significant risk that CoW and its debt would be classified to the public sector and hence hit the Welsh Government budget.
7. WG confirmed that advice had been sought from UK Treasury, and that discussions around the relevant guidance had been taking place with the ONS and Eurostat for some time. The UK Treasury's view is that elements of the proposal did give rise to a risk that the debt will be classified to the public sector.
8. Eurostat has recently reissued the PPP guidance on classification as set out in the Manual on Government Deficit and Debt (MGDD, 2016). All parties recognised that this was not to be considered as a PPP transaction and would likely be assessed as a concession. Guidance on other types of transactions, such as concessions, is not as comprehensive, although Eurostat will now begin the work of revising other chapters in the MGDD. Advice has been received that the guidelines on PPP classification can, to some extent, be used as a benchmark for classifying other types of transaction – applying a relevant risk weighting to debt that is exposed to a higher level of risk being a case in point. It was specifically noted that this weighted approach on concessions had not received support in Treasury and no examples were able to be provided. Whilst the WG guarantee can be seen as technically less than 50% applying a risk weighting to reflect the junior nature of this debt, in combination with the removal of developer profit in the capital structure would increase the percentage to over 50%.
9. Whilst the equity is the riskiest bit of the capital structure, the WG guaranteed tranche of £210m is riskier than the ██████████-secured senior funders ██████████. As the guarantee is more junior to this latter funding, this will increase the risk weighting. It doesn't need to be weighted very heavily to get the risk-weighted percentage funding over the 50% limit.
10. Furthermore, there were concerns that, even without applying a risk weighting, the guarantee was over 50% of the project costs. The project

~~costs appeared to double count certain elements of funding as the equity appeared to be sourced from the senior debt, rather than being additional. It was recognised that the developers profit was a normal cost of the project and retained within the capital structure as equity. This was as a result of restrictions on distribution and alignment with developers until the facilities were operational. It was theoretically possible therefore that the ONS would discount certain things remove the developers profit, possibly reducing the project costs to £373m, so £210m out of £373m is more than 50% (56%). Risk weighting would exacerbate this. The developers profit was acknowledged as being within normal limits and there were no examples of ONS or Treasury adopting this approach on other concession or PPP projects.~~

~~40.~~

11. WG stated that the MGDD has different sections within it eg guarantees, PPP. Eurostat have updated the guidance on PPP, and whilst CoW is not a PPP some of the key principles can be applied to an assessment of the classification of its debt. It is believed by officials that there is a significant risk that CoW could be classified to the public sector as public corporation if a risk weighting were applied to a concession and the costs had the developers profit removed.

~~44.~~

12. HOVDC stated there was no governance or control by the WG, no risk of the delivery of construction and that the private sector were aiming to create profit to enable long term sustainable private investment to be attracted. There are lots of examples out there which are not on balance sheet. They were astonished that the PPP weighting guidance is being applied for ~~something a concession~~ that is very different. There are lots of projects where this treatment does not apply. The key criteria is that it's less than 50%.

13. WG stated that a guarantee equating to less than 50% could mean, other things equal, that it would not be classified to the public sector as a public corporation. But this was not a question where the WG or the UK had discretion. The approach was rules based. Officials' role is to provide advice to Ministers on risk in the context of those rules. HOVDC could reduce the classification risk by reducing the amount being guaranteed or by increasing the ranking of the debt such as it was genuinely pari passu with the most senior debt, or a combination of the two.

14. RPJ – HOVDC have calculated the percentage as 49.8%

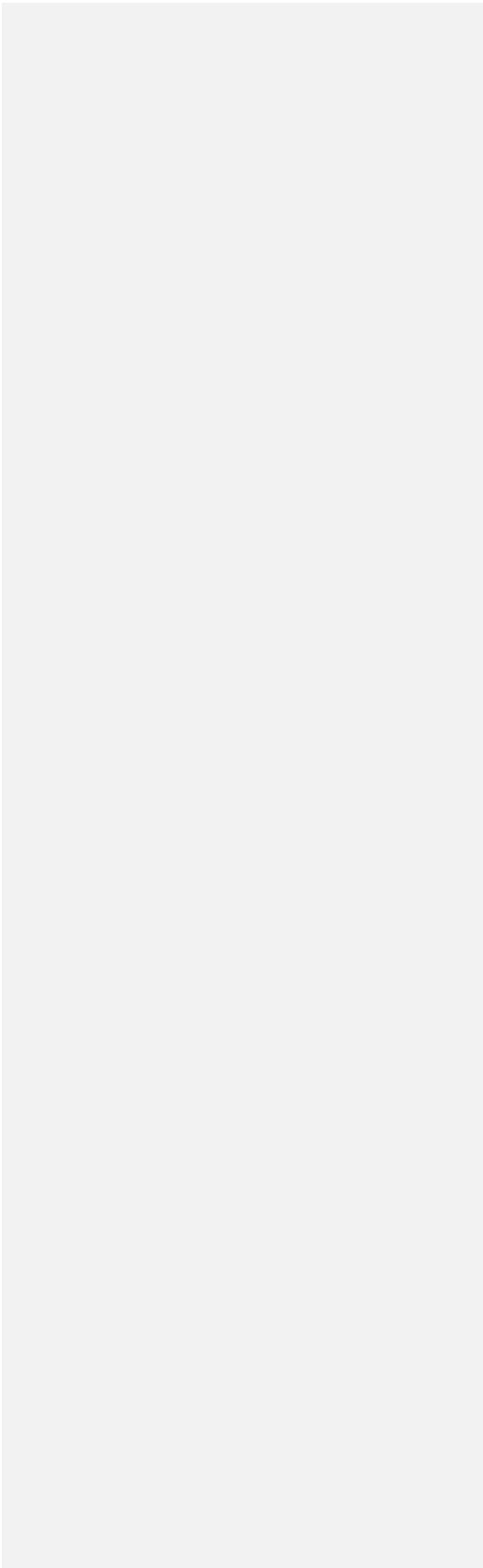
15. WG – The numbers aren't necessarily approached in this manner for reasons already cited. Equity is funded by the debt so it is arguably double counted. HOTVDC disagreed and stated that only the construction, external advisor and staff costs and WG finance charges were being funded by debt, the normal developers profit was not being distributed and therefore was retained in the company and could only be treated as shareholder equity—borrowing is recycled back into the funding package, so the equity element appears to give an inflated figure

~~for the cost of the project.~~ Need to focus on the capital cost of the project primarily. But even if the value of equity were included in the project cost, ~~f~~ the risk weighting of the guaranteed tranche still will make the total percentage greater than 50%.

16. The due diligence work on the project enabled WG to see the figures in some detail for the purposes of classification for the first time – a reliable assessment could not be made until the DD process was completed. The assessment made on the basis of these figures, for the reasons already cited, is that there is a significant risk that CoW would be classified to the public sector if the treatment of weighting and removing developers profit was adopted. However ONS is the ultimate arbiter of these decisions, and a formal decision cannot be taken unless the relevant documents are submitted to the ONS for assessment.
17. HOVDC stated their exposure to the funding and the return on the equity should not be discounted. The level of security is an issue.
18. WG stated the only element of the funding considered is the value of the guarantee and not the likelihood of it being called.
19. RPJ stated that if the guarantee is called then the repayment is over a long period of time.
20. WG stated the assessment is on what the guidelines state. No discounting process is required under the guidelines for the purposes of establishing the relevant percentage of government financing in the form of a guarantee.
21. HOVDC stated that the Ernst and Young report states that the process being discounted is key.
22. WG restated that discounting is not a factor for the classification assessment. This was more about the treatment of the debt covered by the guarantee in the national accounts.
23. RPJ said in the worse case scenario and the guarantee is called on the day after the construction is completed. Is the classification based on the DCF value or the nominal value?
24. WG stated it doesn't matter if the guarantee is called – ONS is only working out whether the debt is in the private or public sector. As the debt is repaid the debt on the Government's balance sheet would reduce.
25. HOVDC stated that this is an inflexible process. If the project is a success and the guarantee is not called or the guarantee is bought out are WG still saying that the guarantee would still be on the balance sheet?
26. WG – the UK government is very compliant with the Eurostat rules. The purpose of the rules is to make sure it is clear whether Government is liable for the debt or not. The classification is not a permanent

arrangement – if there is a significant change in the capital structure then it would be possible to seek to change a classification decision. It was reiterated that ONS could only take a decision at a point in time on the contractual conditions agreed at that point in time – if contracts are varied then reclassification would be required. The ONS cannot make a decision based on outcomes that might or might not come about.

27. WG – our assessment is that there is a risk that CoW debt would go on the balance sheet with a real opportunity cost for WG.
28. HOVDC stated the guarantee does not contractually start for 27 months. So why do we need to worry about the classification now and why can't we wait until then?
29. WG stated that it is not as simple as that. The fact that WG was obliged to guarantee the debt associated with the company would still need to be considered now. The fact that the guarantee is a contingent liability in terms of its being called did not mean it was not also a contractual obligation which means it needs to be dealt with at the start. It is not up to WG how the debt is classified – ONS would need to make the decision.
30. HOVDC stated they need to sit down with their advisors to work this through. HOVDC are still on a different page on this and believe this is not consistent with how other projects are being classified.
31. WG disagreed with this comment.
32. HOVDC – ~~raised a question over what level of guarantee would be considered acceptable what would the impact be if the guarantee is reduced to £100m and equity was significantly increased?~~
33. WG – ~~WG thought that the guarantee would need to be closer to £100m would need to consider the impact on classification if such a proposition were made.~~
34. HOVDC stated that this process has taken 7 years but without a steer on this point. There have been massive costs and they don't understand why this opinion was not provided previously. HOVDC appreciated the additional insight to the decisions made – whilst they did not agree at least they understood the rationale. The issues identified need to be addressed and a way forward needs to be found. HOVDC asked for another meeting, face 2 face, to take this forward.
35. MMcG would discuss this request with the Minister and will come back once a decision has been made



Ken Skates AM
Cabinet Secretary for Economy and Transport
Welsh Government

15 March 2018

Dear Cabinet Secretary,

As you will be aware the Public Accounts Committee has been considering issues arising from the initial funding of the Circuit of Wales, as highlighted in the Auditor General for Wales 2017 report. Through the course of the inquiry we have also received evidence on the decision making process around the Cabinet decision not to provide the support requested by the Heads of the Valley Development Company.

As part of this consideration, the Committee have a number of queries on the due diligence advice you were provided in the Cabinet paper, and I am therefore writing to request a copy of the paper from 27 June 2017. The Committee is not concerned with the efficacy of the decision itself, but rather are seeking assurance that the information which was supplied to you contained the necessary caveats around the advice officials had received.

We would naturally treat this paper as confidential and sensitive data and use it solely for the purpose of assuring the Committee that a full and proper process was undertaken.

Yours sincerely,



Nick Ramsay AM
Chair



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