

Dr Andrew Goodall
Ysgrifennydd Parhaol
Permanent Secretary



Llywodraeth Cymru
Welsh Government

Mark Isherwood MS

Chair
Public Accounts and Public Administration Committee
Welsh Parliament
Cardiff Bay
CF99 1SN

11th January 2022

Dear Mr Isherwood

Please find attached as requested a paper on the work of the Public Bodies Unit, in advance of our discussion at Committee on 26 January.

The paper reflects the impact which the pandemic has had on the work of the Unit. The programme of work has had to be undertaken within the context of staff needing to be redeployed onto pandemic work and within the overall resource.

Despite this, I think that the Welsh Government has made considerable progress in this area. The cultural shift in our relationship with our Arms-length Bodies has begun to be established; the Public Leaders Forum has bedded-in and has quickly become an important forum for communication, shared experience and the dissemination of good practice; the volume of public appointments has been maintained; and the Welsh Government has begun to increase the diversity of appointees to Boards of public bodies in Wales.

There is still some way to go to complete this project, and we have not been able to proceed as quickly as we had hoped, for the reasons outlined above. But I think that we have made a good start and I look forward to discussing this with the Committee when we meet later this month.



BUDDSODDWYR | INVESTORS
MEWN POBL | IN PEOPLE

Parc Cathays • Cathays Park Ffôn • Tel 0300 025 3289
Caerdydd • Cardiff PS.PermanentSecretary@gov.wales
CF10 3NQ Gwefan • Website: www.gov.wales

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. Dilynwch y ddolen i gael arweiniad ar sut fyddwn yn trin a defnyddio'ch data, yn unol â'r Rheoliadau Diogelu Data Cyffredinol. <https://gov.wales/about/welsh-government-privacy-notice/?skip=1&lang=cy>

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. Please follow the link for guidance on how we will handle & use your data, in accordance with the General Data Protection Regulations. <https://gov.wales/about/welsh-government-privacy-notice/?lang=en>

Yours,

Andrew Goodall

Dr Andrew Goodall
Ysgrifennydd Parhaol/ Permanent Secretary
Llywodraeth Cymru/ Welsh Government



BUDDSODDWR | INVESTORS
MEWN POBL | IN PEOPLE

Parc Cathays • Cathays Park Ffôn • Tel 0300 025 3289
Caerdydd • Cardiff PS.PermanentSecretary@gov.wales
CF10 3NQ Gwefan • Website: www.gov.wales

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. Dilynwch y ddolen i gael arweiniad ar sut fyddwn yn trin a defnyddio'ch data, yn unol â'r Rheoliadau Diogelu Data Cyffredinol. <https://gov.wales/about/welsh-government-privacy-notice/?skip=1&lang=cy>

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. Please follow the link for guidance on how we will handle & use your data, in accordance with the General Data Protection Regulations. <https://gov.wales/about/welsh-government-privacy-notice/?lang=en>

THE WORK OF THE WELSH GOVERNMENT PUBLIC BODIES UNIT

Origin and Role of the Unit

1. In 2018 the Welsh Government (WG) completed a wide-ranging review of the relationship it had with its Arms-length Bodies (ALBs). As well as internal conversations with Ministers and key officials, the review involved conversations with Chief Executive Officers, Chairs, Sponsors, other Devolved Administrations, the Wales Audit Office and Whitehall Departments. The review made 37 recommendations under six themes, all based around focusing on moving away from the previous oversight sponsorship relationship, towards one which placed a greater emphasis upon partnership and mutual trust.

2. One of the main recommendations of the review was the creation of a Public Bodies Unit (PBU) which would take on responsibility for being the central focal point in the Welsh Government for generic issues in relation to ALBs. This would deliver efficiencies in the oversight of public bodies in Wales, and introduce a revised approach to oversight and delivery which would, in turn, enable Chairs and Accounting Officers of ALBs to be more responsible and accountable for the decisions they make. The role of PBU would ensure consistency of advice and more effective dissemination of that advice to all ALBs in Wales, and would have greater central capacity for dealing with generic ALB issues. It would also take over from individual policy areas some sponsorship functions which could be done “once and well” at the corporate level and would act as a centre of excellence, providing greater transparency and assurance to the Principal Accounting Officer.

3. The recommendations of the Review were accepted by the First Minister and the Cabinet. The PBU was established in 2018 to implement the recommendations and to act as the central point for generic issues in relation to ALBs. Responsibilities for public appointments, co-ordination of Honours and public service pay and pensions was brought under the responsibility of the PBU at the same time. The overall remit of the PBU is therefore:

- advice and support to ALBs and partnership teams on accountability and governance matters;
- Oversight of the programme of tailored reviews of ALBs;
- Secretariat to the Public Leaders Forum;
- public appointments across all public bodies and Health Boards/Trusts – using a Public Appointments Team working with Partnership Teams (sponsors) to deliver public appointments;
- Liaison with the Commissioner for Public Appointments
- development and delivery of a Ministerially-approved Diversity and Inclusion Strategy and action plan for public appointments;
- oversight of the Honours system in WG, with direct responsibility for the areas of health, social care and State;

- oversight of ALB pay and pensions matters, to support greater consistency and transparency.

Staffing of the Unit

4. During the pandemic the Unit has operated at about half its intended strength of 21 staff because many staff of the Unit, at all levels, were re-deployed for lengthy periods to help to work on the pandemic. This has had an inevitable effect on the ability of PBU to deliver its agenda to the timetable previously envisaged and has meant that some of the discretionary aspects of the work have been put back.

Remit of the Unit

5. A list of those bodies directly included in PBU's remit is attached. 'Public bodies' is a wide term which includes local authorities, NHS bodies, statutory organisations and others, while the public bodies which WG funds and directs, to a greater or lesser extent, are referred to as Arms-Length Bodies (ALBs) (previously referred to as Welsh Government Sponsored Bodies). PBU has an interest in, and some responsibility for, almost all Welsh public bodies, but not overall responsibility for them. PBU has no operational oversight over Local Authorities; Local Health Boards, NHS Trusts or Special Health Authorities; National Park Authorities; Fire and Rescue Authorities; Town and Community Councils Police Commissioners; or those organisations funded by the Senedd Commission from the Welsh Consolidated Fund.

6. PBU does, though, have some responsibility for supporting appointments to health bodies as part of its remit on appointments, and has overall responsibility for supporting the public service Honours system.

Implementation of the Main Recommendations in Relation to ALBs

7. A major innovation in Wales has been the creation, in collaboration with Public Leaders, of a **Public Leaders Forum** (Chairs and CEOs of ALBs and other public bodies) to facilitate improved communication and sharing of information which will lead to more efficient planning and better decision-making. Many consistent themes have emerged around accountability and respect for each organisation's 'independence' while recognising that we are also 'interdependent'. The format of, engagement with, and topics discussed by The Forum continue to evolve as it becomes more established, and relationships between Public Leaders and WG mature.

8. The Public Leaders Forum meets on a regular basis to discuss key issues of mutual interest. This network also provides Ministers and senior WG officials with access to meet together with influential public leaders in Wales on a regular basis, to listen to their views and to communicate messages both ways, directly and consistently.

During the pandemic the Forum met remotely to discuss issues of mutual interest, and the network was utilised by PBU (on behalf of WG) as the most effective communication tool for keeping public leaders in Wales in touch with WG (and UK Government as appropriate) policies and advice in relation to the pandemic. The Forum came into its own during this period as a mechanism for discussing and addressing key issues.

9. Another important outcome of the “Delivering Together” report was the **revision of the Calling-in Procedures**. This removed the requirement for ALBs to refer to WG certain decisions for approval, such as single tenders below a specified threshold, or other issues which are unlikely to be considered to be novel and contentious. This has lessened the administrative burdens upon both the WG and ALBs, and has led to efficiency savings to both parties. It enables Chief Executives to take decisions which are properly their responsibility as Accounting Officers and to account for them afterwards. It also allows Chairs to provide more effective challenge to their executives.

10. The previous requirement for each ALB Board to have a **WG Observer at their Board Meetings** has been discontinued, with the exception of where the ALB is a limited company and the WG official is attending as a representative of the shareholder i.e. Welsh Ministers. Feedback from the ALBs was that this practice inhibited frank discussion at Board meetings and the role of the observer was ambiguous and could cause difficulties in itself. Partnership Teams still receive Board Papers, and may still wish to attend particular meetings based on a review of those papers. The Board can also invite a WG representative to attend for a specific and clearly-defined purpose, but in these circumstances the Boards would still retain responsibility, and accountability for their decisions. The WG has no executive role, other than in the specific circumstances set out above.

11. Annual remit letters, budget awards and business plans to each ALB are being replaced by a **‘Term of Government’ approach** which will facilitate longer-term planning and provide greater stability, as well as improve efficiency and effectiveness of the oversight arrangements. This move to a more strategic relationship will link the activities of each individual body more clearly to the contribution it can make to the Government’s Programme and should facilitate more joined-up working.

Tailored Reviews

12. Another recommendation of “Delivering Together”, and one which the Committee specifically asked about, was the establishment of a programme of Tailored Reviews of ALBs to replace the previous five-yearly and three-yearly reviews. The aim was to achieve a more seamless approach in reviewing public bodies, in a way which provided constructive benefit and allows full participation of the ALBs themselves, and which ensures regular assurance and challenge to the continuing need, efficiency and good governance of those bodies. Tailoring the review to the relevant body

encourages a more proportionate, flexible and collaborative approach in reviewing public bodies, and disseminating best practice.

13. The necessary documentation, guidance and templates to ensure consistency, transparency, and consistent terms of reference for all Tailored Reviews in Wales have been developed with the close engagement with ALBs and their stakeholders. The first Tailored Review, in respect of the National Library of Wales, was completed last year. The Review was considered to be a success not least by the National Library itself. The use of an Independent Panel to conduct the work, the engagement with stakeholders, and the constructive involvement of the Body itself were all areas which worked particularly well. Another important issue identified was that the work took longer than originally envisaged and there was scope for streamlining the process.

14. In the light of the learning from that exercise a five-year rolling programme of Reviews is being developed. The programme will be based upon identified risks, significant changes in Ministerial priorities, or any other significant trigger events identified by stakeholders, the Board, Senior Executive Team, Partnership Team, or at the request of a Minister.

15. Independent Panel members will be agreed and appointed by PBU in consultation with the public body and the Partnership Team for each review. To retain the independence and impartiality of the Tailored Review process the Independent Panel itself will be the author of the Tailored Review Report and its recommendations. All Tailored Review reports will be published to ensure action is taken in response to recommendations, and to share good practice. A WG Challenge Panel will scrutinise the Tailored Review process and the draft report to ensure the Tailored Review process is consistent and effective.

Public Appointments

16. In 2020 – 21, over 100 public appointments and re-appointments were either managed directly or supported by PBU. The long-term intention is for delivery of corporately led public appointments across all public bodies and NHS organisations. PBU has developed close working relationships with WG Partnership Teams, public bodies and NHS organisations and is recognised as a crucial source of advice for ensuring the effective delivery of public appointments across government. In addition to its advisory role, since April 2018 PBU has taken responsibility for delivering public appointments to NHS organisations and has assumed responsibility for shaping the policy agenda as it relates to public appointments. This has included making changes to the appointment process, from introducing additional assessment stages to implementation of pre-appointment hearing arrangements.

17. Many public appointments to the boards of public bodies are made in accordance with the Governance Code on Public Appointments. The Code sets out a relatively stringent set of protocols and procedures to follow which are embedded by PBU in all

relevant public appointments. PBU has developed a productive and good working relationship with the Commissioner for Public Appointments which enables appointments across government to be made in accordance with the Code, and which offers pragmatic solutions and a focus on diversity and inclusion. The suspension of public appointments in April 2020, due to the pandemic, for six months is one such example of an approach which PBU brokered with the Commissioner for Public Appointments

Diversity and Inclusion Strategy for Public Appointments

18. Delivery of the Diversity and Inclusion Strategy for Public Appointments is a Ministerial priority. The Strategy sets out a vision and actions aimed at improving the diversity of leadership in public life, by improving the diversity of public appointees. It includes a range of actions touching on the appointment process, supporting individuals and driving cultural change. In early 2021, 13 Senior Independent Panel Members were recruited from across Wales to join recruitment panels for some of the most significant public appointments in Wales. Individuals have been drawn from all walks of life (and protected characteristics). Feedback to date has been very positive. Members have shared their knowledge and expertise, including lived experience, to enrich and add value to the recruitment process. Wales is the first UK nation to actively recruit Senior Independent Panel Members in this way.

19. Also last year, PBU procured a suite of training and development programmes which focus on diversity and inclusion, together with inclusive recruitment practices and induction. The development programmes will initially be aimed at individuals from ethnic minority communities and disabled people. A “near ready” leadership programme will aim to support individuals with previous experience of working or engaging in public life and a “leaders of the future” programme is intended to support individuals with less awareness or experience of public roles. PBU intends that these programmes should be rolled out in early 2022.

Honours

20. The Welsh Government continues to contribute to two Honours rounds each year, working closely with internal colleagues and UK Cabinet Office. Arrangements for Health and Social Care nominations, along with State Honours, have been centralised and are delivered by PBU. This has improved consistency, and facilitated development of a pipeline of possible nominees. Improved awareness campaigns have been run aimed at improving the volume and diversity of nominations received in Wales.

Pay, Pensions and Engagement Team

21. PBU oversees the remuneration arrangements for public appointees, and provides oversight and assurance on Arms-length Body pay and pension matters. The Unit has taken on the communication and discussion of a range of pay, pension and connected matters for employees and Board Members of public bodies across Wales.

22. It offers guidance on Board and other bodies' remuneration for non-executive directors or members, based on the size and responsibility of the body, but final decisions on pay lie with the responsible Ministers and the Partnership Teams. Similarly, the team issues pay remits to ALBs but does not set staff salaries for them, nor approve pay deals negotiated between each body and its staff.

23. Key tasks of the Pay, Pensions and Engagement team include:

- Creating and disseminating the annual pay remit for arms-length bodies, giving them the overall expectations (not instructions);
- Supporting the pay parity agenda across the arms-length bodies and promoting pay parity in other public bodies funded by WG;
- Providing guidance on remuneration for chairs, deputy chairs and board members of public bodies, including NHS bodies, and updating the matrix which sets out recommended levels of remuneration;
- Maintaining links with the UK Government, especially HM Treasury and Cabinet Office, and other devolved administrations on management of and changes to public sector pension schemes and approval of applications for early exit schemes;
- Acting as Secretariat to the Devolved Sector Group of Welsh public bodies, with specific focus on pay, conditions and portability of staff across the sector;
- Updating the Senior Salaries report every 3 to 4 years, setting out pay levels, gender differences and ratios between highest and median pay.

Working with Partnership Teams

24. PBU works closely with Partnership Teams across the Welsh Government in relation to the application of generic ALB issues. PBU has been actively involved in advising on the creation of the following new Public Bodies;

- The Centre for Digital Public Services;
- The Global Centre for Rail Excellence;
- The Citizen Voice Body;
- Cwmni Egino;
- The Commission for Tertiary Education and Research.

25. PBU has also been involved in discussions on the future of the Wool Marketing Board, and has also provided advice on issues related to a number of Ministerial Advisory Boards and Ad Hoc Bodies. PBU also works closely with the Corporate

Governance Centre of Excellence, particularly on the upkeep of the Public Bodies Register.

Evaluation

26. The Public Bodies Unit receives, and welcomes, regular ad hoc feedback from Ministers, other officials of the Welsh Government, and from Chairs and officers of the bodies with which it works. The consensus so far has been overwhelmingly that the creation of the Unit and implementation of the recommendations of the original review report have begun to result in a more unified, mature and cohesive relationship between the Welsh Government and its ALBs that is more effective, and more efficient, than the previous arrangements. Completion of the formal evaluation exercise has, along with other work of PBU, had to be delayed until this year as a result of the staff concerned being reallocated to working on the pandemic.

Welsh Government

January 2022

Annex – ALBs directly included in the remit of the Public Bodies Unit

- Arts Wales
- Careers Wales
- The Centre for Digital Public Services
- Design Commission Wales
- Development Bank for Wales
- Estyn
- Higher Education Funding Council for Wales
- Hybu Cig Cymru
- Industry Wales
- Local Democracy and Boundary Commission for Wales
- National Academy for Education Leadership
- National Library of Wales
- National Museum Wales
- Natural Resources Wales
- Planning Inspectorate Wales
- Qualifications Wales
- Royal Commission on Ancient and Historical Monuments of Wales
- Social Care Wales
- Sport Wales
- Student Loans Co
- Transport for Wales
- Life Sciences Hub
- Welsh Revenue Authority
- Welsh Development Management
- WGC Holdco
- Education Workforce Council
- Commissioners (Children's, Future Generations, Welsh Language, Older People's)

