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[The Public Accounts Committee](#)

06/10/2015

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[Committee Transcripts](#)



Cynnwys Contents

- 5 Cyflwyniadau, Ymddiheuriadau a Dirprwyon
Introductions, Apologies and Substitutions
- 5 Papurau i'w Nodi
Papers to Note
- 6 Craffu ar Gyfrifon 2014–15: Cyfrifon Blynyddol Cyfunol Llywodraeth
Cymru 2014–15
Scrutiny of Accounts 2014–15: Welsh Government Consolidated
Annual Accounts 2014–15
- 32 Cwrdd â'r Heriau Ariannol sy'n Wynebu Llywodraeth Leol yng
Nghymru: Gohebiaeth y Pwyllgor
Meeting the Financial Challenges Facing Local Government in Wales:
Committee Correspondence
- 34 Ymateb i Ddiwygio Lles yng Nghymru: Llythyr gan Archwilydd
Cyffredinol Cymru
Responding to Welfare Reform in Wales: Letter from the Auditor
General for Wales
- 34 Cynnig o dan Reol Sefydlog 17.42 i Benderfynu Gwahardd y Cyhoedd
o'r Cyfarfod
Motion under Standing Order 17.42 to Resolve to Exclude the Public
from the Meeting

Cofnodir y trafodion yn yr iaith y llefarwyd hwy ynnddi yn y pwyllgor. Yn
ogystal, cynhwysir trawsgrifiad o'r cyfieithu ar y pryd.

The proceedings are recorded in the language in which they were spoken in
the committee. In addition, a transcription of the simultaneous interpretation
is included.

Aelodau'r pwyllgor yn bresennol
Committee members in attendance

Mohammad Asghar	Ceidwadwyr Cymreig Welsh Conservatives
Jocelyn Davies	Plaid Cymru The Party of Wales
Mike Hedges	Llafur Labour
Sandy Mewies	Llafur Labour
Darren Millar	Ceidwadwyr Cymreig (Cadeirydd y Pwyllgor) Welsh Conservatives (Committee Chair)
Julie Morgan	Llafur Labour
Jenny Rathbone	Llafur Labour
Aled Roberts	Democratiaid Rhyddfrydol Cymru Welsh Liberal Democrats

Eraill yn bresennol
Others in attendance

Gawain Evans	Dirprwy Gyfarwyddwr Cyllid, Llywodraeth Cymru Deputy Director of Finance, Welsh Government
Richard Harries	Swyddfa Archwilio Cymru Wales Audit Office
Syr/Sir Derek Jones	Ysgrifennydd Parhaol, Llywodraeth Cymru Permanent Secretary, Welsh Government
Peter Kennedy	Cyfarwyddwr Adnoddau Dynol, Llywodraeth Cymru Director of Human Resources, Welsh Government
David Richards	Cyfarwyddwr Llywodraethu, Llywodraeth Cymru Director of Governance, Welsh Government
Huw Vaughan Thomas	Archwilydd Cyffredinol Cymru Auditor General for Wales

Swyddogion Cynulliad Cenedlaethol Cymru yn bresennol
National Assembly for Wales officials in attendance

Fay Buckle	Clerc Clerc
Claire Griffiths	Dirprwy Glerc Deputy Clerk
Joanest Varney- Jackson	Uwch-gynghorydd Cyfreithiol Senior Legal Adviser

Dechreuodd y cyfarfod am 09:02.

The meeting began at 09:02.

Cyflwyniadau, Ymddiheuriadau a Dirprwyon Introductions, Apologies and Substitutions

[1] **Darren Millar:** Good morning, everybody. Welcome to today's meeting of the Public Accounts Committee. A few housekeeping notices: if I could just remind Members and witnesses that the National Assembly for Wales is a bilingual institution and welcomes contributions to proceedings in either English or Welsh, as Members and witnesses see fit. Of course, there are headsets available for amplification, and these can also be used for the translation facilities. If I could encourage everyone to switch off their mobile phones or put them onto silent mode, and remind everybody that, in the event of a fire alarm, we should follow the instructions of the ushers. I know that Members have received guidance on the changes to rules for making oral declarations of interest. Are there any declarations before we go into the meeting proper?

[2] **Sandy Mewies:** Yes, Chair. I am a Commissioner of the National Assembly for Wales and therefore don't take part in discussions outside the Commission about that—*[Inaudible.]*

[3] **Darren Millar:** Thank you for that, Sandy. We'll note that in the Record.

09:03

Papurau i'w Nodi Papers to Note

[4] **Darren Millar:** Item 2, then: papers to note. We have two papers to note. We've got the minutes of our meeting held on 29 September. I'll take it that that paper is noted. Then, we've got some additional information from the National Library of Wales as a follow-up to the evidence session that we

had with them. So, we've got some information on the relationship with Geldards, the legal advisers, some information on redundancy costs, and the framework document by which they award contracts. There's also a note in there on their investment policy. Can I take it that those are noted? Yes.

09:03

**Craffu ar Gyfrifon 2014–15: Cyfrifon Blynyddol Cyfunol Llywodraeth
Cymru 2014–15
Scrutiny of Accounts 2014–15: Welsh Government Consolidated
Annual Accounts 2014–15**

[5] **Darren Millar:** Item 3, then: scrutiny of accounts for 2014–15. We're going to be taking a look this morning at the Welsh Government's consolidated annual accounts. I'm very pleased to be able to welcome the Permanent Secretary, Sir Derek Jones, to the table this morning—welcome, Sir Derek; David Richards, director of governance at the Welsh Government; Peter Kennedy, director of human resources at the Welsh Government; and Gawain Evans, deputy director of finance at the Welsh Government. Welcome to you all. We're very pleased that you've given us the time this morning to have a look at your consolidated accounts. Obviously, this is the second year in which we've undertaken this exercise as part of the new working practices that the committee decided to adopt a couple of years ago. We had a briefing from the Wales Audit Office and the Members' Research Service on some of the areas that we wanted to question you on, but, Sir Derek, did you want to make any opening remarks before we go into questions from Members?

[6] **Sir Derek Jones:** Yes. Thank you, Chair. Bore da, bawb. Good morning, everybody. Can I say here, first of all, that I've got a bit of a dodgy throat this morning, Chair? I expect the committee's used to people being lost for words. If I am this morning, that will probably be part of the reason. Just very briefly, because I know there are bound to be lots of questions and plenty of tough scrutiny in that, which I can't really expect to enjoy, but I do, nevertheless, welcome the opportunity to engage with the committee on the accounts. The Welsh Government's consolidated accounts are never going to hit the bestseller lists, although, possibly, we'll come back to accessibility and readability later on.

[7] A popular read or not, the accounts are a really important insight into the work of the Welsh Government as a whole. I think I've mentioned to the committee before the weight of accountability that I feel as principal

accounting officer in signing off the accounts every year. There is some satisfaction in being able to sign off a decent set of accounts with an unqualified opinion from the auditor general—decent; not perfect. But, as to that weight of accountability—£15 billion—worth of the public's money under management and tens of thousands of transactions every year across a wide range of complicated programmes and projects—I just welcome anything that helps to promote understanding of that aspect of my business.

[8] Finally, Chair, I think the underlying theme hasn't changed since last year: downward pressure on public finances, generally and—it'll probably emerge in discussion—tensions across the board, really, in terms of managing increasing demand and expectation and an ambitious programme with rather less money. I'll stop there.

[9] **Darren Millar:** Before I bring other Members in, can I just ask about the format of the accounts? Obviously, they're in a very similar format, and in fact they appear to have not changed at all, really, in any great way, compared to last year. Yet, you gave the committee some assurances that you'd try to improve the format to make them more accessible to the public in response to one of our recommendations. Could I ask you why there doesn't appear to have been any inching forward?

[10] **Sir Derek Jones:** I might ask my colleague, Gawain, in a moment, to mention an inch or two forward, but you're quite right that there's been no major change in the presentation of the accounts, but it is still our intention to deliver on that commitment. The financial reporting advisory board has a project and expectation for Government accounts across the board, that, from the next financial year's accounts, will show significant improvement in accessibility and readability. We're working closely with the Wales Audit Office to do that. It is a matter of balance, because the accounts need to work as a document of record and be auditable on that £15 billion—worth of the public's money, but I think our view, like the committee's, is that they could be—well, they could probably be shorter—simpler and with a stronger narrative. I hope the committee can expect to see that for the next round.

[11] We had intended to be moving a little bit more quickly than that, but something else intervened in the form of the Treasury, which brought forward the date for the compilation of the whole-of-Government accounts, and so we had to make a priority of that, which means that we haven't made as much progress as we'd hoped to this year, but we are on track for the FRAB's target date.

[12] **Darren Millar:** So, we'll notice a significant change in the next year, or our successor committee will. Can I just ask you, as well, as you wrote to us recently about the simplification of accounts project, whether that is the project that you're referring to?

[13] **Sir Derek Jones:** Yes, that's the project.

[14] **Darren Millar:** So, you are committed to delivering on that project and providing more accessible financial accounts in the future for public and Assembly Member scrutiny.

[15] **Sir Derek Jones:** Yes, but—and I'm looking at the auditor general—they have to remain a good and accountable record.

[16] **Darren Millar:** Of course.

[17] **Sir Derek Jones:** So, as I said, I don't think they're ever going to be a popular read, Chair, but, at the moment, I think that, at 60 pages, in terms of length, they compare reasonably well with other bodies. But, there are a lot of complex notes at the back of that and I think some of those we can probably afford to dispense with; we have removed some, but probably some more, and, as I say, try to create, perhaps, a stronger and more accessible narrative, even, perhaps, at the expense of some simplification, from the auditor's point of view.

[18] **Darren Millar:** You could always produce a summary document, of course, to go alongside the financial accounts. I'm going to bring in some Members, now who want to ask some follow-up questions—on this particular issue, is it?

[19] **Julie Morgan:** Yes, on this particular issue.

[20] **Darren Millar:** Okay. I'm going to bring Julie in and then Jenny.

[21] **Julie Morgan continues:** I just wondered if you had any way of assessing who actually reads these accounts—any way of measuring whether any genuine members of the public do read them, or are likely to read them if you changed and made them more accessible?

[22] **Sir Derek Jones:** They're published on our website, and so I think—. I

don't have the number with me, but I think probably we'd be able to find out what volume of inquiries are made of the accounts on the website, but not who those readers or interested parties might be. I suspect that the public, by and large, does not take an interest.

[23] **Julie Morgan:** I think it would be interesting to have that information in terms of who actually just looks at the accounts, in numbers.

[24] **Sir Derek Jones:** I'd be happy to write to committee on that, Chair—unless any of my colleagues know more about our readership. I don't think they do.

[25] **Darren Millar:** It's not like a Jackie Collins novel, as I think you said at the start. Jenny Rathbone.

[26] **Jenny Rathbone:** Just on sustainability, the Well-being of Future Generations (Wales) Act 2015 is going to apply to the Welsh Government as much as any other public organisation, and although you've given some figures, there's no narrative as to what you're actually doing about improving your scar on the world landscape. I suppose electricity, this year and the previous year, was up on the one before that, 2012–13, so what are you doing to reduce your greenhouse gas emissions? Are you generating any of your own electricity? If not, why not?

[27] **Sir Derek Jones:** There are two things, Chair. The point about the future generations Act is absolutely correct, and it does bind my Government service as well as other public bodies in Wales. The point that I was going to make earlier was that I don't think the accounts would ever be, or should be, a substitute for an annual report on the programme for government, which I think most Governments will make these days. So, as the Act comes into force next year, the Welsh Government's programme for government will need to report against the seven goals in the Act, and make sure that our programme for government aligns with the requirements of the Act. So, the annual report would be where you would see most of the description of policy and project activity around that, but the accounts do report on some hard numbers on sustainability issues. I think they tell a reasonably good story, but I'm not sure that perhaps the strongest element comes out in the accounts, which is to do with the rationalisation of our estate, which has produced a reduction—I think the figure is about 30 per cent—in our carbon footprint, and that is our biggest contribution, I think. I don't think we do generate any electricity. There was an unsuccessful attempt at a wind turbine

at our offices in Aberystwyth, as I recall, but generally speaking, not. But I think we take some pride in the achievements on estate rationalisation, and some of the figures in the table, in the accounts, I think are reasonable.

[28] **Jenny Rathbone:** Your food composting figures have gone up substantially. What happened there?

[29] **Sir Derek Jones:** I really don't have an answer to that.

[30] **Jenny Rathbone:** Okay. For the previous two years they were going down, and now they are going back up: 38 last year, 59 this year. Tonnes. You know, in a world of scarce resources, what are we doing to ensure we're not wasting things?

[31] **Sir Derek Jones:** I'm confident that our practice hasn't changed, so there will be some other factor that I simply just don't know the answer to this morning, Chair, but I'm happy, again, to write to the committee.

[32] **Darren Millar:** Thank you very much for that. Can I bring in Jocelyn Davies now, please?

[33] **Jocelyn Davies:** I think the point being there, of course, is that it's very good you're composting, but it would be good if it wasn't wasted to begin with. Maybe you've changed your contractor and people don't like the food, if it's gone up by several tonnes—the waste.

[34] **Sir Derek Jones:** I was wracking my brains very briefly to think what might have accounted for the change, but I don't think we have changed our policies at all, Peter?

[35] **Mr Kennedy:** The only thing I can point to—and as the Permanent Secretary said, we will write and give an explanation—is that we did identify a little over a year ago now that, with a lot of our recycling, there's a lot of cross-contamination across the bins. So, it might not be the answer, but—

[36] **Jocelyn Davies:** You might be separating it out better.

[37] **Peter Kennedy:** We've tightened up on that component.

09:15

[38] **Jocelyn Davies:** That wasn't what I wanted to ask you about; I wanted to ask you if you wouldn't mind expanding on the timing difference between NHS consumption of resources and the cash draw-down, because obviously that led to an £86.8 million underspend in health and social services, but it's due to a timing issue. Can you explain that?

[39] **Sir Derek Jones:** Well, I think probably Gawain will need to help me, but I think it is provision made in anticipation of draw-down by health boards, which, for practical reasons at their end, didn't occur. Gawain, can you provide any further detail?

[40] **Darren Millar:** It'll be automatic, Gawain; don't worry about the mike.

[41] **Mr Evans:** Thank you. Yes, with health, because it's a grant for health, it's treated almost as a cash grant, whereas the accounts elsewhere are on a resource basis. So, there are a number of reasons for that figure in terms of the underspend against the ambit, but one was very much a time difference, in that the health service didn't draw down the cash that was available for them to draw down.

[42] **Jocelyn Davies:** It had been spent, in effect, but it hadn't been drawn down.

[43] **Mr Evans:** Yes. One of the reasons, for example, would be that they had committed to resources and they had effectively accrued for those costs, but they hadn't had to pay the bills at the time of the year-end, so they didn't draw down the cash.

[44] **Jocelyn Davies:** Okay. The summary of resource account and the statement of comprehensive net expenditure have significant aggregate figures—I know that, on the Finance Committee, we get a split between resource and capital spending, but for the purpose of this document—. So, for example, £13.7 billion of grant to external bodies is shown as a single figure in note 6.

[45] **Sir Derek Jones:** Sorry, could you point me to the page in the accounts?

[46] **Jocelyn Davies:** In note 6, so I'll tell you what page it is now.

[47] **Sir Derek Jones:** Note 6 is probably 42.

[48] **Darren Millar:** Our pack page 157.

[49] **Jocelyn Davies:** Yes, 157 for us, 42 for you. So, on note 6, then, £13.7 billion as a single figure. I know there's got to be a balance between how long the document is and how much information it gives, but if that's your answer, I'm sorry, but that isn't going to cut it with us. I don't think £13.7 billion tells us very much, does it?

[50] **Sir Derek Jones:** I agree. It's called 'grants', and this is traditionally the way it's been presented in this part of the accounts, but I think it's unhelpful, too, because we've been doing a lot of work on grants recently. There's now an annual grants report, which comes to the committee, and the committee has quizzed us quite hard on that. In that report, you'll see a proper breakdown of the type of grants involved. This includes the rate support grant to local authorities, for example, which is a huge block of expenditure, but it also includes rather more sensitive, much smaller grants, it includes hypothecated grants, and I think it should be on the list for the simplification project. But, again, as you say, if we're going to make it shorter, perhaps a reference to the accompanying annual grants report would be one way of doing it, or a simple pie chart, perhaps, as a visual.

[51] **Jocelyn Davies:** Yes, because, as you say, you're going to have some very large and some very small. I'm sure other Members will have questions on aggregate figures.

[52] **Sir Derek Jones:** Gawain wanted to add something on that.

[53] **Mr Evans:** On that particular issue, it was one of the minor changes we made, looking forward to the end of 2015-16, with the change in the financial reporting management, as part of simplification. So, perhaps, as the Permanent Secretary has indicated, we made the change in line with what was recommended. With our position with grants, perhaps we made that change without considering what it would mean in terms of that transparency. But, as I said, it was one of the changes that was recommended as part of the simplifying and streamlining project.

[54] **Jocelyn Davies:** It is difficult to get the balance right, isn't it, between having a short document and making sure that transparency is still there? Why don't you include within your accounts the more detailed expenditure analysis contained in the outturn report that, again, comes to the Finance

Committee? That information does need to be scrutinised and, as you mentioned earlier on, it is important for audit. Even though we don't expect every member of the public to be poring over this, there will be some people who will be interested—academics and so on—in what goes on in public life and what goes on in money. They are large sums, and it is the public's money, after all.

[55] **Sir Derek Jones:** I don't know how much agreeing I can do without undermining my credibility here, but I agree with that point, too. As Chair of the Finance Committee, you will have received a letter from the finance Minister that sets out the outturn report in slightly different terms from way the same numbers are presented in the accounts. And I think that some alignment of those two things would be beneficial to the accounts, if we can include that again without overly expanding them, then I think—. I think the main difference is probably the way that the ambit is presented.

[56] **Jocelyn Davies:** If I can go to note 18, which is, I think, page 53 in your pack. Is it 53? Is that note 18?

[57] **Sir Derek Jones:** Yes.

[58] **Jocelyn Davies:** That's 168 for us. The statement of financial position in that note shows that provisions have continued to rise significantly in recent years, and they stand now at over £700 million. Can you tell us why there's been a significant increase there?

[59] **Sir Derek Jones:** Provisions have gone up for two main reasons. The largest item is the health risk pool, which is essentially provisions made against the contingency of medical negligence cases. The second, as I recall, and completely different, is the provision about our contractual relationship with the Ministry of Defence on the St Athan site. If I've got that wrong, Gawain would be waving at me so I think those must be the two main items that have cause the increase in provision.

[60] **Jocelyn Davies:** With the Welsh risk pool, what was the thinking in no longer having that accounted for separately, because we used to be able to see that separately?

[61] **Sir Derek Jones:** I don't know, unless it's also part of the drive to try and simplify and shorten the notes, Gawain.

[62] **Mr Evans:** It wasn't actually reported through to us. When we consolidated the health information, we ran the changes that they'd made as part of trying to streamline the accounts, and so we didn't report it because it wasn't reported through this time, and we didn't follow up on it.

[63] **Jocelyn Davies:** I can see why there's simplification, but we used to see that separately and stuff about St Athan and the Welsh risk pool lumped together doesn't tell me, I don't know, as much as perhaps that I'd like to know. Sorry, Chair.

[64] **Darren Millar:** Just on this risk pool business, then, you've itemised this in previous years. I'm not aware of any changes to NHS accounting or reporting requirements that mean that they are no longer itemising any risks associated with individual NHS organisations. There must have been a deliberate decision not to report this information, mustn't there?

[65] **Sir Derek Jones:** In the accounts.

[66] **Darren Millar:** Yes.

[67] **Sir Derek Jones:** I think Gawain was just explaining that.

[68] **Darren Millar:** Gawain.

[69] **Mr Evans:** I think, from memory—I would have to check and come back to the committee—I don't believe it was reported through separately from the consolidated NHS position to us this year. I will check that.

[70] **Jocelyn Davies:** But you know how much the NHS are paying out to people that have been damaged by them in negligence claims and that's something that has been scrutinised—you've been questioned on it, the NHS have been questioned it—and we've seen this figure rising. And it's a concern for people, because obviously that's not been spent on healthcare—that's on paying compensation to people who've been damaged by the NHS. It would seem to me that there's never been a call from the public or from us or from anybody that I know to say that we really shouldn't be reporting this as a separate amount, because it's been specifically separated out for criticism.

[71] **Sir Derek Jones:** There should be complete transparency on these figures. They're not separately listed in the accounts under provisions, but I'll

write to the committee, Chair, and explain how those numbers are in the public domain.

[72] **Jocelyn Davies:** Okay. And if there is any influence by you over the NHS on how they keep that figure, I hope you would be prepared to—. I'm sure it's something that we'd want to stress with them.

[73] My last question's on note 22, which is on page 57—losses and special payments. What are the reasons for the increases there?

[74] **Sir Derek Jones:** We're changing our approach to losses and special payments, so I don't think that this increase, which is significant, reflects a fundamental change in losses; it's to do with sort of the speed with which we decide that a liability is not going to convert into a payment for us, and to write it off—

[75] **Jocelyn Davies:** So, if somebody owes you money, they've gone bust or whatever, and you're not going to get it.

[76] **Sir Derek Jones:** Yes, rather than see those sorts of amounts stack up, as it were, in a large and disaggregated liabilities figure. But, the other side of the same work is to pursue debts more effectively. So, we've centralised our debt management. I did look for this in our accounts and I was rather disappointed to find that debt management doesn't feature in the accounts, because I think the latest recovery of debt figure was £77 million, which, over the last three years or so, is up by about 50 per cent, I think. So, I think this is a good approach, to be a bit more decisive about when to write off and a bit more decisive about recovery at the same time.

[77] **Jocelyn Davies:** About pursuing if you can, but not wasting time trying to pursue something that's frivolous.

[78] **Sir Derek Jones:** Yes, something that's a lost cause.

[79] **Jocelyn Davies:** Okay, thank you; that's me covered.

[80] **Darren Millar:** A few Members want to come in on supplementaries, so I'm going to bring you in. Mike first, then Oscar.

[81] **Mike Hedges:** I have two supplementaries. You talked about the £86.8 million underspend. If I've got it right, health boards are running accrual

accounts and they only get the money drawn down when they need to pay it. Is that correct?

[82] **Mr Evans:** Yes. Effectively, they request a draw-down of cash from the Welsh Government.

[83] **Mike Hedges:** Sorry, but they do request a draw-down when they make the order, to fit according their accrual accounts, or do they request a draw-down when they spend it, when they have to pay the bill?

[84] **Mr Evans:** They request a draw-down. The grants are paid to health as and when they need it, rather than when they place an order or a commitment. So, the cash forecasting for health is different to the resource accounting.

[85] **Mike Hedges:** I won't pursue that point very much further, but it is quite possible, in any one year—. You have an £86.8 million underspend this year; it's quite possible, depending on how the orders go, when this £86.8 million has to be paid in this year, if 100 per cent of the money allocated for the next year is spent, and it is spent during the year and it isn't not drawn down, then you can actually have an overspend up to £86.8 million.

[86] **Sir Derek Jones:** This is a cash management issue, I think, Gawain, rather than resource management, so it wouldn't be an overspend on resource; it would—

[87] **Mike Hedges:** It would be an overspend on cash; you'd spend more cash than has been allocated.

[88] **Mr Evans:** The cash is only an element of that ambit difference for this year. Some of the variants on that £86 million—and we can provide a full breakdown—are non-cash items and annually managed expenditure. So, it's a combination of items that actually contribute to that £86 million.

[89] **Mike Hedges:** Can you provide that note, but can you also provide it for the previous year so that we can actually have a comparator across?

[90] **Mr Evans:** Yes.

[91] **Mike Hedges:** The other area is details in the accounts. I know it's quite possible to get full details, because you follow the money to health and

you follow the money from health to health boards, and you follow the money to local authorities and you get the local authority budgets. So, you can follow the money, as we have done in this committee, looking at other bodies which are funded, like the sports council. You can follow the money with a huge number of other people's accounts. But, don't you think it would be helpful if you actually had links to where people can follow the money?

[92] **Sir Derek Jones:** Do you mean online links?

[93] **Mike Hedges:** Yes. So, if you want to follow health, you give the link to the health boards. You know how much each health board has been given, so you can actually follow the link there and you can keep on going down to the bottom level. I wouldn't want you to publish every health board's accounts within your accounts, or every body that you fund into the accounts, but actually having links so that people can follow the money.

[94] **Sir Derek Jones:** I'm not an expert at all in IT, but I think that's a very interesting suggestion, and I'll need to follow it up. 'Why not?' I think is my first response—probably not perfection, but to be able to establish some kind of online link from our online accounts to other bodies' accounts where that's relevant.

[95] **Mike Hedges:** Once you've seen where they money's gone, people can just follow the money. You can, but you don't make it easy.

[96] **Sir Derek Jones:** Can I say something briefly about cash management? This arises out of what looks like poor cash management because there's £86 million that wasn't drawn down. Again, I'd welcome the opportunity to write to the committee, I think, on this, because cash management is a slightly obscure, but important aspect of running the business; it's monitored closely by the Treasury, for obvious reasons. The Treasury keeps a league table of all Government departments, and the extent to which they do or don't manage their cash accurately. I think we are in the premier league—top five in terms of cash management performance across the UK.

09:30

[97] **Mike Hedges:** And just a final question: why don't you provide the money at accrual stage?

[98] **Sir Derek Jones:** I think, probably, that would just be highly

transactional, and so we'd be passing cash over very, very frequently.

[99] **Mr Evans:** When the accrual stage happens with health, it can be days, weeks or months before their cash is actually needed to settle that invoice. It can take quite some time for invoices to actually be submitted by a supplier, for example. So, the health boards will plan their cash on when they're expecting to make a payment, rather than when the accruals take place.

[100] **Mike Hedges:** But why? The cash is there, you are holding it, why can't the health boards hold it, which would mean that you have the money out, and you know exactly where you are in cash terms?

[101] **Darren Millar:** Wasn't this—or a large proportion of this £86 million—essentially cash that you didn't know how much you would need to account for until the health boards had drawn up their accounts for the year, and demonstrated that they had a gap? That was the situation, wasn't it?

[102] **Sir Derek Jones:** Yes, it was an estimate of what the requirement could be.

[103] **Darren Millar:** Yes. Is that okay, Mike?

[104] **Mike Hedges:** I don't think I'll get any further.

[105] **Darren Millar:** Okay. I'll bring you in in a second, Jenny, after Oscar.

[106] **Mohammad Asghar:** Thank you very much, Chair. It's only just clarification on the consolidated accounts on 31 March. Under 'non-current liabilities', the 'other liabilities' column is virtually £20 million—£19.6 million.

[107] **Jocelyn Davies:** On page 29.

[108] **Mohammad Asghar:** It's page 144 for us.

[109] **Darren Millar:** It's on page 29.

[110] **Mohammad Asghar:** Is it there just to balance the books, or is there something really in it?

[111] **Sir Derek Jones:** Gawain, have you got that query? Can you help me

with it?

[112] **Mr Evans:** Yes. Sorry, did you say ‘current liabilities’?

[113] **Mohammad Asghar:** Yes. This is under ‘other liabilities’. When you look under ‘non-current liabilities’, it is the last one. Under ‘notes’ you’ve put 21, it is below that. ‘Other liabilities’—there is no note for it.

[114] **Darren Millar:** This is the £19.6 million.

[115] **Mohammad Asghar:** Yes.

[116] **Darren Millar:** Yes, it’s the only one without a note, isn’t it? What does that consist of?

[117] **Mr Evans:** Oh, right, yes.

[118] **Mohammad Asghar:** Is it just to balance the books?

[119] **Jocelyn Davies:** [*Inaudible.*]

[120] **Mohammad Asghar:** Yes.

[121] **Darren Millar:** Are you able to send us a note?

[122] **Sir Derek Jones:** I don’t know, Chair. If Gawain can recall, perhaps he’ll let us know later; otherwise, I’ll write to you.

[123] **Darren Millar:** I have to say, I’m a little bit concerned—we’ve got lots of notes coming in our direction—that you weren’t more prepared for some of these questions this morning. I have to say, if something’s not got a note against it, I would expect you to have a note, ready to share with this committee. Jenny Rathbone.

[124] **Jenny Rathbone:** I just wanted to pick up on the point there made by Mr Evans. You said that suppliers are often slow to submit their invoices, and I’m struggling to understand who these suppliers might be that are slow to submit their invoices. Because I think that’s a problem with the whole situation around NHS accounting, is that it’s really unclear at what point—you know, how well the NHS is managing its money. This system of not actually passing the money over until they’ve said, ‘I’ve got to pay this

invoice', sort of makes it more difficult to track how challenging their financial situation is. So, who are these suppliers that don't submit invoices on time—are they other NHS bodies?

[125] **Mr Evans:** Sorry, I didn't mean they were slow, but it's obviously up to a supplier, when you contract a supplier, and they're due to invoice—. With any organisation, it's very much up to that supplier as to when they actually then submit. So, I didn't mean that individuals were slow, but it's obviously beyond the control of health, or any organisation, as to when that's supplied. Some will be very prompt, others could well take slightly longer to do that.

[126] **Jenny Rathbone:** I can imagine a health board wouldn't bother to chase somebody who hadn't submitted their invoice, but I'm trying to understand why any organisation, having delivered the goods, doesn't instantly submit the invoice.

[127] **Mr Evans:** I can only speak from previous experience in terms of working with suppliers, where some of them do it for their own cash flow purposes, for example. If they've got a number of contracts, and they're effectively awash with cash in a particular month because of payments, they could defer for cash flow purposes. So, there might be a number of reasons why—

[128] **Darren Millar:** I'm sorry, but I've never come across a single organisation that feels so much awash with cash that they don't bother invoicing, particularly organisations who have more money. I mean, the more money they have, the worse they tend to be at chasing the cash up. You're sending us a note on this, aren't you? I'm not convinced it's all suppliers.

[129] **Sir Derek Jones:** I'll ask Gawain to stop digging. I think his point really, in response to Jenny Rathbone's question, is that it's a practical matter outside the control of the health department when suppliers submit their invoices to health boards and when they're paid and, so, estimates have to be made.

[130] **Jenny Rathbone:** Okay. Well, I think there's a general concern about the alacrity with which health bodies charge each other for work undertaken, for example, Cardiff and Vale University Local Health Board, who have tertiary referrals and need to then recharge people for that work. If that's not being done in a timely fashion it's really difficult to track how difficult the financial situation of health boards is.

[131] **Darren Millar:** Is your question on this, Jocelyn?

[132] **Jocelyn Davies:** It's on this. I mean, sometimes, you speak to suppliers who say that the people they're contracting with say, 'We don't want to pay you for three months, don't invoice me for three months'. But, you're saying this is not a case of the health boards asking people or having an arrangement with people not to pay them in the 30 days that is recommended for public bodies.

[133] **Sir Derek Jones:** No.

[134] **Darren Millar:** Wait a second, Mike, is it on the health issue?

[135] **Mike Hedges:** Yes.

[136] **Darren Millar:** Go on then, Mike, very quickly.

[137] **Mike Hedges:** When I served on a health board, which was in the days when there were more health boards than there are now, every month they would charge the other health boards for tertiary services. I was involved in Morriston and Singleton, and Morriston probably has the second largest number of charges outside of its own area and every month that was done. Is that not the case at the moment?

[138] **Sir Derek Jones:** I really don't know.

[139] **Darren Millar:** They would be netted off against one another, wouldn't they, in any case in these accounts? But, I'm sure we can take that up with individual health boards, Mike.

[140] Can we just return to this issue of losses and special payments if that's okay? You've mentioned, Sir Derek, that you're trying to improve the debt collection rates and that you've changed your policy, shall we say, in terms of writing off some of the unrecoverable amounts that would have been hanging around in the accounts for a long time in the past. Obviously, there's been a significant increase in the number of cases this year. You're explaining that in terms of policy, but, you know, we're talking an additional £5 million. Now, we know what three items were because there's a note to the accounts on the following page—page 58—the Tryst Engineering Company and Desk Link Office Furniture administration and liquidation

cases. How long was it since those original invoices were drawn, if you like? How long had those been hanging about in the accounts? Had they been there for a number of years or did they happen within the year? Did those two particular companies go into administration in the year?

[141] **Sir Derek Jones:** These are losses that exceed £300,000. So, they won't necessarily have been incurred in the year. They're just registered for that reason. I think I understand the issue that, perhaps, you're probing at, Chair, which is, you know, whether we started to get slack about businesses going bust.

[142] **Darren Millar:** Yes, absolutely.

[143] **Sir Derek Jones:** No. You may want to come on to it later under the more general heading of grants management where, as I mentioned earlier, the committee has tested us quite a lot. I think we have made good progress on grants management. The balance, as always, is between the need to undertake some risk but to do it with eyes open and in a properly controlled way. The media pick up cases of—

[144] **Darren Millar:** We'll come back to grants management in a second. I'm asking specifically about what are described as 'losses and special payments'. So, you've had three items which have been specifically itemised in the notes. I just would like to know when those original receipts were initially expected in, if you see what I mean.

[145] **Sir Derek Jones:** I don't know—

[146] **Darren Millar:** Have they been hanging around for five years and you've just written them off this year because of the change in policy?

[147] **Sir Derek Jones:** I really don't know off hand when the debt was first registered.

[148] **Darren Millar:** You can send us a note on those two. The final one is a strategic drug stores write off of drugs or vaccinations, I assume, because their shelf life expired.

[149] **Sir Derek Jones:** Yes.

[150] **Darren Millar:** What is wrong with the management of your strategic

drugs stores that it stocks up on £3 million worth of drugs or vaccinations and then has to write them off? It's an extraordinary cost.

[151] **Sir Derek Jones:** Any drug will have a finite life, and, if not used by that time—. There are some recycling arrangements, but it may simply have to be written off. Some of these drugs are reserved for things like pandemic flu, so they are held for good reason but may not be used, and, after a period of time, have to be either destroyed or reprocessed.

[152] **Darren Millar:** So, what were those drugs that were written off, do we know?

[153] **Sir Derek Jones:** I think we do, although it might take a moment to find the note in—

[154] **Darren Millar:** Have you got a note there, Gawain? I saw the permanent secretary look in your direction.

[155] **Mr Evans:** I've categorised into three in terms of that breakdown. We had antivirals, antibiotics and then just general consumables. So, they were categorised just into those three groups.

[156] **Darren Millar:** It seems a very large number to write off in an individual year; much larger than in the previous year, any write-offs. I accept that some drugs, some antivirals, will come to the end of their shelf-life periodically, but it does seem rather a significant jump, given that you'll be purchasing this stuff on an annual basis.

[157] **Sir Derek Jones:** I agree. I noticed it myself, and the answer is to do with the pandemic flu antivirals.

[158] **Darren Millar:** So, it was predominantly—

[159] **Sir Derek Jones:** So, it wouldn't be the sort of thing that you would see year in, year out, as it were, or a steady base—

[160] **Darren Millar:** So, you've had to restock with those, this year, have you?

[161] **Sir Derek Jones:** Well, I don't know that a decision's been taken about that, Chair. This is very much health board public health territory. A

judgment would have to be made about likelihood and risk, and I'm not sure that those judgments have been made or that the restocking has taken place.

[162] **Darren Millar:** So, are we without these antiviral drugs, then, at the moment, should there be a pandemic?

[163] **Sir Derek Jones:** I don't know the answer to that, Chair.

[164] **Darren Millar:** That's a bit disconcerting, isn't it? You'll send us another note, no doubt, to tell us what the situation is.

[165] **Jocelyn Davies:** You're not going to win on this one, Derek. Whatever you do is going to be wrong, now, isn't it?

[166] **Sir Derek Jones:** We're in good hands, I think, as far as public health is concerned. I simply don't know what judgment's been made about restocking antiviral drugs. I am offering to send you more notes than I would want to, Chair. But, as I said, it's a very large, complicated field, and we have moved from antiviral drugs to composting and other matters. We are as well briefed as we can be.

[167] **Darren Millar:** Okay. I understand. We'll look forward to the receipt of another note. I'm going to bring in Oscar now.

[168] **Mohammad Asghar:** Thank you very much, Chair. On a light note, Derek, could you please summarise the internal governance framework at Welsh Government and how this provides the accounting officer with the necessary assurance?

[169] **Sir Derek Jones:** I'm sorry, could you point me to the page in the accounts, Oscar?

[170] **Mohammad Asghar:** I repeat again: please could you summarise the internal governance framework at Welsh Government and how this provides the accounting officer with the necessary assurance, please?

[171] **Sir Derek Jones:** Yes, this is a really interesting and important question. I've said it's a sobering accountability, for me, to sign the accounts, and I do rely on a system within the organisation to put me in a good position to do so. The essence of it is line-management responsibilities. So, I seek, from my immediate management reports,

statements of assurance on systems and processes, and they, in turn, from their reports, have a very effective internal audit system—I'll ask David to come in in a minute—and each important area of business also has the corporate governance committee, which operates with non-executive directors to help provide assurance for the main areas of business. So, I would summarise the Government's arrangements in that way. David, is there anything that I have missed?

[172] **Mr Richards:** We work very closely with Wales Audit Office; our internal auditors liaise closely. We have a decision-making structure, we have a board with non-executives and sub-committees under it. We have a suite of guidance control documents, which is simple—no, it's not simple, but we're trying to make it simpler. So, the mechanics are there. We accompany that with a programme of training and development of staff, because, of course, you can have the best guidance in the world in an organisation, but it's no good if people aren't actually following it. And, then, Derek gets assurance from line-management assurance, for which we have a system of internal control framework—which means getting responses from the whole of the organisation on how the year has gone in terms of governance—from the corporate governance scrutiny, from the reports from internal audit and from the reports from external audit. Effectively, you triangulate when you do the system; you put all of these things together, and then Derek can form a basis on signing his accounts.

09:45

[173] **Mohammad Asghar:** How are you improving project-management capability within the Welsh Government, and what processes do you have for reviewing contracts before they expire to ensure that the best value-for-money options are taken forward?

[174] **Sir Derek Jones:** There's been a lot of work done over recent years on project and programme management, and we have established a centre of excellence for project and programme management, which used not to exist. I think that has probably got us to the point where we need to be, so that, when we identify an important project or programme—wherever it might be—we've got expertise to deploy on it. So, I feel reasonably comfortable with the current position on that. I'm not sure how to respond to the second part of the question, which is: how do we look at—

[175] **Mohammad Asghar:** How you review the contracts.

[176] **Sir Derek Jones:** —repurchasing or reprocurring?

[177] **Mohammad Asghar:** Well, actually both.

[178] **Darren Millar:** Just to put a bit more meat on the bone, the committee has had some concerns about the preparation, if you like, in advance of contracts expiring, that the Welsh Government does, or the absence of some preparation in one department in particular. During our work on the north–south air link, for example, we expressed some concern about the timeliness of cracking on with reprocurring or deciding whether to move forward with another contract. Can you give us some assurances that that’s not a feature across Welsh Government?

[179] **Sir Derek Jones:** Well, yes, I think so, but I’m not complacent about procurement, Chair, Oscar. The goods and services that my organisation purchases every year—everything from biros to IT consultancy—amounts to about £0.5 billion. Given our current financial circumstances, I’m looking very closely at that to see whether we are actually extracting full value for money. I’ve established a work stream under the ‘Preparing for the Future’ programme, with the head of the National Procurement Service as the senior responsible officer reporting to me on that, to establish that we do indeed have the right kind of, sometimes, pretty hard–nosed approach, actually, to procurement, and that, if the public services are feeling the pinch financially, we’re making sure that we’re getting absolutely best value out of our contractors. So, I’m not saying ‘job done’ on this, but I think we have identified it as somewhere where we may be able to get better value for money for the taxpayer.

[180] **Mohammad Asghar:** Do you use external advice to challenge, evaluate and strengthen board and committee decision–making processes?

[181] **Sir Derek Jones:** I mentioned earlier that we have corporate governance committees that are responsible for supporting and challenging the management in all the important areas of business, and they have external non–executive directors that are there precisely to bring that out of the civil–service focus on what we’re doing.

[182] **Mohammad Asghar:** Finally, the governance statement notes that the board has been reconsidering its approach to the way it treats risk, highlighting the promotion of a more innovative, less risk–averse culture.

Can you briefly summarise how this system is changing?

[183] **Sir Derek Jones:** I can summarise it as being I'm definitely in a no-win position here. On the one hand, the civil service tends to be criticised for being too risk-averse; on the other, for being too slack in its due diligence when something goes wrong. I don't think either is true. I have been trying to increase the civil service in the Welsh Government's appetite for controlled risk taking—I think that's necessary if we're going to secure optimum benefits from everything we do—but it needs to be well-managed risk.

[184] Risk registers are kept corporately. My board considers a risk register monthly and so do the main operating groups in the organisation. So, we've recently, with the help of a new head of our internal audit service, been reviewing that risk-register approach and whether it's actually giving us everything we need. We think, probably, we could improve it. My view of risk registers is that they can, actually, be a bit of a trap. If you think that, if you've put a risk on a register, you've dealt with it, then you haven't. So, the register just needs to be a reminder. They need to be alive; you need to be constantly changing them and rethinking whether your risk pattern has changed and, as I say, the board debates risk on that basis quite frequently, but, at the moment, we are waiting for some proposals from our head of internal audit. David, do you want to say anything more? It's not a major change; it's just a refreshment, I think, of our approach.

[185] **Mr Richards:** Just to add to that, I think we're trying to be a bit more sophisticated in our risk appetite. So, what's the risk appetite of the Welsh Government? Well, it depends on what we're talking about. So, there are very key things—obvious things, like cash management—where we want to be seriously risk-averse, but there are other areas where there's scope for just new innovative ways of doing things, where you'd want to have a stronger risk appetite, because the rewards might be greater. So, we're trying to be more sophisticated in the way that we apply different criteria of risk to our different activities.

[186] **Darren Millar:** Okay, Oscar? Was it on this issue, Julie?

[187] **Julie Morgan:** Yes. I just wondered if you could give us some examples of the new sort of innovative ways of doing things that are more risk-averse.

[188] **Sir Derek Jones:** That are more risk-averse?

[189] **Julie Morgan:** Less risk-averse, sorry. Yes, less risk-averse.

[190] **Sir Derek Jones:** We've done this mainly through the grants management programme, where we've established a centre of excellence to provide training and advice for officers right across the organisation who are involved in grants management, just to help them to get the balance right and to make it clear that risk is acceptable, provided that it's well controlled. I think—can I be really frank—that some of the poundings that have been taken by my predecessors or other officials about losses of public funds through things going wrong on grant schemes or individual grants had led to a reluctance, sometimes, to undertake what would be perfectly appropriate risk if it were well managed. So, it's often just a matter of training and presentations to explain to grant managers how they can make that balance. Is that a good description?

[191] **Mr Richards:** Yes.

[192] **Darren Millar:** Can I just ask, seeing as you've touched on these grant-related issues—? Obviously, we've had a positive impression as a committee from the annual grants management reports that we've received that things have been moving forward, that improvements have been made, things have been tightened up but that appropriate risks have been taken. But there have been some examples of organisations in the media where the arrangements seem to have been quite sloppy, if I can use that word. So, there was an autism grant, for example, that was made—a relatively small award—to an organisation. The award letter was issued after the date at which the organisation was expected to respond back to say whether it was going to accept the grant or not. I mean, unless they invented time travel, that would have been an impossibility. The financial information attached to the grant application was just a couple of figures, without a breakdown to support the need for resources. The actual award was given to a different organisation than the one that made the application. So, there are still issues, aren't there, in the way that grants are awarded? What confidence—. What assurances can you give to us as a committee that this is an isolated example, that it's not something that is a regular feature of grant awards—I'll bring you in in a second, Mike—and that we won't see these things on a regular basis? Can you also confirm that you always receive written applications with sufficient justification from people when grant applications are being made—you know, that people aren't just phoning up asking for money and it's being doled out on a whim?

[193] **Sir Derek Jones:** I think I can give you that assurance. You asked for several along the way there, Chair—

[194] **Darren Millar:** Yes.

[195] **Sir Derek Jones:** I don't accept 'sloppy' as a general description of the way our grants are managed—

[196] **Darren Millar:** Good.

[197] **Sir Derek Jones:** —and I think that the work that the committee's seen through the grants management process stands up and has put us in a better position generally. There will always be some cases that go wrong. So, if you're seeking an assurance that that will never happen, I can't provide it. There will be cases where things go wrong or a firm goes bust—. I suspected you might ask me this question, so I asked myself the question, 'Well, how do I know that this is effective?' We can keep track of these figures, if you like, but, in recent years, we've made over 1,000 grant offers from which we currently have 14 cases where we're seeking some kind of recovery. If we keep track of those figures, we should know whether we're doing okay or not. I don't think I could tell you what the right level was but I think that that creates a sense of proportion about the problem that we've got here, but we will never completely eliminate that. I think that our grants management now is generally far less risky than it was. We can still improve the grants management programme. It's still at work.

[198] The particular case of the autism grant I noticed in the media as well and asked for some advice about whether it demonstrated some problem. I don't think I know as much about the case as you do, Chair, but the advice that I received was that—and this is not untypical of some of the difficult areas; you have a very good cause, and a well-meaning, usually charitable or third sector organisation pursuing that good cause, but maybe not the most robust organisation in terms of financial management—. What to do? The grant applicant in this case was a new and a small organisation. The officers examining it decided that, because of that, it would be best not to make the grant to the body that had actually applied, but, by agreement with it and its parent body, which had a more robust financial management capability, the grant was therefore made to the parent body, the parent charity. That explained, to my satisfaction at the time, the media report that I picked up, which seemed, on the face of it, a bit odd, which was that a grant had been made not to the body that had applied for it but to another one.

[199] The other details you mentioned, I'm not familiar with.

[200] **Darren Millar:** Yes. In terms of timing differences, David Richards—award letters being given and responses requested at dates that have long gone—is that typical?

[201] **Mr Richards:** No, it's not, and it's not good practice, Chair. Whether there was a particular reason behind this—and sometimes there is; sometimes there are conversations that go on with the grant applicant, which actually sort of change the timings—I don't know for this particular case, but we will look at it.

[202] **Darren Millar:** And just that final question, then—the robustness of the information required from grant applicants as part of any grant application process with the Welsh Government—again, with that particular example, there was very scant financial information. I'm hoping that that, again, is not typical of the grant applications that are made to the Welsh Government and granted.

[203] **Sir Derek Jones:** It won't be typical because there's no standard grant application. They vary enormously in terms of size, scale and complexity. I think, again, in terms of not being overly risk averse, we do try to match proportionately the administration, the checking, and the paperwork to the risk, both in terms of the sum of money involved and the nature of the organisation that we're funding. So, it won't be exactly the same set of paperwork for every type of grant. It will vary. I hope, actually, that, in some cases, if it's a small amount of grant to a reliable organisation, we do keep the paperwork to a minimum.

[204] **Darren Millar:** Okay. Thank you for that. Mike, was it on this issue? Because I'm going to bring Sandy in.

[205] **Mike Hedges:** Yes, on this issue. As you know, there are lots of organisations that apply for grants, and the Welsh Government is just one of the organisations that they are applying for grants to. As you probably remember, when we did an investigation some time ago regarding an organisation that passed the risk with one part of the system, if that was then accepted, the risk was passed for everybody, and some people are making relatively small grants, where—. The amount of risk that you're prepared to take for £5,000 is probably less than the amount of risk that

you're prepared to take for £5 million. So, can you just give me an assurance you are still risk assessing the Welsh Government part of any grant, even when others have already agreed grants?

[206] **Sir Derek Jones:** Was this a European structural funds project? If it was, I think I recall it.

[207] **Mike Hedges:** Yes. It was one up in Bala.

[208] **Sir Derek Jones:** 'Yes' is the answer.

[209] **Mr Richards:** The heritage centre.

[210] **Sir Derek Jones:** Yes. We need to protect our interests regardless of whether someone else purports to have carried out due diligence.

[211] **Mike Hedges:** Because what happened there was that once one person agreed it, everybody just sort of thought, 'It's been done by one', and we ended up with things not working out as well as we would have liked.

[212] **Sir Derek Jones:** Usually, I think it's the other way around, actually. If the Welsh Government has done its due diligence and thinks it's okay, others will feel able not to.

[213] **Darren Millar:** Okay. Sandy Mewies.

[214] **Sandy Mewies:** Thank you, Chair. Morning.

[215] **Sir Derek Jones:** Good morning.

10:00

[216] **Sandy Mewies:** Figures show that, during 2014–15, total staff numbers, as you're well aware, I'm sure, went up by 59 in the Welsh Government compared with the 2013–14 figures. At the same time, there's a table that shows us that there were 132 redundancies in 2014–15 and they cost quite a lot of money, the way that they were paid out. I think there's a figure of just under—

[217] **Darren Millar:** Six million pounds.

[218] **Sandy Mewies:** Individually, it worked out at somewhere around just under £48,000 per person when people took redundancy.

[219] **Sir Derek Jones:** Yes, that sounds about right.

[220] **Sandy Mewies:** Yes. So, on the face of it, there's an inconsistency there, isn't there? I know you were looking for flexibility, and there were people being made redundant to achieve that, but, overall, the figures have increased. So, I wondered if you could just explain why the staffing increase was necessary and whether you feel that, if you go on now using managed redundancies to meet certain criteria, that is sustainable. Would it, perhaps, be better to consider that, instead of making people redundant, they're retrained and redeployed to fill the vacancies—that do have to be filled, and I think we all accept that? It's bringing those two things together, looking at the consequences and the reasons for them.

[221] **Sir Derek Jones:** I think the two things are reconciled in a phrase, by 'skills mix'. Perhaps I should start at the beginning. I'm watching and managing staff numbers very, very carefully at the moment; financial pressures are such that I have no option. I therefore know the latest figures I have from August this year—staff numbers, 5,188. The forecast for the end of the year will be lower than that—probably about 120 lower—at 5,118. That's around about 1,000 fewer civil servants than were in the organisation at the start of the last Assembly when there was a large merger actually, a major merger process of outside bodies. So, the first point I want to make is that, although you'll see differences between years, the overall trend is a reduction.

[222] In recent years, and since I've been in this post, I've had to balance two quite difficult requirements: one is to meet budgets and control costs, but the other is to have the skills and capabilities in the organisation that Ministers required. When I arrived, I did have quite a lot of feedback from Ministers to the effect that they saw skills gaps and there were one or two very obvious pinch points—the legislative programme in particular, given the lack of drafting lawyers and other legal services. And there were other areas where recruitment was necessary to bring in specific skills: lawyers, I've mentioned; planners; business-facing people with commercial skills; procurement skills; translation skills. Now, those are all areas where it's unlikely to be possible to upskill within the organisation. So, for that reason, I've been having to—. Actually, Peter hasn't dug me in the ribs; I think they're probably not redundancy cases, but they're voluntary exits in order to both

keep costs down but also create some headroom for the kind of recruitment that will be needed.

[223] It hasn't been a perfect operation and, in the last couple of years, there was some growth that I had not planned and targeted, so I've needed to put a stop to that, which is why you'll see, if—. I hesitate to offer to write to you. I don't think I need to, because I'm pretty confident about the figures; they will be really low this year. I don't have any plans for further voluntary severance, but I can't absolutely rule it out. Difficult decisions are going to be taken across the Government, I'm sure, in the light of the spending review announcement at the end of November. I'll have to see what kind of budget Ministers can afford for the administration.

[224] **Sandy Mewies:** So, really, what you're saying is that you're looking for flexibility, but, in fact, the policies and the strategies that you've been using over years, and will continue to use, are also flexible because of the oversight that you are keeping of the position and the new skills that are needed for the future.

[225] **Sir Derek Jones:** Yes. I won't be let off the hook at all within the organisation on reskilling and upskilling where it's possible—trade union side not least, but generally speaking. As well as professional skills, we do need a flexible and capable what we might call 'general civil service cadre' that can adapt to new responsibilities, and we have a training and development plan in place. I mentioned briefly the 'Preparing for the Future' programme that I've introduced, because all of these pressures are really going to be quite a challenge, but one of the work streams is on leadership and capability, and that will be looking at, 'Well, what sort of skills do we need?' We're building a Welsh treasury, for example, at the moment, and that's a new responsibility—some retraining, but some recruitment is needed to staff that adequately.

[226] **Sandy Mewies:** And what sort of discussions do you go through to identify, for example, under the 'Preparing for the Future' exercise, which director generals were retained, and what severance terms were agreed?

[227] **Sir Derek Jones:** I inherited a director-general group of seven. Relatively early on as permanent secretary I decided there was an economy that could be made in the corporate services centre of the organisation, where there were two director-general roles. I changed that so that there would just be one director-general role for corporate services, and one DG

post was deleted from the organisation. Following that, the merged corporate services was able to release a substantial amount of resource from efficiency savings. I think it was 20 per cent of the total £7 million of resource that was then released from the corporate centre to some areas of front-line business that I knew were under pressure. More recently, though, I felt that, although the director-general arrangements were functional at six, they probably weren't absolutely optimal in terms of economy of administration, and so, knowing the sort of pressures that were ahead, I took a decision to reduce that to three roles. One is director general for health and social services, and the other two for all other services—economy and natural resources on the one hand, and education and public services. For those three departures, voluntary severance arrangements were necessary. I thought very hard about the costs and the benefits, but I'm very satisfied about the economy that will produce. The payback period for the severance amounts is around about a year. Peter's saying less.

[228] **Mr Kennedy:** Ten months.

[229] **Sir Derek Jones:** Ten months. So the payback period on those particular posts is good. The saving, just on those posts, over a five-year period, would be between £2 million and £3 million. But that's just those posts. My main ambition in making this change was further rationalisation within the organisation as a whole. Every department, every directorate-general would have its own services, its own operations group, its own finance leads. By bringing them together, I can make a significant economy. Just over the summer, we've released from the new groups about £1.5 million of resource, again, to go to priority areas. So, so far, the signs are encouraging.

[230] **Sandy Mewies:** And has the senior management restructure had an impact on gender balance, do you know? Has that been considered?

[231] **Sir Derek Jones:** Well it has, unfortunately, at director-general level. One female director general was one of those that departed. I'm very conscious of that. But director-general level is a very small group. If, as I have been, I look at the senior civil service as a whole, which is the main leadership group, the gender balance is 40 per cent, 43 per cent female.

[232] **Mr Kennedy:** It's currently at 44 per cent. The specific point—if that's okay, Derek—on the impact of the change, looking across the SCS cadre is, oddly enough, it had a positive impact, going from 43.1 per cent to 46 per

cent, but that's really because one female left and two men left. The overall piece has changed; it's increased to 44 per cent, but that's as a consequence of other changes not linked to the restructuring.

[233] **Sir Derek Jones:** I'm not comfortable with it, because at that level, it is noticeably three blokes. There's nothing I can do about that, but there are other things that I can do. Actually, I've already made a commitment for the senior civil service as a whole to reach 50:50 by 2020—that challenge. The DG group is the DG group, but the governance of my organisation is the responsibility of its board. That includes the three directors general, but also other staff and non-executive directors, and the board is somewhere where I can also look to improve gender balance. I think it's currently 30 per cent.

[234] **Sandy Mewies:** Thank you. Finally, Chair, if you'll allow me, there was an increase in sickness absence in 2014–15.

[235] **Sir Derek Jones:** There was.

[236] **Sandy Mewies:** I know you do staff surveys and other things, but what are you doing, what action are you taking to identify the reasons and what are you doing about it?

[237] **Sir Derek Jones:** I'm not happy with the sickness levels in the organisation. I wasn't happy with them when they were about 7.2 per cent a year ago, and it's gone up to 7.9 per cent. I'm tracking it in-year, and there's one month where it's gone up again. It's not easy to know quite what the explanation for this is, and I don't want to exaggerate it. It's not a terrible situation. The Chartered Institute of Personnel and Development publishes a report on, amongst other things, sickness absence in the public sector, and the benchmark figure that they've published is 7.9 per cent, which is pretty much exactly where we are. I know that we are about mid-table, looking across the civil service as a whole as well, but I just don't feel comfortable with benchmark or mid-table on something like this. I think our organisation is, generally speaking, a safe and good place in which to work, and so I'm looking for top quartile, at least, on this.

[238] About a year ago, Peter, I think, I asked for some steps to be taken; for example, identifying which parts of the organisation had higher than our average sickness rate, and asked the heads of those divisions to report regularly. We've introduced some training and development for managers. I think some of this should be relatively straightforward: return to work

interviews, phone calls by managers when people are off sick. Since taking that action, as I said, the committee won't be amused to know, and neither am I, that actually it looks as if the figures might have gone up a bit. So, I'm really not satisfied and I'm going to be pressing pretty hard on this.

[239] The final thing is it tends to be short-term sickness absence that is susceptible to this kind of improvement, and one of the noticeable things here is that long-term sickness has increased. Some of that is actually very, very sad—people who are genuinely very, very ill for a long time and sometimes don't survive their illness, but I don't know why our long-term sickness figures have increased at the moment, and we need to check them very carefully.

[240] There is a view that what we're seeing here are pressures of work and staff pressures. That's a view. There's no evidence of it, and I'm not currently buying that, because in my experience some of the busiest and most hard-pressed teams have the best morale and the lowest levels of sickness, if well managed. So, I don't think that it's an easy equation between tight staffing, high levels of work and high sickness, although, as I say, some people would make that argument.

[241] **Darren Millar:** Thank you for that. Julie Morgan, you want to come in.

[242] **Julie Morgan:** Yes. Going back to some of the earlier questions that Sandy asked, how difficult is it and has it been to balance the tight financial circumstances that you referred to, and the ever-changing role of Welsh Government, with the increased devolution and the Wales Bill coming on-stream now? How do you actually work that out?

10:15

[243] **Sir Derek Jones:** It hasn't been easy and I'm not claiming to have worked it out perfectly. And I'm not sure that we've yet managed the most testing period. The next Wales Bill is proving a bit controversial at the moment. But I think the best expectation is that, sooner or later, that Bill or something like it will reach the statute book and that will involve not only devolution of financial responsibilities, which we already have—tax-raising, for example—but also for other policy and operational areas, such as devolution of large-scale energy consenting, for example; devolution of responsibility for ports in Wales; devolution of rail franchising. These are large, complex new areas of business that we will have to manage—I think

rather more, if anything, than the ones that we've already taken on. So, doing all of that—. And I'm also conscious there's an election coming next year, so there'll be a fresh programme for government, which is always a good challenge. So, we'll have a fresh programme for government, we'll have new responsibilities being devolved to the organisation and we'll have to manage those well in probably what will be a shrinking budget. So, I think, you know, the next few years will be pretty testing, which is why I've established the 'Preparing for the Future' programme.

[244] But I'm not at all daunted by that scenario, as long as we do plan properly. The evidence is that this organisation, if we go back to the beginning of devolution, has been able to manage an absolutely transformational change from pre to post; it just requires good, organised staff work.

[245] **Julie Morgan:** So, in terms of the staff, you're obviously setting up a treasury function. Do you see yourself doing anything similar to that—another sort of new field?

[246] **Sir Derek Jones:** In a lot of cases, I think the new responsibilities will settle in reasonably naturally and won't necessarily require a formal programme. The treasury was a bit different, so we do have a formal project and programme management system, a senior responsible officer, a programme manager, a panel and the Minister has an external advisory group on tax matters, because making a good job of raising the Welsh Government's revenues is a big, complex and important task. I don't think every new devolved responsibility will require the same heavy duty approach, but some might; rail franchising might well require something similar.

[247] **Julie Morgan:** Thank you, and to go back to the staff and the staff survey that has taken place, you say that performance improved in 22 out of 72 core questions compared to the previous survey.

[248] **Sir Derek Jones:** I did, and I've looked into this subsequently, not, unfortunately, in time to change the drafting of the report. Twenty-two—. We're actually quite proud of the staff survey results in the Welsh Government, which on 90 per cent of the questions that the survey asks we benchmark better than the civil service average. The same survey is done essentially around all the UK Government departments. But I think a bit of public relations has crept into the drafting here, because it's true that 22 out of 72 questions went up, but as many went down.

[249] **Julie Morgan:** How many went down?

[250] **Sir Derek Jones:** It was about the same, and that, therefore, is not a balanced presentation. I will take some credit for the next paragraph, however, which does flag up that some areas went down and one of the ones that we were worried about was skills and development. Actually, this is pertinent to Sandy Mewies's question to me earlier. The staff don't necessarily feel they're getting the opportunities for skills and development that they would want. So, the report says that overall scores on learning and development declined slightly on the previous year. They also went down on 'Do you feel adequately paid?' and 'Do you feel you have the time to carry out your work?' Those sorts of areas of questioning went backwards. Overall engagement is still good, and so even where scores went backwards on the year, that figure I mentioned, on 90 per cent of the indicators, there's a greater level of staff engagement in Welsh Government than in most Government departments. Since it is a good story, I wish I had presented that figure in a more balanced way.

[251] **Julie Morgan:** Well, thank you for clearing that up. With the improvement, could you just tell us a few of the areas that have improved?

[252] **Sir Derek Jones:** The one that's foremost in my mind is a curious one, because, although, generally speaking, the engagement was also good, one of the areas where we fell below the civil service benchmark was the extent to which staff believed that we took action on the basis of the survey results. So, I focused on that and tried to make everybody understand that these good results didn't just come in and get filed, but that I and the management team paid attention to what the results were telling us and took action on them, and that was one of the big improvements in the scores. I think we have notes on other areas that improved, Peter.

[253] **Darren Millar:** Do you publish the findings of the survey?

[254] **Sir Derek Jones:** Yes.

[255] **Darren Millar:** They're available—

[256] **Sir Derek Jones:** It's all up on the website, and we do that along with all of the Whitehall departments as well, so people can make comparisons.

[257] **Darren Millar:** Sorry, you wanted to bring Peter Kennedy in.

[258] **Mr Kennedy:** Two areas that did increase were learning and development and pay and reward. They increased for us, but also we outperformed the civil service in those two areas.

[259] **Sir Derek Jones:** No, learning and development, Pete, declined slightly on the year; you'll have to come up with another.

[260] **Darren Millar:** I'm sure that Members will take an interest in the published report. Did you have any further questions, Julie?

[261] **Julie Morgan:** So, you're going to continue to act on the survey, then, so that you keep that score up high.

[262] **Sir Derek Jones:** Yes. It will be tough going in the light of everything that I've just been talking about. I'm not at all complacent about getting good feedback, but the baseline position is, I think, staff who feel genuinely engaged, so that when they come to work they're not just processing some paper or managing a grant scheme, but see the connection between that and what matters in the world outside. And I think that's what tends to buoy the staff engagement scores. But as they say in the financial health warnings, these figures can go up and down.

[263] **Darren Millar:** Can I just ask, as a follow-up to the questioning on the reorganisation within the Welsh Government at the senior level with the directors general—? One of the policies that is reported in your accounts, on page 10, our page 125, says that

[264] 'The Constitutional Reform and Governance Act 2010, requires Civil Service appointments to be made on merit on the basis of fair and open competition.'

[265] Can I just ask you to confirm: were all of the new posts that were created advertised? Were they advertised externally? How did you ensure that there was fair and open competition? So, for example, the new consolidated director general posts.

[266] **Sir Derek Jones:** No, they're not new posts in the sense that they're better paid or anything of that kind. There were six; it was going down to three. A preference exercise was carried out; the three serving directors

general took up three of the—

[267] **Darren Millar:** Even though the responsibilities were much wider?

[268] **Sir Derek Jones:** Yes. Well, it's a tough business, Chair, and you could argue that with those greater responsibilities should come greater remuneration, but I took the view that, to a degree, those jobs would be their own reward.

[269] **Darren Millar:** I don't have an issue with the same level of pay; those individuals might. The point I'm making is: was there fair and open competition for those new, much wider posts, given the significant differences between them and the previous posts?

[270] **Sir Derek Jones:** It wasn't necessary. The free and fair and open competition is for entry to the service, and so, within the service, it may be that the best thing to do is to have an open competition; it may be best to have an internal competition, or, as in this case, close to a redundancy situation, to match people to roles. So, it isn't a case of people joining the service, and it isn't essential to have an open competition.

[271] **Darren Millar:** If there'd been a change in the pay rate, would there have had to be an open competition then?

[272] **Sir Derek Jones:** Peter will help me, but, I think, not necessarily.

[273] **Darren Millar:** Some people will find it a bit odd that this was an internal exercise, rather than an advert out for other individuals to take an interest in these two new posts.

[274] **Mr Kennedy:** The range of responsibilities are different for the—

[275] **Darren Millar:** Yes.

[276] **Mr Kennedy:** If I say the two that remain—because there wasn't an awful lot of change on the DG health space, so there was a fairly obvious match, I would suggest, into that role. When we looked at designing the new structure, and we created the jobs themselves, and had them evaluated, they fall within the senior civil service pay band 3 range, so there's no question about advertising at a higher salary. I suppose the only reason that we would consider doing that is if they were fundamentally different, into a different

sphere altogether, and that we didn't have the skills internally. It's a standard approach when we reconfigure—you reduce by x number of posts, there'll be a preference exercise with the individuals at that level, and, hopefully, things match up. And by 'things match up', I mean the individual's preference, their skillset and their ability to carry out the activity.

[277] **Darren Millar:** So, can you just clarify—? The Permanent Secretary has just suggested that this fair and open competition is just for new posts, for entry into the civil service, rather than posts that you want to advertise just within it.

[278] **Mr Kennedy:** We're governed and audited externally on the Civil Service Commission's principles, which require entry into the civil service to follow three principles—fairness, openness, and appointment on merit. Whilst that isn't applicable in the same way internally, we do follow the same fairness and merit arrangements, but, when you're going through a restructuring, to go from six to three, we do match people into posts if there's no requirement to compete. And a requirement to compete would come about—. Going from six to three, on one level, is easy, if everybody's preference lines up, and the skills mix remaining is appropriate; if it doesn't, or if it didn't, say three hadn't decided that they would accept an exit, then we would have run a limited competition for the posts remaining.

[279] **Darren Millar:** But not externally.

[280] **Mr Kennedy:** Not necessarily externally.

[281] **Sir Derek Jones:** There are plenty of external competitions that are arranged, even where it isn't absolutely necessary according to the civil service code, but where it just makes good business sense. So, if you're after skills that you don't think are readily available in the organisation, open competition is the way to go.

[282] **Darren Millar:** Okay. Jenny, was it on this issue?

[283] **Jenny Rathbone:** No, it was on another issue.

[284] **Darren Millar:** Okay, go on, bring it in.

[285] **Jenny Rathbone:** On page 59 of your report, you've listed a number of minor subsidiaries for which no trading results are disclosed in these

consolidated accounts. Now, some of them I know, some of them I don't know. Are their accounts available separately? Some of them I've found—Hybu Cig Cymru accounts for 2013. Do they, every year, each of these separate companies—

[286] **Sir Derek Jones:** Yes. They're companies, so they file their accounts.

[287] **Jenny Rathbone:** Okay. The Welsh Government Transport Company—what do they do? I looked them up, and it just said 'nothing available'; it just told me they were in Treforest.

[288] **Sir Derek Jones:** It's a very new set-up, in order to, as far as we can, assess the best way to deal with rail franchising, in particular. And so, that's a company where my staff are the directors.

[289] **Jenny Rathbone:** Okay. And are all of these subsidiaries set up because they have the potential to be trading? Obviously, Hybu Cig Cymru does.

[290] **Sir Derek Jones:** We haven't come on to arm's-length bodies, generally, and I'm not sure there's time. It's quite difficult territory to make a decision about, with a particular piece of business—what is the best way to manage it, should it be done entirely internally, should it be done through a contract with an external company, say, or something else? In this case, the decision is a transport company. Hybu Cig Cymru, as you say, trades. So, there'll be different answers according to different business needs. The reason I describe it as tricky territory is because you have to decide what the governance arrangements should be for custody of public money through different chains of management and accountability. I know this is something the committee, and the audit office, indeed, have been thinking about as well, and so have we, because we'll probably need to be doing more of this kind of thing in future. But every time we do, it seems to raise a new question of accountability.

10:30

[291] **Jenny Rathbone:** Okay, it's something we might come back to.

[292] **Darren Millar:** Can I just ask, while we're on this particular subject—? Career Choices Dewis Gyrfa Ltd is listed, including their financial performance. They've suffered a significant loss in the year, according to the accounts, and their share capital and reserves have changed significantly

within the year as well. Could you just give us a couple of lines on what has caused that—anything in particular?

[293] **Sir Derek Jones:** This is also a new set-up—. We don't know off hand, Chair.

[294] **Darren Millar:** Okay, perhaps if you can send a copy of their accounts to us, if they're available.

[295] Just one final area, then. Paragraph 57 of the report, on page 23, refers to an increase in the number of cases under review by the counter-fraud service within the Welsh Government. Obviously, people reading that will be, perhaps, a little alarmed to read that there has been an increase in the number of cases under review. It says that some of them are long-standing investigations and some are new referrals. Can you just provide an explanation—how many cases are we talking about? What's the potential value of those cases? Where are they at? How many are being referred to the police?

[296] **Sir Derek Jones:** Eighteen—

[297] **Darren Millar:** Eighteen cases.

[298] **Sir Derek Jones:** —cases of suspected fraud. Can I say, first of all, that this is fraud, or suspected fraud, perpetrated against the Welsh Government, not from within it, just in case there's any doubt about that? Fraud hasn't been a major problem for the organisation over the years, and again, to give myself some perspective, looking at this, 18 is actually only 0.3 per cent of the organisations that we fund. But, it's clearly, you know, worrying and very problematic when it happens. We have a good counter-fraud unit in the organisation headed by a former police officer, but they are under some pressure, and it's not because there's a great deal more fraud coming our way, but these are some rather complicated cases.

[299] Of the 18, nine are in a particular area which I'd rather not mention, if you wouldn't mind, Chair. And, it's the evidential requirements for pursuing these possible frauds that's putting some strain on our counter-fraud unit. So, we've had to take some steps to support them, and the internal audit, I think, is making some staff available, David, to help counter fraud. We've also carried out a training programme to equip more people with the kind of understanding and skills they need to take part in a counter-fraud

investigation. So, it's not a huge problem; there are some pressures at the moment on administration, but I think we're dealing with them.

[300] **Darren Millar:** So, just so that we can compare, as a committee, how many cases were there in the last financial year? You say you've got 18 at the moment—how many were there last year?

[301] **Sir Derek Jones:** I think it was about half that number.

[302] **Darren Millar:** That's a significant increase, isn't it?

[303] **Sir Derek Jones:** And, I think, probably, in one particular area.

[304] **Darren Millar:** When you say 'area'—geographical area or area of business?

[305] **Sir Derek Jones:** A bit of both, actually.

[306] **Darren Millar:** Right. Okay. Can I ask one final question? I'll bring other Members in. I'm alarmed to hear that there's been such a significant increase, and specifically if it's tied to a particular area of business or, potentially, a specific geographical area. But, can you tell me what the value, the potential value, of this fraud may or may not be? What's your upper estimate of the potential total—

[307] **Sir Derek Jones:** I don't—.

[308] **Darren Millar:** —loss to the taxpayer? I mean, are we talking millions? Tens of thousands, hundreds of pounds—what are we talking about?

[309] **Mr Richards:** It's potentially millions, Chair. But, it's also potentially a very, very small amount. It depends hugely upon how police investigations progress, and the extent to which the police then decide, with the Crown Prosecution Service, whether they're going to proceed to a prosecution. Then, the separate thing is, how much of a potential loss the police decide they actually want to go after, because sometimes the police will decide they will simply prosecute on the basis of an amount of money where they're confident they can get a successful prosecution, rather than the amount of money. So, it's a very difficult area to forecast, I'm afraid.

[310] **Sir Derek Jones:** These are suspect cases. They're not losses, Chair,

and up to a point, I suppose I've got to say that we need to make it as difficult as possible for anybody to try to defraud the Welsh Government, but, ultimately, we can't stop people trying. What I think we do quite successfully is prevent them. I do recall, actually, our counter-fraud unit being given some compliments by a judge in a court case recently, where the work that had been done in my organisation had been very effective in dealing with an attempted fraud. So: very watchful, not a huge problem, but on guard, I think, at all times. Again, in terms of grants management and training and development: good procedures and good practices that close down opportunities for fraud.

[311] **Darren Millar:** But you're satisfied that the counter-fraud service, as you've said, has got the capacity to be able to deal with the work that's on its plate. If its workload has doubled, which is the impression we have, then don't you need to be appointing—?

[312] **Sir Derek Jones:** I think I said we had recognised that they were under pressure—

[313] **Darren Millar:** You're giving them support from internal audit.

[314] **Sir Derek Jones:** —from the evidential requirements. I've corresponded, actually, with South Wales Police on this, just to make sure that we're well aligned on these things. So, I think: alright for the moment, but we've got our eye on it.

[315] **Darren Millar:** Okay, so, you're engaged with the police. All 18 cases, no doubt, have been reported to the police. Jocelyn Davies, you wanted to come in?

[316] **Jocelyn Davies:** I was going to ask about the value, because I notice that you took some time to tell us it was 0.3 per cent of the number of organisations, but, of course, as we were talking earlier about aggregating grants together, if it's worth a lot of money, then it doesn't matter whether it's one case. I can understand you're not able to tell us that at the moment, but perhaps we'll come back to this after, hopefully, successful court proceedings.

[317] **Darren Millar:** On that note, I'm afraid the clock has beaten us. If I can thank you, Sir Derek, David Richards, Peter Kennedy and Gawain Evans, for your attendance at the committee today. We'll look forward to receiving the

copious notes that you've promised to provide on different matters.

[318] **Sir Derek Jones:** Can I not go until I respond to that, Chair?

[319] **Darren Millar:** Of course.

[320] **Sir Derek Jones:** I have promised the committee more notes than I think ideal. Really, it seems that, on the accounts, there may be an inevitability in that. Normally, at a session like this, I would hope that we would be sufficiently well briefed to answer all of the committee's questions, but this is a massive and complex undertaking. As I said, I welcome the opportunity to engage with the committee on the accounts. We're pretty well briefed, but there will be things where we can't, on the day, provide a detailed answer.

[321] **Darren Millar:** Perhaps I'm not being as charitable as I ought to be. I do appreciate your attendance; we really appreciate the offer to send us further information, as well, and we're very grateful for the answers that you provided to the committee when we've been challenging on some of these issues. You'll be sent a copy of the transcript of today's proceedings. If there are any inaccuracies in that transcript, please let the clerks know and we'll ensure that those records are amended. Thank you very much indeed.

[322] **Sir Derek Jones:** Thank you, Chair.

10:38

**Cwrdd â'r Heriau Ariannol sy'n Wynebu Llywodraeth Leol yng
Nghymru: Gohebiaeth y Pwyllgor
Meeting the Financial Challenges Facing Local Government in Wales:
Committee Correspondence**

[323] **Darren Millar:** Moving on, then, to item 4: meeting the financial challenges facing local government in Wales. We've had a further response from the Welsh Government—from the new accounting officer, Owen Evans—in relation to our further correspondence with the Welsh Government on facing financial challenges. Can I take it that that is noted? We've got a commentary, as well, to note from the auditor general.

[324] **Mike Hedges:** May I just make a brief point on reserves? General reserves are straightforward. Other reserves—. I know Swansea council, for

example, has a building–repair fund, which it draws down from to fund the repair of buildings. I also know that when road improvements take place, there are compensation payments being made and, obviously, the money is put into reserves. Whether it would help if local government provided the sort of level of detail that I used to get on exactly what each reserve is there for and how it is intended to spend it over a period of time—. I’m yet to see a local authority that doesn’t have an ICT replacement fund, and, if there is, it’s going to have a big bill sometime in the near future. So, I think that, for the Welsh Government to understand the position of reserves and how they’re used, I think it would be helpful if they asked local authorities to provide that level of detail. I don’t know whether the auditor general agrees.

[325] **Mr Thomas:** I entirely agree. In fact, the recommendations we made in the original study were that the local councillors need to understand why reserves are written in and to be comfortable with that.

[326] **Darren Millar:** I think, again, to be fair to the Welsh Government, it’s a much better quality of response than we’ve had previously in terms of some of the issues that we’ve been raising with them. So, we’re unlikely, I think, to revisit this particular subject probably before the end of the Assembly term, but at least it’s on a better note that we leave it.

[327] **Jocelyn Davies:** Have we come across Owen Evans before?

[328] **Mr Thomas:** Education.

[329] **Darren Millar:** Yes.

[330] **Mr Thomas:** I think he appeared before us—

[331] **Jocelyn Davies:** Deputy Permanent Secretary.

[332] **Darren Millar:** Yes. He came in to give us evidence on teachers’ absence. I’m not sure if you were here at that particular time, Jocelyn, sitting on the committee.

[333] **Jocelyn Davies:** Yes. I didn’t know—Deputy Permanent Secretary; I didn’t know—

[334] **Darren Millar:** Yes, there are two deputy—three deputy permanent secretaries—

[335] **Mr Thomas:** They've retitled 'director-general' as 'deputy permanent secretary'.

[336] **Jocelyn Davies:** Ah, right, okay.

[337] **Darren Millar:** This is part of what we were exploring.

[338] **Jocelyn Davies:** So, that's what they're called now—deputy permanent secretaries.

[339] **Darren Millar:** Yes.

[340] **Jocelyn Davies:** Right, okay. That's fine.

10:41

**Ymateb i Ddiwygio Lles yng Nghymru: Llythyr gan Archwilydd
Cyffredinol Cymru
Responding to Welfare Reform in Wales: Letter from the Auditor
General for Wales**

[341] **Darren Millar:** Item 5: responding to welfare reform in Wales. Again, we had the Welsh Government's response in our papers last week. We've got a commentary now, from the auditor general, on that response. There are some issues that the auditor general is suggesting we follow up in correspondence with the Welsh Government. Can I suggest that we take this forward? Are Members content? Yes, okay. Excellent. We'll do that.

**Cynnig o dan Reol Sefydlog 17.42 i Benderfynu Gwahardd y Cyhoedd
o'r Cyfarfod
Motion under Standing Order 17.42 to Resolve to Exclude the Public
from the Meeting**

Cynnig:

Motion:

*bod y pwyllgor yn penderfynu that the committee resolves to
gwahardd y cyhoedd o weddill y exclude the public from the
cyfarfod yn unol â Rheol Sefydlog remainder of the meeting in
17.42(vi). accordance with Standing Order*

17.42(vi).

Cynigiwyd y cynnig.

Motion moved.

[342] **Darren Millar:** Item 6, then. I'll move the motion under Standing Order 17.42 to resolve to exclude the public from the remainder of our meeting and for items 1 and 2 of our meeting on 6 October. Does any Member object?

[343] **Mr Thomas:** On the sixth.

[344] **Darren Millar:** On 12 October. My notes are incorrect. On 12 October. Does any Member object? There are no objections, so we'll move into private session.

Derbyniwyd y cynnig.

Motion agreed.

Daeth rhan gyhoeddus y cyfarfod i ben am 10:42.

The public part of the meeting ended at 10:42.