



Cynulliad
Cenedlaethol
Cymru

National
Assembly for
Wales

Cofnod y Trafodion The Record of Proceedings

[Y Pwyllgor Cyfrifon Cyhoeddus](#)

[The Public Accounts Committee](#)

2/10/2017

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Cofnodir y trafodion yn yr iaith y llefarwyd hwy ynnddi yn y pwyllgor. Yn ogystal, cynhwysir trawsgrifiad o'r cyfieithu ar y pryd. Lle mae cyfranwyr wedi darparu cywiriadau i'w tystiolaeth, nodir y rheini yn y trawsgrifiad.

The proceedings are reported in the language in which they were spoken in the committee. In addition, a transcription of the simultaneous interpretation is included. Where contributors have supplied corrections to their evidence, these are noted in the transcript.

Aelodau'r pwyllgor yn bresennol
Committee members in attendance

Mohammad Asghar Bywgraffiad Biography	Ceidwadwyr Cymreig Welsh Conservatives
Neil Hamilton Bywgraffiad Biography	UKIP Cymru UKIP Wales
Vikki Howells Bywgraffiad Biography	Llafur Labour
Nick Ramsay Bywgraffiad Biography	Ceidwadwyr Cymreig (Cadeirydd y Pwyllgor) Welsh Conservatives (Committee Chair)
Lee Waters Bywgraffiad Biography	Llafur Labour

Eraill yn bresennol
Others in attendance

Gawain Evans	Cyfarwyddwr Cyllid, Llywodraeth Cymru Director of Finance, Welsh Government
Caren Fullerton	Prif Swyddog Digidol, Llywodraeth Cymru Chief Digital Officer, Welsh Government
Richard Harries	Swyddfa Archwilio Cymru Wales Audit Office
Sophie Howe	Comisiynydd Cenedlaethau'r Dyfodol Cymru Future Generations Commissioner for Wales
Peter Kennedy	Cyfarwyddwr Adnoddau Dynol, Llywodraeth Cymru Director of Human Resources, Welsh Government
Shan Morgan	Ysgrifennydd Parhaol, Llywodraeth Cymru Permanent Secretary, Welsh Government
James Price	Dirprwy Ysgrifennydd Parhaol Grŵp yr Economi, Sgiliau a Chyfoeth Naturiol, Llywodraeth Cymru

Deputy Permanent Secretary, Economy, Skills and
Natural Resources Group, Welsh Government

Julie Rees

Swyddfa Archwilio Cymru
Wales Audit Office

David Richards

Cyfarwyddwr Llywodraethu, Llywodraeth Cymru
Director of Governance, Welsh Government

Huw Vaughan Thomas

Archwilydd Cyffredinol Cymru
Auditor General for Wales

Mike Usher

Swyddfa Archwilio Cymru
Wales Audit Office

Helen Verity

Cyfarwyddwr Cyllid a Llywodraethu Corfforaethol,
Swyddfa Comisiynydd Cenedlaethau'r Dyfodol
Cymru
Director of Finance and Corporate Governance,
Officer of the Future Generations Commissioner for
Wales

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

Claire Griffiths

Dirprwy Glerc
Deputy Clerk

Elfyn Henderson

Y Gwasanaeth Ymchwil
Research Service

Meriel Singleton

Ail Glerc
Second Clerk

Katie Wyatt

Cynghorydd Cyfreithiol
Legal Adviser

Dechreuodd y cyfarfod am 13:07.

The meeting began at 13:07.

Cyflwyniad, Ymddiheuriadau a Dirprwyon Introduction, Apologies and Substitutions

[1] **Nick Ramsay:** Welcome to the Public Accounts Committee meeting this afternoon. Note that headsets are available in the room for translation and sound amplification. Please ensure any electronic devices are on silent. In the event of an emergency, please follow directions from the ushers.

[2] We've received one apology today, from Rhianon Passmore. Do any Members have any declarations of registerable interest they'd like to make at this point in the meeting? No. Okay.

13:08

Papurau i'w Nodi Papers to Note

[3] **Nick Ramsay:** Item 2: we need to note the minutes from the last meeting, held on 25 September. They are noted. Also, the Welsh Government have written to us, advising that they've completed the monitoring and evaluation work, as recommended by the fourth Assembly Public Accounts Committee in its report, published in March 2015, on Glastir. Are Members happy to note that letter? Good. Okay.

13:09

Craffu ar Gyfrifon 2016–17: Comisiynydd Cenedlaethau'r Dyfodol Cymru Scrutiny of Accounts 2016–17: Future Generations Commissioner for Wales

[4] **Nick Ramsay:** Item 3: this is our first witness evidence session of this afternoon. This is the second year in this Assembly that the committee will scrutinise the annual reports and accounts of a number of public bodies for the financial year 2016–17, starting off with the scrutiny of the accounts of the Future Generations Commissioner for Wales. I welcome you to our meeting this afternoon. Thanks for being with us. Would you like to give your name and position for the Record of Proceedings?

[5] **Ms Howe:** I'm Sophie Howe and I'm the Future Generations

Commissioner for Wales.

[6] **Ms Verity:** I'm Helen Verity. I'm the director of finance and corporate governance.

[7] **Nick Ramsay:** Great. We've got a fair number of questions for you, so if at any point I'm moving things on, it's just so we can get through as many as possible. If I can kick off with the first one: have you established, or do you intend to establish, any performance measures that indicate how well the organisation is achieving its goals and, if so, will these be included in future annual reports?

[8] **Ms Howe:** So, year one, or just beyond year one, of the Well-being of Future Generations (Wales) Act 2015, and the position that we're in is that a number of the processes or requirements that public bodies are required to undertake as a result of the Act have not yet been completed. So, for example, the public services boards have yet to set their well-being plans, and they'll do that by the end of the financial year. So, what we have done, really, is we're looking at where we can make some early interventions to help support the cultural change that the Act requires. Whilst we haven't set out fully our performance matrix, if you like, there are a number of areas that we, internally, are focusing on.

[9] It's important to say that my duties are around providing advice and support for public bodies and monitoring and assessing the extent to which they're meeting their well-being objectives. And as I said, all of the public bodies, but not all of the PSBs, have set those well-being objectives as yet, and those public bodies that have set their well-being objectives are yet to report on a year's progress. So, the extent to which I as a commissioner and we as an office are having an impact is difficult to judge at this stage, because we haven't even got to year one reporting. However, where we have made some interventions early on, we're seeking to use a framework that is around assessing the extent to which we are framing debates and getting issues onto the political agenda, encouraging commitments from Cabinet Secretaries, Ministers and others, securing procedural change in public bodies and within the PSB context, affecting policy content and influencing behaviour change.

[10] What we can do is point to a number of areas in which we have had some success. So, if I could point you to what we've talked about in terms of the south Wales metro system. So, we've been engaging with Transport for

Wales there. We've developed what's called a fit-for-future-generations framework, which basically assists public bodies—in this case Transport for Wales—to assess how they take forward particular proposals against the aspirations of the Act. That framework is being used in the procurement of the south Wales metro system, which I understand is the biggest procurement that the Welsh Government has done. We're awaiting the final details of exactly how they've taken that into account, but we've been working quite closely with them to develop that.

[11] In relation, for example, to the city deals, the Swansea city deal is using our fit-for-future-generations framework in assessing projects under its health and well-being strand of the city deal. As you are aware, I have intervened in respect of the M4 and that's an ongoing issue that I'm not intending to comment on today, but what has come from that is some issues around the Welsh transport appraisal guidance, which is the criteria that the Government use—well, not just the Government—

[12] **Nick Ramsay:** WelTAG—it's a long time since we've considered WelTAG.

[13] **Ms Howe:** So, the WelTAG guidance didn't necessarily reflect the future generations Act. Again, we've been working with transport officials there, using our framework to help them ensure that the new guidance that is coming out fairly shortly does embed the future generations Act. I could go on with a range of other examples, but I'm aware—

[14] **Nick Ramsay:** You've given us enough to chew on there, I think. You've outlined your priorities very well. Vikki Howells.

[15] **Vikki Howells:** Diolch, thank you, Chair. You've addressed some of the questions that I was going to ask anyway, so bear with me because I'll just rejig some of things that I was going to say. I think you've explained to us the purpose of your annual report as you see it. Do you feel that the report is engaging and accessible to the wider public?

[16] **Ms Howe:** I think we have to be reasonably frank in that I doubt that very many of the general public are ever going to read these annual reports. That said, they should still be as accessible as they possibly can be. I think that we could probably do more, and I'm aware of the reports that both PAC and the auditor general have undertaken in terms of how to make them accessible, use of graphs and pie charts and so on. I think we could do more

in that regard next year.

[17] What I would say, however, is that we have developed on the back of this a digital impact report that will be a much more accessible version of this annual report, but more focused on the way in which we're trying to drive policy change and the specific pieces of work that we've been involved in, rather than the annual accounts. That will be published, or, that will come out digitally, in the next couple of weeks.

[18] I think, however, that it's important for all public bodies, commissioners and others to be not just communicating on an annual basis through their annual report, but doing that on an ongoing basis. So, we try to do that through the use of social media and through blogs. We've tried a range of different digital platforms—Precis, and we're using Trello in the office. We have a range of different social media approaches. I hope that that is communicating, probably better than the reasonably dry approach that you get in an annual report, what we're actually about and what we're doing.

[19] **Vikki Howells:** And with this being your first annual report as well, how have you found the process of preparing for it? Has there been any difficulty in bringing together the relevant information? You've alluded to some of that already. And also, in establishing a template and a format for the report, how has all that gone?

[20] **Ms Howe:** Well, obviously, we're governed by the requirements of financial reporting. We haven't found that particularly difficult. Although, perhaps, as I said, I think we could probably do more to make that more accessible and engaging, subject to what I just said about—I suppose it's a fairly limited pool of people who would be interested in that. But we haven't found any particular difficulty and I'm wanting to build on what we've done this year, which is our first year of producing an annual report and accounts, and make sure that we're making it as successful as we can for next year.

13:15

[21] **Vikki Howells:** Okay. The Welsh Government and the Assembly Commission, in their reports, include data on things like greenhouse gas emissions, energy consumption, waste and water consumption. Do you intend to include that sort of sustainability reporting in some of your future reports?

[22] **Ms Howe:** Yes, absolutely. In fact, we've been doing quite a comprehensive piece of work on this because, obviously, I'm conscious that we want to be a model of best practice in terms of reporting in terms of sustainability. Obviously, our approach in terms of sustainability reporting going forward won't just focus on environmental sustainability but will look at social, economic, environmental and cultural sustainability. We've used this first year to trial and test some different approaches in that regard. So, for example, as most people do, we recycle everything. Our office accommodation is shared with the Welsh Language Commissioner. That's part of the collaboration principles within the legislation. We encourage all staff to use public transport. Something that we're intending to do next year is assessment of the carbon impacts of our transport arrangements. We use fair trade consumables in our office.

[23] Next year, we will be reporting on waste energy and transport. Energy is slightly difficult for us because we're in shared office accommodation, with one overall landlord. So, there's a limited extent to which we can influence that, but we're in discussions with the landlord about things that we might be able to do. We've recently changed our electricity supplier to Ecotricity, which is regarded as one of the greener energy suppliers.

[24] With our staff, we operate an agile working environment, which aims to give everyone the right technology so that we don't—you know, we limit business travel. So, a lot of our work is undertaken on Skype and a range of different platforms. So, we support homeworking. We're also looking at a range of health and well-being initiatives for staff, from exercise classes to looking at a volunteering policy. We're looking at our procurement policy as well, and should have all of that resolved and a really good policy, I hope, by this time next year.

[25] **Vikki Howells:** Thank you. And the final question from me: you've already explained in quite a bit of detail the reason why you've used your annual report to make recommendations for other bodies. Just a simple question then, really, on that: is that something that you intend to do in future?

[26] **Ms Howe:** Well, I actually took advice on this from my advisory panel, which is made up of the other commissioners, Natural Resources Wales and a trade union representative—and there will be a business representative. It was some of the other commissioners, actually, who suggested using the annual report as a platform to make recommendations. I think that it flows,

given that, as I said earlier, the impact of what we do as an office will be, to a large extent, determined by what public bodies out there do. What I've tried to demonstrate in the annual report is that we're taking that to a certain point with those public bodies and now wanting to raise the need for those public bodies to take further action. So, for example, on the metro system, we've made a recommendation that it's very good that Transport for Wales are embedding the fit-for-future-generations framework in their procurement exercise. Actually, what is also required is a high level of political commitment at Government level in terms of the aspirations for a zero-carbon metro system. So, I think it's important to be setting those out alongside the work that we're already doing in terms of what those public bodies—and the Government in that case—need to be doing to make sure that the Act is actually brought to life.

[27] **Vikki Howells:** Thank you.

[28] **Nick Ramsay:** Thanks, Vikki. Mohammad Asghar.

[29] **Mohammad Asghar:** Thank you very much. Thank you to Sophie and Helen. My question is regarding accountability. What proportion of the set-up costs for the office were incurred in the 14-month period outlined in the annual report and accounts, and have the costs of establishing the organisation been in line with estimates?

[30] **Ms Howe:** They've broadly been in line with estimates. The one area where we have an underspend is around staff costs. I've taken a different approach to resourcing my office in that, in this approach, I've tried to make it in line with the well-being of future generations Act. So, I have a number of posts that are secondment posts, posts shared with other public bodies—for example, posts that are shared with the children's commissioner, and a number of other organisations. Because I've take an approach of going into those partnership arrangements, it has taken longer than had I just said, 'This is the batch of staff that I'm going to recruit, and I'm going to go out to advert and recruit them'. Having discussions and negotiations with those other organisations has taken longer. So, that really has resulted in the underspend that I've got this year. I'm sure you're going to ask me questions on the underspend, so perhaps I won't go into the reasons now, but broadly, the other areas, I think, were in line with our estimates. What I would say is that we were year 1 of operation, undertaking an entirely new task and function, and so we're not going to get them spot on. But we're learning from what our budget estimates have been this year and readjusting for the

year coming forward now.

[31] **Mohammad Asghar:** If you're adjusting that—. I'm just looking on page 26 on the explanatory memorandum and regulatory impact assessment, and if you look at this, this looks like it was done by an A-level student here. If you look at that, all the costs and statistics are looking exactly the same, apart from one or two here and there, otherwise it seems like it was done by some junior officer. There is no price index or inflation taken into account—

[32] **Nick Ramsay:** I really hope you didn't do this personally, Sophie.

[33] **Mohammad Asghar:** It looks like somebody made some estimates for the next five years. I'm not questioning that, because you're not answering on this £54,000. I'm not asking that. I'm just asking about this estimate that you're giving to us now here. It doesn't look sensible to me at the moment, because you haven't taken any account of inflation or price index or anything like that in your expenditure there.

[34] **Ms Howe:** So, the costings in the regulatory impact assessment were done by Welsh Government, not by myself, if that's what you're referring to. I made an appearance at the Finance Committee a little while back in which they were considering how well the estimations in the regulatory impact assessment actually reflected the level of work that I need to undertake. I guess what I'm saying is that that's the budget the I've been allocated, and I've cut my cloth accordingly. Do I think that the regulatory impact assessment in terms of the resources needed to undertake the scale of the work and the challenge of cultural change throughout the entire public sector—44 public bodies, including the Welsh Government, with around 344 objectives to monitor and assess—do I think that the regulatory impact assessment over the long term done by Welsh Government was accurate? No, I don't. Am I going to come and complain that I haven't got enough money? No, I'm not. I'm going to cut my cloth accordingly and that's what I've done.

[35] **Mohammad Asghar:** Thank you for cutting your cloth accordingly. The annual report and accounts outline that you intend to hold a reasonable level of reserves. Can you outline for the committee what these reserves are likely to be required for, and how much 'a reasonable level' amounts to?

[36] **Ms Howe:** We're currently working through our reserves policy. As I said, I've accumulated reserves this year, which is mainly due to the

approach that I've taken to staffing. The approach that I've taken to staffing, as I've said, has been driven by this desire to identify partnership opportunities, which take longer, and also trying to take a prudent approach to resourcing my office. Being in year one, not knowing exactly where resources and interventions would be best placed, I've had a number of temporary contracts, and so on and so on. I'm now in a much better position after year one to identify what is needed going forward, and I have planned a significant programme of work that will be using the bulk of those reserves and underspend that I have. That work is called 'Art of the Possible', and we'll seek to explore and explain what each of the well-being goals means in practice and act as a resource on a long-term basis for the public bodies who have these duties to meet under the Act. So, I anticipate that that's going to take up about £300,000, over the next two years, of the underspend that I have. I think it's prudent to include—. I've got £30,000 in my budget this year, but I think it's prudent to make that £130,000 in terms of contingency. And the reason for that contingency is around possible needs for reviews and interventions on issues that are coming up. Nobody knows exactly where those interventions may be needed but if, for example, I had to resource a significant review or intervention on, say, a major project that is coming forward, I would need to have that contingency in place.

[37] There are also some issues in terms of our IT that I want to resource over the next year. We had our IT infrastructure put in place by the Welsh Government before I—. Well, it was when I sort of took up post, but before the budget passed over to me. We have identified that that IT infrastructure doesn't support as well as it could do the agile working that we want to adopt within my office, and therefore we're looking at using some of the resource to ensure that we've got the right IT infrastructure in place.

[38] So, in conclusion, I think that we are still in development with our reserves policy. Those are broad areas that the underspend that we currently have will cover, but I think contingency of at least £130,000 is likely to be allocated within those reserves.

[39] **Mohammad Asghar:** Thank you very much. The annual report and accounts outline that your workforce is 77 per cent female. How have you encouraged diversity in the recruitment undertaken so far, and do you see this as something that needs to be embedded in the organisation's culture as early as possible?

[40] **Ms Howe:** I absolutely see that embedding equality and diversity in the

organisation is essential. All of the posts that we've advertised as permanent posts have been through a fair, open and transparent recruitment process. There were a number of staff that I had transferred to me through TUPE arrangements, and there are a number of staff who have come to me through secondment arrangements. I actually see it as a really positive thing that there are so many high-quality excellent female staff within my office. We have a number of black and minority ethnic staff as well.

[41] Moving forward in terms of new posts—because you may have seen that I'm intending to look at restructuring the office—what we're really looking at is how we can build on identifying skills, experiences and capacity from people bringing in their lived experiences to our office. So, in adverts—we're just working, actually, on some adverts that are likely to be going out soon—what we're really going to be looking for is people who can bring those sorts of experiences, not necessarily professional only, but lived experiences to bear in terms of we'll consider that equally in terms of the recruitment process.

[42] **Mohammad Asghar:** And on the same lines, the accountability report outlines that you have experimented with a range of staff consultation and engagement mechanisms. What have been the results of these exercises, and how have you recorded and interpreted the responses of staff engagement so that necessary actions can be taken?

[43] **Ms Howe:** We undertook a mapping of the culture of the organisation. I wanted to do that fairly early on to make sure that, from as early as possible, we were setting the right tone and culture and actually doing what I said I would do in my strategic plan, which is walking the talk. So, we're advising public bodies out there that they should operate in a particular way, and we want to make sure that we're doing that ourselves.

[44] Some of the things that were flagged from that culture mapping has actually resulted in me looking at doing a restructure. So, for example, I had four small teams in operation through my office. What the teams said was, 'Actually, if we're going to work in an agile environment, if we're going to be responsive to meeting requests for advice and assistance from public bodies, and if we're going to embed the Act across the board, then we need a more agile workforce', which means basically do away with the silos of the four teams. We've also done some significant work with staff around well-being policies, which is what I alluded to in response to Vikki, and some of those issues have looked at what would staff want to help facilitate their own

personal well-being, and that has ranged from a bigger focus on healthy and active initiatives to opportunities for volunteering. So, there are a range of things that have come from this culture mapping, which we're now taking forward, and hope to have concluded that piece of work—at least the first phase of it—by the end of this financial year. But staff dialogue and engagement is an ongoing process. We have an open working environment, which means that we have cut right down in terms of e-mails that we send. We use open platforms such as Yammer, where staff can—. Most things that they're doing go on Yammer, where everyone can see. That was something else that came through from the staff feedback and engagement—that we wanted to make sure that everyone has as much information and knowledge as they possibly can. That sort of engagement and dialogue is ongoing, and is something that we want to build on.

13:30

[45] **Nick Ramsay:** Thanks, Oscar. Lee Waters.

[46] **Lee Waters:** Thank you. I want to touch on something that you've covered. You mentioned that the level of reserves you're planning to put in contingency for reviews was around the £130,000 mark, and you say that you want to have a reasonable level of reserves. You also say in your governance statement that you want an open and hungry risk approach to take, and I just wonder if those two things are compatible—whether or not £130,000 to fund challenges to Government policy, for example, is sufficient to allow you to be an open and hungry risk-taking organisation.

[47] **Ms Howe:** I guess it comes back to cutting our cloth accordingly, and there are certain statutory things that we need to do. So, for example, at the moment I'm in the middle of a 14-week period in which each public services board has to seek my advice on their well-being plans and the objectives they're intending to set. So, that's quite a significant piece of work that needs to be resourced, and there are various points over the next five or six years for the legislation where those statutory pieces of work need to be resourced. It's difficult to say—because we're a new entity and the legislation itself is new—what sort of level of resource we might be required to keep into contingency for potential reviews and bearing in mind, I think you make a valid point, that actually there are a whole range of policies, initiatives, decisions that could potentially be reviewed. We've done a piece of work looking at, for example, how much things like a judicial review would cost. We did a piece of work recently assessing each of the 19 well-being

assessments from public services boards. We've drawn on the information that we've had from those different pieces of work to try to identify what would be a reasonable level there, and we've come up—

[48] **Lee Waters:** How much would a judicial review cost?

[49] **Ms Howe:** I think it was about—. I don't have the figure to hand but I can—

[50] **Lee Waters:** Is it within the envelope of £130,000 or—?

[51] **Ms Howe:** Yes.

[52] **Lee Waters:** It is.

[53] **Ms Howe:** Yes. It would all be depending on what—

[54] **Lee Waters:** Sure—how long is a piece of string? Absolutely. But, philosophically, the approach you've taken is that you think it is your role to launch legal actions against the Government. You're not simply there to advise or to nudge. If you felt it was necessary, you are willing—and, it seems, able—to launch judicial initiatives against the Government, are you?

[55] **Ms Howe:** Well, I'd have to be mindful of a range of issues, there: likelihood of success—. I need to, obviously, take a prudent approach to managing public money and not be spending it frivolously. Nobody would want me to be doing that. I see my primary powers as being around reviews, which is what's set out in the legislation, and those powers are really designed at taking learning from an issue that has occurred and making recommendations to make sure that that issue doesn't occur in the future. And we haven't yet done a review, so it's difficult to say how much that review would cost and, I think, how much a review would cost would be dependent on the issue that we are reviewing. If you take, for example, something like the M4, which has been in a vast amount of public scrutiny and had various inputs from a whole range of different sectors and parties, I would imagine that that would be fairly cost-intensive. If we were to review a specific decision—a smaller decision that didn't have the same scale—then I imagine that that would be a smaller amount. I'm sorry I can't be more specific, but because this is entirely new, it's a bit 'put your finger in the air'—how much is this going to cost? Within the cost envelope that we've got, the budget we've got, we think £130,000 is probably a sensible—*[Inaudible.]*

[56] **Lee Waters:** Okay. You mentioned the M4—I'm struck that, in your planning for future activity, your priorities for the next 12 months, you raised five priorities and three of them are transport related. Why are you putting such a heavy focus on transport?

[57] **Ms Howe:** Well, the priorities that we're taking forward for my term of office, so energy, transport, housing, adverse childhood experiences, skills and alternative models to healthcare—are those the priorities, sorry, that you're referring to?

[58] **Lee Waters:** Yes, and you've said that five in particular, over the next 12 months, you're going to prioritise, and three of them are: support to Transport for Wales on the procurement of the metro, the review of the WelTAG guidance, and consideration of further interventions around the M4. I make no comment on those in particular—I'm just struck that 60 per cent of the work you're planning is on one of your priorities, and I'm just wondering why you're focusing so heavily on transport. What is it about transport that you think there's such need for work?

[59] **Ms Howe:** So, we undertook a big consultation exercise on what the priority areas should be. We came up with those after extensive dialogue and working with the New Economics Foundation to undertake an analysis of both what people have told us and what future trends were telling us and areas and issues that had the most impact across as many of the well-being goals as possible. That's why we came out with those six areas.

[60] We'd already initiated work on the M4 and on the metro system in our first year of operation before actually setting those priorities, so we're seeing that as ongoing work. I guess it's also back to the hungry risk appetite, which is identifying and seizing opportunities. It just so happens that in this year and in the next couple of years, issues around transport are issues that are coming to the fore in terms of policy development, perhaps more than other issues. So, as I've identified that I want to focus on transport, I think it would be remiss of me not to be influencing the WelTAG guidance, not to be commenting and looking at the south Wales metro system, and not to be doing the same in respect of the M4.

[61] Just to give you a feel for what we're doing in the other areas, in terms of alternative models to healthcare, I have been in discussion with the Cabinet Secretary and a range of officials around the development of a model

of social prescribing. We are working with the health department in Government around revising guidance around the integrated medium-term plans so that it better fits with the future generations Act. So, it's not that we're solely focused on transport. That is one of our priority areas and those three issues—

[62] **Nick Ramsay:** Sophie, sorry to interrupt—just on the WelTAG guidance, because I'm aware that some Members might not be aware about what WelTAG is—. That's the system of deciding on when a road proposal is going through, and you go through the different boxes—a tick-box exercise. And that's not been altered since the advent of devolution?

[63] **Ms Howe:** I think it was—. So, the sustainability approach that they're using within the WelTAG guidance currently dates back to 2008, so it hasn't kept up with the developments in terms of the future generations Act. You're right in saying that it's the guidance that is used for assessing what type of transportation schemes or options should be taken forward. So, yes, it's used in terms of, 'Should we build a road?', but actually what it should be doing is, you know, 'We have a transportation problem; what's the response?', not 'We're going to build a road' and move from that point, if you get what I'm saying.

[64] **Nick:** Yes. Sorry, that was—

[65] **Lee Waters:** I just want to move on a little bit to the city deals. You mentioned that you're working with the Swansea bay city region, particularly on the health strand. So I guess, two questions: why only on the health strand and not on their other work? And then, secondly, in terms of the Cardiff city deal, I think I read that you're funding a PhD student to study an aspect of it. Does that mean that the city region board more generally hasn't taken up the offer of collaborating more fully than just getting a PhD student working on one small aspect of it?

[66] **Ms Howe:** So, we're not just working on the health and well-being strand, it's just that that's—. We're trying to influence the whole approach in terms of the Swansea city deal, but our framework has been used for the first time with one of the projects that is proposed under the health and well-being strand, but the intention is that it should influence across the board, and in fact, SPECIFIC, which is a company in the Swansea city deal area, and, as I understand it, it is one of the programmes that are going to be taken forward. So, that's the company that makes—. They pitch it as houses that

are power stations, so they make material where the fabric of the building actually generates energy. So, they haven't specifically used our framework in assessing that project, but I think what I would say is that the city deal focusing on funding—that sort of work stream going forward aligns quite nicely with the Act.

[67] In terms of the other city deals, there has been an element of frustration from my office in terms of the way in which the joint cabinets are engaging with the well-being of future generations Act. I intervened last November/December specifically around the growth and competitiveness commission that was established to review or to make recommendations for the Cardiff city deal, which didn't appear to be embedding, in its terms of reference, the well-being of future generations Act. I intervened at that point and made sure that the future generations Act was reflected in the recommendations that came out from the growth and competitiveness commission, but there's further work to be done, I think, with the Cardiff city region in terms of taking that city deal forward and making sure that it reflects the aspirations of the future generations Act.

[68] In terms of the PhD student, I'm not funding the PhD student but I am hosting the PhD student in my office, and that PhD student is undertaking a specific piece of work around young people and the city deal to try and make sure that young people's views are taken on board in terms of things that come out from the city deal.

[69] **Lee Waters:** Okay, thank you.

[70] **Nick Ramsay:** Thanks. Neil Hamilton.

[71] **Neil Hamilton:** You mentioned a moment ago that you were thinking of restructuring your staff, and it's obvious that after the first year's operation that you're going to have lessons to learn about the way in which you conduct your work. Can you give us a bit more of an insight into where you think the structure you've got now hasn't quite succeeded in achieving what you want and what exactly you're aiming to achieve, then, by making some structural changes?

[72] **Ms Howe:** Certainly. So, as I mentioned earlier, I had four teams that were operating within my office. The two biggest teams were around policy and the second one was around support for public bodies. What I've identified, having undertaken this extensive engagement and actually road

testing what it is that we need to do over this last year, is that the numbers of requests for advice, assistance, support from public bodies is exceeding the capacity that we have to respond to them, and that, actually, the request for advice and assistance that we're having is often connected to the policy issues that we're engaged with in another team in the office. So, what I'm intending to do is to bring those two teams together. So, the vast majority of my staff will be focused around providing advice and support for public bodies and drawing out policy knowledge in terms of what the public bodies are doing, but also keeping an eye on the kind of policy development that is going on externally. So, that's really the main purpose of the restructure that I want to undertake. It's based on what we know the demand is.

[73] **Neil Hamilton:** So, you're helping to create a more fluid internal structure.

[74] **Ms Howe:** Yes.

[75] **Neil Hamilton:** It's quite understandable. You've got 26 staff at the minute: 15 on temporary contracts, and when you gave evidence once before you explained how you were making use of secondments from other public bodies to take advantage of the accumulated expertise, which was, again, a very sensible policy. Perhaps you could explain where you are with that policy now and what your plans are for the next 12 months: to rely more, less or whatever on secondments and temporary staff?

13:45

[76] **Ms Howe:** So, it's going to be an ongoing feature of my staffing structure. Currently, we have people on secondment from Welsh Government, from the fire service, from the children's commissioner's office—I'm trying to think of—. The probation service—. Sorry, I'm trying to think of the whole list; there are probably more, which I can update you on. I think that it's a sensible approach to resourcing, because you draw in expertise that I wouldn't necessarily be able to resource solely on my own. You tend to draw in expertise and resource from the seconding organisation. And so the sorts of benefits that have come out from that, for example, are the partnership that we've had with the children's commissioner; I've got a partnership, a secondment shared post on human resources. That post is looking at an apprenticeship scheme with the children's commissioner. She is also looking at an apprenticeship scheme for me. It makes sense to do that once between us.

[77] Likewise, the children's commissioner is trying to influence public services boards and public bodies to implement the United Nations Convention on the Rights of the Child. I have a direct line in to public services boards and public bodies, so it makes sense to bring those two things together. So, I could give you a range of other examples where we're seeing those sorts of benefits, but, in answer to your question, I see this as a continued, ongoing feature of my staffing structure. It will probably grow, actually, in terms of those secondments and opportunities over the next couple of years.

[78] I mentioned this big piece of work on art of the possible. What I've done there is I've gone out to advertise to identify partners who may be interested in doing joint pieces of work on this art of the possible with me. So, just to give you an example of that, if we are going to look to map out what a resilient Wales looks like, I have interest from the Wildlife Trusts and a range of similar organisations who are saying, 'Actually, we'd be interested in having a shared post or a secondment with you.' So, this two-year piece of work, art of the possible, is actually seeking to completely operate on the basis of joint resources and secondments and joint posts.

[79] **Neil Hamilton:** It sounds to me as though you're going to have quite a high turnover of staff if this is going to be a permanent feature of your policy. Do you foresee any potential difficulties in that—not having staff to as great an extent as you might have who are totally dedicated to your organisation rather than to others?

[80] **Ms Howe:** I think that's a really good question to raise, and it is something that we've considered. I guess I go back to what is outlined in my risk statement around the hungry risk for looking for opportunities and working in partnership externally. I think the benefits that are brought and what our experience has been so far is not just the short-term benefit of, you know, you have a secondment of a year, that person then goes back to organisation X and that's the end of it. What we are finding in terms of these secondments is that they are building an ongoing relationship, which is really important in terms of us being able to draw on expertise, resource and knowledge from those organisations once that secondment has come to an end.

[81] We do have a core body of staff who are overseeing all of our key pieces of work and all of these partnership arrangements, and in the

restructure that I'm intending to do there will be a number of key things that will be built in to the job descriptions of people who are operating at a certain level within the organisation, which will be the management of partnerships and ensuring ongoing relationships are developed through partnerships, providing advice and support for public bodies and drawing through monitoring and assessing work. So, that's what we've put in place to try to ensure that what you're raising doesn't become a problem.

[82] **Neil Hamilton:** In the last 12 months, you've obviously had to find every member of staff that you employ. There are inevitable difficulties in any organisation that has to recruit everybody from scratch. Have you actually been able to discern any impact upon the achievement of your objectives or the efficiency, as you perceive it, of your organisation? Or have you been able to take all that in your stride?

[83] **Ms Howe:** I suppose, if I can give you an example, I have someone on secondment from Rhondda Cynon Taf County Borough Council who was a public services board co-ordinator. The knowledge and intelligence that she brings from that role and also having been embedded with the public services board co-ordinators, the relationships that she already has, are already reaping huge benefits in terms of the relationships that we have with those public services boards. That is replicated across a number of different posts of this type that we have. As I said, I've got someone on secondment from Mid and West Wales Fire and Rescue Service. The links that he has back to the fire and rescue service representatives on the public services boards are helping to drive and challenge the business that's going on within those public services boards. So, what we're seeing is not just that it's a sensible resourcing decision—i.e., I might be paying for half a member of staff rather than a full member of staff—but we're actually seeing those benefits back in the seconding or joint-post organisation.

[84] **Neil Hamilton:** Right. The only other question I'd want to explore with you is about the remuneration that your senior team gets. There seem to be some substantial differences between particular individuals. Your director of policy performance and implementation is being paid quite a lot more than the other three members of your senior team. What's the reason for that?

[85] **Ms Howe:** They're not all full time is the main reason for that.

[86] **Neil Hamilton:** Oh, I see. Right.

[87] **Ms Howe:** The director of policy performance and implementation has probably had the biggest—which is why his salary is higher. He's had the biggest amount of responsibility in terms of my statutory functions, which is around providing advice and support and monitoring and assessing public bodies. Then my director of engagement, partnerships and communications is full time, but the other two posts are part-time posts, which reflects why the salaries are at a lower level.

[88] **Neil Hamilton:** But looking at the figures for whole-time equivalent remuneration, Mike Palmer's on £65,000 to £70,000, the others are on £45,000 to £50,000 or £55,000 to £60,000. I was just curious as to why those differences should be, because they're broadly on the same sort of level of seniority, aren't they?

[89] **Ms Howe:** Yes. All three of them are on the same level, other than the director of policy performance and implementation, who is on a higher level, given the task and his role. I think it's to do with the different points in the year at which they were recruited. I'm not sure why that is. Helen, could you?

[90] **Ms Verity:** Are you referring to the table on the whole-time equivalents?

[91] **Neil Hamilton:** Yes, the table on page—

[92] **Ms Verity:** Thirty-two.

[93] **Neil Hamilton:** Thirty-two, yes.

[94] **Ms Verity:** So, the whole-time equivalent table is designed to allow comparability across organisations about how much senior management team members are paid in a 12-month period.

[95] **Neil Hamilton:** Exactly.

[96] **Ms Verity:** So, in our accounts, because these are exceptionally for a 14-month period, the figures are different to the table above. As the commissioner says, all the senior management team are in the same sort of pay band, but the variations are accounted for by the fact that I and the director of policy, legislation and innovation work part-time.

[97] **Neil Hamilton:** Yes, but I was referring to the full-time equivalent

figures.

[98] **Ms Verity:** It's not full-time equivalent; it's whole-time equivalent.

[99] **Neil Hamilton:** Whole-time I mean, yes.

[100] **Ms Verity:** Whole-time is the actual time that you work. It's not full-time equivalent. It's a slightly different—

[101] **Neil Hamilton:** Oh, I see. I hadn't appreciated the subtle distinction.

[102] **Ms Verity:** Yes. It's something that our auditors—we had a little bit of a discussion over the understanding of the definition too, but—

[103] **Neil Hamilton:** Right. Well, I'm suitably confused. Thank you.
[*Laughter.*]

[104] **Ms Howe:** I think it's a really fair point, and I think what we can do is to try and explain that better in future years, because I think that that is a really fair point.

[105] **Neil Hamilton:** Right. Thanks.

[106] **Nick Ramsay:** Okay. We're entering the last five minutes, now, of this session, so if Members can be succinct with their questions, and feel free to be succinct in your answers. Mohammad Asghar.

[107] **Mohammad Asghar:** Thank you very much, Chair. Has actual expenditure matched planned expenditure for the organisation during the first reporting period, and has the funding provided by the Welsh Government been sufficient to get the organisation to where it needed to be at the end of 2016–17? And how has the relationship with the Welsh Government developed over the course of the first reporting period?

[108] **Ms Howe:** As I've said previously, we've cut our cloth accordingly. We have a good relationship with the team in Welsh Government who allocate our resources. Do I think that the resources that are allocated to this office are sufficient to do the job? I think that that is questionable if you look at the fact that, as I said, there are about 344 individual objectives that the 44 public bodies have set. I have a duty to monitor and assess progress against objectives. If I give you a flavour of—you know, one of those objectives might

be 'give every child the best start in life'. How, with a team of 26 people, I can, in depth, assess whether each one of those 44 public bodies has indeed given every child the best start in life, I think is challenging.

[109] Huw and I are in the process of developing a memorandum of understanding. Of course, Huw has obligations in terms of examining public bodies and in terms of how they're complying with the sustainable development principle within the Act. My duties are slightly different, around the monitoring of well-being objectives. We're due to meet this week, actually, and we meet pretty regularly and one of the things that I'm wanting to discuss is how I might—sorry, Huw, giving you advance notice here—draw, from the work that the auditor general is doing, information and assessment that I can use in terms of carrying out my duties and functions as well. But, in short, I think that the resources allocated, given the scale of the task, are questionable.

[110] **Mohammad Asghar:** Thank you.

[111] **Nick Ramsay:** Great. Can I just finish off by asking—this was touched on earlier—the accounts include £82,000 for project work: what does this expenditure entail and where are the outcomes of this work?

[112] **Ms Howe:** The project work that that has covered is the work that we've undertaken on well-being assessments. So, we reviewed all 19 of the well-being assessments undertaken by each of the public services boards. We provided detailed feedback and pointers as to their approach to the well-being assessments and what that told us in terms of where they might have some challenges in terms of embedding the Act going forward. We're seeing that as a bit of giving us a baseline as to whether we're seeing improvements, and we're already starting to see a number of the PSBs taking on board those recommendations that we've made there. So, as an example, we said that they should review their chairs and memberships. Carmarthenshire and Pembrokeshire are looking at changing the chair so it's not so governed by local authorities. We told them that they should seek to involve and engage before setting their well-being objectives; Monmouthshire are now doing that. I could give you a range of other examples in terms of what's come out from that work.

[113] Some of the project expenditure related to design work, so, for our website, establishing the website and so on; some work around the M4 inquiry. We've commissioned some work in respect of future scenarios

vignettes. So, using this as a tool to try and explore and explain what the future might look like. We worked with the University of South Wales to look at what the future might look like in a particular town if we were to do different things—

[114] **Nick Ramsay:** Futurology.

[115] **Ms Howe:** Futurology, yes. The rationale for that piece of work is that one of the big challenges that we've identified from our engagement with PSBs so far and public bodies so far is this real difficulty in conceiving the future. And so this piece of work was around that. And then the other piece of work was around some work that we did with Cardiff University on city deals.

[116] **Nick Ramsay:** Great. That's fine. Thanks. And, last but not least, Lee Waters.

[117] **Lee Waters:** I just want to go back to staffing. I was struck by the sickness absence rate figure that you're reporting of 0.6 per cent, which is remarkable. I was just wondering if you could tell us what the secret of your success was.

[118] **Ms Howe:** I'd like to say that the secret of our success there is that we have a focus on walking the talk in trying to embed the well-being of future generations Act, and some of that is some of the things that I've talked about around well-being policies, around agile working, around homeworking, around trusting staff to deliver. I'd also like to say that I think a lot of that is to do with the fact that my staff are passionately committed to the work that they're undertaking here, and I think there's no better thing in terms of reducing sickness absence and getting high performance from a team than having people who are passionate and who are given the scope and freedom to take forward work in a supportive environment.

14:00

[119] **Lee Waters:** How much of that do you think is transferrable to other parts of the public sector?

[120] **Nick Ramsay:** Can you bottle it?

[121] **Ms Howe:** Can we bottle it? Well, I think we're early days and I'm not

where I want us to be in terms of really nailing down our policies, practices, in terms of making sure that they're an absolute exemplar in terms of the Well-being of Future Generations (Wales) Act 2015. But we're a year in and we're on a bit of a journey in that regard. Give us until this time next year and we hope to be in a position where we can draw out some of the things that we're doing to share with others.

[122] **Lee Waters:** At that point your success will decline dramatically, I guess, will it? [*Laughter.*] Sick days all round. Okay, thank you.

[123] **Nick Ramsay:** Great, and I thank our witnesses for being with us today—the future generations commissioner, Sophie Howe, and also Helen Verity. Thank you.

[124] **Ms Howe:** Thank you.

14:04

Craffu ar Gyfrifon 2016–17: Llywodraeth Cymru Scrutiny of Accounts 2016–17: Welsh Government

[125] **Nick Ramsay:** Welcome to the Permanent Secretary. Welcome to this afternoon's meeting of the Public Accounts Committee meeting. Thanks for finding the time to be with us today. We've clearly got a number of witnesses. Would you like to give your name and position for the Record of Proceedings?

[126] **Ms Morgan:** Prynhawn da. Shan Morgan, Permanent Secretary for the Welsh Government.

[127] **Mr Kennedy:** Peter Kennedy, HR director for the Welsh Government.

[128] **Mr Richards:** David Richards, director of governance for the Welsh Government.

[129] **Mr Evans:** Gawain Evans, finance director for the Welsh Government.

[130] **Nick Ramsay:** Great, thank you. We've got a fair number of questions for you, so, if at any point, I'm moving things on, it's not that I'm not interested in what you have to say, it's just to try and get through as much as possible. If I kick off with the first question. These are the first-ever

consolidated accounts prepared and presented by yourself, Permanent Secretary, since you took up post in February of this year. How do the processes adopted by the Welsh Government for the production of the consolidated accounts compare with those at other organisations at which you've worked, and having seen the way it's done here, are you planning any changes in the future?

[131] **Ms Morgan:** Thank you, Chair. You'll be aware that this is my first Permanent Secretary appointment, so it's my first direct experience of preparing and signing off accounts. I'm familiar to an extent with what was done in the Foreign Office, because I was a member of the board of government in the Foreign Office, the board of management in the Foreign Office. In fact, I drew on that experience in how I made some changes to the remit of the Welsh Government board. I think what is clear to me, from all the time that I've spent on this work, with colleagues here, and back in the office, is that the accounts very much meet Her Majesty's Treasury and Whitehall standards, which I believe are stringent. We comply, in relation to parts 2 and 3 of the report, with the financial reporting manual and the annual employer pension notice, which give a lot of detail about what we have to do. I know there is HMT guidance available on how we handle part 1 of the report, but, in fact, we don't have to follow it specifically as a devolved Government. What we've tried to do, and I've been very struck by that in the process, is to try and make that part 1 bit as open and readable as possible. I was rereading the transcript of my predecessor's hearing with you last year, and that was quite a strong thread of questioning about how to make the accounts readable and transparent for the general public. And I think, although they're complex, our business is very complex, I do believe that part 1 gives a pretty good overview of the size and shape of the organisation and what we do. So, I hope the accounts are more readable. I've tried to pick that up, but we can always do more, I know, and I'm conscious this is my first time and we have a great deal to learn.

[132] One thing I would say is that the main change this year in how the accounts were done, which I do welcome, is that they've been produced in Welsh as well. But, for the future, for next year, I think I will be able to apply some of my experience from this year, and also your comments now in this hearing. But, in particular, we're looking forward to the work that the Wales Audit Office is doing to help us streamline the way that we approach accounts. We do agree that the process of preparation and audit of the accounts could be a bit more streamlined and focused. So, we'll do that in future, and I'll welcome any comments from the committee. But, although it

is a lengthy and detailed document, I felt, at the end of it, confident that it was, so far as possible, transparent and readable and open, whilst being as succinct as possible, and that it meets the standards of Whitehall good practice.

[133] **Nick Ramsay:** Thanks. Vikki Howells.

[134] **Vikki Howells:** Thank you, Chair. In its response to the committee's recommendations, Welsh Government noted that its internal auditors planned to conduct a review of the sufficiency of oversight arrangements to prevent fraud by external organisations in receipt of Welsh Government funding schemes. Could you provide us with an update of this review and any findings to date?

[135] **Ms Morgan:** Thank you. That work is actually included in the work programme for internal audit for the current year—2017–18. It's in their work programme. I know that planning is already under way, but the detailed work isn't expected to start until, I think, quarter four. But, it's in hand. We will, of course, be waiting for the results of the WAO review of grants to Welsh businesses, to feed into that, and as soon as we've got that, we'll be able to factor them into the review by internal audit. And, obviously, in the meantime, all of our normal assurance processes continue. We have the external assurance panel, which meets regularly, to look at lessons from individual cases, and we have a grants centre of excellence now, which is designed to identify and spread good practice across the organisation. So, I'm just saying that that particular piece of work, by internal audit, will take place within the framework of a lot of work and structures, to try and drive continuous improvement of our work in that area.

[136] **Vikki Howells:** And the Welsh Government's response noted that the internal audit review was expected to take assurance from other existing audit arrangements as well, including the Wales Audit Office proposed study of grants to Welsh businesses. Was this the case, and, if so, how did you ensure that the scope of other audit work was sufficient for your purposes there?

[137] **Ms Morgan:** That will be the key input from the outside, to be honest—the WAO report that you mention. We haven't actually received it yet; we're talking to our colleagues in WAO, as always—I think there's very close co-operation and consultation. As soon as we get a final report, it will definitely feed into that process.

[138] **Vikki Howells:** And the Welsh Government's response to the committee's report noted that changes to performance management processes would be reviewed after the first year of operation. Has a review been carried out, and are you able to share any results and impact with us?

[139] **Ms Morgan:** Again, I know it's something that Derek referred to in his hearing last year. I'm conscious, I should say, that I inherited a very well-functioning organisation from my predecessor; I'm very grateful to him. One of the things he put in train was a programme that he called 'preparing for the future'. Part of that was improving the performance management system, to put, I think, a lot more emphasis on discussion between the line manager and the individual on a regular basis, so that it's more structured, and clearer, and strong messages are being given on performance. Since I've arrived, I've decided I want to build on that work.

[140] I was conscious of comments made at previous PAC hearings that I've had about the need to make sure we've got the right kind of performance management structures within the Welsh Government. I think there's more that we can do, there's more that we can learn. This is part of an initiative that I've launched that I'm calling 'futureproofing'. It's an internal initiative to improve the skills and the systems for staff within the Welsh Government. And, as part of that, there is work under way on how we can tighten up our performance management system, our talent management and our promotion systems. Because, at the moment, I think the basics are there, but I think that, in the context of the new challenges that we're facing for the future, with Brexit, resource constraints, we can actually do better. So, that's a big part of the futureproofing initiative that I'm taking forward, but building very much on the work that Derek had already done, and what was already in place.

[141] **Vikki Howells:** Thank you. And a final question from me: I'm interested in the steps that you've taken to action the committee's recommendations around work with other bodies, particularly Careers Wales.

[142] **Ms Morgan:** Yes. I have to say, this is not an area where I'm closely involved in the detail at the moment. We have a sponsor division within the Welsh Government, which has been working with Careers Wales on the PAC recommendations specifically. So, they are closely involved in that, and I would expect them to report back to me on progress in taking forward those recommendations. There were, I think, other recommendations, including on

Welsh language, and those, and all the recommendations, are in hand at the moment.

[143] **Vikki Howells:** Thank you.

[144] **Nick Ramsay:** A supplementary from Lee Waters.

[145] **Lee Waters:** Can I just revisit the question of performance management, as something we discussed last year? Perhaps you can tell us a little bit more about how you're getting on with that and, in particular, how you are measuring progress on it, because I guess it's quite a nebulous thing to try and capture.

[146] **Ms Morgan:** We've got a performance management cycle—an appraisal cycle—that runs over a 12-month period. And it starts—it's a rolling 12 months, but it starts really with setting the objectives at the beginning of the financial year, processes of mid-term review, and then a final appraisal and performance assessment at the end of that 12-month period.

14:15

[147] So, I've seen a lot of that period now and the critical moment around the end of the financial year and onwards. What I've done in this work that I'm calling 'futureproofing' for the Welsh Government is to set up groups of people who are coming together from across the Welsh Government to draw on best practice and put together ideas.

[148] I'm very conscious that—in fact, as the staff survey results show—there's a degree of cynicism about the effectiveness of change programmes that are kind of imposed from above. I know from my own past experience that change imposed from above doesn't really necessarily get deeply embedded in an organisation. So, what I've done is, based on the existing civil service and Welsh Government processes for performance management, I've set up some groups that are looking at different aspects of that. They will report back to me during the course of the year with the aim that, by the beginning of the next performance management year start in April, we will have a new system up and running.

[149] And that's got to be tied in very closely with talent management and with systems for promotion, because they're obviously all linked. So, I'm waiting for that work to come to me and then we'll take it forward, looking at

best practice across Whitehall and the public sector.

[150] **Lee Waters:** I remember I had a lively conversation with Mr Kennedy and Sir Derek last year around this and I put the argument that, in an organisation the size of the Welsh Government, you would expect there to be some poor performers who would need to be managed out. I don't think Mr Kennedy was of a similar view—as I recall, I haven't checked the transcript, but, from memory—that getting rid of people wasn't the way to measure this. But I wonder what your view on this is and whether or not you would expect, in an organisation of this size, there to be a number of people—I won't put a figure on it—who need to be moved on. Is there an appetite to do that?

[151] **Ms Morgan:** I have an appetite to give very clear messages to staff, where they need it, about improving their skills and development. That's where I'd start. I'm not looking at a system that's designed to identify people to get out. I want a system that comes at it from the other way—where are the skills and what are the skills that people need to develop for the future? In my experience, there are very few, if you like, bad people around. There are people who might be in the wrong job or might not have enough or the right quality of training, and I want a performance management system that will identify that.

[152] I agree that I would expect to see a spread of people across different measures of performance. At the moment, I don't really see that spread in the system that we have, and I did read the transcript on that and I can see that that was a concern that you were expressing there. So, I'm not going to come at it from, 'Who can I get rid of?', I'm going to come at it from, 'How can I improve the skills of this organisation?', because to be honest, I've been very struck since I've arrived by the talent that I've seen in the organisation and the commitment. I would expect the bulk of people who are in the organisation now to be here probably in 10 years' time, which is why we have to get the skills right.

[153] **Lee Waters:** With respect, my question isn't about the bulk. My question isn't about the bulk of people. It would be an exceptional organisation that didn't have people who are not performing at their optimum. I'm aware that there'll be managers within the system who think, 'It's going to take two years to deal with somebody through performance management and, at the end of it, I may not be backed up, so I'm not going to bother.' I don't see a recognition from last year or this year that you seem

to think that's an issue in your organisation.

[154] **Ms Morgan:** Sorry, I shouldn't have given that impression, because I do think there is an issue about effective performance management and I can assure you that I am somebody who, during my career, has seen things through right to the bitter end. I agree it's a long process, but I think it's something that we need to do. We need to be robust and rigorous. And equally, with the bulk of people, we need to make sure that we are encouraging them to make the most of their skills. So, I do want a more rigorous performance management system that will give people some very clear messages about where they're underperforming and what the next steps will be.

[155] **Lee Waters:** Right, and there'll be support from senior level to see that through, will there?

[156] **Ms Morgan:** Yes, and certainly from me.

[157] **Lee Waters:** Okay, thank you.

[158] **Nick Ramsay:** Neil Hamilton.

[159] **Neil Hamilton:** I'd like to ask a few relatively technical questions about the report and accounts. The Treasury's reporting manual requires central Government bodies to report accounts in a certain way, in particular to divide them into three parts: performance, accountability and then financial statements. Given that the Welsh Government is sort of semi-autonomous, I wonder whether you are subject to the same Treasury guidance or regard yourselves as subject to it, and in particular in relation to the first two parts of the accounts: the performance and the accountability reports.

[160] **Ms Morgan:** We are subject to Treasury requirements—the finance reporting manual—for parts 2 and 3. It's part 1, as I was suggesting in my earlier response, where we do have some flexibility in what we report. Treasury does give some guidance to Whitehall departments about what they should include in that. As a devolved Government, we are not constrained by that guidance. We can take what we think is best practice and develop it in ways that we think are right to produce a transparent, accurate and readable document. That's what we've tried to do. We do try and follow good practice. Where Treasury's introduced things like their streamlining initiative, which we think is worthwhile, we have actually followed that. But, we don't have to

stick rigidly to the Treasury format at all.

[161] Part 1, as you see it in this document, therefore reflects our views on what should be here. It was cleared with me. As a relatively new arrival, I guess I was a good guinea pig this year for what should be in the report.

[162] **Nick Ramsay:** Fresh eyes.

[163] **Mr Morgan:** Fresh eyes, absolutely. So, that's been my approach to it, and trying to make it something that as many people as possible could read and understand. So, we've done that.

[164] **Neil Hamilton:** You've regarded yourself as an ordinary member of the public in this respect.

[165] **Ms Morgan:** Yes, I've tried. So, that's how I've approached it in part 1. I think it builds on past tradition in trying to set things out very clearly in that part 1. Part 2 and part 3 are very much constrained by guidance from the finance reporting manual—the FReM, as it's called.

[166] **Neil Hamilton:** So, in what respect does the performance report that you produce differ from what it would be if you were constrained by Treasury guidance? Is there anything significant that we ought to know about that is either not included or which you have put in and the Treasury wouldn't require you to do so?

[167] **Ms Morgan:** Not that I'm aware of. The report part 1 as it is now has developed over time, so we're trying to make year-on-year improvements, but it's very specific to Wales. If you look at the annual accounts of any of the public bodies in Wales, you will find some consistency but a great deal of specifics. So, it set out our own legislative programme and our property portfolio, our board—a whole range of things that are very, very specific to the Welsh Government.

[168] **Neil Hamilton:** Can you give us some insight into what sort of internal scrutiny or challenge takes place before you present the accounts to the auditor general for audit? Obviously, you want to give the best possible account of yourself to him and to us. What are the processes that you go through?

[169] **Ms Morgan:** There is, as I've discovered since I arrived, a very detailed

and clear process for giving me assurance sufficient to enable me to sign the document and also challenging the content of the document in detail. So, each part of the report is subject to challenge, as part of the process of drafting it, by individual parts of the office. It's subject to standard accounting requirements that Gawain and his team monitor very carefully and make corrections where that's necessary. There's a formal scrutiny by the chief accountant and the deputy chief accountant. There's a process of clearing the accounts with the departmental finance directors. The document is submitted to the Welsh Government board, which I chair, for their comment. Part 1, as I said earlier, is prepared in conjunction with my own office. As you can imagine, this year I spent a lot of time on it, getting to grips with the content and trying to make sure that it was transparent and comprehensive.

[170] For next year, the Wales Audit Office have recommended some changes in the preparation process, and we've agreed with those already and we're looking to take those forward. A lot of that is around the timetabling so that in future it becomes a rather less iterative process, but I felt, at the end of it when I signed it off, that it was a comprehensive and many layered process of challenge, scrutiny and assurance.

[171] **Neil Hamilton:** Right. You're in the same position as regards other Government bodies in Wales as the Treasury is in relation to others in England, and you've issued guidance for NHS bodies as to how to present their accounts. Is there a plan to extend that to other public sector bodies in Wales for which you're ultimately responsible, to ensure transparency and consistency?

[172] **Ms Morgan:** They, like us, already have to comply with the finance reporting manual in relation to specific parts. As I said, part 1 of the accounts is really very specific to the organisation, so I would expect there to be differences. We share our views on what we think is best practice through the Welsh Government sponsored bodies resource group. So, we feed into that and, in fact, in addition we make it a mandatory part of their reporting that they should report on sustainability figures.

[173] **Neil Hamilton:** Right. Okay, thank you very much.

[174] **Nick Ramsay:** Lee Waters.

[175] **Lee Waters:** Can I just take a step back a little bit, now that you've had

a chance to bed in, to really discuss your overall picture, your sense of strategic direction for the organisation, and what your priorities are?

[176] **Ms Morgan:** You want a sense just of my priorities, or first impressions, or both?

[177] **Lee Waters:** Your priorities.

[178] **Ms Morgan:** Priorities, okay. I have three roles in this job, basically: I'm the principal accounting officer; I'm, if you like, the CEO of the Welsh Government, the civil service; and I'm the policy adviser to the First Minister. So, I think long and hard about the priorities I've got. This, actually, has been a very good moment for thinking about that over the rest of the year.

[179] As principal accounting officer, clearly I have very set responsibilities, set out by Treasury and others to maximise transparency, accountability, rigour, value for money. I think that goes without saying—my role as principal accounting officer. I'm clear that I also need to make sure that we are constantly learning lessons and embedding best practice, and that I'm keeping the governance arrangements under review and looking at how we take forward the improvements that this committee recommends and that the Wales Audit Office recommends. So, that's a big part of my role. Those are my priorities as principal accounting officer.

[180] In the immediate future, I'm going to look at the role of the Welsh Government board sub-committees. We have three at the moment: that's the audit and risk committee, who I've seen in operation in relation to the assurances given on the scrutiny of the annual accounts; we have a remuneration committee that looks at remuneration and recruitment of senior civil servants; and thirdly, we have an internal operations committee that looks, really, at how we're going to take things forward across the Welsh Government. I'm looking next at those bodies to make sure we've got the right kind of structure under the board.

[181] As CEO for the Welsh Government, I think a huge part of my job is to provide momentum from the top to deliver the Government's priority, which is prosperity for all, to give momentum to that and make sure the organisation is on track, that we're monitoring and reviewing it, and making sure that, in doing so, we're meeting our obligations and objectives under the Well-being of Future Generations (Wales) Act 2015. I'm looking at some new internal governance to put in place to give me assurance that we're

taking forward and monitoring achievements against prosperity for all effectively.

14:30

[182] The other aspect of my CEO role is leadership, where I've already mentioned what I'm calling 'the futureproofing initiative'. I'm working closely with a wide variety of colleagues on that and looking, really, at making sure we've got the right skills for the future. I mentioned before there are two areas of work. One is sharpening up our skills, and that's really focusing on leadership, digital, project management, policy—those kinds of skill areas in the organisation—to make sure we've got the best possible skills for the future as well as looking for the kind of skills we need to deliver Brexit, whatever the future there holds for us. And the other part of my futureproofing initiative is looking at systems: so, performance management, talent management and promotion—all of those kinds of systems. So, that's part of my role as CEO, to give that leadership and put energy into the future development of the organisation to make sure it's strong and sustainable for the future.

[183] And then the third role I see is as the First Minister's policy adviser and, there, I think I've said before here that a big part of my role is to be the voice for Wales in Whitehall at a senior level, and I have to make sure that there is a relentless focus that I'm giving on Welsh priorities, Welsh interests in the regular gathering of permanent secretaries in Whitehall. I go up to London every Wednesday to the meeting that is chaired by Jeremy Heywood, the head of the civil service, to make sure that our voice is heard, our priorities come across very clearly, and, obviously, I build a programme of contacts during the course of that day. So, in addition to that, I have a major personal focus on Brexit—you won't be surprised to hear, given my previous area of work—so I'm engaged very closely in top Brexit discussions at official level in Whitehall, maintaining my Whitehall contacts and my Brussels contacts and advising the First Minister on where I see things going, in addition to the excellent team that we already have within the organisation working on Brexit issues. So, those are my priorities in the three areas.

[184] **Lee Waters:** Blimey, that's a complex landscape, isn't it?

[185] **Ms Morgan:** It is.

[186] **Lee Waters:** What do you think will be the two to three things that you

would like to achieve? What do you think will be different by the time you reach the end of your post?

[187] **Ms Morgan:** I think it's two clear things—they're big things, though. One is to leave feeling that I am confident that the organisation has momentum behind delivery of 'Prosperity for All'. It will go beyond that because my tenure goes beyond that lifetime, I hope. And the other is to go away feeling that I have left the Welsh Government and the staff of the civil service in better shape than when I arrived, that the Welsh Government civil service is genuinely sustainable for the future, that the leaders of the future are coming forward, being trained and developed, and the whole organisation is moving in the right direction. So, it's those two areas: momentum behind prosperity for all, getting the organisation behind that, and really reshaping the organisation for the future.

[188] **Lee Waters:** Okay. I wanted to ask you some more about that, in terms of the shape of the organisation, because I understand you told a staff meeting recently that anybody not working on prosperity for all or on statutory duties that you were 'coming for them'. So, I was just wondering, in terms of having the right people in the right places to be aligned to the strategic priorities—there's nothing wrong with that, it's a particular management style, I suppose—and in terms of, you know, the serious point about having things in the right place, where do you think the gaps are in the organisation?

[189] **Ms Morgan:** Well, if I can go back from that—

[190] **Nick Ramsay:** Got this image of you—*[Inaudible.] [Laughter.]*

[191] **Ms Morgan:** Being brutal. Well, I'm clear that the organisation needs to focus its resources. It is a time of scarce and diminishing resources, so we need to be absolutely clear about that. Our job is to deliver the elected Welsh Government's priorities. There are two big areas there. One is 'Prosperity for All'. 'Prosperity for All' is a strategy that sets a clear focus, but it's not all-embracing; it doesn't include all of our statutory delivery responsibilities. So, what I've asked people to do is look at: if you put those two areas together, what is left? What are we doing in the organisation that isn't part of taking forward 'Prosperity for All'—which are pretty wide-ranging—and isn't a statutory delivery responsibility? If it's not that, what is it? Why are we doing it? I'm not 'coming for them' at all, but I want to know what those areas of work are and why we're doing them, why we're resourcing them. It will not

be for me to take decisions on that; I'm very, very clear. It will be for Ministers to decide if that is work they want to continue and prioritise. But as my contribution to helping take forward 'Prosperity for All' at a time of diminishing resources, it seemed to me a very sensible way forward.

[192] **Lee Waters:** Okay. So, if I can continue along this vein, Chair. There are lots of different things there. In terms of the staff skill set and the leadership, you're obviously reviewing the senior leadership structure of the Welsh Government. You inherited, or there was a system, of directors general; there's now a far slimmer senior leadership level. Based on the experience of that to date, do you think that model has worked, or is it putting too much strain, too much power in the hands of too few people? Are you looking again at that shape?

[193] **Ms Morgan:** I know why the changes were made and, as I said at the beginning, I think I was very lucky to inherit a very well-functioning organisation, and I think it has been effective. We're now, though, two years on from that restructuring that reduced us to four groups, in fact, one of which I lead, but three director-general-level posts leading groups. That was two years ago, and, of course, since then, we've had the referendum, and Brexit has been an absolute game changer for everybody. Let's face it, the UK Government has created a whole new department to deal with the strategic and operational implications of Brexit. So, I've started a process of looking at the Welsh Government's structure, as I signalled here, I think in my first appearance.

[194] I'm looking at three particular areas. The first is on our capacity to handle Brexit issues, and I think there I'm going to need to boost, on a temporary basis, both the sort of strategic and constitutional areas of work as well as the operational areas like agriculture, environment and fisheries, which are going to see the bulk of change—the impact of change—flowing from Brexit day one. So, I'm looking at those two areas and I expect to make some decisions there very soon, which potentially would then change the structure, but on a temporary basis in response, very specifically, to Brexit. So, that's one thing that I've been looking at.

[195] What I'm going to do next is look at how we deploy our finance and HR resource across the organisation, because, at the moment, there are some in each group and there are some in the centre under my leadership. Derek has already done a great deal about that, and he talked to you about that last year. I think there's potentially scope to build on that and to look at

how we rationalise and strengthen the HR and finance functions across the organisation. But I'm not going to pre-empt that at the moment. I'm not coming in with fixed ideas. I want to look at how best we can do things, based on a close look at what we have at the moment. But that will be the next area that I look at. I want to, if possible, rationalise but without any weakening of control.

[196] And the third area is what you were talking about earlier on. I want to work with each group to look at where are the areas that are falling outside the delivery of 'Prosperity for All' and statutory delivery responsibilities so that we're clear that those are the things that we still need to be doing. As I said, it will be very much for Ministers and the First Minister to make any decisions about policy priorities, but I think it's worth doing that kind of work to try and work out where the resources are in the organisation and whether they're in the right place. So, it's three layers I'm looking at.

[197] **Lee Waters:** Just so I'm clear, do you think that the current system of deputy permanent secretaries is the right one to deliver on that?

[198] **Ms Morgan:** I've advertised for successors to James and Owen, as you'll be aware, and it's an open process via the Civil Service Commission. I've advertised those posts. I've called them 'directors general' because that's what the civil service grade is called and because I didn't really want to single out two DGs in particular as being my deputies, because, of course, there's also the DG for health, Andrew Goodall, who has an incredibly important role within the Welsh Government. So, I've advertised them, calling them DGs. It's exactly the same grade; it's simply a different title.

[199] **Lee Waters:** Right. I don't mean to be difficult, but I'm still not clear. You currently have—

[200] **Ms Morgan:** I currently have—. I'm interviewing for their successors in early November. I hope to have those people in post by the end of the year. At that point, there will be three DGs and four groups, but as I said, at the moment I'm looking at a further restructuring, which I hope—. I have to clear these things through a process, I'm afraid—

[201] **Lee Waters:** Sure, but potentially you're recruiting to posts that may need immediate restructuring.

[202] **Ms Morgan:** What I would do is cut down groups. So, yes. That's what

I'm looking at at the moment, but it needs a process of agreement.

[203] **Lee Waters:** Okay. Thank you. There are some other things that I'd like to come back to, but that's it for now.

[204] **Nick Ramsay:** Mohammad Asghar.

[205] **Mohammad Asghar:** What assurances did you seek and obtain from your predecessor, Derek, on taking up the post, given that it was but a few months before the end of the financial year to which the consolidated accounts were related?

[206] **Ms Morgan:** It's an important question. I had assurances given to me by Derek before I arrived and, on that basis, felt confident about the transparency and the propriety of the accounts up to the point that he left. The messages he gave to me were that he felt that the Welsh Government is well placed in terms of the quality of governance, audit, accountability processes, the teams and their leadership, and the additional accounting officers. He said to me that, on grants, he thought we needed to keep the right balance of risk appetite—and I know this is a point that the Wales Audit Office has made. He said, 'Let's keep in perspective that an awful lot more goes right than wrong'. We need to learn the lessons from the things that go wrong, but we shouldn't be risk averse.

[207] He said that there are some things for me to consider. So, in particular, how to ensure that our sponsorship and oversight role for arm's-length bodies was as effective as possible, how to make sure that we're maintaining improvements on the counter-fraud measures that we've put in place, and obviously learn the lessons from past cases that you're all very familiar with. He thought we would need to make sure that we're preparing carefully for the challenge of raising tax revenues. The WAO obviously provides advice and reports on that. So, I have been building on the most positive recent review by the WAO and I'm waiting for the next one, this month or next. Derek's final point was that the new audit and risk committee system had been in place for nearly two years, and he thought it was probably time to take stock and to consider future improvements. So, that comes back to the point I made about looking at the structures under the board. I'm reading from the notes that I made of the messages that he gave to me. In fact, he sent me a letter, which set out those messages in a little bit more detail, and I would certainly be very happy to share that with the committee if you would find that useful. I've tried to take out the key points,

but I'd be very happy to share the letter, because it was an important process for me to get an understanding from Derek of the performance of the organisation.

[208] **Mohammad Asghar:** Thank you very much indeed. The governance statement notes that, going forward, the First Minister is to engage with the board at least once a year. Could you set out the background to this, how it is going to work in practice and how it will improve the effectiveness of the board and the Welsh Government's internal controls?

[209] **Ms Morgan:** I'm aware that the First Minister had a tradition of meeting with board members at least once a year. I think the last one happened before I took over; so, under Derek's tenure. I felt that it was really important to continue that tradition and make sure that there was one opportunity a year for the board to meet directly with the First Minister and discuss his priorities and their role in assuring me and advising me on how to take things forward. And I see that as a very important part of the board's development and an opportunity for open dialogue, really, with the First Minister. So, the next meeting between the First Minister and the board will be later this month. He will come to us and talk to us about his priorities, I imagine, particularly on 'Prosperity for All' and how he sees that being taken forward. And I'll look forward to the opportunity for an exchange with the board to make sure that we are very clear about his priorities.

14:45

[210] But I guess I should just close by saying I'm very conscious that the role of the board is to advise me, personally. It's not a decision-taking body. It's there to help me support the First Minister and Cabinet in delivering Government priorities. But this, I think, is an important way of helping them to understand the context.

[211] **Mohammad Asghar:** Thank you very much. Shan, the First Minister meets you once a year, and you just earlier said you are a policy adviser also. And especially with this Brexit, there are 150 operations until 2020 in this part of the world. So, when you make this policy—one is a Government policy and one is party policy, you could call it—is there any way you are working at the moment, beyond 2020, especially in the context of European funding, which may make a big difference to every policy in Wales?

[212] **Ms Morgan:** It comes back to the distinction I was making between

‘Prosperity for All’—which, you’re quite right, runs to 2020 and stems from ‘Taking Wales Forward’—but obviously, there are continuing statutory delivery responsibilities that are not going to end at the end point of that strategy. So, I have very close and regular contact with the First Minister to make sure that I’m clear about his priorities and I have oversight of the effective delivery of statutory responsibilities across the Welsh Government. That’s a big part of my job, and that’s a big part of what the annual accounts set out as well.

[213] **Mohammad Asghar:** Thank you. Could you advise if there has been any change in the number of staff earning over £100,000 per annum and whether the Welsh Government’s consolidated accounts and pay policy statement are sufficiently transparent in reporting pay in this organisation?

[214] **Ms Morgan:** I will have to turn to Peter to ask if there’s been any change. I’m not aware of any change and, through the remuneration committee, as I mentioned earlier—the committee of the board—we keep very careful control, both of jobs in the senior civil service and pay levels. Peter, can you add anything?

[215] **Mr Kennedy:** Can I just clarify before I answer? Is the question about changes since the accounts or during the period of the accounts, about individuals earning more than £100,000?

[216] **Mohammad Asghar:** [*Inaudible.*]

[217] **Mr Kennedy:** During the accounting period. There are likely to have been some additional staff appointed in excess of £100,000. I don’t have the figure to hand, but I’m more than happy to report back on that.

[218] **Nick Ramsay:** We’re asking, just for clarification—it’s since 2015–16, so the last time that we looked at the accounts.

[219] **Mr Kennedy:** The last time? There will have been. There is certainly one appointment that I’m aware of in the period since then. So, yes. But I don’t have the figures to hand. If it’s helpful, I’m happy to prepare them.

[220] **Mohammad Asghar:** Are you expecting bodies beyond the central Government sector to also publish the statements on pay, side to side?

[221] **Ms Morgan:** I think we publish that on their behalf. I think we

published one recently, didn't we, Peter?

[222] **Mr Kennedy:** We have set out, in the pay policy, the expectation that they'll be published. There is an issue, as I'm sure the Chair of the committee recalls, with the higher education sector, but I'm reasonably confident that there was a note published on the HE sector in recent months.

[223] **Ms Morgan:** We can send you a copy of that.

[224] **Mohammad Asghar:** Thank you. Thank you, Chair.

[225] **Nick Ramsay:** Lee Waters, did you want to come back in?

[226] **Lee Waters:** Yes. I just wanted to touch on your comments around risk. Naturally, this committee looks often at things that don't go to plan. I'd like to ask a couple of questions about this, but to start off—the situation you inherited around the Regeneration Investment Fund for Wales, I think, which shocked pretty much everybody who looked at it. What is now in place to make sure that couldn't happen again?

[227] **Ms Morgan:** I think it's fair to say that we've learned lessons from the experience of RIFW as well as a number of other cases that came through, and as a result we've got, actually, quite a tight structure for approving the award of grants, and we have spread good practice very extensively across the organisation. So, I'm not sure I'd single out just RIFW. I think there were other grants that we needed to learn lessons from, although I'd go back to what Derek said—that's very small in the scale of things. And as a result of that experience, we have a centre of excellence that provides advice in awarding grants, we have a due diligence hub, which was designed to make sure that everybody making awards has to go through a process of establishing due diligence, we've upgraded things like the template for award letters and made very clear the processes that people have to go through, and made sure that they have to give a personal sign-off on the different stages that they've gone through. In fact, as I said I would at the last Public Accounts Committee, when we were talking about the grants management report, I went on some of the training myself to be able to see at first hand exactly what systems we'd put in place and how it works, and that gave me a lot of assurance about the kinds of structures that are now in place that everybody has to follow.

[228] **Lee Waters:** So, you're confident it couldn't happen again, then—as

confident as you can be.

[229] **Ms Morgan:** I am as confident as I can be that we've put in place everything possible to learn from the lessons of the past, but we will continue to do that.

[230] **Lee Waters:** Okay. On the converse, because, obviously, this is a balance, isn't it, how do you make sure that we're not becoming too jittery? Because, obviously, when things go wrong there's adverse press comment, there are opposition attacks in the Assembly, and you would be inhuman if you didn't become reactive to that. So, how do you make sure that you don't become too thin-skinned?

[231] **Ms Morgan:** I think it's part of the role of my top team to be able to inject that. They have to assure themselves that the expenditure that they're proposing is robust, that it's proper and regular and value for money. They have to be able to assure me of that. They have to be confident that what they're proposing is in line both with Government objectives and that we are using the budget in line with the purposes for which it's been voted through by the Assembly. I see that as the responsibility of my senior team, to make sure that they are applying that, but within that, to look at the potential outcome and positive impact of different awards and initiatives. I think if you look at the totality of the many and varied awards that we make, I think I can say that I am confident about that, although, as you say, it is always a very, very tricky balance to get right. I think the judgment has to come in at very senior level to make sure that the risks are being carried at the right level.

[232] **Lee Waters:** Okay. So, there's one example that happened over the summer, where there was adverse press comment about a secondment made from the Welsh Government to a media company, Bad Wolf productions. There was a demand by the Conservatives for action on that. You instituted an inquiry into that, I believe. I'm not sure what the status of that inquiry currently is, but I just wonder whether or not that was a proportionate response, given, as I understand it, the situation had been completely cleared by Peter Kennedy, as the head of HR, all the arrangements had been signed off, this has all been open and above board, and yet in order to close down the story over the summer, you announced an inquiry, which has had consequences for the company involved.

[233] **Ms Morgan:** I should be clear, it's an inquiry not into the validity of the funding, but into whether the proper processes were undertaken, and I think

it was the right thing for me to do as principal accounting officer, to assure myself of that. It is an internal inquiry about conflict of interest because that was the challenge, and I felt it was right for me as PAO to respond to that challenge. But it's not about validity of funding, so I would hope very much that it wouldn't affect the business—there's no challenge to that—but there was a question about whether an individual concerned had really—. There was a conflict of interest involved, so that review is under way. It's an internal review, and if there are any lessons from it we will make sure that we spread those as good practice in—

[234] **Lee Waters:** My question is about the proportionality of the intervention, and Mr Kennedy can clear this up, perhaps. As I understand it, this had all been declared openly and signed off by you before any actions had been taken. Is that correct, Mr Kennedy?

[235] **Mr Kennedy:** Yes. There was a business case put forward. A judgment was made by the business area that there was no conflict, and I'm assured that the correct process was followed.

[236] **Lee Waters:** So, given all that, why then was an inquiry necessary?

[237] **Ms Morgan:** I felt I had to respond to the challenge, and I took a judgment as PAO to make absolutely certain that we were right that there was no conflict of interest, because there was quite a lot coming out in the press. So, I felt an internal inquiry was a proportionate response to that.

[238] **Lee Waters:** So, it was you not wanting to get bad press, essentially.

[239] **Ms Morgan:** No, it's nothing to do with bad press. It's me responding to what seemed to be public feeling and criticism of action taken and internal Welsh Government processes, and I'm responsible for the regularity and the propriety of internal Welsh Government processes. So, I wanted to assure myself of that.

[240] **Nick Ramsay:** We're into the last 10 minutes or so, so are you okay with that point?

[241] **Lee Waters:** Okay. And when do you expect that to report?

[242] **Ms Morgan:** I hope within the next couple of months.

[243] **Lee Waters:** Okay, well, perhaps we can return to that. Just one final issue from me, which is again around risk and something we discussed previously, which is the concessionary bus pass scheme. I had an exchange with Sir Derek Jones last year around this where I cited an example of concerns being raised with Welsh Government officials, and the fraud that then subsequently was detected could have been nipped in the bud. It does seem from your report that you've made good progress in dealing with this, but it does raise a whole range of questions to me about the systems not being put in place in the first place when the policy direction was being embarked upon, and the underpinning systems in order to make it a success simply weren't there, and I think your inquiry shows that. I pursued it with correspondence afterwards and gave examples of when this had been raised, and essentially it ran into the sand because there'd been no paper trail at the Welsh Government end. So, I just wanted to put that on the record.

[244] The broader policy point I think is interesting. We've just taken evidence from the future generations commissioner, and you mentioned the challenge of the Welsh Government complying itself with the Well-being of Future Generations (Wales) Act 2015. And it's back to the question of whether you sure you've got the right skills in the right places, because it strikes me that 60 per cent of the work that the future generations commissioner is doing over the next year is around concerns about transport departments' compliance with the future generations Act. The failure in the concessionary bus pass scheme was around the transport department and not having the people and the systems in place to deal with that policy that had been set in train. And it goes back, really, to the twentieth anniversary of devolution question, where 20 years ago we had a roads division of the Welsh Office that overnight became the transport department, but the skills of the professionals involved there were heavily focused on engineering, on road building. So, I think there is a link between all of these things and whether or not—

[245] **Nick Ramsay:** It's a long question.

[246] **Lee Waters:** It is a long question. Some of it was information, and I'm coming to the question, which is whether or not the skills are in place because we have a series of examples there: challenge from the future generations commissioner, concessionary fares fraud—are you satisfied that the transport department has the right skills and is not still biased towards the roads division it once was?

15:00

[247] **Ms Morgan:** You referred to the letter that I sent to the Chairman, and I think that sets out in quite a lot of detail what we've done—what happened on the bus passes concessionary scheme and what we've done. And you're quite right to highlight the fact that local authorities are responsible for administering concessionary travel. I think something that came out for me in the briefing that I had on this issue was the importance of using the right data analytics to be able to monitor concessionary bus pass use. That came along relatively late in the process. It simply wasn't available to us. Since we've had it, it has transformed things. So, we are now able to use that data analytics tool to make assessments about the realism of the kinds of claims that are made, and local authorities themselves are able to do that. So, I would say that that's not actually about the skills of the team in the transport department. It's about how our digital abilities have evolved—we'll come on to that shortly—and the breakthrough that having access to detailed data analysis made in being able to look at what it was telling us. But I think, just to rule out concerns on my side, I've said I want the organisation to sharpen up its skills in digital leadership, policy and a range of other areas. I have seen nothing since I arrived to make me doubt the ability of the team in the transport department, and actually, quite the opposite.

[248] **Lee Waters:** It was a balance of skills I was asking about, not the ability.

[249] **Ms Morgan:** Well, I've seen nothing to make me doubt the skills that they have and the approach that they're taking. I think they have a challenging job, very wide-ranging, and I have real assurance that they are performing effectively. We all need to improve our skills. I know I certainly do. So, my futureproofing initiative will address all of us and our skills. But I certainly would not single out any particular part of the Welsh Government as needing specific skills training of the sort that you've mentioned.

[250] **Lee Waters:** That wasn't the intent of my question, but, given the time, I shall leave it there. But that wasn't the point I was trying to get at.

[251] **Nick Ramsay:** Thanks. Can I ask you, just to bring this session to a close: the statement of resource outturn sets out some significant underspends against budget—have you identified any specific action required as a result of these to mitigate future occurrences?

[252] **Ms Morgan:** Yes—

[253] **Nick Ramsay:** That's a short answer. [*Laughter.*]

[254] **Ms Morgan:** I'm smiling because I found this rather puzzling myself, and I needed careful briefing from my finance director to explain to me how it works. You're talking about the table, I think, on page 53, aren't you? That gives headline figures, and it used what we call the ambit format, which is the budget that's been approved by the Assembly. It includes what we call AME, the annually managed expenditure, as well as revenue and capital, plus some cash. I think the key point I need to make immediately is that what's shown as a variance is not lost to Wales. It's not an underspend that we then lose. It is carried forward. And, in fact, the overall variance is within 1.5 per cent of the total budget, which I think is very low, given the complexity and range of our business. The largest variance there you'll see is—

[255] **Nick Ramsay:** Sorry, just for clarification on that, when you say it's not lost to Wales, it's retained—

[256] **Ms Morgan:** It's carried forward.

[257] **Nick Ramsay:** It's carried forward and retained by the Welsh Government.

[258] **Ms Morgan:** It's carried forward, yes. The largest variance there is the health budget. That table showing the ambit reports an underspend or a variance of £84 million, whereas, in fact, the resource account budget shows an underspend of only £7 million. And it reflects the difference between resource accounting and cash accounting. I should say that we provided all the cash that we were asked for by health bodies during the course of the year. You can tell by the way—

[259] **Nick Ramsay:** I can see why you've had careful briefing on this. [*Laughter.*] My head is spinning already.

[260] **Ms Morgan:** Indeed. This is a very complex budget mechanism, I find, as you can tell from the way I'm explaining it. It was defined in the Government of Wales Act 2006. I am relieved, and I'm sure you will be, to hear that we plan to simplify and streamline it for next year's accounts, so that the accounts are more transparent than they are at the moment. I will certainly welcome that. But the key point is that those are not underspends

that have been lost to Wales. All those variances were carried forward and we will continue to have access to them.

[261] **Nick Ramsay:** Your officials are smiling. Did she do all right there? [*Laughter.*] They're not going to comment. [*Laughter.*] And, finally, given the time, in giving evidence to the Finance Committee, which I also sit on, actually, the Cabinet Secretary said that outstanding debt, as a result of borrowing for the merger with the Welsh Development Agency, was just over £11 million, with an interest rate of 15 per cent. How did officials obtain assurance that this reflected value for money, and has it continued to do so? I think it's a historic loan.

[262] **Ms Morgan:** It's exactly that. And it dates from the 1970s. In fact, it does predate the Welsh Development Agency. There is a penalty for repaying the national loans fund debt back early—that's where this money comes from. So, in fact, although it sounds counterintuitive, it's actually more cost effective for the Welsh Government to continue with the current payments than to suffer that penalty. But I'm sure you will be pleased to hear there's been no further borrowing from the national loans fund.

[263] **Nick Ramsay:** I'm not surprised at that rate. [*Laughter.*] I think the Finance Committee was told that, at the time, that was quite a good—. It seemed like quite a good deal, but, of course, with interest rates much lower now, it's—. But that's the reason: it's actually more expensive to pay that back and get—.

[264] **Ms Morgan:** It's more expensive to pay it back, yes.

[265] **Nick Ramsay:** That is extraordinary.

[266] **Ms Morgan:** I hesitate to use the term 'value for money', but there is a greater penalty attached to paying it back.

[267] **Nick Ramsay:** Does anyone have any further questions? Oscar—a very short, final question.

[268] **Mohammad Asghar:** Thank you very much. What it is, we know that there's underspend of over £300 million in different departments—there's health, well-being, revenue, education. Only one department has overspent £15 million. So, there's £300 million. Any department that underspends, I hope the following year budget won't be reduced by that amount, so you're

getting forward this underspending for the development for the future for the same department—or is it going to different areas?

[269] **Ms Morgan:** It's carried forward into the budget for this year, and, of course, the Cabinet Secretary agrees the budget allocation with each Cabinet Secretary.

[270] **Nick Ramsay:** Great. Thank you. Can I thank the Permanent Secretary, Shan Morgan, and your officials for being with us today—Gawain Evans, David Richards, Peter Kennedy? That's been really helpful. We do have other questions that we'd like to ask, but we've run out of time. Is it okay if I write to you with those questions?

[271] **Ms Morgan:** Please—yes.

[272] **Nick Ramsay:** Great. Thank you for being with us this afternoon.

[273] **Ms Morgan:** And we'll follow up the questions that you asked.

[274] **Nick Ramsay:** Oh, of course you are, because we're not taking a break now. Are you happy if we just run through? [*Interruption.*] Would you like that? Okay, we will have a short break.

*Gohiriwyd y cyfarfod rhwng 15:07 ac 15:11.
The meeting adjourned between 15:07 and 15:11.*

**Heriau Digidoleiddio: Sesiwn Dystiolaeth
Challenges of Digitalisation: Evidence Session**

[275] **Nick Ramsay:** Welcome back. During the introductory session with the Permanent Secretary on 13 March, Lee Waters asked about the challenges digitalisation will bring to the Welsh Government and the organisation's readiness to respond. The Permanent Secretary wrote to me on 1 June in response and the Welsh Government published its digital action plan on 14 September. As the Permanent Secretary is attending committee today, I thought it would be helpful for Members to take the opportunity to question her about the plan. With that, the first question for you, Permanent Secretary, is from Lee Waters.

[276] **Lee Waters:** Thank you, and thank you for humouring me on this in having a session on it and providing the helpful evidence that you have. I was

struck in looking at the strategy that it's been launched without any real fanfare. There doesn't seem to have been any announcement or press release or anything, really, to mark its release, and, once you look at it, you perhaps realise why. It's a strategy without any targets or performance indicators. Can you tell me why that is?

[277] **Ms Morgan:** I think it's a very good document and it's intended as an internal one. So, there was a degree of fanfare with it. You'll see there's an excellent foreword by the Minister for Skills and Science, who has oversight of digital issues, but it is very much an internal document. It's really intended as a sort of call to action for Welsh Government staff and to enthuse them about the potential benefits of digital and to engage them in how we develop them across our organisation. So, that's why it doesn't have a great long list of targets; it's an internal document. Personally, I find it very readable and it sets out very clearly what we want people to be able to do, and I think it does do that. It's a document designed to enthuse people, to get them to engage with us, to sign up for training, to understand what we need to be doing to improve our digital ability in the Welsh Government, but no list of targets, because it's not that kind of document.

[278] **Lee Waters:** Right. Has any consideration been given to producing that kind of document?

[279] **Ms Morgan:** Well, my chief digital officer, who's here today, will be providing me with a report annually. She reports to the Welsh Government board. She'll be looking at a variety of metrics on how we've taken it forward—numbers in training, a whole range of things—and how many websites we've reduced in terms of our external services. I've asked her to look at some wider measures about how we measure progress, but this action plan is the starting document and now we need to look at how we take that forward across the whole organisation.

[280] **Lee Waters:** Thank you for that. That does sum up my feelings rather well, really, because my concern is, given the pace of change going on, and given the nature and scale of change happening by the Government in England, our response is an internal document focusing on internal systems, trying to tell people about websites and training courses, rather than a call to arms to bring about a step change in the way that public services are delivered. It's full of aspirations and intentions, but no targets and no route-map.

15:15

[281] **Ms Morgan:** Well, I hope you would want us to have an internal document that provides a platform for engaging with staff. That's what it does. Clearly, we have a much wider role across the whole of Wales. Perhaps I could explain what we're doing. I'll try and be brief and not offend against the Margaret Hodge principles.

[282] We're responsible for service delivery across Wales, we have our own internal digital systems, and, of course, we look to build our digital skills. Internally, we've got the kind of core digital infrastructure you'd expect any large organisation to have. We're continuing to modernise that. We have a range of digital jobs in the Welsh Government, some specialist, some non-specialist. The purpose of this document is really to reach out to the non-specialist staff and to engage them in the kind of shift we need them to make in their digital awareness and skills. That's the purpose of this document.

[283] If I can come to digital delivery in Wales, I think we have a really good story to tell. We are aiming for continuous improvement. I have to say that we're not in the same category as, for example, the Driver and Vehicle Licensing Agency. We follow the principles of the UK Government Digital Service, the GDS, as a benchmark. That's very common across the whole of Whitehall, as you'd expect. We are clear that we need to continually improve our performance. But an organisation like DVLA, for example, is delivering high-volume, high-value transactions to their customers. We're not in that space, but we are making information services and data accessible to the public through a very wide variety of websites and services. If I could highlight a couple—

[284] **Lee Waters:** Can I just jump in? Because, forgive me, we're not really talking about the running of the department—this seems to be about the running of the department and its IT processes. My starting point for this when we first had a session in March was that the Cabinet Secretary talks a lot about digital as an instrument of change and the need to transform public services, and we're talking about an internal document about the running of Cathays Park; we're not talking about transformation across Welsh public services. It does seem to me that your chief digital officers are internally focused and not looking at the range of different sectors. I'd be quite interested to hear from Peter Kennedy, if I might, about how this compares to what's going on in England, and the scale of change there.

[285] **Mr Kennedy:** I must confess, I'm not as close to the scale of change in the digital world in England as Caren may be, being our chief digital officer.

[286] **Lee Waters:** Perhaps I can ask you about skills, then. I understand the National Audit Office has said that, in the Government in England, they've identified they need 2,000 more people with senior digital skills and, in fact, the GDS have said that that's a conservative estimate and it needs far more. So, in terms of your own analysis of the sort of skills we need in Wales to deliver this agenda, what is that, and what sort of scale? How does it compare to 2,000 in England?

[287] **Mr Kennedy:** Well, by default, we're a smaller body of people than England, but I wouldn't like to say that 2,000 is proportionate. We do have quite a large or growing sector in the digital space in and around Wales so it could be a considerable number, but I don't have an estimate.

[288] **Lee Waters:** Have we done any analysis?

[289] **Mr Kennedy:** I'd have to ask Caren.

[290] **Lee Waters:** If I might—just from a HR point of view, because this obviously has huge HR implications, we've done no analysis from a HR point of view on the skills we need to deliver this agenda so far.

[291] **Mr Kennedy:** We've done an analysis on the internal workings of the organisation but your question, I believe, is about the broader public sector and beyond.

[292] **Lee Waters:** And what does the internal one say?

[293] **Mr Kennedy:** The internal one recognises that we do need to increase and grow our digital capability, which is partly, I think, possibly why we have focused on an internal strategy to try to understand and develop the capacity and capabilities that we need for the future.

[294] **Lee Waters:** Right. Sorry, please.

[295] **Nick Ramsay:** Caren Fullerton, did you want to come in?

[296] **Ms Fullerton:** Well, I was going to focus—. The analysis that I've done

is focused on Welsh Government. It's not only on internal systems; it's also the systems that Welsh Government provides to the public in Wales. So, it's a slice, if you like, of the services that are provided digitally across Wales, but it is an important slice. We have a lot of people within the Welsh Government working on ICT and digital systems. In my analysis, too many of them aren't Welsh Government staff, and I think that one of my focuses over the next few years is to move the balance. So, a bit like the Driver and Vehicle Licensing Agency did: start to bring work in-house, and start to employ more people, train more people and develop more people who work for the Welsh Government in these skills, so that we can move to a more in-house model.

[297] The Government Digital Service in England went about this in a similar way, actually, but they have developed a very large capability to develop common platforms for the whole of public service—things that help you pay in the same way, whatever system you're using, et cetera—and we use those. So, in a sense, we take advantage of many of those developments in England as well. The other focus, I think it's fair to say, of GDS—of much of the work that was focused on in the first phase—was on those huge transactional services. As the Permanent Secretary says, we just don't have those within the Welsh Government in our own—. Our biggest services provide payments to farmers—around £20,000 a year, or a little bit less than £20,000 a year—and we provide a lot of services to people in real need through the discretionary assistance fund, but they're nothing like the same scale.

[298] **Lee Waters:** Sure, but that's implementing the Welsh Government's own things that you directly deliver, isn't it? Does your remit, for example, run as far as NHS Wales Informatics Service—the NHS?

[299] **Ms Fullerton:** No, I support the Minister for Skills and Science, who has a remit on behalf of Cabinet with respect of digital services across the public sector. So, I have an oversight in terms of looking at what they're doing, but as a reviewer or observer—I don't have a direct executive role with respect to NWIS.

[300] **Lee Waters:** Perhaps I can ask the Permanent Secretary about that. Isn't that quite extraordinary? We have the largest section of the Welsh Government directly delivering services—huge. This committee has heard of numerous delays: projects seem to take seven years to implement in the NHS. We talked about a food project; we've talked about a number of projects where NWIS is clogged up, and there really is a series of issues. I believe that the auditor general is doing some work on NWIS at the moment.

Your own chief digital officer is operating in a silo, apart from this huge function on the digital landscape. Doesn't that seem to be a bit of an odd situation and a gap?

[301] **Ms Morgan:** I wouldn't describe it as a silo, I have to say. I think it's very wide-ranging business that we're covering.

[302] **Lee Waters:** With respect, Caren Fullerton has just said that she doesn't have a role with regard to NWIS.

[303] **Nick Ramsay:** Lee, let the Permanent Secretary answer.

[304] **Ms Fullerton:** I don't have an executive role with respect to NWIS. I'm sorry.

[305] **Nick Ramsay:** Sorry. I ended up interrupting you myself there, didn't I?

[306] **Ms Morgan:** Caren will explain the structures, but, essentially, the NHS systems are co-ordinated by the NHS Wales Informatics Service, and the chief executive of the NHS—my director general for health—is the accounting officer responsible for management of that service. I will look forward to hearing from the WAO on what more can be done. I couldn't disagree with you that this is a cutting-edge area where we need to make sure that we are keeping constantly on top of developments, and that we're making sure that Welsh public services are the best they possibly can be.

[307] We are very keen to learn from everybody. I think it would be wrong to say that we're operating in a silo. We do have a different range of activities that we're responsible for—services that we're delivering to the people of Wales. We're not like Her Majesty's Revenue and Customs or the DVLA in that respect, but there's still a lot that we are learning from them and that we can learn for the future.

[308] **Lee Waters:** I find it extraordinary that the Welsh Government has a chief digital officer who doesn't have responsibility for the bit of the Welsh Government that does the most on IT.

[309] **Ms Morgan:** That is the way that the NHS is structured in Wales. I am confident that my DG health and chief executive of NHS Wales is fully engaged on this. To be honest, I think that what happened with the NHS cyber-attack showed how well the Welsh system is operating. As you'll know,

there was no impact on data or patient systems in Wales, despite what happened—the ransomware attack in 2017 in the rest of the UK.

[310] **Lee Waters:** Well, 80 per cent of the rest of England wasn't affected by that either. We took our systems offline for five days while we applied patches. I'm not entirely sure that we can cite that as evidence that the Welsh system is working as best it can. I don't accept your characterisation that we're not working in silos given what we've just discussed, so perhaps you could reflect further on that. Then just a final question from me. We class ourselves at level 4 in the digital capability framework, which means

[311] 'senior management making significant progress in delivering the vision and plan. Processes across the organisation have been converted to digital, providing tangible benefits and efficiencies'

[312] and aim to go to level 5. Has that been independently verified? Is that just our own self-assessment? Where does that level come from?

[313] **Ms Morgan:** Caren, can you explain how it works?

[314] **Ms Fullerton:** I think, as the letter to the committee said right back at the very beginning, it's a framework that was published by the UK Government Digital Service in their original strategy, and it's an assessment we made—we did make it ourselves—two years ago that we were at level 2.

[315] **Lee Waters:** So, you classed yourselves at level 4.

[316] **Ms Fullerton:** At level 2. In terms of where we are now, yes, again, we've looked across the organisation, we've looked at what we've delivered over the last three years, and we've assessed ourselves as level 4, yes.

[317] **Lee Waters:** Right, and you've had no independent verification of that at all.

[318] **Ms Fullerton:** Let me have a think. No, I think it's probably fair to say we haven't had an external verification of that.

[319] **Lee Waters:** Okay. Well, I must say I'm no more reassured at the end of this session than I was at the beginning. We've got—

[320] **Nick Ramsay:** We're not at the end yet.

[321] **Lee Waters:** —an internally focused strategy with no targets, no timelines, no firm plans, and a self-assessment level that sounds rather complacent given everything else we've heard. So, I hope that we will be able to return to this area. Thank you.

[322] **Nick Ramsay:** Okay, I want to bring in some other Members. Oscar—
Mohammad Asghar.

[323] **Mohammad Asghar:** Thank you very much, Chair. How will you ensure that sufficient resources are available for delivering the action plan, given the competing priorities, especially in the light of Brexit?

[324] **Ms Morgan:** It will be challenging because not only are we facing the challenges of Brexit, but also resource constraints, but I'm very clear, and I hope this will reassure Mr Waters, that this is something absolutely fundamental. We cannot afford not to equip our people to deliver effective services for the people of Wales for the future. So, I've introduced, as I was saying in the previous session, an initiative called 'futureproofing', which is designed to improve the Welsh Government capability and systems, and as well as skills that we are developing to support Brexit, things like negotiating skills, we're also including training to improve digital, policy and leadership skills.

[325] There's an awful lot already available. Caren has really boosted the range of opportunities available, using online resources, drawing on courses available through the UK Government and other, devolved administrations, and, where necessary, developing our own courses. So, that is in hand and it's a top priority for the skills training work in my futureproofing initiative. A lot of learning and development opportunities are low cost, and can be done, for example, online, not surprisingly. So, coming back to the action plan, the purpose of that was to engage and enthuse staff, and explain to them what is available, what we expect of them, and what they need to be doing to maintain their skills for the future.

[326] **Nick Ramsay:** Could I just ask, Permanent Secretary, on that point? I understand fully the need to provide training, but what about when the staff are being recruited? Is digital competency part of that recruitment process?

[327] **Ms Morgan:** It depends on who we're recruiting. Obviously, for specialist staff, there are recognised digital requirements that we have to

apply, and we are bringing in a number of digital apprenticeships this year to increase our expertise. Of course, it's fair to say that we've had very tight restrictions on external recruitment over the past two years, so what we have to do is recruit very carefully and very strategically, plus boost the skills of our existing staff for—

[328] **Nick Ramsay:** Will it be part of the process of recruiting the new deputy permanent secretary?

[329] **Ms Morgan:** No, it won't. I will expect all of them to be at least digitally literate. It's not something that will be tested during the course of, frankly, a very rigorous interview process—any more than I was specifically tested beyond, I guess, having to do an online set of questionnaires. But it's something that I would expect—. I find it hard to believe that there would be many people of the calibre that I will be looking at who are not at least digitally literate and aware of the benefits of the digital agenda for the future.

15:30

[330] So, that is what I will build on when those appointments are made. Obviously, for any appointment with a specific digital requirement, we would put a digital expert on the recruitment panel and, just to underline, we do expect a fundamental level of digital literacy to make the best use of our ICT, because we've made significant investments in that over recent years.

[331] **Nick Ramsay:** Lee, did you have one final question?

[332] **Lee Waters:** Just to be clear, we're not talking about whether the new deputy permanent secretary can type with more than two fingers. We're talking about whether they have an understanding of the digital landscape, and the fact that that is not in the job description for your two most senior DGs says a lot, I think.

[333] **Nick Ramsay:** Is that a question, or is that a statement?

[334] **Lee Waters:** Do you agree?

[335] **Ms Morgan:** I would argue that in their job description it's made very clear what we expect of them, and understanding the digital landscape is part of the how we're going to do things, so I would expect people to have

that literacy with what you describe as a digital landscape. To be honest, I think a big part of how we're going to be delivering the objectives on united and connected Wales, and meeting our objectives under the well-being Act, are going to require digital ability, literacy and thinking. I agree; I think there's a—. In preparing for this, I looked at a variety of sources. I came up with what I—. I found what I thought was a very good definition of 'digital', which I think makes your point or underlines it, from the director of digital services at the Co-op Group, saying,

[336] 'Applying the culture, practices, processes & technologies of the Internet-era to respond to people's raised expectations.'

[337] It's not optional. It's not optional; it's how we're going to do things. I'm very clear about that, and it will be my job to make sure that the whole organisation is responding to that challenge.

[338] **Nick Ramsay:** Great. Thank you. Can I thank the Permanent Secretary Shan Morgan for being with us, well, for both sessions actually, and your officials as well? I've just checked, and you are now leaving. It is the appointed time. Thank you for that. We will send you a transcript of today's proceedings for you to check for accuracy before it's finalised.

[339] **Ms Morgan:** Thank you very much.

[340] **Nick Ramsay:** Thank you for being with us today. We'll take a short break—five minutes or so.

*Gohiriwyd y cyfarfod rhwng 15:32 a 15:39.
The meeting adjourned between 15:32 and 15:39.*

**Sesiwn Ffarwél James Price, Dirprwy Ysgrifennydd Parhaol Grŵp yr
Economi, Sgiliau a Chyfoeth Naturiol
Valedictory Session: James Price, Deputy Permanent Secretary,
Economy, Skills and Natural Resources Group**

[341] **Nick Ramsay:** Item 6 is our valedictory session with James Price, the deputy permanent secretary for the economy, skills [*Inaudible.*] leave the Welsh Government shortly to take up the position of chief executive at Transport for Wales. As has become usual practice, the committee has invited him for a valedictory session to reflect on his time as deputy

permanent secretary for the economy, skills and natural resources group. Could I welcome James Price back to the committee? We have a number of questions for you, so if at any point I'm moving things on, it's because we want to get through as many as we possibly can, as we have, you probably—well, for the last time in your current role, anyway. If I can start: what would you categorise as the biggest successes and failures of the economy, skills and natural resources group during your period as deputy permanent secretary?

[342] **Mr Price:** Okay. So, I'll try and restrict my answers to my period in time as deputy permanent secretary. Some of this might bleed into previous roles I've had at the same grade, if that's okay. So, I think the two areas I would say we have done best in—and we could do better in both of them—would be, firstly, trying to join up policy on a kind of cross-cutting, whole-Government agenda. We've moved, I think, quite a lot, particularly in the last two to three years, on that, thinking about things like food and its link with the rest of economic development, whereas, previously, they were separated items; planning and economic development; economic development and the environment; the environment and sustainable transport et cetera, et cetera. So, that's one area where I'd say we've made quite a lot of progress, but more progress is to be made.

[343] The second area, I think, is more of a focus on delivery, perhaps, than we have had in the past, where most of the metrics across all of the things that we measure—and you can question whether we're measuring the right things—have gone in the right direction and, in some instances, we've seen kind of best-in-class performance. So, that would be jobs created, safeguarded et cetera, foreign direct investment, tourism figures. I would also look, actually, at the performance of the transport schemes that we now have—capital schemes—in comparison to the schemes we had maybe 10 years ago.

[344] In terms of failures, I think the biggest failure—and I suspect the committee will come on to this later—is our failure to embed as much as I would like to have embedded some of the findings of some of the reports. So, I think all of the reports that the Wales Audit Office have done have raised important issues, and there are some themes that come through around record-keeping, contemporaneous record-keeping particularly, and each of those reports has had a real, significant and positive impact on the group. For me, I just wish that, perhaps, they'd seen a bigger impact than they actually have. If I was staying in the role that I'm currently in, I think that's

what I would want to be focusing on as the next step. So, when I was first appointed, I think we had something like 150 outstanding audit recommendations from internal audit services. We're now down to about nine or 10. The jobs performance has doubled, but where I would want to be going next is to keep the jobs performance as is but really have a focus on governance and not see it as moving from one to the other. I think there have been times in the past where governance has suffered as a result of performance and there are times when performance has suffered as a result of governance. I don't think either of those are acceptable, and the next stage should be right first time, basically.

[345] **Nick Ramsay:** It's a time of change with the new Permanent Secretary in post and you moving on. In terms of your role and remit and the deputy permanent secretary structure, do you think that that's fit for purpose for the future, or do you envisage that there could be some restructuring?

[346] **Mr Price:** Wow. That's a very difficult question for me to answer. That's best addressed to the Permanent Secretary, I guess. What would I say? I'd say there's no right answer to a structure. The structure should follow the function that you're trying to deliver. I think the structure as currently is—and I think Shan's on record saying this—was put in place before Brexit, so there clearly is a Brexit dynamic to think about. But the positive of the structure that we now have, even though sometimes it might seem a negative to me, is that, in essence, we've created a health group, a policy group and a delivery group and, fortunately or unfortunately, depending on your viewpoint, I've ended up with the delivery group, which has within it most of the areas where Welsh Government can make shorter term errors—I guess you would call it that. Now, the positive of putting all of that together in one group is that you ought to be able to share best practice and try and get better at those things. So, you know, you could argue that splitting it up would give it greater management attention. I think I would argue that pulling it together allows for lessons to be learned from different areas of delivery, such that we should get better at a faster pace.

[347] **Nick Ramsay:** Good. Neil Hamilton.

[348] **Neil Hamilton:** On the Circuit of Wales?

[349] **Nick Ramsay:** Whatever you want to ask on.

15:45

[350] **Neil Hamilton:** Right, okay. Yes, I'd like to ask a couple of questions arising out of the reply that you gave to the committee in the letter of 11 September, where we asked a whole series of questions. I want particularly to focus on question 1 and question 23. I'm rather alarmed by what you say in answer to question 1, about the approach of the Welsh Government to private sector projects that come to you, asking for assistance. In particular, you say in your response,

[351] 'The initial funding provided to the Heads of the Valleys Development Company...was to enable the company to develop a detailed business case together with detailed designs, to raise private funding and to obtain appropriate planning permission.'

[352] I really don't see how you can properly control the use of public money, if that's what is possible, because here you have somebody with a bright idea, a shiny document, saying, 'This is going to be a great success if we can raise the cash to make it work', and you say, 'Righto, let's give you some money to see if we can provide a commercial case for you'. What are the limitations in those circumstances upon any private projectors, as they called them in the eighteenth century, in the days of the South Sea Bubble, coming to you and asking for your help? And how would you evaluate, before you even have a study to look at, whether this is going to be value for money?

[353] **Mr Price:** It's a very good question. I don't think there's a one-size-fits-all answer to that. If we talk about the Circuit of Wales particularly—and I've got the letter in front of me, luckily, but I don't have all of the detail with me—from memory—and it might be an idea if I'm asked to check this afterwards, just to make sure that what I say is actually completely correct, but the first bit I know is correct—the circuit came to us on a number of occasions and were turned down. That is the first part of this to say. So, I think they approached the regeneration team to start with and were turned down, approached the economic development team and were turned down, and then re-approached the economic development team with a slightly improved plan and when they had got some private money behind them. They'd got a small amount of seedcorn money from some motor sport trust. I think there was £1 million or £2 million. At that point, we could have turned them down again, but the Welsh Government commissioned some of its own due diligence, to say, 'Is this a plausible thing to be getting involved with?' Only when that due diligence came back, saying it was a plausible thing to be

getting involved with, did we give them any development money, and that would have been—I can't remember the figure, but the £2 million—

[354] **Neil Hamilton:** Yes, there were two tranches. One was £2 million and then there was a further £7 million.

[355] **Mr Price:** Yes, that would have been the £2 million. That would have been the first choice. Now, whether the Government should do that type of thing or not, I think, is maybe a question of policy. If you were to—

[356] **Neil Hamilton:** So, that's something to take up with the Minister.

[357] **Mr Price:** Well, I guess so, but the only things I would put into that mix are, if you were to look at perhaps what Scotland might do—I think Scotland might get involved in that type of thing. I think the previous English regional development agencies probably would have got involved in that type of thing, and some of the local enterprise partnerships now would. But it is an inherently risky thing to do, and there's a policy question about the role of Government.

[358] **Neil Hamilton:** Well, I understand that, and that is something that I think we should take up with the Minister. Further on in your answer to question 1, you say,

[359] 'It is important to invest sufficiently to determine whether a project is viable; had we not done so then we would potentially have had less robust data on which to base our eventual decision.'

[360] The company were asking for a guarantee. They weren't actually asking for money upfront from the Government. But the decision that was ultimately taken not to provide the guarantee doesn't seem to me, on what has been said publicly by the Cabinet Secretary, to have been based upon its potential viability at all—commercial viability, that is—but upon whether the whole of the capital, which the company from the private sector was seeking to raise, would end up on the Welsh Government's own accounts. A very large sum of money, of course; £373 million, even though the company was only asking for a guarantee of about half that amount. And this takes us into the arcane world of classification of expenditure within the Treasury guidelines.

[361] So, what I'm concerned about here is that these guidelines were in

existence at the time that the company made its initial approach to the Welsh Government. It's known because we've seen this in other areas, not least housing associations in the course of this year; questions of classification have a dramatic impact, sometimes, upon the way in which projects can develop, where Government is concerned, at any rate.

[362] Given that there is an inherent ambiguity, at very least, about this, why wasn't that flagged up right at the very start of the project, before you committed what eventually amounted to being nearly £10 million for this? You could've had advice, both from external due diligence and, indeed, internal, that this was a project that couldn't fail, and yet you would still not be able to proceed with it on the basis of the excuse given by the Cabinet Secretary, when he made his statement turning the project down.

[363] **Mr Price:** Okay, so, if I can try and take probably three points in the question that you're asking and start at the very beginning. The original application, if we can call it an application, was assuming that it would be a private-sector-funded initiative—

[364] **Neil Hamilton:** But you knew they were coming to you for a guarantee. Otherwise, they wouldn't have come to you at all.

[365] **Mr Price:** Not a significant guarantee. The original original business proposition was that they wanted some seedcorn funding, alongside other seedcorn funding and, I believe, a £16 million grant. They were talking about raising the money from the private sector. So, that was where it started from, at which point there would be no doubt that it would be off balance sheet in those circumstances. Halfway through the process, roughly, there was a proposition put to us, which clearly was not acceptable and would've been on the balance sheet, which was, basically, for a 100 per cent guarantee. And then the current Cabinet Secretary set the funders a challenge, which talked about half of the funding coming from the private sector. Now, his rationale for that was, if you like, a moral rationale, where he believed it wasn't right for Government to be providing any more than half of the funding.

[366] It just so happens that half of the funding is also one of the key tests for on or off balance sheet, and it was our Welsh Treasury colleagues' view, quite strong view, that half of the risk wasn't being taken by the private sector, in the final analysis, which is why it was on balance sheet. I don't think that was the only thing that was taken into account in taking the final decision, however. I know what was also taken into account was the viability

of the whole scheme and how much risk might be resting on the Welsh Government. So, if it was a dead cert, a complete dead cert, no danger at all of Welsh Government being called, (a) they would've been able to get some more money anyway, which would've—

[367] **Neil Hamilton:** They wouldn't have needed to come to you in the first place.

[368] **Mr Price:** Well, yes. I think there is a policy issue here. So, if we were Scotland, or if we—

[369] **Neil Hamilton:** Well, I'm not interested in Scotland—

[370] **Mr Price:** But it is relevant from a wider perspective. So, if we were in Scotland and had wider borrowing powers, we could've borrowed more to take on—

[371] **Neil Hamilton:** But you haven't, so that's not relevant.

[372] **Mr Price:** Well, no, and if we were in England or a local enterprise partnership, we could do the same here—

[373] **Neil Hamilton:** But you're not.

[374] **Mr Price:** No, I quite agree.

[375] **Neil Hamilton:** So, it still doesn't answer my question. Why did you not, before embarking upon—

[376] **Mr Price:** Well, because at that point, they weren't asking for a guarantee that would've invoked the guarantee rules, because it was such a small amount they wanted cover for.

[377] **Neil Hamilton:** But this project was allowed to limp along. You invited them to come back to you with a new scheme, right up until the summer of last year and beyond. The private sector promoters themselves incurred very significant expense; I gather it's in the region of £40 million or £50 million from papers that we've seen. And yet you could've said, 'This isn't something that we could even contemplate participating in, because if you're asking us for a guarantee, we can't give it because we don't want to endanger other public spending projects'.

[378] **Mr Price:** What we had said to the backers all the way through is that it has to be off balance sheet, otherwise we won't be able to do it. Their interpretation of that was 50/50, which is roughly what our interpretation would be—

[379] **Neil Hamilton:** No, but this is a point of detail—

[380] **Mr Price:** But at the point at which it was evaluated, it was determined not to be 50/50. Hence, they haven't met that criteria.

[381] **Neil Hamilton:** So, if they were able to produce a scheme whereby 50.1 per cent of this were being provided by the private sector, the Government would then be in a position to undertake it? That's not my understanding.

[382] **Mr Price:** Well, I think we're looking at it in retrospect, but if that was the case and it was done on a clear analysis of the risk of all the different capital moneys involved, then I think the answer to that point would've been that it wasn't on our balance sheet, and it would've ticked off that part of it. We would've still had to look at viability, obviously, and if we didn't, you'd have me back questioning me on that, quite rightly.

[383] **Neil Hamilton:** Well, I understand from the company that at no stage was this possibility ever advertised to them.

[384] **Mr Price:** Okay. I can say honestly, hand on heart, that I certainly spoke to representatives of the company myself and told them that we had to get it off balance sheet. I think, to be fair to them, they believed that the model they were working up would have it off balance sheet, but that was always their risk and they were taking independent advice on that.

[385] **Neil Hamilton:** Well, they would contest what you say and that, in fact, they were still asking the Government for a more than 50 per cent guarantee, but I can't go into such details now. But there's obviously a point of great public importance about these classification rules, given the obvious absurdity of an entire project cost of £373 million being added to the Government's own accounts when you would be liable—even in the worst-case scenario, that the money had all been lost and the assets produced, the physical assets on the ground, the racetrack et cetera, could fetch nothing on resale—the maximum amount that you would be liable for is £190 million. I mean, that is absurd.

- [386] **Nick Ramsay:** I think we're going round and round in circles now.
- [387] **Mr Price:** I'm happy to write again if there are particular questions you want to raise.
- [388] **Neil Hamilton:** I realise we're short of time and there are other things that need to be discussed.
- [389] **Mr Price:** It's a very complicated issue—
- [390] **Nick Ramsay:** It's an important issue, but if you could write to us.
- [391] **Mr Price:** —with quite big areas of grey involved as well. So, I understand where you're coming from.
- [392] **Neil Hamilton:** The reason why I've taken such an interest in this is that we're talking about very large sums of money and a very large project that, if it comes off, would obviously have a huge transformative effect upon a very poor part of Wales. And so, I think—
- [393] **Mr Price:** If I could just make the point I made earlier, just because I think that this does have a wider—
- [394] **Nick Ramsay:** This has to be the final point.
- [395] **Mr Price:** Okay—a wider policy relevance. The UK Government only makes a ruling after the event and Welsh Government isn't in a position to be able to borrow more money to cover that.
- [396] **Neil Hamilton:** No, I understand that.
- [397] **Mr Price:** So, I do think that that, potentially, puts the Welsh Government into a place where it is less able to do this type of project than other parts of the UK. That's the only point I'm making. It doesn't answer your wider point.
- [398] **Neil Hamilton:** No, I understand that, and I think you make a good point there, but that's something that we'll have to return to.
- [399] **Nick Ramsay:** Right. Lee Waters.

[400] **Lee Waters:** Just one specific point on this before I'd like to move on to a different policy area completely. When you were last in front of us, you said that the £9.3 million of initial support did represent value for money. In your correspondence with the committee, you then went on to say that the £300,000 specifically for acquiring FTR Moto did not represent value for money, which is not something you've made clear in your evidence session with us. I just wanted to give you a chance to explain the discrepancy.

[401] **Mr Price:** Okay. Obviously, you have different times to think about things when you're giving evidence in front of a committee and when you kind of reflect on something and write a letter and bounce it off other people in the team. So, our view on FTR Moto is simply that the team at the time recognised it as value for money, and I suspect if you were to put a different team into the same place in the same situations, they would've recognised it as value for money on the basis that it was something to allow the project to go ahead. On the basis that (a) the project didn't go ahead and (b) things slowed up and the company went into administration, I don't think I could claim that, as of today, that represented good value for money. But I think at the time it was done, the team believed that it was value for money, if that makes sense.

16:00

[402] **Lee Waters:** At the time you gave oral evidence, you thought it represented value for money, but when you came to write the letter, you'd changed your mind.

[403] **Mr Price:** Well, I think the decision taken, at the time it was taken, represented value for money. In retrospect, looking back at what happened afterwards, I think it's very difficult to say it did represent value for money, because we haven't got anything for it.

[404] **Lee Waters:** Okay. I'd like to move on, Chair, if that's okay. I wanted to ask you about the future generations Act, which has, clearly, significant and wide-ranging implications for the way that we make decisions. You'll be aware the future generations commissioner has made a submission to the public inquiry on the M4, which drives a coach and horses, really, through the working interpretation we've had on how the FG Act applies in particular to economic development and transport, the area you've been active in for some years. The traditional view has been you can make short-term

sacrifices for long-term gains—put very crudely. She says that simply is no longer appropriate; in fact, it goes against the law. Do you think that there have been sufficient changes within the department in your time as deputy permanent secretary to update your processes to take into account the change of philosophy the future generations Act has brought in?

[405] **Mr Price:** I think that's a very good question—quite a difficult question, as well, to answer. So, can I try and answer the M4 piece and then isolate that from the rest of my answer, for obvious reasons? In terms of the M4, the future generations commissioner is very welcome to make points, as is anybody, on that. That's the point of the exercise we've just gone through. And other than saying that and saying that the proper process needs to go through, I think that's all I can say on that. So, I'd like to put a full stop, new chapter and answer the wider question. The wider question—

[406] **Lee Waters:** It doesn't just apply to the M4—

[407] **Mr Price:** No, it applies to all sorts of things: policy decisions, investment decisions, everything.

[408] **Lee Waters:** A £250 million road programme in Deeside.

[409] **Mr Price:** I'd also like to broaden it even wider than the future generations Act and the commissioner, because, long before that, people were beginning to see the benefit of integrated transport—

[410] **Lee Waters:** Let's not broaden it too widely, because it's my question, with respect. [*Laughter.*]

[411] **Mr Price:** Where I'm trying to get to is: have we done enough generally? I'm sure we can—

[412] **Lee Waters:** But now there's an Act. Now there's a Welsh law that requires us to do things differently.

[413] **Mr Price:** So, we are adhering to the law, we believe, absolutely, otherwise we shouldn't be doing anything. We believe that everything we put forward will go through, but that's not really the question you're asking me. I think you're asking me: have we got the ethos right? I think we still have got some way to go on that.

[414] I heard a bit of the conversation that you had with the perm sec earlier, just before I came in, and just thinking about the skill set and the mix of people, I both agree with what she said, but, equally, we're moving into a completely different sphere of transport now with the metro, with congestion being a significant issue, and we do, I think, need a slightly different skill mix within the organisation. That's partly why, just moving into the future, we created Transport for Wales and we are building a significant public transport capability and planning capability into that, which need to look more in the round at things than perhaps we have done in the past. That is no comment on any individual scheme; that is a comment at policy level and planning level. I'm on record as being here before saying we haven't got transport planning right, and when I say 'right' I think we're obeying the law, we're obeying the processes and procedures, but can we be more innovative, can we think more widely? Yes, and we should strive to do that.

[415] **Lee Waters:** Thank you.

[416] **Nick Ramsay:** Mohammad Asghar.

[417] **Mohammad Asghar:** Thank you, Chair, and thank you, James, for giving all the brief, every corner, you know, M4 and Circuit of Wales—you're a very brave man. You told our predecessor committee that setting up the life sciences investment fund has been a learning experience for all involved. Ahead of the launch of the development bank for Wales, how has Welsh Government oversight improved so that we can be confident that the new organisation will be able to take well-managed risks and display good governance when managing innovative new funds such as this in future?

[418] **Mr Price:** Okay. So, I think there are three or four things I'd like to say in response to that. If I start at the widest and then move in—so, starting at the widest point on arm's-length bodies, which have been a bit of a bane of my life, really, in this role, I have to say, in the sense of: we have never been that clear, from a governance perspective, of what 'good' looks like. I think we're beginning to deal with that now. I asked for a piece of work to be done at the back end of last year, which has just reported, on how Welsh Government can manage its arm's-length bodies in a much clearer way, and that's got things in it like ensuring that we have a senior observer at all board meetings, ensuring that we have a group of people who work together on sponsoring arm's-length bodies, so they can share best practice, clear guidelines, clear remit letters et cetera et cetera. So, all of that work, which I can talk a bit more about, or write to you on, will impact on the development

bank for Wales as well as everything else. That's the first thing.

[419] The second thing, being more specific on the development bank for Wales, we have moved, over time, to improve the mix of skills on the board. So, the board is now quite different than it was in the past. I think it was fit for purpose for the organisation it was before. We're now asking it to do different things, so it needs a different board. So, that is evolving, and the executive team has also evolved and changed to take on board the additional things that we're expecting it to do. The final area is that, in the context of the arm's-length bodies review, there is a director from Welsh Government, who is the observer on the Finance Wales board, which will turn into the development bank board, and they go every month, they don't just go every so often. They take it very seriously. They report back to me and we have a very clear and more tightened remit letter.

[420] Now, things could still happen with all of that, but I think we're in a much better position than we were as a consequence of those things, lots of which came out of the audit of life science.

[421] **Mohammad Asghar:** Thank you very much. Now, a little bit the other side of the coin—this is Kancoat now—the Welsh Government 2016–17 accounts note that internal audit work has found evidence of improvement to process and procedures being made following the issues raised by the funding awarded to Kancoat. Can you outline the progress that has been made and also the areas where further work will be needed?

[422] **Mr Price:** Okay. So, I just need to tune in to Kancoat in my mind a minute. So, I think the main areas in the report—there were lots, but the main areas in the report were record keeping, pause and reflect when things change, and having all relevant information in front of the investment panel or the Welsh Industrial Development Advisory Board. And on all of those things we have both implemented new guidelines and checked that they are being taken account of and being embedded. So, for example, if something like Kancoat was to happen again—or more likely when—so, a project is going ahead and they run out of money, or they're going to deliver fewer jobs than they said they were originally going to, or perhaps it's going to take longer, then anything that would materially affect value for money is deemed as a trigger point for a pause and reflect exercise. We've only had one since the Kancoat example, and that was brought to my management team for a view as to what we should do with the project.

[423] If you look at the investment panel and WIDAB areas, we believe that all relevant information is now being provided to WIDAB and the investment panel, i.e. we don't have any other support going into companies that's outside those two routes. So, they should see the whole picture, and I opened up by talking about record keeping being a bit of a frustration for me. We've been clear again about the need for very good record keeping.

[424] **Mohammad Asghar:** Thank you.

[425] **Nick Ramsay:** Thanks, Oscar. Turning to the way the Welsh Government's been working with Transport for Wales, which clearly is an area of interest to you at the moment, the Economy, Infrastructure and Skills Committee found that there are weaknesses in the governance arrangements, or have been, of Transport for Wales, and they found they wouldn't be suitable for the longer term. Can you provide an update on where we are at the moment with the governance arrangements?

[426] **Mr Price:** Yes, absolutely. So, the economy and infrastructure committee's findings or recommendations surrounded my role as chair and the fact that I could be viewed as managing myself in that role. Just to be clear from my perspective as to why I did that and why I argued that through the system, the reason I did that was because, in the past, where we've had arm's-length bodies and they mess up, to put it one way or another, it's me who ends up coming here to account for myself and the questions that normally get asked are: 'Why weren't you clearer about what was going on? Why didn't you have a clear line of sight?' So, my view on the most important thing that we were doing was that I'd have clear line of sight by setting it up in that way. It was thought through properly, it had governance office clearance and the Permanent Secretary agreed it. However, that clearly isn't fit for purpose in the long run, so in the long run, which is happening as we speak, in effect, I will step down as chair of the company when I become chief exec. A non-executive chair will take over from me. We've appointed two non-executive directors already. And my successor in my current role will become the additional accounting officer for the spend that goes through Transport for Wales. I think the challenge for my successor will be to make sure that they've got a clear line of sight into Transport for Wales and what they are doing.

[427] **Nick Ramsay:** Did you have a supplementary question?

[428] **Lee Waters:** It's related to—. It goes back to the question on skills and

capacity. We know there's going to be a south Wales/Cardiff metro of some kind. There's a study for a Deeside metro, and yesterday the Government announced a scoping study for—I forget the name, but a strategic study for a Swansea metro. Is the capacity there to run those three projects in parallel?

[429] **Mr Price:** So, we clearly have to build the capacity to run those three projects. I think the capacity has been there to do what we've done so far. Hopefully, people will be, on balance, pleased with what we get at the end of the procurement exercise for the south Wales metro. But one of the things that we have to, or I have to focus on now, in moving into the new role, is to build a team that is capable of doing that wider work.

[430] **Lee Waters:** The current capacity, as I understand it, is mostly consultants.

[431] **Mr Price:** Hence why we need to move from a place where we've been consultant-led, and I think that was right. So, I've put in place a senior team who are not consultants, and who have been leading that work. But, in essence, we've built a shadow bid team and a shadow bid team has got a period of time when it's of use. And then once we've awarded the contract, most of those people will move on to be a shadow bid team somewhere else. I now need to focus on building a team very quickly. What I would say is, I think (a) that's a challenge, and you would say that. It's a busy time in transport infrastructure and in planning. However, I've been really pleased at the quality of people who've come forward—the non-executive directors, for example—who want to be involved in doing something different in a devolved context. So, I think we can build a team quite quickly who will have the capability and, as I hope to be able to demonstrate, the credibility to do that work.

[432] **Lee Waters:** So, you're not going out to pasture; you're going off to build an empire. [*Laughter.*] Just in the spirit of the valedictory, because we're meant to be looking backwards, do you think it was a mistake to disband the regional transport consortia and not putting anything in their place, because at least there was some capacity extant there, imperfect as it was?

16:15

[433] **Mr Price:** Okay. So, that's a difficult question, I guess, for a civil servant to answer because it's a matter of policy. Just a technical point before

I try and answer the question: so, we didn't disband them—we cut their funding, which I guess had the same effect. I don't think the decision to disband them was wrong, if we call it that. I think, potentially, not putting anything in their place might have been—. We could have done something better there I think, which we are now doing through Transport for Wales. And why I would say that I don't think the decision to disband them was wrong is that they were never able to completely get to grips with regional working, partly because of their constitution. And they lobbied against each other, not in a negative way, but you're bound to, because you're competing for money, and sometimes, the individual constituent local authorities used to lobby me directly. But I don't suppose we should let the perfect become the enemy of the good. So, the simple answer to your question: in my view, shutting them down wasn't an issue, but we need to do something to put something back in their place.

[434] **Lee Waters:** Thank you.

[435] **Nick Ramsay:** Just returning to the Transport for Wales issue, there was one other question I wanted to ask you. In terms of the key governance and value for money messages from the auditor general and the various committee reports that you've seen over the years, how will you be taking that experience to Transport for Wales, and what do you think will be your key priorities in improving the situation?

[436] **Mr Price:** So, I guessed a question, basically.

[437] **Nick Ramsay:** We almost didn't get to it.

[438] **Mr Price:** So, there's a whole number of reports that have been done on this area, but I think two are particularly relevant for the rail aspects of Transport for Wales, one of which was an audit report, and one of which is the enterprise and infrastructure report. If I take them one at a time and start with the audit one. For me, the audit report was all about making sure that we've got a clear plan, clear ownership, that we have good monitoring at all stages, that we have gateway reviews, good business cases and challenge sessions, that we have competitive tension in the market to drive a good price, that we have good senior oversight, and that we have internal and external assurance on that. I believe, to the extent that we can—and we will be audited on it, I'm fully aware of that—we have done all of those things. They're all good practice and all things we would want to have done, and I think the audit report is really helpful in that. Also what's been quite helpful

is looking at what's happened elsewhere in the UK where things perhaps haven't gone as well as people wanted.

[439] In terms of the enterprise and infrastructure report, we've touched on some of that already. So, how do we get the team in the best possible shape within Transport for Wales to deliver—that's my next task—and making sure that we've got clarity about rolling stock and decarbonisation? Both of those things will be in the final bid from any of the winners, and are in there as very clear specifications, and that we deal with the governance arrangements for TfW, which we've talked about, and then that we sort powers and sort money, which is an issue that we will continue to be with us for a while yet, but we can see a way through to delivering what we need to deliver over the next six months or so.

[440] **Nick Ramsay:** Lee, did you want to come in briefly on this?

[441] **Lee Waters:** Yes, just to touch on that, and also just to refer back to the RIFW example. Thinking in terms of the challenge that Transport for Wales is going to have around the metro, it's going to be about maximising land values around the new stations, and making sure that public value for money is achieved and not just value for private sector developers. So, how is it that you can learn the lessons from the RIFW exercise, where we were taken for a ride, and making sure that, for example, registered social landlords are able to develop communities around those hubs and are not going to be outbid by rapacious house builders?

[442] **Mr Price:** So, if I start answering that at a high level, the Welsh Government's strategy 'Prosperity for All', which has just been launched, talks about that, in effect, by talking about having joined-up and integrated planning. I don't think it uses the term, but in an earlier version, we talked about transit-orientated development, which is in there now, but just in different language. And that is trying to do exactly what you've just talked about. I think most of the lessons in RIFW were governance arrangements about being clear about who is responsible for what, and being clear about remit and about record keeping. All of those things will be really important, but I think there's a policy and direction piece in here, and a piece for a remit letter for Transport for Wales, which is something, for governance reasons, I'm not getting involved with.

[443] But, if I were you, I'd like to see that point made in the remit letter, and my personal view is that we should really be quite brave in this. We could

take more of a—I'll land this, and it might sound a bit wrong, so I'll contextualise it—Cardiff Bay approach to what we do, than a normal approach. Now, did Cardiff Bay deliver all of the benefits that it was meant to? No. So, that's why I need to contextualise it. But the public sector did create a project that drove up the value of land, and then capture the value of land and reinvest it in the project. And that's what I think we should do, but for an integrated regeneration, housing, economic development, and public services project.

[444] **Lee Waters:** Okay. Thank you.

[445] **Nick Ramsay:** And, in terms of the job you're leaving here, there's clearly some challenges around the delivery of 'Taking Wales Forward' and 'Prosperity for All'. Do you have any advice for your successor?

[446] **Mr Price:** Wow. I think that my successor will need to do three things. And I touched on some of this earlier, actually, if I had been staying. The first thing is to really push joined-up policy, not just across the group, whatever the group becomes, but also across the Welsh Government. Secondly, they can't take their eye off the ball of delivery; if we do that, we'll have a whole new problem, and no-one wants really good policy, exceptionally good governance, whilst not delivering anything—in fact, I think not delivering anything wouldn't be good governance in and of itself—but also step up to an aspiration for a 'right first time' policy in everything that we do.

[447] **Nick Ramsay:** Great. Can I thank James Price, the deputy permanent secretary, for being with us today, and, indeed, for attending numerous meetings, both under my chairmanship here and previous Chairs?

[448] **Mr Price:** Thank you.

[449] **Mohammad Asghar:** Chair, can I ask—?

[450] **Nick Ramsay:** Oh, you pick your moments, Oscar, don't you? I was just building up to a crescendo. Okay, go on, very briefly.

[451] **Mohammad Asghar:** Which of the committee's inquiries, James, has had the greatest impact on your group during your time as a deputy permanent secretary, and why?

[452] **Nick Ramsay:** That was kind of my advice question, but there we are.

[453] **Mohammad Asghar:** [*Inaudible.*]

[454] **Mr Price:** I think I'd end up giving the same answer. So, I'm not sure—this might be the wrong answer—. I'm not sure I could single out a single report. I think what's really powerful—unfortunate, but powerful—is where the same theme comes through a number of different reports, such as contemporaneous evidence of why decisions were taken, or why risks were taken. And those themes become all the more powerful when you see them in more than one report.

[455] **Mohammad Asghar:** Thank you.

[456] **Nick Ramsay:** Right. Everyone done? Am I safe to—? Okay. Good luck in your new role.

[457] **Mr Price:** Thank you. And I suspect I shall see you again. [*Laughter.*]

[458] **Nick Ramsay:** With a different hat on. We'll send you a copy of the transcript, as usual, for you to check for accuracy.

16:23

**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.

[459] **Nick Ramsay:** I propose under Standing Order 17.42 to go into private session for the rest of today's session.

*Derbyniwyd y cynnig.
Motion agreed.*

*Daeth rhan gyhoeddus y cyfarfod i ben am 16:23.
The public part of the meeting ended at 16:23.*