



**Cynulliad Cenedlaethol Cymru
The National Assembly for Wales**

**Y Pwyllgor Cyllid
The Finance Committee**

**Dydd Mercher, 26 Ionawr 2011
Thursday, 26 January 2011**

Cynnwys
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Procedural Motion

Cofnodir y trafodion hyn yn yr iaith y llefarwyd hwy ynndi yn y pwyllgor. Yn ogystal,
cynhwysir cyfieithiad Saesneg o gyfraniadau yn y Gymraeg.

These proceedings are reported in the language in which they were spoken in the committee.
In addition, an English translation of Welsh speeches is included.

Aelodau pwyllgor yn bresennol
Committee members in attendance

Peter Black	Democratiaid Rhyddfrydol Cymru Welsh Liberal Democrats
Angela Burns	Ceidwadwyr Cymreig (Cadeirydd y Pwyllgor) Welsh Conservatives (Committee Chair)
Jeff Cuthbert	Llafur (yn dirprwyo ar ran Ann Jones) Labour (substitute for Ann Jones)
Alun Davies	Llafur (yn dirprwyo ar ran Lorraine Barrett) Labour (substitute for Lorraine Barrett)
Andrew Davies	Llafur Labour
Brian Gibbons	Llafur Labour
Nick Ramsay	Ceidwadwyr Cymreig Welsh Conservatives
Janet Ryder	Plaid Cymru The Party of Wales

Eraill yn bresennol
Others in attendance

Gareth Howells	Prospect Prospect
Vince Howells	Ochr yr Undebau Llafur, Llywodraeth Cynulliad Cymru Trade Union Side, Welsh Assembly Government
Phil Hutchinson	FDA FDA
Andrew Jones	Ochr yr Undebau Llafur, Llywodraeth Cynulliad Cymru Trade Union Side, Welsh Assembly Government

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

John Grimes	Clerc Clerk
Catherine Hunt	Dirprwy Glerc Deputy Clerk

Dechreuodd y cyfarfod am 9.32 a.m.
The meeting began at 9.32 a.m.

Ymddiheuriadau a Dirprwyon
Introduction and Apologies

[1] **Angela Burns:** Good morning. I welcome everyone to the Finance Committee session of Wednesday, 26 January. Before we start, I will run through the usual housekeeping announcements. I remind you that you are welcome to speak in Welsh or English and, for our visitors, headsets are available for translation, should you require them. Please switch off all mobile phones, BlackBerrys, iPhones and any other gadget. If the fire alarm goes off, the ushers will tell everyone what to do and, if necessary, direct us to the correct areas.

[2] We have apologies for absence today from Chris Franks, and I welcome Jeff Cuthbert, who is substituting for Ann Jones, and Alun Davies, who is substituting for

Lorraine Barrett.

9.33 a.m.

**Ymchwiliad i Niferoedd a Chostau Staff Llywodraeth Cynulliad Cymru—
Tystiolaeth gan Ochr yr Undebau Llafur
Inquiry into the Welsh Assembly Government Staffing Costs and Numbers—
Evidence from the Trade Union Side**

[3] **Angela Burns:** I welcome our witnesses this morning. We are continuing with our inquiry into Welsh Assembly Government staffing costs and numbers, and today we are taking evidence from the trade union side. For the record, I ask you to introduce yourselves.

[4] **Mr V. Howells:** Good morning. My name is Vince Howells. I am currently the chair of the trade union side and was elected in September 2010 to the post.

[5] **Mr Hutchinson:** My name is Phil Hutchinson. I am the convener of the FDA, which is one of the three recognised unions at WAG.

[6] **Mr Jones:** I am Andrew Jones, the vice-chair of the trade union side.

[7] **Mr G. Howells:** Good morning. I am Gareth Howells, the negotiations officer for Prospect in Wales.

[8] **Angela Burns:** Thank you very much for coming here this morning. I also thank you for the paper that you submitted. Do any of you want to make any opening remarks?

[9] **Mr V. Howells:** May I refer to the paper and make one correction in reference to the number of senior civil servants? There is a distinct difference between senior staff and senior civil servants. The correct number of senior civil servants is 142. That aligns with paper 2, which Dame Gill Morgan presented to this committee in May. That is the correct figure.

[10] **Angela Burns:** For the record, can you explain the distinction?

[11] **Mr V. Howells:** Senior civil servants go through a formal appointment process, while senior staff are staff who have not gone through such a process.

[12] **Angela Burns:** Thank you very much for the clarification. Are there any other comments or explanations that you would like to give on the paper?

[13] **Mr V. Howells:** No, the paper is self-explanatory.

[14] **Angela Burns:** If you are happy for us to do so, we will go straight into questions. Nick and Janet will lead with the first set of questions.

[15] **Nick Ramsay:** Good morning. I would like to ask you about the management of staff reduction. In your paper, you state that the voluntary early severance or retirement schemes of 2010 reduced the numbers of staff by some 350 and that the aim of the voluntary scheme announced on 6 January 2011 is to achieve a reduction by further 400 staff. Do you consider the ambition to have a further 400 staff leave voluntarily to be achievable considering that the previous scheme was run only recently, in the autumn of 2010?

[16] **Mr V. Howells:** Yes, it is achievable. Although the figure of 400 was published, it is not a set number. It is more important to achieve a cost saving. You will find that we refer in

the paper to a saving of £42 million over three years, which is the published target. As of yesterday, we were in receipt of 550 applications for the scheme. Clearly, not all of those will be able to go, but given that there are so many expressions of interest—I believe that they still have until today to submit an application, and there is usually a last-minute rush on these things—I would not be surprised if 600 people indicated that they were interested in the scheme.

[17] **Janet Ryder:** Given that it is a voluntary redundancy scheme and therefore people can put themselves forward, it is important that it is managed to ensure that there is still a good balance of skills, gender and ability. Are you satisfied that that is happening? How do you ensure, with regard to voluntary schemes, that you retain that balance within the workforce?

[18] **Mr V. Howells:** We have been in discussions with management about that very issue, because staff are also concerned that we retain the right level of skills, otherwise it places significant pressure on other staff. There is an agreed set of criteria against which the applications will be judged, of which the ability to replace staff is one of the most important. If there was a need to recruit externally, there would not be a cost saving and therefore, unfortunately, that member of staff could not be released.

[19] The other important criterion is the amount of money that will be saved. In the paper, I have made reference to the previous scheme having a payback period of 30 months. Generally speaking, for the new scheme, which is a result of Westminster Government legislation, the payback period is around 21 months. It is a little more complicated than that when you factor in the potential for pension payments, but the more expensive staff are to release, the less likely they are to go under the selection criteria. So, both of those factors have been taken into account. There will also be other discussions. The trade union side will not be a part of the decision-making process, but we will observe all of the sessions to ensure that the agreed, fair criteria are applied.

[20] **Janet Ryder:** Over the years in the Assembly Government, it seems that some work has been done to ensure that we get a balance among employees—with regard to age, gender, ethnic origin, and ability. When people apply for redundancy, what weight is given to try to ensure that there is a balance among the remaining staff?

[21] **Mr V. Howells:** That is a very difficult factor to accommodate. When you look at the selection criteria and you have decided about the ability to replace staff and the affordability, there are only so many things that you can take into account. That will be part of the discussions that each director-general will have regarding how they can replace their staff. I am sure that this will be one of the many factors that they will incorporate into their discussions about which staff can be released and which staff need to be retained. You would need to explore that in depth with the directors general. However, we are mindful of the balance between all of the criteria, and we will observe those sessions to ensure that, as far as possible, fairness will be observed in the process.

[22] **Janet Ryder:** As trade unions, are you satisfied that there will still be a good gender balance, or are you seeing a stronger tendency among men or women to come forward?

9.40 a.m.

[23] **Mr V. Howells:** I will ask my colleague, Andrew Jones, to cover that point as he has been very involved in the negotiations on the criteria.

[24] **Mr Jones:** It is important to note that the Welsh Assembly Government is looking for more senior staff to leave at the moment, particularly those who are in the senior civil service

and the grades associated with heads of branches. Despite the progress that has been made by the Welsh Assembly Government over the years on gender balance, the number of staff in those grades is more heavily weighted towards men. Therefore, statistically speaking, it will probably have more of an impact on men. However, it depends on who applies and the associated criteria. Women predominate in the lower grades, where there is not felt to be the surplus that is needed for workforce planning. So, it is difficult to answer that question at the moment, and it is one of those areas where we will have to take the lessons learnt from that. There are two elements, namely the staff who will remain and also fairness to staff who apply. The two issues that we must look at are whether there were any avoidable factors that inadvertently discriminated against groups of people, and what is the impact of that on the organisation and how will it look afterwards.

[25] **Janet Ryder:** Are you satisfied that the balance is achievable?

[26] **Mr Jones:** We went slightly backwards for some of the grades after the mergers. We had been making progress up to what was called band E—for those people with civil service experience, that is traditionally the SEO grade—where we achieved gender equality for a year or two. Because of the gender mix of some of the merging organisations, the gender mix went backwards at those grades. So, I cannot say with confidence that that is the case.

[27] **Brian Gibbons:** The figures show that, potentially, 10 per cent of staff who are in relatively well-paid jobs could offer themselves for the voluntary redundancy scheme. At a time of economic recession, it seems very strange that so many people would want to quit their posts. Do you find that strange? You might find it pretty unexceptional, but if you think that it is exceptional in some way, what factors are leading to so many people being willing to give up a good, relatively secure and well-paid job?

[28] **Mr V. Howells:** I am not overly surprised by the fact that so many people have applied, because although there was a scheme last year, it was a different scheme—it was the old civil service scheme, which tended to favour those who had served longer in the civil service. The new scheme is different. You get the maximum pay-out from it if you have about 10 years' service, so the target group is different. When you look at the grades of those who have applied, you will see that some lower grade staff have applied—TS is the lowest pay band, and EO is the next grade up. A significant number of staff have applied from those bands, which probably come from a certain age group. I have not seen the figures on age yet, so I cannot speak about the data, but I have spoken to a number of people who are beginning to see opportunities outside. We are in a period in the civil service where pay has been frozen. Although we heard poor national economic news yesterday, with a 0.5 per cent reduction in GDP, with pay freezes ahead and costs increasing, some people see alternatives outside Government.

[29] The other thing that you need to factor in is that there are pension changes ahead. Those pension changes will undoubtedly lead to increased contributions, and will probably lower the ultimate value of pensions. People are beginning to factor those sorts of things into their decisions about where they see their future.

[30] **Jeff Cuthbert:** I have two points to make. I am sure that we can deal with the first very quickly. A further 400 jobs are to go, and you mentioned that you would not be surprised if there were 600 applicants. Are we talking about individuals or full-time equivalents?

[31] **Mr V. Howells:** We are talking about individual people.

[32] **Jeff Cuthbert:** Okay; we are talking about individuals, some of whom might be part-time.

[33] **Mr V. Howells:** One may be part-time.

[34] **Jeff Cuthbert:** Okay. I will return to the main issue of skills. I understand that savings are obviously necessary, but we have to be very careful, once we have a reduction, that the organisation is not left weaker because it has lost people with significant skills, including management skills. As you have said, it might then be obliged to recruit externally to plug those gaps, which would reduce the savings. What is the role of the trade union side in that process? For example, do you work with those people or point out those who are currently on, say, a course of continuing professional development, so that the investment that has been made with them so far is not lost? Do you work with management to try to anticipate future skills requirements and to match existing staff to it? What exactly is the role of the trade unions in that regard?

[35] **Mr V. Howells:** The trade unions are closely involved with management in negotiating the performance management system. Part of the performance management system incorporates the professional skills for Government, which is the framework that all grades are assessed against. It is also the framework for developing staff. There are a number of staff development routes from both internal and external training courses. Over the years, management would have made significant investments in staff training for many members of staff. Obviously, we would not want to see those skills being lost, should they be needed by the Assembly Government. There always has to be a balance in these things. If you are going to let a number of people go, you will inevitably lose people who have valuable skills. That is just a consequence of reducing costs.

[36] In any organisation that releases fairly large numbers of people, many of those members of staff would have had the potential to be promoted. In other words, they were developing knowledge and experience through doing the job and through training that would have positioned them to be the next level of management two to five years down the line. When you lose that sort of cohort, you leave a potential gap in the future in any organisation. We are very interested to ensure that that gap is plugged as far as possible. To that end, we will be talking to management about staff development and retaining staff skills.

[37] I have made reference in the paper to Solutions, so that where people are displaced in the organisation, they become a flexible resource. They can be used to fill some of those gaps, and while doing so, they are gaining a wider range of skills in the organisation, which will position them well to fill those promotion gaps in the future. It is important, when the job changes, when staff are released and we release them into the Solutions pool, that we retain, as far as we can, skills in people, and that we use that Solutions pool to further develop those members of staff. That is how we are working with management to ensure that the essential skills that enable the Government to deliver its business are maintained.

[38] Do you wish to add anything to that, Andrew, because you have been involved in this work?

9.50 a.m.

[39] **Mr Jones:** We were talking about skills in the broader sense. Undoubtedly, we will be losing a lot of good people, and we will lose a lot of in-built knowledge, which you cannot really duplicate through paper-based or electronic systems. That will cause some stumbling by the organisation in terms of the services it delivers to Ministers, for example, by not having someone to give an answer, or the data and analysis at the drop of a hat. The replacements will be spending time searching for those data, and that is an inevitable consequence of downsizing. The second issue is that where people are employed because of their professional skills and qualifications, and there is a continuing need by the Welsh Assembly Government for those skills, the criteria of the scheme means that they will not be

released. That is a hard message for those people who would like to leave, namely that ultimately, the needs of the organisation come first. From our perspective, we do not want a situation where you release people and you then have an advert in the *Western Mail* six months later asking people to join because you have made a mistake and you need those skills. That is not a good use of public money.

[40] **Angela Burns:** Will you confirm that that situation has not arisen? The reason why I ask that is because I have a constituent who went through the previous redundancy system here. That individual made a comment to me that when they left so did their peer group and their boss and their boss's boss, leaving a currently functioning department with only very junior people in it. That individual raised the issue of how that department would be able to function without having any of those more experienced layers in it. That was in the Department for the Economy and Transport.

[41] **Mr Jones:** To be honest, I do not think it is for the unions to guarantee that. Ultimately, the management selects the successful applicants according to the criteria and you are reliant on those making the decisions to make the correct decision regarding how easy it will be to replace someone and to ensure that there is business continuity. We know that there were issues with the last scheme; people left very quickly and many did so over the summer holidays. There were people who found out that their line manager had gone, their countersigning officer had gone, and, occasionally, that their head of division had disappeared. That caused some real-world issues in general management terms, such as who approves annual leave and to whom staff report that they are ill, which are very basic, and also with regard to who signs off any decisions before they go to the Minister.

[42] We fed back those concerns to the management, which also has its own feedback on that. We are talking about a three-month resignation period. We are not necessarily wedded to a period of three months; if it is possible to do a reasonable handover in a shorter time, then why stop people from leaving? If there are real-world business reasons why someone needs to be in post for another six or nine months, but you can afford to release them after that, then that seems to be a sensible decision. The management is quite receptive to that idea. It is fair to say that it has looked at the way that the scheme worked last time and believes that there are lessons to be learnt.

[43] **Andrew Davies:** Thank you for coming today and thank you for your paper, which was very helpful. I accept what you have said about it being a matter for the management to decide how these things are introduced, but it obviously has a direct impact on your members. It brings to mind the time when John Redwood was Secretary of State for Wales and there was a big reduction in the number of staff, particularly among senior management. It was often said that the organisation took a long time to recover because a lot of the best people left. I do not know if you were in the civil service at the time—

[44] **Mr Jones:** I remember John Redwood.

[45] **Andrew Davies:** We all remember John Redwood, but for different reasons maybe. However, in terms of the organisation, it was often said that it took a long time for the civil service, or the Welsh Office, to recover because a lot of the best and most talented people left, which obviously affects the organisation. However, it presumably, in terms of the points that you made, including performance management and appraisal, I would imagine.

[46] **Mr Jones:** Yes, it does. I was employed by the Welsh Office in those days, and we lost many good people. Again, my comments about stumbling along are informed by that. Some 400 people were paid to leave, and then, several years later, with a change of Government and devolution, the organisation expanded. There was not a great deal of political foresight there. So, that is an obvious concern.

[47] We also have concerns about the impact on morale. Most staff wish to stay and wish to be of service to the people of Wales. However, currently, the dominant message is, 'Please sign up to leave'. I appreciate that that is not the only message, and that there are other messages about the need to reform working practices, and about training and developing staff for new rules and new ways of working and so on, but that is the dominant message, allied with, 'Do you not know that there is a pay freeze going on, and there are going to be changes to your pensions?' There is a lot of bad news around that. The morale issue is serious. There are going to be fewer promotion opportunities too. The issue of staff engagement is whether they will go that extra mile or not. As the people of Wales, we all rely on the professionalism of the people involved, but that drip-drip effect on morale may have a real impact on the people remaining.

[48] **Andrew Davies:** That would be a concern for us, as I am sure it would be for Ministers, because, in terms of business continuity, the demands on service are increasing but resources are being reduced, financially and in terms of personnel. The Chair referred to the transport department, where we have seen the biggest focus in terms of head count and performance. Is it still the case that the bulk of the former Welsh Development Agency staff are members of Unison rather than the unions present here today?

[49] **Mr Jones:** No, I do not believe that it is. The WDA, traditionally, was not heavily unionised. We have been given a membership figure by Unison, but I do not know whether we are allowed to disclose it. Gareth is present today as a representative of Prospect, which is not just a civil service union. Prospect is the union that—

[50] **Andrew Davies:** I am not trying to be divisive, but, as the Chair said, it is that directorate that has seen the biggest changes, and I am sure that we are not the only ones who have heard lots of evidence from members of staff who are extremely unhappy. As you know, morale in that directorate has been low for a long time. For example, I am told authoritatively that virtually all the people who have environmental or sustainable development expertise in that directorate have gone, or their jobs will be going. How are their views being represented by the unions, in terms of their personal position as well as in terms of business continuity?

[51] **Mr Jones:** I suppose that I am the one to blame, because I am the trade union side lead for the economy and transport department. I did a series of consultation events during the recent economic renewal programme consultation period, and I did not ask for people's union membership. A large number of people in north Wales said that they were Unison members, and I told them to come along to make their views known. So, from that perspective, we are staff representatives, and if someone has a valid point to make, I would prefer them to be a member of the union, but if they are not a member of a recognised union, a valid point is a valid point.

10.00 a.m.

[52] With regard to the recent economic renewal programme, it is quite a radical change. One message that was expressed by my members, who were predominantly employed by the Welsh Assembly Government before the merger, was that they no longer felt that the department was biased towards the former staff of the WDA. They felt that everyone was undergoing radical change, and they felt quite uncomfortable about it.

[53] **Mr G. Howells:** As Andrew rightly says, Prospect has had a close working relationship with the ex-WDA, and I know that a number of Unison members did feed some issues through Prospect. We had a specific DET section in our branch. That is quite an active section, so quite a bit of feedback is given through that, which is then passed to us and DET, and Andrew is the lead on that. So, that input is going through.

[54] **Andrew Davies:** My fear is that the restructuring is more about cost reductions than business continuity or business improvement.

[55] **Angela Burns:** Brian, can you move us on to Solutions?

[56] **Brian Gibbons:** Yes. I suppose that all professions have flexible work pools: agency nurses, locum doctors, supply teachers and so on. What is the perception in the canteen of the establishment of the redeployment pool, Solutions? Is it felt to be a key part of a flexible organisation, or is it generally perceived to be in a land that God forgot?

[57] **Mr V. Howells:** There is a range of views. I have talked to a number of members, and some see it as quite exciting to be part of a flexible pool and to have opportunities to be developed. Others are not so keen; they consider that their job has finished, think ‘What am I going to do now?’, and see it as a difficult area to go into. That is not universal; there is a range of views. However, as trade unions and management in the twenty-first century, we need to start thinking in terms of not having a fixed job forever but of having a role. When that role ends, for very good reasons, we need to have a means of utilising the skills and knowledge that have already developed in an organisation and putting people in a position where they can increase their skills and knowledge, to enhance not only the organisation but themselves, and therefore to move up the ladder, so to speak. That is the broad issue, as I see it. Andrew has been very involved in the development of Solutions, and I would ask whether he has anything to add on that.

[58] **Mr Jones:** I will start by telling you the same thing that I have been telling members across Wales: I have a personal stake in the success of the Solutions arrangements, as do the rest of my full-time union colleagues in the Welsh Assembly Government. If I fail to get re-elected, I end up in Solutions. So, that is my incentive to make this work as best it can, because it could be my future home. It is fair to say that the previous deployment pool was more of a success than we on the trade union side—and I, certainly—thought that it would be. It successfully moved many displaced people into new work. There have been some issues, most of which have been location-specific, because the Welsh Assembly Government is now a very dispersed organisation, geographically, which can cause issues. We worked closely with management on revamping the pool into Solutions. In management focus groups, many people who had gone through the pool arrangements were asked ‘What could we have done better?’ We are working in a tougher environment with reductions in public services, so it is a more supportive environment in the sense that, if you have skills gaps, we will skills assess you and provide training. It is also a tougher environment, because staff no longer make the applications for posts; you are matched with a post for which you will be interviewed. So, there is no real hiding place for people with, perhaps, attitude problems. So, it is both fluffier and bunnier, as I say, and more of an iron fist; it is an interesting one.

[59] Solutions is this flexible resource, which is expanding on a previous scheme that was considered a success by people who receive the services and the people who deliver the services. For some staff, that is quite an exciting prospect if they can enter those teams. The important thing is that we try to find the most appropriate role for staff in the organisation. For some staff, the idea of doing a range of projects that last between three and 18 months is quite horrifying. That is not really what gives them job satisfaction; it is not how they work best. They are looking for much more regular, stable work, where they know what is going to happen over the cycle. For others, that sort of routine cycle work is the worst way possible, and having discrete areas of work, where you go from start to finish, is much more for them; if they do not like particular piece of work, they do not worry, because there is another piece of work coming up shortly. As an organisation, WAG needs to be quite clever about where it puts people and to ensure that it has the best attitude match.

[60] **Brian Gibbons:** Thank you. The image of an iron fist in a bunny's skin is quite appealing. That might be a logo for Solutions in future. [*Laughter.*]

[61] **Mr Jones:** We will pass that on.

[62] **Brian Gibbons:** You know where I am if there are any royalties. Qualitatively, what would you say is the difference between the old deployment pool and Solutions? In what way are they different animals?

[63] **Mr Jones:** Scale is the big thing.

[64] **Brian Gibbons:** Is the management engagement different? Is the staff perception of Solutions that it is more business-oriented and has enhanced the staff rather than it being a place where you languish instead of them getting rid of you? The way that you are describing it, which seems quite encouraging, is that this is actually a fairly dynamic place, in the sense that people come in, have their needs assessed and their skills enhanced and are taken out to do certain types of work.

[65] **Mr Jones:** Solutions has been up and running for about two months, so I think that the full impact will be seen in the next six months, with regard to people's initial reactions. I hope that people do not see this just as changing a tired old badge, as was the case with changing the name from Windscale to Sellafield or something like that. It is genuinely more supportive of staff. What comes across is that the business has got to be convinced that it is delivering the right staff for its needs. That is going to be the key feedback. The senior management board is signed up to this, and it is up to it to ensure that senior managers on the level below use this properly.

[66] **Mr V. Howells:** We learned a lot from the redeployment pool, which was considered to be a success. Over its existence, there were more than 400 staff in the redeployment pool, and they were successfully placed. If you consider the alternative of making 400 staff redundant, losing those skills and that experience, coupled with what you would have to pay them, you can see that the redeployment pool has certainly delivered value for the Welsh public. Solutions will build on that and continue to deliver value, as well as developing a workforce that is orientated more towards twenty-first century working. There will be people in fixed roles for long periods of time, because that suits their temperament and their way of working, and there will be people who are perhaps a little bit more on the dynamic side who will move from project to project, building a wide range of skills and experiences.

10.10 a.m.

[67] **Mr Jones:** To give you an indication of the scale, I think that it was 400 over four years, but we had 275 in Solutions in two months.

[68] **Brian Gibbons:** Do you think that the calibre of the people and the range of skills that are currently in Solutions are such that the necessity to bring in outside consultants, for example, could be reduced? I know that it is a popular criticism, but from what you are saying, there are potentially people in there who have the skills, but you are almost describing some of the people being brought in on a quasi-consultancy basis to do project work. I know that consultants should bring the skills that are not in the organisation, but that caveat aside, perhaps the Assembly Government should be proactively looking to develop people who are currently part of Solutions to fulfil certain roles.

[69] **Mr V. Howells:** The development of the internal consultant is a key feature of a modern organisation. Many staff in the Assembly Government have gone through extensive training, for example PRINCE2, which is about project management. If you already have

people internally who are qualified and experienced in project management, why would you want to hire people from outside at greater cost?

[70] I alluded in the paper to the importance of defining what a consultant is, so that you can determine the cost. There are clear examples of where consultants are justifiable, and the introduction of the SAP system in the Welsh Assembly Government identified the clear need to bring in outside expertise. However, given the long-term commitment to such things, the focus may turn towards developing that resource internally. You will be able to justify that level of investment, because of the length of the project.

[71] **Brian Gibbons:** How do people end up in the deployment pool as opposed to being offered severance?

[72] **Mr Jones:** It does not quite work like that. People end up in Solutions after large-scale reorganisations. We basically have matching panels, so people are required to find the best match for their current role in the new restructured organisation. There are 250 fewer roles in the Department for the Economy and Transport, so you can imagine that there were quite a lot of disappointed people. So, there are instances when people completely match certain roles and just slot in, and there are situations when quite large numbers of people match roles, because the number of roles required by the organisation has shrunk. Therefore, there are a couple of combination assessment centres and/or interviews to select the best candidate from those people who match. Inevitably, there are new roles that are offered to displaced staff first. As a consequence, those people who either do not have a role to match into or were not the strongest candidate for a role they did match tend to end up in the Solutions pool.

[73] So, the severance exercises that we have been talking about have been voluntary, which means that people had to apply. Obviously, if your job disappears, then you may take that as a big hint to leave. However, that is their decision. They are not being told, 'Apply now or you will not have a job anyway' but, 'You may apply now, but if you continue, your role will substantially change'.

[74] **Nick Ramsay:** We have had evidence from the Minister that there are ongoing decisions with the trade unions on how efficiency savings can be made beyond Solutions and the current way of thinking. What sort of discussions have you had with the Minister, and how do you see things developing in the light of those discussions?

[75] **Mr V. Howells:** I do not think that we have had discussions with the Minister as such, but we have had discussions with management about efficiency savings. In the paper, I draw a distinction between efficiency savings and genuine cuts, because 'efficiency' sometimes actually means a cut. Looking at efficiency, a number of projects are going on at the moment to use some of the expertise that has been displaced from the Solutions pool, looking at things like Lean processes, which is clearly a move towards improving the way that you handle business on a day-to-day basis. The other sorts of efficiencies are those that are introduced by systems such as the SAP computer system. SAP is a system that can be developed to do a wide range of things using IT-based systems. At the moment, many of the public's interactions with WAG are paper based. It is inevitable that those will be replaced by web-based systems. An example would be the applications made by the farming community for the single payment and other grants that are payable to them. That will undoubtedly move to a web-based system and management has already taken decisions about putting the building blocks in place to enable that to be developed.

[76] **Nick Ramsay:** You see that as an example of efficiency as opposed to a broader cut.

[77] **Mr V. Howells:** That is genuine business efficiency. Undoubtedly, it will displace

staff, but in the round, we are developing the Solutions pool to handle how we continue to deal with those displaced staff to deliver value and utilise their skills effectively. In any large organisation—at one time, WAG was in the order of 6,500 people—you should be able to implement efficiencies, such as improved processes or mechanisms for carrying out processes, and although they displace staff, you should be able to manage those numbers through the Solutions pool, natural wastage, restricting recruitment and using your internal resource as opposed to recruiting externally all the time. So, we have worked with management on these things—as trade unions, we are not opposed to efficiencies. We recognise that things move on and that we will not continue to do things in the same way forever. We have to move with the times, but we also have to consider how we handle and take care of people to ensure that we have a stable workforce that has high morale and efficiency levels.

[78] **Nick Ramsay:** ‘In the canteen,’ to quote Brian Gibbons’s earlier comment. *[Laughter.]*

[79] **Andrew Davies:** In your paper, you say that the current performance management system ‘has weaknesses’. Can you expand on what you mean by that and what exactly these weaknesses are?

[80] **Mr V. Howells:** The weaknesses mainly revolve around the fact that, although there are performance criteria within grades, there is a lack of recognition in the performance management system that many parts of the organisation work in teams. So, it is more about assessing the individual, and clearly, performance management has to look at individual performance, but team performance also needs to be recognised there.

[81] Things move on in the way staff are assessed. If you are going to undertake performance management effectively with our current system, over a period of time, you may be looking at spending one and a half or two days a year doing your performance management paperwork, agreeing these things with your line manager, and feeding it up the chain. With 6,000 people, that is potentially 12,000 days or more, which is an awful lot of time. We need to be a lot smarter about assessing, certainly for the lower grades of staff. One development involves moving to a system of identifying potential. Andrew has been closely involved in that, and perhaps he could expand on that element where potential is assessed.

10.20 a.m.

[82] **Angela Burns:** We would like to hear you expand on that point, but I ask that you do it briefly, because we are running out of time. If you could be to the point, that would be helpful.

[83] **Mr Jones:** Briefly, there is work being done under what was called the nine-box system—I think that they are now calling it the performance and potential map—to identify people who have the potential to go further; to identify people who are performing well, but have probably reached their level in the organisation; to identify those who are perhaps performing in a mediocre way, but could perform better if they were given the right management incentive to do so; and to identify those who have poor potential, so that a decision has to be made about either giving them the appropriate support to improve their performance, or having that tough, difficult conversation about whether they are working for the right employer.

[84] **Andrew Davies:** In my experience as a Minister, there was no link between performance management and financial management within the organisation. That may be more at a senior management level, so is perhaps not uppermost in the minds of the unions, but do you have any thoughts or comments?

[85] **Mr V. Thomas:** If you are looking at financial management, that really reaches into the higher levels of the organisation and would be a matter for the senior civil servant. When we look at financial management at the level of the majority of our members—although Mr Hutchinson may wish to expand on that a little later—many of them are involved in managing money, in approving payments, or making proposals that expenditure should occur; but clearly all of these decisions, ultimately, about whether the expenditure happens, are a matter for the Ministers and the senior civil servants.

[86] **Angela Burns:** Phil, could you come in on that, because you represent the senior managers?

[87] **Mr Hutchinson:** My experience has been that the financial operation of a department or a branch works quite nicely if you have a good band D member of staff. It is important to recognise that we are parts of teams, and it is not just the person at the top that makes things work properly.

[88] **Angela Burns:** For the sake of the poor soul out there who might be watching this session, could you explain what band D is?

[89] **Mr Hutchinson:** A band D member of staff is essentially a higher executive officer, and they are one step below the senior executive officer. Then, above that, are staff at grade 7, and that is where my union starts to recruit.

[90] **Andrew Jones:** I will kick in here. We are talking about the second tier of management. I would like to echo Phil's point: the people who keep the Welsh Assembly Government legal, honest and decent are typically at the first and second levels of the management tiers, because they do that detailed checking and processing work. That is important work that is not always recognised.

[91] **Andrew Davies:** My question might be better addressed to senior management rather than unions. You are talking about budgetary control, whereas I was talking about financial management being linked to performance management. That is something that we need to address with senior management.

[92] **Angela Burns:** I agree, but I picked up with interest a comment in your paper that you believe that the scheme does not in any significant way recognise teamwork, and is over-complex for staff at low grades. Would I be correct in saying that you are making a pitch for an upgraded or different form of performance management?

[93] **Mr V. Howells:** That is in train at the moment. By next year, we anticipate that a different system will be in place that meets the needs of the lower grades of staff in an improved way.

[94] **Peter Black:** I would like to move on to discuss the civil service bonus scheme. I notice that well over half of senior civil service staff, 118, received bonuses in 2009-10, at a cost of around £863,000. While it is noted that the target figure is expected to fall to 25 per cent in 2010-11, do you have a view on the prevalence of bonuses for senior staff?

[95] **Mr Hutchinson:** You called it a bonus scheme, but it is more commonly known as 'discretionary pay'. There is an important difference, particularly in the current climate, where bonuses elsewhere in the economy—

[96] **Peter Black:** It is always a bonus if you are applying discretion, is it not?

[97] **Mr Hutchinson:** Indeed, but as I understand it, the system is that general pay is decided in the normal way and is negotiated by the Treasury, and there is then an element on top of that of discretionary pay. My understanding is that the figures differ from those that you mentioned. I understand that 23 per cent of the senior civil service received discretionary pay last year.

[98] **Mr V. Howells:** This applies only to the senior civil service and senior civil servants' pay is a matter for Westminster, it is not a matter for the Welsh Assembly Government.

[99] **Peter Black:** You mentioned a figure of 23 per cent. What figure are you using for the total number of senior civil servants?

[100] **Mr Hutchinson:** The figure is 149.

[101] **Peter Black:** However, 118 have received bonuses.

[102] **Mr Hutchinson:** Those are not my figures.

[103] **Jeff Cuthbert:** Is there a distinction between the senior civil servants and the senior staff that you mentioned at the beginning?

[104] **Peter Black:** One hundred and eighteen does not represent 23 per cent of 149.

[105] **Mr Hutchinson:** I will have to go back and look at the figures, and then communicate them to you.

[106] **Angela Burns:** We will also check our figures. Andrew, you wanted to come in very quickly on this point.

[107] **Andrew Davies:** The Finance Committee and the Public Accounts Committee looked at this issue and the Permanent Secretary said that it related only to senior civil servants, which, although there are many different figures flying around, presumably, are the 142 that you mentioned in your introduction. It seems very anachronistic, when you have single status in local government, to have a two-class system within the civil service. I take your point that the senior civil service is part of the UK civil service and that the Permanent Secretary and the senior civil service are not accountable to the Assembly Government, but to the Cabinet Secretary, Sir Gus O'Donnell. Do you think that it is anachronistic, in this day and age, that you have a two-tier system and that it is only senior civil servants who are eligible for variable or bonus pay?

[108] **Mr V. Howells:** The majority of trade unions in the Assembly Government would wish to see that disappear. Most would not support the variable pay element, but it is a matter for Westminster at the moment. Who knows what will happen in the future? There may be a distinct Welsh public service and this body may have far more of a say in how that is administered. However, at the moment, it is controlled by Westminster.

[109] **Peter Black:** The figure of 118 comes from the letter sent by Dame Gill Morgan to the Chair on 4 June 2010. That is where we got that figure.

[110] **Mr Hutchinson:** I have another document that suggests a different figure.

[111] **Angela Burns:** We would be grateful for a note on that.

[112] **Peter Black:** We are always interested in information that contradicts the Permanent Secretary. [*Laughter.*]

[113] **Mr Hutchinson:** Indeed.

[114] **Peter Black:** Moving on, the Permanent Secretary has stated in correspondence to the Finance Committee that when powers and responsibilities are transferred from Westminster, there has been a shortfall in funding to fulfil those responsibilities, and she quoted the transfer of responsibilities under the Fire and Rescue Services Act 2004 as an example of that. Do you have a view, based on your experience, on whether additional responsibilities that are transferred from Westminster are fully funded?

[115] **Mr V. Howells:** It is our understanding that they are not all fully funded. Managers have shared that information with us and we have no reason to doubt that. It certainly causes problems for any organisation when it has increased responsibility without the funding to follow it.

10.30 a.m.

[116] It may well be a matter of concern that decisions taken in Westminster—we have heard about the potential threat to the Forestry Commission, the Environment Agency and the Countryside Council for Wales—may impact on what the Assembly Government may need to do with a large number of staff. The Permanent Secretary has outlined how the Assembly Government has grown via mergers and the incorporations of other bodies over the years, and I do not think that that will necessarily be the end of it. The Assembly Government may well have to consider what is to be done in the future when England takes decisions about the agencies that it has.

[117] **Peter Black:** We are not talking about that; we are talking about a time when additional powers come to the Assembly as opposed to decisions that are taken in England. So, in terms of those additional responsibilities, have you had representations from your members that they have been given work to do that they do not have the capacity to cope with because they do not have sufficient resources?

[118] **Mr Jones:** It is a long-standing complaint since the Assembly was set up.

[119] **Peter Black:** So, it is a common occurrence.

[120] **Mr Jones:** Yes.

[121] **Mr Hutchinson:** In looking at the letter that Gill Morgan sent to the Chair on 4 June, she says that for 2009-10, variable pay was paid to 65 per cent of the SCS, and it will be available in 2010-11 for the top 25 per cent. I was referring to a figure of 23 per cent for 2010-11.

[122] **Peter Black:** So, the figure that you quoted earlier was accurate.

[123] **Mr Hutchinson:** Yes.

[124] **Angela Burns:** We are on the home run, so I will leave it to Alun to bat us to the end.

[125] **Alun Davies:** I know that we are coming to the end of this session, so I will be very brief. It is interesting that Government often uses efficiency gains to justify restructuring and reorganisations. In your evidence, you discuss the mergers of Assembly sponsored public bodies into Government. You differentiated earlier between cuts and efficiency savings. You say in your written evidence that because of the way that it has been structured and organised, there might be additional costs. I read that to mean structural costs in terms of pensions and

the additional costs of bringing people together. We understand and accept that, but I want to ask about efficiency in a wider business management process sort of way. Has it been the experience of the people that you represent that the mergers of the quangos into Government have led to greater efficiencies in the delivery of government and Government services?

[126] **Mr V. Howells:** I certainly think that some efficiencies have been gained, and I allude in the paper to the fact that the easy ones are finance and IT issues. There have been efficiencies, but probably not as many as one would have hoped at the outset, because by merging some of the Assembly sponsored public bodies into the Welsh Assembly Government, you have moved some elements of delivery in there. If you are delivering, it is an operation that requires people and it tends to take the same number of people to deliver what is moved in. Things move on all the time and those services may stop being delivered for whatever reason, for example, programmes come to an end and those staff will become displaced and move into the Solutions area. So, the area of efficiencies is very complicated. I referred earlier to the future involving more online things than paper-based things; those will be ongoing, and those efficiencies will be taken up by management as time goes on.

[127] **Alun Davies:** Thanks for that. Part of the rationale for making efficiencies is that by bringing these organisations into Government, we are able to deliver more at a lower cost to the taxpayer—not that I am being pejorative in any sense. From the tone of your response, you seem to be saying that, apart from the easy hits in terms of IT and line management, this has not led to efficiencies in the way that the economic development function of Government is being delivered, for example.

[128] **Mr V. Howells:** There is a lot of research, particularly in the area of health, that shows that when you do mergers, although the ambition is to make efficiencies, it often takes a number of years to get back to where you were. I do not have any particular data to show that. I am sure that if the Permanent Secretary was asked about performance data, they could be provided. However, I think that the broad range of experience shows that efficiencies take far longer to come out than you thought when the mergers started. Although I have made reference to the fact that you can make IT savings, there are still IT systems used today that were brought in as part of the mergers. They have not gone away. You could incorporate them into one large system, but there would be a significant expense in doing so. Sometimes you have to let things run on until they come to the end of their natural life in any case. An example of that would be the lifelong learning Wales record system that came in as part of Education and Learning Wales and is still used today. You could move it onto SAP systems, but you would then have to reinvest in developing it to put it onto the SAP platform as opposed to the platform that it is currently on. It therefore probably makes sense to continue with it. That is an example of where efficiencies take a long time to make a gain.

[129] **Angela Burns:** Does any other Member have any other questions?

[130] **Andrew Davies:** I know that during the merger process, having been intimately involved in it, some of the big issues were around corporate services, such as IT, which you mentioned. The other one was pay and conditions, particularly pensions. Where are you in terms of the legacy issues of the former staff of the Welsh Development Agency and their pensions?

[131] **Mr V. Howells:** I think that arrangements have been made to cover whatever potential liabilities there may be. However, many of the former staff of the WDA remain in their former pension scheme, which I always believed was run under Rhondda Cynon Taf arrangements, which was a local government pension scheme. As those members of staff are now in the Assembly Government, their pot of money would need to be isolated within that scheme. Any deficit that that scheme may run in the future may have to be covered by the Assembly Government as part of the TUPE transfer terms and conditions. We do not yet

know, ultimately, what that may mean because there may be many years before those members of staff ultimately retire and that fund is called upon. It could be that, in three or four years' time, if the economy turns around, there may be no deficit; it may move into surplus again. Therefore, these are very difficult questions to answer. There is no doubt that actuaries have spent many hours poring over the figures to make projections, and then you get a blip in the economy that puts all of those projections into the waste bin and you have a new scenario. Ultimately, those liabilities remain.

[132] **Mr G. Howells:** I wish to make one point on that. I have not seen the figures, but I would be curious to know how many people within the Assembly Government remain within the Rhondda Cynon Taf scheme. I am not clear as to what that figure is. I should imagine that it has reduced significantly with people possibly leaving the organisation or transferring.

[133] **Angela Burns:** Thank you. I really appreciate that. We will try to dig that out to try to find that piece of information. If we get hold of it, we will send it on to you. I thank you all very much for your time this morning. You will be sent a copy of the Record of Proceedings so that you can check it, but not change it. If we have any further questions to you on this, we will drop you a note. Once again, thank you very much for your time.

10.39 a.m.

Cynnig Trefniadol Procedural Motion

[134] **Angela Burns:** In order to consider the evidence that we have just heard, and to consider issues for our legacy report, I propose that we conduct the remainder of the meeting privately.

[135] I move that

the committee resolves to exclude the public from the remainder of the meeting in accordance with Standing Order No. 10.37(vi).

[136] I see that the committee is in agreement.

*Daeth rhan gyhoeddus y cyfarfod i ben am 10.39 a.m.
The public part of the meeting ended at 10.39 a.m.*