



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

**Y Pwyllgor Cyfrifon Cyhoeddus
The Public Accounts Committee**

**Dydd Iau, 9 Rhagfyr 2010
Thursday, 9 December 2010**

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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'r pwyllgor yn bresennol
Committee members in attendance

Lorraine Barrett	Llafur Labour
Peter Black	Democratiaid Rhyddfrydol Cymreig Welsh Liberal Democrats
Jeff Cuthbert	Llafur Labour
Alun Davies	Llafur (yn dirprwyo ar ran Irene James) Labour (substituting for Irene James)
Bethan Jenkins	Plaid Cymru The Party of Wales
Darren Miller	Ceidwadwyr Cymreig (Cadeirydd y Pwyllgor) Welsh Conservatives (Chair of the Committee)
Janet Ryder	Plaid Cymru The Party of Wales

Eraill yn bresennol
Others in attendance

Andrew Bevan	Trysorydd, Awdurdodau Heddlu Cymru Treasurer, Police Authorities of Wales
Gillian Body	Swyddfa Archwilio Cymru Wales Audit Office
Simon Edge	Swyddfa Archwilio Cymru Wales Audit Office
Mick Giannasi	Cadeirydd, Cymdeithas Prif Swyddogion Heddlu Cymru Chair, Association of Chief Police Officers Wales
Delyth Humfryes	Cadeirydd, Awdurdodau Heddlu Cymru Chair, Police Authorities of Wales
Huw Vaughan Thomas	Archwilydd Cyffredinol Cymru Auditor General for Wales
Kevin Thomas	Swyddfa Archwilio Cymru Wales Audit Office

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

Alun Davidson	Clerc Clerk
Joanest Jackson	Uwch-gynghorydd Cyfreithiol Senior Legal Adviser
Andrew Minnis	Dirprwy Glerc Deputy Clerk

Dechreuodd y cyfarfod am 1.35 p.m.
The meeting began at 1.35 p.m.

Ethol Cadeirydd
Election of a Chair

[1] **Mr Davidson:** Good afternoon and welcome to this meeting of the Public Accounts Committee. Due to a recent shadow Cabinet reshuffle, Jonathan Morgan has stood down as

chair of the committee. Therefore, I ask the committee to nominate one of its members as Chair.

[2] **Peter Black:** As he is already sitting in the chair, I propose Darren Millar.

[3] **Mr Davidson:** Thank you. Are there any objections? I see that there are none. Darren Millar is duly elected as Chair of the Public Accounts Committee.

1.35 p.m.

Ymddiheuriadau a Dirprwyon Apologies and Substitutions

[4] **Darren Millar:** I thank Members for the opportunity to serve as Chair of the committee. I want to assure you all that I will do the very best job that I can. It is a delight to be back on the committee, having previously been a member of it.

[5] I welcome everybody here today and remind people that they can participate in the meeting through the medium of Welsh or English, as the Assembly has a bilingual policy. Headsets are available for interpretation on channel 1 and amplification on channel 0. I remind Members, members of the public and witnesses to turn off their mobile phones, BlackBerrys and pagers, as they can interfere with the broadcasting equipment. If the fire alarm goes off, please follow the ushers' instructions and everything should be okay. We have had apologies from Jonathan Morgan, Sandy Mewies and Irene James. I have not been advised of any substitutions or further apologies.

1.36 p.m.

Cynnal Gwerth am Arian yn y Gwasanaeth Heddlu: Tystiolaeth gan Gymdeithas Prif Swyddogion yr Heddlu ac Awdurdodau Heddlu Cymru Sustaining Value for Money in the Police Service: Evidence from the Association of Chief Police Officers and Police Authorities Wales

[6] **Darren Millar:** I welcome Mick Giannasi, who is the chief constable of Gwent Police and chair of the Association of Chief Police Officers Wales; Delyth Humfryes, chair of Dyfed-Powys Police Authority and chair of Police Authorities of Wales; and Andrew Bevan, the director of finance and administration at Dyfed-Powys Police Authority. For background information, in July 2010, Her Majesty's Inspectors of Constabulary, the Audit Commission and the Wales Audit Office published a joint report on sustaining value for money in the police service. The Wales Audit Office has published an additional briefing paper for the Public Accounts Committee to draw out and highlight Wales-specific data within that report. The committee has been briefed on the report, so we will go straight into questions.

[7] I will ask the first question. In the joint report, it was noted that

[8] 'The public needed reassurance that what matters is not the number of police officers, but what the police do'.

[9] The report set out the case for breaking the perception of a link between police officer numbers and public protection. Do you agree with that view?

[10] **Mr Giannasi:** There is some substance to the assertion that pure police numbers are not necessarily the secret to effective policing. It is about how you use your resources. There is an optimum mix of police officers and police staff, but policing is a people-intensive

business. All four forces in Wales utilise around 80 per cent of their budget on people. Three-fifths of those are police officers and two-fifths are support staff. The vast majority of those support staff are now what we would call front-line people. They work in our enquiries offices and call centres, or they are scenes of crime officers or police community support officers. So, it is a people-intensive business and, increasingly over the last decade, we have proportionally reduced the number of people who are doing pure administrative work in the so-called back office. There is a fine balance, and there are always opportunities to reduce the number of police officers, because you need to look at each post and ask yourself whether such and such a person needs police powers and training to carry out their functions. Some do, such as those who carry out patrol functions, but there are some hybrid posts.

[11] There is a danger that policing is not only about demand, as it is also about contingency. There are some events that require police officers to be able in much greater numbers at very short notice. So, if we go down the dangerous route of paring back to the point where we only have what we need to manage demand, come the day when there is a public order situation, or a major emergency, that we are at risk of not being able to cope with. There is a kind of optimum number and there is a critical mass that we must not go beneath. For example, we have the Olympics in 2012, which will require a huge commitment in terms of manpower. We need to be prepared for those kinds of events.

1.40 p.m.

[12] All four forces in Wales are systematically looking at every post in the service and asking whether the job needs to be done by a police officer. We are reducing the proportion. In terms of significant jobs in our public protection roles and our high-tech crime units, for example, where accountancy, technical or, more importantly, investigative skills are necessary, we are taking those opportunities. In my force of 1,500 officers, we think that there are approximately 100 posts on which we could start to make that transition from police officer to police staff member. We have to be careful not to push it too far, because, while you can redeploy a police officer onto the front line, you cannot deploy a police staff member onto the front line in the event of an emergency.

[13] **Darren Millar:** I have a straightforward question on the number of police officers that we have in Wales. Obviously, the number has gone up over the past decade or so, but recorded crime levels have reduced. Why do we need more officers to deal with fewer crimes?

[14] **Mr Giannasi:** Twenty seven per cent of what the police do is about crime; the rest of it is about public order and public reassurance, and it is about an increasing number of additional tasks that the public does not often see—counter-terrorism and dealing with serious and organised crime. During my 30 years in the police service, the policing mission has broadened considerably. We are now dealing with international affairs and national issues as well as what happens on the ground. My estimate is that only around 50 per cent of policing is visible to the public. The rest of it is about those things that the public needs for their protection but are not actually seen on the streets.

[15] Crime has reduced significantly, which is partly to do with increasing police officer numbers and the contribution of local authorities, as well as a whole series of other measures. However, over the last 30 years, the mission of the police has extended considerably. Although we have seen a considerable growth in police budgets, it has not resulted in considerable increases in police officer numbers, because much of it has gone in behind the scenes to support police work. Sadly, over the last two decades, we have seen increasing regulation and complexity. In response to things that have gone wrong, such as child protection issues, the amount of complexity, rules and regulations that sit behind police work has grown exponentially. Much of the additional resource that has gone into policing has not

gone to the front line; it has gone into supporting the front line.

[16] **Jeff Cuthbert:** It is good to see you, Mick; you are my chief constable, although I hasten to add that I have no vested interest there. You made the point about jobs. Whether it is front-line police officers or administrative support staff, the loss of any job is a very serious matter, particularly to the person and the family concerned; I do not take any of this lightly. You mentioned the issue of public reassurance; in my view, certainly in the communities that I represent, that issue is more important than any other. It is about dealing with what we tend to call low-level crime—anti-social behaviour—and the reassurance of seeing the bobby on the beat and attending things like PACT meetings and Communities First partnership meetings, so that there is a dialogue with the police. I am very keen to ensure that that is not reduced. Do you have any feel for that? Seeing police officers on the beat, giving that reassurance, is a crucial aspect of policing, in my view.

[17] **Mr Giannasi:** I will give a general answer, and then I might ask Andrew to talk about police officer numbers and the impact of budget restraint on the workforce, as he has been doing some research into that.

[18] There are three elements to policing: the first is the need to reassure the public, to be visible and to be out on the streets; the second is to manage demand, such as the demand during emergencies and the demand to deal with crime; and the third is to manage risk—the risk of terrorism, the risk of serious and organised crime and the risk to individuals—as a matter of public protection. Over the last two or three years, each of the four forces has gone right back to basics, asking what the demand is for policing in those three areas and how we should allocate resources to deal with the threat, risk and harm that we face to ensure that we meet all of those competing objectives. They are not entirely competing, because serious and organised crime has a very distinct impact on anti-social behaviour on the streets—these things are not disconnected.

[19] So, we have all been through that process of allocating our resources, and that is why we have started to layer the service, not fragment it, so that we are dedicating resources to particular aspects of policing. We all have dedicated neighbourhood teams and, over the last two years, I have increased the number of officers involved in neighbourhood policing by around 20 per cent. It is important—that is what people tell us and what politicians tell us that people want to see. However, as Andrew will tell you, that is under threat, because something has to give if we have to take around about 20 per cent out of our budgets over the next four years.

[20] Each force is thinking carefully about how it can manage these quite unprecedented cuts, but we are all, as one, committed to maintaining our front-line capability to be the best that we can achieve. However, there are some hard choices to be made and I cannot guarantee, either from a Gwent perspective or from involving my colleagues, that we can sustain the same level of front-line capability. We will do our very best, because, as you do, we believe that that is one of the most important aspects of policing. I will ask Andrew to give you a sense of what a 20 per cent budget cut means.

[21] **Mr Bevan:** As a caveat to what I am going to say, I do not know the precise details of our budget for 2010-11; it was due to be announced yesterday, but we now understand that there will be an announcement at 3 p.m. today. So, there are many uncertainties around the level of funding that we are going to have for next year. Our own estimates suggest that we will be subject to a cut in funding—a cash cut over the four years of the comprehensive spending review across Wales of approximately £60 million. The Wales Audit Office's report states that £24 million to £35 million of savings could potentially be made in police budgets without affecting front-line policing. It can, therefore, only be concluded that anything beyond £24 million to £35 million will inevitably start affecting front-line policing.

[22] Currently, the four forces across Wales have 7,370 police officers. We have estimated that a reduction of 12 per cent cash, which is the £60 million that I referred to, would result in a reduction in the number of police officers if applied uniformly across all budgets. That will not necessarily be the case, but if it was, it would result in a reduction of some 884 out of the 7,370 police officers, and an overall staff reduction of 1,506. So, it is inevitable that we will be employing fewer staff, whether they be police officers or other staff, and those numbers will get near to the 1,500 mark. My own chief constable has said that the potential impact on Dyfed-Powys Police is that, in future, we may only be responding to some of the more serious threat-to-life type issues, and that there may be a need to rationalise some other areas, such as PACT meetings, which were mentioned. However, we do not yet know the precise details of funding.

[23] **Darren Millar:** Delyth, did you want to add anything?

[24] **Ms Humfryes:** Yes, regarding the question of people wanting to be able to see police officers. In Dyfed-Powys, the second of the public's top three priorities for next year is the visibility of the police. So, we, as members, must be very aware of what the public wants and we need to balance the funding that we have. We are very aware of that.

[25] **Darren Millar:** Do you want to come back on that, Jeff?

[26] **Jeff Cuthbert:** No, that is fine. I was going to suggest that we adjourn for an hour and a quarter in order to hear the announcement, but, obviously, we cannot do that.

[27] **Mr Giannasi:** Everything that we are doing with regard to preparing ourselves for the future is about avoiding just that. You will no doubt want to talk about collaboration and efficiencies, and we are desperately seeking not to reduce our front-line numbers. However, as Andrew said, the reality is that there may be an impact.

[28] **Darren Millar:** Okay; we will move on to some of those areas as we go through some of these questions.

[29] **Peter Black:** I want to return to something that Chief Constable Giannasi said about contingency planning. You referred to planning for the Olympics—is there a requirement on Welsh forces to plan for the Olympic Games, given that they are in London?

1.50 p.m.

[30] **Mr Giannasi:** The impact of the Olympics is UK-wide and there are three aspects to it. First, there are obviously the Olympic Games themselves, which will take place predominantly in England, but also in other cities around the UK—including at the Millennium Stadium in Wales, where part of the football competition will be held. The second aspect is the security of the participants—the teams taking part. We are currently going through a round of discussions and negotiations on where the primary sites will be for teams. While it would not be appropriate to say how those are progressing, Wales does feature in the thoughts of some teams who would like to come to this part of the country. Thirdly, the Olympic Games are being designed as a community-based event, the starting point of which is that Olympic-torch processions will be held in every police region in Wales and England. So, the Olympics do have implications for Wales, and the Welsh Assembly Government has established a steering group to oversee that, which has a police element to it, and we are planning for the future.

[31] The reality is that the specialist requirement to police the Olympics is far greater than what even the Metropolitan Police can cope with. Many of our firearms officers and specialist

search officers, and some of our highly trained covert policing officers, will be involved in that operation. There is discussion currently about who will pay for that, and the indication is that much of it will be paid for centrally. Whatever lies locally, such as the torch processions and local events, and local security implications for teams, will fall to the Welsh police forces. So, the impact is not disproportionate, and it largely affects our specialists, because there are not sufficient numbers of specialists in the Metropolitan Police to deal with the whole requirement.

[32] **Peter Black:** We have already talked about the increase in police numbers over the past decade, as well as the major workforce changes—police community support officers are the obvious sign of that. What workforce changes are needed to meet the current financial challenge, and how will you implement them?

[33] **Mr Giannasi:** The kind of approach that we are taking is that we are working from the other end of the business. So, we are looking at structural reform; pay and conditions, including overtime; and the costs of all the services that we provide, for example how much we spend on vehicles and our estate. Our objective is to reduce that and to become as efficient as possible, so that we can employ the greatest number of people that we can. Each of us has then gone through a systematic review of our systems and processes, and almost all of us are now moving to a rationalisation of those structures. The fashion a decade ago was to devolve resources down to the local level. So, most forces operated a basic-command-unit structure with local commanders, who, effectively, had their own business structures around them. Each of us is now having to dismantle those, because that is no longer feasible in the current financial climate. So, we are all centralising, regrouping and bringing resources back to the centre, and we are starting to reduce costs. We are now systematically examining every post, facility and service that we provide to ask: is this service necessary? Is it necessary to do it in that way? Is there a way of reducing the cost? One way of reducing costs is to exchange police officers for police staff, because it is more expensive to employ a police officer as the on-costs are greater. Quite often, the benefits are marginal. If you have a skilled police staff member who has the right skills to do the job, there is only a marginal difference in pay.

[34] We are focusing on collaboration and shared services—I know that those words are bandied about, but they really are meaningful. What the Welsh police forces have to offer to the debate on public services spending is the fact that, to a great extent, they are ahead of the game when it comes to working in collaboration. We already have around £10 million-worth of shared assets that we operate on a Wales-wide basis with a joint command, which is overseen by Police Authorities of Wales, and that is a unique structure in respect of local accountability. The next phase of our work will relate to how we can do things differently at a lower cost by working together. So, we are now starting to look at the way in which we provide firearms support, the way in which we administer criminal justice, and the way in which we deal with roads policing, to see whether we can drive out significant cost reductions by working together more effectively. At the business level, we have been working with the Welsh Assembly Government for many years on procurement, and that is going deeper and deeper. We are now starting to look across the UK; for example, the 43 police forces in Wales and England have just signed up to a single vehicle contract for the purchase of all our vehicles, which will deliver significant savings over the next four years. We have recently engaged in a process that will lead to a single air support unit for the whole of the UK, which, again, will reduce the cost of air support from £60 million to around £46 million. So, our whole ethos is about not having to reduce the front line. Where we do have to reduce numbers, we seek to do it in a way that has the least impact possible. Part of that is a systematic approach to workforce modernisation, which is asking the question, ‘Does this job need to be done by a police officer?’ If not, we ask whether it could be done as effectively by someone else at a reduced cost.

[35] **Peter Black:** The HMIC report suggested that savings could be made by reducing the

ratio of senior staff. Will you be addressing that as part of the modernisation?

[36] **Mr Giannasi:** We have all significantly reduced our senior staff. We all see that there is potential to go further. At the most senior level, the Welsh forces are, proportionately, quite slim in terms of their chief officer structures. Three of the Welsh forces have only one assistant chief constable, while every force in England has two. So, we are already quite slim. However, in the tiers of management below that, there is still some rationalisation to be done, by reducing the number of units and by extending spans of control. I do not think that this is what the report implies, but we are not flabby, for want of a better word, in terms of our management structures.

[37] **Darren Millar:** A few people want to come in here. I will take questions from Janet and from Alun Davies, and then I will come back to you, Peter.

[38] **Janet Ryder:** You talked about collaboration and shared services. Is that with other police forces or other emergency services? How far has the idea progressed in Wales of having joint emergency services, with police, ambulance and fire services working together and sharing estates? How great could the savings be if we were to follow that path?

[39] **Mr Giannasi:** It is at all those levels. We have a joint emergency services group, which is a long-established group, with Welsh Assembly Government representation. For the past four years, we have been incrementally working towards integrated command and control. Unfortunately, because of the cost of command and control systems, it will take until 2018 to get all four police forces, the three fire services, the ambulance service and the military converged onto the same computer system. However, we are doing that incrementally by starting to join together existing systems and, as we purchase new systems, by 2018, we will all be on the same command and control platform. That will facilitate a move towards joint emergency control centres and joint command centres for serious incidents. The Welsh Assembly Government has invested a significant amount of money in creating three strategic co-ordinating centres—one at Carmarthen, one just north of Cardiff, and one at St Asaph. In north Wales, there is already collaboration on emergency control between the fire and police services, and I understand that the ambulance service is about to join that. Andrew has recently been granted funding by the Welsh Assembly Government to start to integrate communications. If I may, I will let Andrew speak on that.

[40] **Mr Bevan:** It is very exciting news. Only last week, we were told that we had been successful in our bid for some invest-to-save funds from the Assembly Government to bring together the three emergency service providers in Carmarthen. They have been co-housed in a single location for about seven or eight years, but operating in different parts of the building. So, although they have been in the same building, they were three services, effectively. What the £450,000 will enable us to do is address some of the contractual issues around the command and control systems and some of the estates issues. It is planned that, by summer 2012, the three services will be running as one out of the communications centre that we have in Carmarthen. I think that that will serve as a model for other parts of Wales. We will be the first part of the UK to have successfully achieved not just co-location, but co-working.

[41] **Mr Giannasi:** It is slightly more complex in south-east Wales because of the geography and the scale and complexity. In Gwent, we are looking to work with local authorities on creating a local call centre with three of our local authorities, and others may be interested. Ultimately, we will then seek to join that in a virtual network with the south Wales control room. The plans are reasonably well advanced. On delivery, there is more delivery in Dyfed Powys and north Wales than in south Wales and Gwent, but we are very steadily moving towards a position where we will have an integrated system. As ever, in the early stages, the cost benefits are limited, because it requires a significant investment. We are starting to see very significant potential around working with local authorities. For example,

my force is collaborating on ICT with three of our local authorities; we have created a shared data centre, and we are now starting to integrate staff. In setting up the shared data centre, which we had to do, Gwent Police Authority has saved £750,000 this year by not having to spend £1 million on a new centre. So, the benefits are dropping out; the hard work has been done now that will produce benefits in the future.

2.00 p.m.

[42] **Darren Millar:** We will touch on local authority issues a little later on.

[43] **Alun Davies:** I very much welcome the collaboration that you have outlined. I am familiar with the Carmarthen centre; it is a great step forward. I was astonished when you mentioned that it will take until 2018 to bring your systems together. I think that we need to understand that. To me, that seems far too long, and if the systems that are operating are going to take another eight years or so to integrate, they sound as if they are too complex for their own good; I think that we need to find a way to address that. Taking forward the points that Janet raised, I agree with the points that you have made about bringing together the different services, but it appears to me that there is still a lot of duplication within the blue-light services—we will keep it to that this afternoon—and that there is an opportunity for far greater collaboration and the sharing of assets, property and facilities. As a lay person looking in, it appears that all three services have particular needs, but you also have common needs in terms of garaging, staff recreation and facilities. I see no reason why those cannot be combined, enabling you to free up resources to ensure that you have resources in the community in the way that Jeff Cuthbert outlined earlier. I have experience in Gwent as well, in Blaenau Gwent, where there is a retreat from the communities to having policing done almost remotely. I think that people feel a bit uncomfortable with that.

[44] **Mr Giannasi:** I will deal first with the issue of 2018. Perhaps I did not explain myself very well. It will take until 2018 to get onto a single IT platform for command and control. That is because an IT system has a typical shelf life of 10 years, so all organisations are at different phases in that cycle. Without abandoning a system that is working well and has five years to live, the best way to do that is to incrementally move onto the same platform. In the meantime, we are putting technology in place that enables systems to talk to each other, and that will happen incrementally up until about 2014. So, our systems now talk to the fire service's system, and within the next few months we will be able to talk to South Wales Police's system and directly transfer information. We are now looking at a fix that will enable us to transfer information to the ambulance service. The ideal solution is that we would procure one command and control platform that all the agencies could work on. However, without the waste of abandoning systems that are already paid for and delivering, it will take until 2018 to achieve that convergence. So, I apologise if I did not explain myself. The convergence of the IT is only part of the issue. There are many other ways of working together prior to that.

[45] The second question was about how we could work better with other agencies and cut out duplication and additional effort. We assume that we missed all this many years ago; we were encouraged to develop in a particular way, which was around independent agencies and devolvement within them. That was the fashion 10 years ago, so we have not got here by mismanagement. This is a new world that we are looking at; the need to collaborate has arisen over the last four to five years and really accelerated over the last two. As a chief constable, I find myself almost like a child in a sweet shop, because there are so many opportunities and you have to think very carefully about where you collaborate.

[46] On buildings, for example, the headquarters for my force is no longer fit for purpose. It is an expensive building that does not deliver particularly good value for money. It was built in the 1960s, it does not lend itself to modern, efficient ways of working and it will need

an expensive refurbishment in the next four or five years. The best option for me is to collaborate with my local authority—the most local local authority—and possibly the health authority, to look to a shared facility for the future. Those plans are now quite advanced. It is a far better option than sharing with the ambulance service or fire service because of the geography that we work in. So, I think that we are all looking at what the best option is, and you can either look laterally within your own service or geographically to see who it is best to work with. There are huge opportunities at a local level for shared accommodation; for example, we are working with the local authority in Mr Cuthbert's area of Caerphilly to create a shared contact centre, where the police and local authority will work in one building to give the public a single point of access. If Andrew answered the same question, he would point to initiatives in the area covered by Dyfed-Powys Police, and these are happening all over Wales.

[47] On the issue of front-line resources, I emphasise that this is a very genuine issue for all four forces and the clear steer that we have had from our four police authorities is that protecting the front line is key and that police visibility and community confidence continue to be our number one priority. We have increased the level of policing in communities; as I say, there has been a 25 per cent increase over the last 12 months in the number of officers dedicated to neighbourhood policing. We are not retrenching from being visible at the moment; we are pushing it in that direction. However, the risk is that we may have to retreat from that position if we cannot afford to sustain it.

[48] **Darren Millar:** I remind Members and witnesses that the clock is always against us in these meetings, so it would be helpful if you could be brief with your questions and responses. We move on to the issue of local income.

[49] **Bethan Jenkins:** A greater proportion of police funding comes from council tax now than in 1997, and there is an assumption that the level of such funding will continue to increase over the next four years to reduce the impact of funding cuts on police budgets—you say in your paper that that has been confirmed by the Chancellor and the Home Secretary. Is it realistic, therefore, to assume that the precept will continue to increase? Do you envisage a scenario where you would like to see the precept increasing if, for example, you have to go into your reserves? Is that something that you have considered?

[50] **Ms Humfries:** I will start and hand over to the finance person to continue. As you know, it is the responsibility of the police authority to set the precept; we are most probably looking at increasing the local authority precepts on an annual basis. The average cut per local authority in Wales next year is 1.4 per cent, but, of course, police authorities are facing cuts of 3.8 per cent. Local authority members on police authorities have to have majority support to increase the precept, so we are working with the local authorities very closely. We have also always had a dialogue with the Welsh Assembly Government Minister for Social Justice and Local Government on this issue.

[51] **Mr Bevan:** The only thing that I would add is that the funding that we have, as police forces, is governed by something called the police funding formula, which is largely driven by factors that benefit the urban metropolitan type of forces—it takes account of deprivation, sparseness and density. Even though south Wales is fairly densely populated in comparison with the areas covered by the other forces in Wales, when you take Wales as a whole, it is the least densely populated area of England and Wales. This means that the funding that we tend to get through the police funding formula is whittled down by some formula factors. Consequently, Welsh forces have had to increase their precepts at a higher rate than forces in England, particularly over the last 10 years.

[52] Another key point that we have been arguing over, rather unsuccessfully, with Whitehall is the issue of area cost adjustments, which takes account of different income levels

across the country. The income levels in the south-east of England are obviously much higher than in Wales; consequently, less money flows to Wales than to England in policing terms. For many years, we have tried to argue that the cost of policing in Wales is no different to the cost in England—salary levels are the same in Wales as in England—but our cries have hitherto fallen on deaf ears. We are still faced with a situation whereby the only way in which we can bridge the gap is to increase the precept. It is inevitable that we will still be faced with significant increases in the precept if we are to protect the front line in the way that Mick described.

[53] **Bethan Jenkins:** Chair, perhaps we could ask for information from the Government on that.

2.10 p.m.

[54] **Darren Millar:** We will ask for information on the funding formulas. As a former member of a police authority, I remember well the annual precept discussions. One of the other problems in Wales, and north Wales particularly, is the scale of the precept when compared with the precepts elsewhere in the country. How do you see that being resolved in the long term? You say that you have made representations to the UK Government about the weighting for sparsity and income identification. What representations do you think the Welsh Assembly Government needs to make?

[55] **Mr Bevan:** We have argued for several years now that there needs to be a fundamental review of the police funding formula. It does not take account of the differential costs of policing in a rural area, and it does not recognise the fact that the cost of policing and of police officers is exactly the same in Wales as it is in south-east England. There is a growing recognition that the funding formula is no longer fit for purpose. There is an acknowledgment in the comprehensive spending review that there should be a fundamental review of the funding formula during the next comprehensive spending review. It needs that little extra support from areas such as the Welsh Assembly Government to push us in that direction and to make sure that it happens.

[56] **Darren Millar:** It has resulted in some perverse results in the past that have led to the introduction of the floor and the ceiling. We can certainly take that up. As a matter of interest, what are you forecasting as the required annual precept increase for the next four years?

[57] **Mr Giannasi:** It is quite difficult because we have not yet had the funding settlement. There is an assumption in the Government's projections that there will be a 4.6 per cent uplift in the precept in Wales. That is the basis on which it has worked out its financial projections. There is an inherent unfairness in that because, in England, the assumption is that it will be 3.8 per cent. It has been worked out on the basis of the average over the previous three years. When the funding settlement is allocated, we are anticipating that there will be some in-built unfairness, because we will start from a presumption that local people have to pay more to achieve a level playing field with England. We are meeting the Welsh Assembly Government's Cabinet in the spring, when we will be asking for support to challenge that position.

[58] **Jeff Cuthbert:** This is a question about capital funding. How well prepared are the police for the expected sharp reduction in capital funding, and are any planned major projects particularly vulnerable as a result? Could this lead to particular difficulties with police forces needing to make big changes to respond to financial challenges but lacking the capital required to invest in them?

[59] **Mr Giannasi:** I will deal with the issue generally and I will then ask Andrew, who is our expert on capital funding, to come in. We are facing a 46 per cent reduction in capital

funding over four years. As Andrew will explain, police capital is slightly different from capital in other public services, in that most of our building projects are centrally funded. The capital that comes to us is for things like buildings, vehicles and ICT. In Gwent, for example, we face a cut from around £1 million per year, which is not a significant capital fund, to just over £0.5 million. From that, we must fund our vehicles, repair and maintain our buildings, do any development and invest in IT, which explains why it will take until 2018 to get onto a different command-and-control platform. So, it is challenging.

[60] We have been aware of this for four or five years. We have known that it is coming, and we have started to prepare, and I think that we are better prepared than many public services are, but, as Andrew will tell you, there are backlogs in maintenance in some forces. Each force is in a different position, and it will be challenging. If we cannot afford to manage our capital requirement from the capital budget, either we will have to make further savings elsewhere or we will have to look at borrowing, which will then have an impact on the revenue budget. The reality is that, to deliver some of the far-reaching savings in years 3 and 4, there has to be some investment up front to change systems and processes, to regenerate the way in which we do business so that we can deliver those savings later on. So, it will be a significant problem.

[61] **Peter Black:** Before Andrew comes in, have you considered using leasing as a form of capital funding, given the nature of your capital projects?

[62] **Mr Bevan:** There are some leasing arrangements in place. For instance, three of the four Welsh forces have private finance initiative arrangements, which are a form of leasing. Those were funded in the early part of the century. South Wales Police Authority is the only one without a PFI scheme. Generally speaking, I think that most of the authorities in Wales have resorted to self-financing capital projects.

[63] To clarify one point that Mick made, it is the IT projects that are mainly funded centrally, rather than the building projects. We have to fund our building projects locally, which presents the biggest risk for us.

[64] **Peter Black:** Have you done any value-for-money comparisons between using leasing as opposed to outright purchasing for those sorts of projects?

[65] **Mr Bevan:** We look at leasing versus buying arrangements for every capital project we enter into. When it makes economic sense to go down the leasing route we will do so, but sometimes the revenue impact of leasing is greater than the capital investment, which can sometimes provide a barrier to going down the leasing route.

[66] **Mr Giannasi:** We are systematically looking at the costs and benefits of leasing for all our buildings at present.

[67] **Bethan Jenkins:** Darren Millar touched on this earlier, but could you expand on your relationship with the Welsh Assembly Government? How does it assist you or provide you with information on how to deal with this financial situation? For example, I know that you sit on the efficiency and innovation board. What progress do you see there? Is it happening quickly enough for these changes to be made and for the impact on you to be significant?

[68] **Mr Giannasi:** Although we are a non-devolved service, our relationship with the Welsh Assembly Government is supportive and constructive. My colleagues in England sometimes look on with envy at the relationship that we have with Government. First, we get direct funding for some of the things that we do. For example, operation Tarian, which is our serious and organised crime capability, is partially funded by the Assembly Government. That funding is invaluable and has helped us to build one of the most effective capabilities for

dealing with serious and organised crime in UK policing. We have a 50:50 funding arrangement on the schools programme, which is hugely successful, has a great impact, is much valued by parents, teachers and children, and is having significant benefits for the future. So, there are direct benefits there and the Assembly Government plays a significant part in policing. In our discussions, we will be urging Ministers to sustain the successful programmes against the background of the difficulties that they face themselves.

[69] Secondly, local authorities make a significant contribution to crime and disorder reduction. The effectiveness of the partnership arrangements that exist varies from one local area to another, but there is a commitment from the Welsh Assembly Government to fund and support those. So, generally, they are effective and work particularly well.

[70] We have a seat on the efficiency and innovation board, and we have a representative on each of the sub-groups. In most cases, we play quite an active part in delivery. Of the iconic projects that the efficiency and innovation board is taking on, quite a few are police related, whether to do with ICT or with looking at public protection. If we are to make significant savings, and if we are to improve the service that we provide to the public, we have to look at re-engineering some of our basic services. If you were to design a service to protect children, you would not design the one that we currently have. It has been developed incrementally over time. There is a much better way of doing it, which is about having an integrated service, rather than agencies working together to try to provide a service to a victim.

[71] So, those are the areas that we are focusing on, and we get significant support from the Welsh Assembly Government. It also provides seedcorn funding to get some initiatives going. We are satisfied with the support that we have from the Welsh Assembly Government. Our presence on the efficiency and innovation board is of benefit to Wales, because we bring something to the party, but we also take a great deal away from it.

[72] **Mr Bevan:** I am a member of the procurement branch of the efficiency and innovation board. Value Wales is keen to move towards having a single procurement function for the whole of the public sector in Wales. There are currently more than 100 different procurement units across Wales, and that cannot be the best way of purchasing goods and services for the Welsh public sector. Given the financial challenges that we will face over the next four years, it is an area in which we do need to make fairly rapid progress. Everyone needs to buy in to the concept of having a single unit delivering the procurement of goods and services on behalf of the Welsh public sector. It is an area that needs to be pushed forward.

[73] **Bethan Jenkins:** We have also heard from the Wales Audit Office that police forces are arguably better placed in this situation than other public bodies. Are you sharing best practice through the innovation board, or are you already doing that through your links with other organisations in the public sector? Can you expand on that?

2.20 p.m.

[74] **Mr Giannasi:** We are inextricably linked with Welsh public services. We have relationships at a local level. For example, I work with my five local authority chief executive partners and with council leaders. We also have a local efficiency and innovation board, with seven or eight projects that we have started to deliver. It will be the same situation in other forces. So, we are inextricably linked.

[75] We met last week with the Society of Local Authority Chief Executives and Senior Managers, and we decided on three areas in which we would work together: neighbourhood management, public protection and managing the consequences of the budget cuts. That was about sharing good practice and ideas. So, I feel comfortable that we are well embedded

within Wales and that there is good communication right across the piece.

[76] **Janet Ryder:** You have talked about shared services. The Welsh Assembly Government has taken on the supply of traffic support officers, but it has also announced reductions in its budget for road safety. How will those reductions in the Assembly Government's budget affect police forces in Wales? You have also talked about a number of other areas in which you are collaborating with other authorities. How will those budget reductions affect policing in Wales?

[77] **Mr Giannasi:** It is difficult to tell, because everyone is going through the same budgetary process. At a local level, we are in discussions about what the impact might be. For example, in Gwent, around 20 of my 140 police community support officers are provided with funding from local authorities. Some local authorities believe that they may not be able to sustain that; others believe that they will. So, there will be local impacts, but we are currently in negotiations. Many of the community safety capabilities, such as those to do with domestic violence and child protection, are funded by initiative-based funding, so we have support workers and people who come in on short-term contracts who are all funded by temporary funding, which comes from community safety partnership initiatives. Those are at risk, so we are looking to see whether we can rationalise or consolidate. We are asking ourselves whether we need five community safety partnerships all looking at domestic violence, as perhaps they could work together instead. So, we are seeking ways of sustaining the service at a reduced cost.

[78] At the national level, traffic officers predominantly benefit the southern and the northern forces, so Dyfed-Powys Police does not really benefit from the service. They have been a significant benefit, because they free up police officers to do policing, and they deal with the routine traffic matters that police officers often got consumed by. So, there is no cost saving, but there is a significant benefit from having the operational capability to do other things.

[79] We do not yet know what the impact of cuts in the road safety budget will be, but we know that there will be cuts. We have to try to sustain the service within the same kind of framework. A significant amount of the road safety funding that comes to the police goes on the speed enforcement system, and we are currently looking at ways of doing that differently, to cut back-office costs and reduce the amount of spending. It will be tough, and we do not yet have a real sense of exactly what these cuts will mean. These kinds of problems are emerging everywhere, and people are talking them through to see what can be done.

[80] **Lorraine Barrett:** The first part of my question has already been covered. Many of us say that Wales is a small country and that everyone knows everyone else. Is that a positive and a way of delivering more efficient services, or is it a hindrance because it can be a bit like a talking shop when everyone knows each other?

[81] **Ms Humfries:** We are not quite sure how to answer that question. We started talking about mergers in 2006, but that was not on the agenda as far as Wales was concerned. Having the Police Authorities of Wales is a step forward, as Mick just mentioned. We are well in front of other regions and are envied for our collaboration. Being small and being a nation is easier than being a region, as is the case for the North Yorkshire Police Authority or other police authorities in the north-west. We see ourselves as a nation in Wales, and it is easier in that respect.

[82] **Mr Giannasi:** It gives us an identity. There is a clear operating unit in which we can work together. The four chief constables are constantly in touch. We speak weekly and we have a regular dialogue. What is sometimes complicated is that north Wales is much more connected operationally to the north-west of England. Sometimes, there is a danger in trying

to create cosy, cohesive lines on maps, because they do not always work. We have now got comfortable with the idea that north Wales will work with the other three forces in Wales on many issues, but, when it comes to operational matters, it is far better for Merseyside and north Wales to share assets and resources. So, there is a clear and powerful identity in Wales, but we cannot afford to be bound by it, because there are benefits to looking outside of it.

[83] What is complicated is that the delivery framework for public services is fragmented. It sometimes feels like a patchwork quilt, because you have four police forces, three fire services and one ambulance service, all covering slightly different regions. Transport goes in a different direction. There are 22 local authorities in broad groupings. It can get very complicated. We find that we go to different meetings with the same people wearing different hats on different days, and, although it is the same people, you talk about different issues.

[84] So, one of the things that we are interested in, and north Wales is leading on our behalf, under Mark Polin, is whether we can rationalise the partnership landscape. Can we reduce the number of committees and sub-groups? We have 21 local service boards, but do we need that many? We have 21 community safety partnerships, but is that amount necessary? We are starting to see local authorities working together. They are coming together around police forces. The reorganisation of the health service has been a real catalyst for collaboration, because it is starting to create more cohesion. Where the police force and health authority have come together, that acts as a catalyst for local authorities to form a critical mass so that things can be done. Wales is a small country and relationships are very good, but it can become over fussy. Your point is a good one.

[85] **Mr Bevan:** I would just like to praise Value Wales. As someone who is involved in procurement in Wales and across the border in relation to policing across England and Wales, I know that Value Wales is the envy of the procurement world in England. The Assembly Government needs to treasure, harness and encourage this to develop, because, in terms of collaboration, it is one of the jewels in the crown of Wales.

[86] **Darren Millar:** Thank you for stressing that point.

[87] **Lorraine Barrett:** I have another brief question. I was trying to find which force it was in the papers, but one of the Welsh forces plans to make cuts to back-office support, including the resources for taking forward collaborative working. Could that jeopardise the capacity to realise the savings that that collaborative work can yield?

[88] **Mr Giannasi:** I am not sure which force it is.

[89] **Lorraine Barrett:** As I said, I am trying to see which one it is, but I know from the paper that one force—

[90] **Mr Bevan:** There is a comment in there somewhere that the real threat to collaboration is the level of cuts, but I do not think that we can afford or allow the cuts to impact upon our ability to collaborate, because the one thing follows the other.

[91] **Lorraine Barrett:** That would seem self-defeating, would it not?

[92] **Ms Humfryes:** In answer to that, when police authorities individually look at the precept, the costs, the cuts and so on, we must also look at the bigger picture. That is where you have read that we must persuade our local authority members that collaboration needs money, because it does not run on its own.

[93] **Darren Millar:** I want to return to the issue of cross-border collaboration and the potential risk of things being too inwardly focused, particularly in north Wales. To what

extent is there a risk of failing to deliver the necessary savings by collaboration, because there is a distraction about the fact that there needs to be collaboration on two fronts, particularly in that region?

[94] **Mr Giannasi:** Collaboration is expensive and, when it is done for the sake of it, it is disruptive and resource-intensive. In our early days, we might have suffered from there being lots of activity, but little delivery. The current situation is really focusing minds, and we had an incredibly productive meeting yesterday where people were saying, 'We will have to do it. We have been talking about this for a long time, and the benefits are clear; we need to get on with this now'. What the budget constraint gives us is an imperative now to do what previously seemed like a good idea. It is now a necessity.

2.30 p.m.

[95] **Darren Millar:** What I am really trying to get at is the border between England and Wales and the situation in north Wales in particular, because of the criminal markets moving from east to west rather than north to south. Does that distract them from delivering the collaborative savings that need to be delivered on an all-Wales basis?

[96] **Mr Giannasi:** I think that it did to start with, because we got exercised by needing to do this together. In the last two years in particular we have become comfortable with this opt-in, opt-out solution, because we have become more sophisticated in our thinking and we have started to realise that collaboration is not about boundaries and lines on maps, it is about looking for a partner that can work with you and finding the best solution. In forensic science, for example, there is collaboration across 14 forces that has no boundary or any geographical sense to it; it is just 14 forces that came together with a common requirement. It is complicated to work out who you will collaborate with.

[97] **Ms Humfryes:** We find that as well in Powys. To the east, we border the West Mercia Police Authority, and we work well with it.

[98] **Peter Black:** Are police forces looking at the option of developing alternative models where independent organisations such as social enterprises, voluntary sector or private companies can play a role in delivering or supporting police services?

[99] **Mr Giannasi:** It is not something that we have done a lot of. There are examples—for example, South Wales Police outsources its custody detention officers. It is a provided service, and most forces are now looking at that as an option. We work closely with organisations such as the Gwent Association of Voluntary Organisations in my area, along with other voluntary associations. It is not something that we have particularly focused on in the past, but it is something that we will have to look at. We are looking at our volunteers to see whether we can optimise the number of people who work on a voluntary basis, and there will be a drive on the special constabulary. There are lots of initiatives on such things as participatory budgeting, where we engage social capital rather than outsourcing. However, it is becoming part of the model of our thinking, where one of the options is whether the service could be provided better and more cost-effectively by outsourcing. Andrew, do you want to add to that?

[100] **Mr Bevan:** There are a couple of noteworthy examples in England, Southwest One being one, where, effectively, a lot of the back-office functions have been transferred into a joint venture with the private sector. Significant benefits have yet to present themselves from some of those arrangements, but they are areas that we are keeping a close eye on, and we are in discussions with our colleagues in the south-west about what happens with Southwest One in the future, because it is certainly a model that cannot be overlooked.

[101] **Peter Black:** Do you think that, because Wales is a small country, with small police forces compared to England, that that could be done on a collaborative basis in the future?

[102] **Mr Bevan:** There is sometimes a difficulty in attracting the private sector into some of these areas. To give you an example, with medical services in custody units in Dyfed Powys Police, we have had an awful task to get a private sector provider to come in and deliver that service for us. The GPs in the area were withdrawing from the service, and that was the imperative for doing it. You could contrast that with some parts of England, where they have very successful outsourced medical provision for custody suites. We do really struggle in parts of Dyfed Powys, and it cost us the best part of £1 million to provide custody medical services for Dyfed Powys alone.

[103] **Peter Black:** However, the four forces could collaborate, for example, on back-office systems, and such things.

[104] **Mr Bevan:** Absolutely.

[105] **Mr Giannasi:** We do that—South Wales Police and Gwent Police have a joint legal services department. We are about to look at a shared director of human resources to start to bring together those two departments. However, it is sometimes a question of asking who it is best to collaborate with. It is not always a police force. In IT terms, we have found benefits in working with local authorities, and it is just a case of looking for the best partner at that particular time.

[106] **Darren Millar:** Bethan, I think that we have covered the territory on procurement, have we not, and asset management? So, we will go over to Jeff.

[107] **Jeff Cuthbert:** This is about public engagement, because, clearly, with the changes that could come about, you will need good public engagement to ensure that the public is aware. People will be enthusiastic about it, but, if you can win hearts and minds, all the better. What do you see as the main issues surrounding public engagement to try to gather support, or at least understanding of the need for changes?

[108] **Mr Giannasi:** The policy authority plays a very significant role in understanding what the public wants from the police. Each of our authorities has staff whose role is to do that. As you rightly say, the PACT process is about finding out systematically what the public wants. One of the difficulties is that the PACT process attracts a very small number of people—the attendance is not good, but it is a systematic process whereby we make ourselves available. We do get some benefits from the PACT process, but I find that the far greater benefit comes from ad hoc contact in supermarkets, clubs and various venues. All forces systematically gather information about what people are looking for at that particular time. We all have a process of finding out what are the top three priorities for that community at that particular time, and a process of feedback. What we find is that the number of people engaged in that is relatively small in terms of the total population. To be honest, quite a lot of people do not want to engage with the police—they just want to be safe and if there is trouble, they want the police to turn up; quite frankly, they do not want to see the police in many cases.

[109] Public engagement tends to involve a much smaller proportion of the population than you might think, and we need to find more imaginative ways of doing that. We are using Facebook and Twitter—we have joined the modern age and we are doing all of those things to try to engage with different groups. We do specific work around groups that are hard to hear and hard to make contact with, but it is a constant challenge, because, generally, most people do not want to have anything to do with the police. They want to be safe, protected and do not want to be the victims of anti-social behaviour, and, by and large, that is most

people's experience. So, we tend to find ourselves focusing on a smaller number of people. It is and always will be a challenge.

[110] We have various mechanisms at various levels. The authority will do the macro level. We use surveys and a whole series of methods, but it is about trying to piece all of that together to make sense of what people are looking for.

[111] **Ms Humfryes:** When the Eisteddfod Genedlaethol was down in Gwent, it was about ensuring that there was a stand for Gwent Police and all the other authorities helped out. It is the same with the Royal Welsh Show, where Dyfed-Powys Police has a stand. So, we try to go out to speak to people—we go out to them and do not expect them to come to us.

[112] **Darren Millar:** A number of Assembly Members around this table desperately want to pull out their Twitter accounts to put a feed in just to follow you.

[113] **Jeff Cuthbert:** Apparently I am on Twitter—although it is not me, but my staff—it is beyond me, but there we are. However, I take issue with what you said. I attend PACT meetings in my constituency on as regular a basis as I can, and it is true that when issues are reasonably quiet, attendance is low and I suggest that that is a reflection of broad satisfaction with policing for that three or four month period. However, when there are issues, I have seen those meetings full, and people are very vocal. I would suggest that the PACT process is a way of communicating with people, possibly with leaflets beforehand, making it clear that you want to talk about the changes that are coming up, because people may well have views. You mentioned Facebook and Twitter, but, on a more serious level, the group of people that want to see the police, although not necessarily on their own doorstep, tend to be older people, in my experience, who are not really into modern technologies—not that I class myself as an older person yet, although I am heading that way. I think that you understand the point that I am making. A physical presence is reassuring and important, so I would not want to see the PACT process or engagement being dismissed too lightly.

[114] **Mr Giannasi:** If I sounded dismissive about the process, I am not—I am huge supporter of it, and I have driven it in my force. The dynamic nature of the PACT in your area is partially about your contribution, because where they work, it is because the police, local councillors and local politicians come together to make it work and generate the interest of the community to make people to want to become involved. There are PACT meetings where there are only two or three people, and they are the same two or three people. Where there is an active—

[115] **Darren Millar:** I am sorry to interrupt you, but the voices are sometimes not representative of the public at large. That is the big issue. Where they do work—

2.40 p.m.

[116] **Mr Giannasi:** It is just one mechanism in a whole series of things.

[117] **Darren Millar:** I am very conscious of the time, and we still have a couple of questions to go. Alun first and then Janet.

[118] **Alun Davies:** I am sorry that I had to miss part of the session this afternoon. Listening to what you said earlier and reading through your written evidence—the appendices from each force, as well as your overall paper—it strikes me that one of the issues that you find is that you are constantly overcoming barriers to integration and collaboration. You have already outlined that we have four police forces, the ambulance service, the fire brigades and the local authorities—it is an embarrassment of riches with regard to structures. Do we need three emergency services and the management structures that we currently have in place?

[119] **Mr Giannasi:** I think that we would all say that, if we were given a blank sheet of paper and asked to design a service that protected the public and provided an emergency response, we would not design this one. However, we are where we are. This structure has developed incrementally, over a period of many years, through well-intentioned and well-thought-out at-the-time decision-making. You kind of look back on history and wonder how we got to where we are, but the reality is that they were all sensible decisions.

[120] We have had the debate, which the police authorities were very much part of, about whether we should have one, two or three forces for Wales, whether we should combine with the fire services and whether we should have boundaries. The answer, probably, is that, at some stage in the future, all of those things are feasible. However, you must first work out what it is that you want and then work out a structure that delivers that. The reality is that the cost of doing that is prohibitive. When there was a political drive to amalgamate the four Welsh forces, the cost of doing that was £76 million, and the return rate was 15 years, I think, to deliver some benefit from the cost of amalgamation, which included the change in IT systems and the change in working methods and processes. Had it been done, that would have caused complete disruption; it would have made minor savings by, dare I say it, removing three chief constables, but that would not have in any way compensated for the cost of doing it.

[121] We are focusing on what we call incremental convergence. I know that it sounds like management gobbledegook, but we are incrementally converging on a future that we do not quite understand. However, what we do know is that we must start incrementally to bring the way that we do business together and to get out of this fixed environment that we are in. For example, my police authority's strategy on estate is to get out of a fixed estate, to get us into a position where if in the future it makes sense to do things differently, we will be in a position to do it, rather than being bound by a brand-new headquarters that will tie us to the same place for the next 20 years. So, we do have a strategy that is agreed between the Police Authorities of Wales and the four chief constables that is about incremental convergence. It is about moving forward together, starting to drive out difference to increase similarities, so that when the future comes, whatever that may hold, we will be in a position to respond to it, rather than being a blockage for the future.

[122] **Alun Davies:** Thank you for that answer; it was very useful. I quite like what you said about incremental convergence; I think that it is a good way of summing up what you have been saying. On the drive for that, there is clearly an economic drive, which you outlined and which we understand and appreciate, but do you feel political or professional pressure to do that? Is it something that you have chosen to do? I feel that your objectives are clear regarding what you want to achieve, but do you feel under any pressure to accelerate that process?

[123] **Mr Giannasi:** We chose to do it initially because it seemed like the right thing to do. There was then the spectre of forced amalgamations that increased the pace, but when the spectre went away, the pace also dropped away because it did not have to be done anymore. The imperative is now a financial one. What is emerging is a sense that if we do not do it, we will be mandated to do it, because I sense frustration from the public and from Government that things are not happening fast enough. We are starting to feel that, and we now get the sense that if we do not make this happen, it will be mandated in some way.

[124] **Ms Humfries:** The public wants neighbourhood policing. I do not think that what happens at the top is of any relevance to the public. The public wants the police on the beat and, to be perfectly honest, I do not think that that public cares very much who the chair or who the chief constable is.

[125] **Alun Davies:** I agree with you. I think that the experience of us all as politicians around the table is that people want to feel safe, as Jeff outlined at the beginning. They want to feel safe in their homes and on the street, and how that is delivered is irrelevant. However, for us, in terms of creating that management structure, we are looking for a streamlined structure, are we not? I think that we are looking at the creation of a single force, almost as a shadow force, if you like. Is that fair?

[126] **Mr Giannasi:** I think that we are trying to drive out the benefits of having a bigger force without the negative consequences. As the chair says, the negative consequences are that you lose the local contact on the streets. We are trying to get the best of both worlds without damaging what we value.

[127] **Darren Millar:** Thank you. Janet Ryder has a final question.

[128] **Janet Ryder:** You touched on engagement with the public and public scrutiny when you answered Jeff. Those issues were highlighted in the audit report as factors that may have led to the variation—the variations in public scrutiny led to a variation in police budgets. You seemed to be agreeing with Jeff that public engagement can be very variable. What plans do you have to increase it and make it more consistent throughout Wales?

[129] **Mr Giannasi:** In my 30 years in the police service, public engagement has been a constant challenge. It has gone through various cycles of different ways of doing it. What we have now is probably more effective than it has ever been. However, it is an expensive process. It is something that needs resource, and it is something that we have invested in very significantly. Technology provides opportunities, and we are seeking to exploit those as best we can. However, as Mr Cuthbert says, there is no substitute for face-to-face contact, particularly for people who do not feel comfortable with those other ways of doing it. There are many initiatives: for example, in the south-east of Wales, there is the frailty project, which is about keeping elderly people in their homes, living happy independent lives, and the police are very much linked into that. My local officers and PCSOs are actually visiting elderly people in their homes to ensure that they feel safe and secure.

[130] We have various initiatives. All forces are doing it in a broadly similar way, but it is a huge challenge. It requires a three-way contract between local politicians, the police and local people. We have to persuade people to want to engage in greater numbers than they do currently. Where we provide a catalyst for people to get involved, they enjoy it and we see significant benefits. Those communities that are successfully tackling crime and anti-social behaviour are those where the public are physically involved, rather than calling the police in to do it. That is a challenge because that is not the sort of society that we have created over the past few decades.

[131] **Janet Ryder:** How are you engaging people? Where communities are successful, what is making them successful, and how can you multiply that across Wales?

[132] **Mr Giannasi:** Neighbourhood policing is a start. We have dedicated a significant proportion of our officers to work in communities. Every community has a—

[133] **Janet Ryder:** So, you can trace an increase in neighbourhood policing to an increase in public scrutiny of your affairs.

[134] **Mr Giannasi:** Pardon?

[135] **Janet Ryder:** My question was about how you were going to increase public scrutiny of the police. That would go hand in hand with public engagement with the police. You have detailed a lot of very good schemes where police are involved in communities and deal with

the public face to face, but how are you going to increase that scrutiny?

[136] **Mr Giannasi:** I am sorry; I was mistaking engagement for scrutiny.

[137] **Ms Humfryes:** As far as the police authority is concerned, one of our roles is scrutiny and to support challenge. We have local councillors on police authorities. There are 10 in each authority. The worry is that the Home Office and the Government want to abolish police authorities and bring one person in to do all that work. I see that as a step backwards rather than forwards. We have the local councillors, who are very involved with the local people and who can bring back people's worries and provide support in the area. One PCC might not be able to do all that in a place such as Dyfed Powys.

[138] **Darren Millar:** Having been a councillor on a police authority, I know very well that many councillors do not represent the full patch that they should be representing when they attend police authority meetings and very often stick to stuff in their individual ward when it comes to making representations. Clearly, there will be political differences on some of those issues. I am sorry, but the clock has beaten us, so we will have to bring this item to a close. Thank you for the papers you provided and for your oral evidence today, Mick Giannasi, Delyth Humfryes and Andrew Bevan. You have been excellent witnesses. Thank you.

2.50 p.m.

Adolygiad o Ddatganiadau Ariannol Swyddfa Archwilio Cymru 2005-2010 Review of the Wales Audit Office Financial Statements 2005-2010

[139] **Darren Millar:** We will move swiftly on. Before I begin this item, I remind Members that there are still issues in relation to these particular matters that cannot really be discussed, owing to that fact that there is still some work outstanding on the due diligence process that is currently being undertaken by the Auditor General for Wales. I have pressed for that to be available to Members as soon as possible in the new year, so that we can have a full and frank discussion with that further evidence. So, I would appreciate it if Members could be sensitive about that process not having been completed yet, as and when we move on to questions.

[140] Reports that have been published over the past couple of days have caused some concern among Members of the committee who have approached me as Chair. They are of significant public concern and have significant public interest. So, in response to those, I think that it would be good to give the auditor general the opportunity to give an overview of the actions that he intends to take before we go into a more detailed scrutiny session. I welcome to the table Gillian Body, Simon Edge and Kevin Thomas, who are partners at the WAO, and the auditor general himself. Will you give us an overview of the work that you have undertaken so far, auditor general, in respect of the National Audit Office report that has been published?

[141] **Mr H. Thomas:** Thank you, Chair. As you have recognised, this is one part of a number of inquiries that are ongoing and I hope to bring them all to you early in the new year. As accounting officer, as well as the auditor general, I believe that the Wales Audit Office needs to exemplify the highest standards of public administration. It is a matter of great personal concern that I should be here discussing the fact that the Wales Audit Office has not lived up to the expectations that the public have had of it in the past. I accept all the recommendations made by the National Audit Office and I am already acting on them. As you have indicated, some of them do require further investigation. I have instigated action on certain matters that have been identified in the two reports. This has involved the suspension of a particular member of staff; under our procedures, this is an entirely neutral but necessary action, taken in order to facilitate investigation. It says nothing about any wrongdoing on the

part of the individual. However, it means that, in the areas that are subject to that investigation, I am afraid that I am going to have to be a bit more restrained in my comments this afternoon.

[142] What I can say is that the personal handling by the former auditor general, Jeremy Colman, of the arrangements for the departure of the former chief operating officer was critical. It lies at the root of the deficiencies in the 2009-10 accounts. I would have liked to have brought you the due diligence report on Mr Colman's actions, including his handling of that episode, but for legal reasons I am afraid that I cannot do so at present. However, as I said earlier, it is my firm intention to bring that to you early in the new year. I think that the committee will certainly agree that there are aspects of the former auditor general's behaviour in office that are deserving of censure. I understand the public concern at the examples of the former auditor general appearing to be unwise in his use of public money. Many examples of apparently inappropriate spending seem to relate to the creation, the management and the removal of the role of chief operating officer within the organisation. There is also the latest disclosure, under the freedom of information request, of Mr Snow's training expenditure, which Mr Colman, as his line manager, would have had to approve. It is but one example of what might be regarded as inappropriate expenditure. The firm advice that I have received indicates that there are no grounds to date for legal proceedings in relation to these matters.

[143] However, it would not be right to identify Mr Colman as the sole cause of these problems. The Wales Audit Office arrangements for producing and finalising the accounts and, indeed, other aspects of record-keeping within the Wales Audit Office, had weaknesses that allowed procedures to be circumvented. The role played by the external auditors is clearly also a factor; after all, the accounts were unqualified, year after year, and I am aware that the committee intends to take oral evidence from the firm appointed by the Assembly at its 19 January meeting. For now, I simply content myself by drawing attention to the observations that I made in my covering letter.

[144] We also mention due diligence. Another report that will be with you early in the new year is that on the allegations that have been made regarding income recognition. This is the story that the *Western Mail* decided to splash. There is an absence of any specific information—I have to stress that neither I nor the National Audit Office have any hard evidence in front of us—in relation to a specific example of these allegations. What I have done, because I believe in making sure that the reputational issues are addressed, is to commission an internal review of every single local performance project that has been carried out by the Wales Audit Office from when it was created in 2005 to date. That is well over 2,000 local projects. To date, 640 of these have been tested by internal audit, so we are approaching just over a third of the way. At this stage, only one project remains to be confirmed as to whether or not it has been delivered. We recognise that we are starting from a number of years ago and that there are a number of records that we need to look at. Only one remains to be confirmed as to whether it was delivered or whether it was substituted for another project. We will need to sort that out. The process that we have adopted in tackling this is the one that the National Audit Office refers to in its report. It comments positively on the robustness of the methods that our internal audit review is using. I hope very much that, when we reconvene after the Christmas recess, there will be a full written report available to you. At that stage, I may or may not wish to commission some further independent investigations. I cannot rule that out at this stage, but you can see the way in which we are determined to nail any such spurious allegations.

[145] Returning to the question regarding the accounts and related governance and management, have I done enough to ensure that such problems cannot recur in the future? The answer to that is, simply, not yet. Much has already been done, and further work is in hand. I have referred to the investigations. I have also referred to the fact that there are other changes that I foreshadowed when I first appeared before you at the beginning of October as

your new auditor general and I have referred to the changes that I wish to introduce in regard to the governance of the office. If the Wales Audit Office had had a remuneration committee in place, there could not have been any possibility that a senior member of staff could have been made redundant simply on the basis of a discussion, with very poor records justifying that, between two members of staff, with a third doing all of the necessary work. That does not meet the test of governance. Looking ahead, one thing that will also appear in the new year will be advertisements for the new governance committees within the Wales Audit Office.

3.00 p.m.

[146] **Darren Millar:** Thank you for that very robust response. You are clearly taking actions to address the issues and the shortcomings identified in the National Audit Office report. It is clear that you are determined to get to grips with the issues, but naturally, auditor general, we will have a number of questions on the content of those reports. I know that the freedom of information request that was published last night in respect of the training costs in relation to a former employee will also be a topic for discussion at this afternoon's meeting. I wish to confirm with you, for the record, that the individual who has been suspended at present is the head of finance identified in the National Audit Office report?

[147] **Mr H. Thomas:** I am afraid that I cannot comment.

[148] **Darren Millar:** Okay. Thank you. Do you wish to come in, Bethan?

[149] **Bethan Jenkins:** I have a brief question. I recognise what you have said about processes, but I have just read, with interest, your letter to the committee, where you state,

[150] 'I will not in perpetuity expend public money on responding to unevidenced allegations about historic actions...or about individuals who have long since departed the Wales Audit Office'.

[151] My concern with that statement is that much of the information that has become public and many of the investigations that this committee is now carrying out, are as a result of freedom of information requests and solely based on those requests. Before we start the evidence session, I would like you to reconsider that comment or retract it, based on the fact that we would not have found out about the pension problems, the settlements and the package without those public statements. I think that the public has a right to have such information on former employees. What you say now is not evidenced. I know that there are people who have evidence with regard to the charging for work that has not been carried out. I know that the Welsh Local Government Association has raised that particular issue, and that is in the hands of an Assembly Member. Therefore, before we carry on with the questioning, I would like you to retract that statement or explain why you put it in the letter to us.

[152] **Darren Millar:** There are two parts to that question. First, are you prepared to continue to assist the committee in investigating matters that are of a historical nature and may relate to some individuals? Secondly, there is the issue of the allegations made in the *Western Mail*. You seem to suggest that there is significant evidence available.

[153] **Bethan Jenkins:** I am not saying that it is significant; I am saying that there is evidence to support that. I just wanted clarification. Of course, the auditor general will say that, at the moment, it is not evidenced. He has said so clearly in a letter. The only reason why we are discussing this is because of those public statements. Despite the fact that some of us have been calling for some time for reviews of governance in the Wales Audit Office—something which has been refuted—the only reason why we are doing this now is because of the public statements that have been made.

[154] **Mr H. Thomas:** I will not withdraw that statement. I invite the Assembly Member to actually read the statement fully. I say in that statement,

[155] ‘I will not in perpetuity expend public money on responding to unevidenced allegations’.

[156] If the Assembly Member knows that there is hard evidence, please give it to me. No-one has yet done so. I invited members of staff, who I understood had gone to the *Western Mail*, according to the paper, with allegations, to come forward by a certain date, and said that I would accept, in a sense, that there had been a breach but that there would be no further action. No evidence was produced to me. The unions have appealed, but no evidence has been produced. That is what I am saying; you cannot continue, by innuendo, to say ‘Ah, but there is something there, if only they had looked’. If they know where the body is, could they kindly identify where it is buried—

[157] **Darren Millar:** Not this body, of course.

[158] **Mr H. Thomas:** Otherwise, I will not respond to unevidenced allegations. I will explain why I will not respond. The NAO tried to quantify how much it would need to spend to go into the same kind of root-and-branch review that I am currently undertaking. It estimated that 150 days of audit time would be needed, which is equivalent to one major study that we do for you. That is a sizeable set of activities. I am prepared to do it if someone would care to point to what I am looking at. I am trying to conduct a root-and-branch clearance of those issues, so my statement stands.

[159] **Darren Millar:** Does that respond clearly to your inquiry, Bethan? I see that it does.

[160] **Jeff Cuthbert:** Thank you for that answer. I have a lot of sympathy with the position that you put forward. You need to have a good reason to invest time and money, and I accept that, but I would like some clarity. You used the words ‘hard evidence’; there is a difference, of course, between hard, tangible evidence that may be in written form, such as witness statements, and what is reasonable to assume, given a range of circumstances. By that I do not mean wild speculation, or just hoping that there is something there, which we know tends to happen in the press—the press makes a lot of freedom of information requests in the hope that something is found. When you use the words ‘hard evidence’, are we talking about solid and reliable evidence that is beyond dispute, as opposed to the balance of probabilities?

[161] **Mr H. Thomas:** If there is a balance of probabilities, they are of course looked at. However, the information that has come my way has not even fallen into that category. The only hard evidence that I have seen related to something that happened in 2002-03, before the foundation of the Wales Audit Office. I do not see that it is appropriate that I should be spending money on allegations relating to a former organisation.

[162] **Alun Davies:** I suppose that it depends on the nature of those allegations, does it not? I tend to agree with the auditor general’s points. If Assembly Members have that evidence, I think that the committee should ask them to bring it here, rather than for them to come here to say that it exists and not prove that it does. It makes our position quite invidious, sitting here having this discussion, to be told at the beginning that evidence exists about something somewhere else. There is a responsibility on Members, if they have evidence of any wrongdoing, whether it is here or elsewhere, to bring it to the table and to provide that evidence to the civil authorities. To simply come to a meeting and make statements like that is wholly unacceptable. It would be outrageous for us to expect the auditor general here or anywhere else to be constantly chasing shadows without any evidence or guidance. These are serious issues that we must address clearly and seriously and in such a way that commands

public support. As the auditor general said, you do not do that by innuendo. So, we must be very clear about the purposes of this session this afternoon.

[163] The information gained as a result of FOI requests that I have seen leads me to believe that, in previous days and certainly under Colman's administration, the structures in place at the audit office were weak with regard to decision making and allowing things to happen. Do you have any comment to make on the £44,000 that was paid for Anthony Snow to be trained in this period? Do you believe that we now have structures in place that mean that this is not an incident that we will be investigating again in five years' time?

[164] **Mr H. Thomas:** I share your concern. All organisations expect individuals to receive training in the course of the year—that is normal practice and you would expect that to be conducted through an agreement between the individual concerned and their line manager and so on. Of course, in this instance, the line manager was the former auditor general. I am frankly amazed by the scale and nature of the training recorded, and I have caused inquiries to be made inside the Wales Audit Office to find any records that demonstrate on what basis the training was decided on, and not only the need for the training, but the basis for choosing the training providers concerned. I do not have the information yet, but I would be happy to write to the Chair of the committee rather than wait until January to make that information available to you.

3.10 p.m.

[165] I should also draw your attention to another question that arises on that. Anthony Snow's last day in the office was at the end of July, but he received payment in lieu of notice until the end of September. You will note that there appears to be a training course in September in there. I want to find out whether he attended that training course, and if he did not, whether steps were taken to ensure that, as the Wales Audit Office had already paid for it, because the invoice was made in advance, others were offered the opportunity instead. At least that would have recovered some public money. So, there are issues there that I am deeply concerned about, and I will want to write to the Chair about them as soon as I have reached the end of my investigations into the matter.

[166] **Darren Millar:** The extent, frequency and cost of this training are extraordinary, auditor general. Have similar sums been spent on training for other members of staff, whether they are former or existing members of staff?

[167] **Mr H. Thomas:** I would have liked that amount to have been spent on me in the course of my career. I will ask Gillian.

[168] **Darren Millar:** Are you able to answer that question?

[169] **Ms Body:** No.

[170] **Darren Millar:** With respect, is that you saying 'no', or have you checked and found that this is the only individual who has had this type, frequency and cost of training?

[171] **Ms Body:** This level of spend over this period of time, the cost of the courses and their frequency are extraordinary. The normal process within the organisation is that an individual may have up to 10 days a year for training courses, which will involve desk training and internal courses that are nothing like on this scale. We recently looked at the budget expenditure on training for the current year, and we found that the training costs for all the partners was negligible for the period to date. So, this is quite extraordinary.

[172] **Darren Millar:** Some of these sums for coaching lessons for a few hours are in

excess of £1,000. People will find it extraordinary that such significant sums were spent.

[173] **Alun Davies:** We need to focus on the decision making. We can all read through it and recite what is in it, but executive coaching in the Farmers Club in London seems a curious thing to be repeated time after time. The Farmers Club is a distinguished venue in Whitehall Court. It appears that this man was being provided with what were almost days away at public expense and with opportunities that would perhaps serve him rather than the organisation. We need to get to the bottom of that. Gillian said that this is not a normal operation of the audit office, and we were all pleased to hear that. The committee wants to understand how this was allowed to happen over a period of years.

[174] **Jeff Cuthbert:** I quickly read the document that Alun is referring to, but I have not had a chance to study it. Like you, I believe in continuous professional development, but there must be certain constraints, not least of which is that such development is meant to be a planned delivery, as the result of an appraisal and with agreed development points. Do you feel that the training that was delivered was appropriate to that person's post and status? If it was, then one has to ask if he needed that amount, why was he in that post in the first place? Also, what is your policy in following up on training courses and personal development? Are the providers required to inform you of how well a course has gone went, for example, and of any further developments been identified? Is the success, or otherwise, of the course evaluated? Is there a trail of records to show whether each course listed here was actually delivered and whether it was delivered properly? Were they effective and fit for purpose?

[175] **Mr H. Thomas:** You could virtually have written the brief that I have used to ask questions internally. The person who could have answered those questions was of course Anthony Snow's line manager, Jeremy Colman. We need to get hold of the documentation. Until such time as I can do that, I obviously cannot give you an answer, as it is subject to the investigation that I have launched. You are perfectly right that the way in which training is done should involve a careful decision as to why the person is going on a particular training course, a discussion as to the benefits that derive from it, and consideration of what the next stage should be. That should fit into a personal development plan developed hand in hand with the line manager. Forty-four thousand pounds over four years is an awful lot of money to be spent without any kind of supporting documentation. We need to find that.

[176] **Darren Millar:** Janet, you wanted to come in here.

[177] **Janet Ryder:** I would like to fully support the point that Alun Davies made. This is an extremely serious matter that everyone would like to see investigated fully, and I welcome the assurance that we have just had from the auditor general, that he will do so, if he is provided with the information. There is sufficient concern, as Jeff said, to accept that there is reason to investigate. We should take comfort from the auditor general's assurance and allow him to do some work on this. It is difficult to investigate allegations, or even discuss them, without the papers in front of us. I would hope that the Chair would ensure that nothing is discussed in this committee without all of its members being supplied with copies of those documents.

[178] **Darren Millar:** Yes. I should just make it clear that, as a result of a freedom of information request, this information was published online yesterday evening, and there has been some interest in the media, which is why some Members have been aware of its existence. Unfortunately, we have not had the opportunity to disseminate that information in the usual manner, because of the timing of the publication of the information. I will ensure that a copy of the freedom of information request is circulated to all Members, including those not present, for their own perusal. You make a very important point, Janet.

[179] We will move on to discussing the National Audit Office report and the internal

report by the Wales Audit Office. Some serious shortcomings were identified throughout that report in respect of cost allocation processes, the accounting treatments, the inconsistency with which they had been applied, processes that were being used in the audit office, the true costs associated with business decisions, the provision of bad debts, and the entire scope of the work of the office. I think that we will go straight into a question on staffing from Alun.

[180] **Alun Davies:** The NAO review highlights areas where the conduct of senior members of staff has fallen short of what we have a right to expect. You told us in answer to a previous question, auditor general, that you have suspended one member of staff, which you regard as a neutral decision, and I accept that. Do you plan to take additional action to deal with all public servants who appear to have deliberately hidden or obscured financial information in order to mislead their colleagues and, ultimately, the Assembly? Do you believe that the suspension of a single person deals with that adequately, or do you believe that there are other members of staff whose situation you will need to address as a consequence of this report?

3.20 p.m.

[181] **Mr H. Thomas:** That is the first necessary step. In a sense, it depends on where the investigation goes. The NAO and the internal audit report have identified a limited range of people who would have had knowledge of the package and been involved in the preparation of the accounts. That is where my investigation has to start.

[182] **Alun Davies:** Okay. So, what actions are you planning to take? You said that you have started an investigation and that a member of staff has been suspended; where do you go from here?

[183] **Mr H. Thomas:** The way in which the investigation and procedures have to work is that, currently, the evidence as gathered by the NAO and the internal audit is being assembled. We have begun the formal disciplinary processes in terms of looking at a whole range of issues, and then a decision will have to be made. I have an internal staffing issue, and I am limited in what I can explain to you as regards the individual steps that are being taken.

[184] **Alun Davies:** I understand that and I certainly would not want to create any difficulties for you in answering questions. However, this is an enormously disruptive process within the WAO, and it would be of benefit to everyone if it were to be concluded as soon as possible. Perhaps it would be possible for you to give us an idea of the timescale that you anticipate for these investigations.

[185] **Mr H. Thomas:** I would certainly hope that I could report to you the extent of progress made when we meet early in the new year.

[186] **Darren Millar:** Further to Alun Davies's question, have any referrals been made to professional bodies, because this calls into question the professionalism of certain individuals, given the way that the accounts were put together and the way—it would appear—that some decisions were made in terms of the reporting in the accounts?

[187] **Mr H. Thomas:** That is an issue that will need to await the conclusion of the investigation and the conclusion of your evidence session with the external auditors.

[188] **Darren Millar:** Okay.

[189] **Lorraine Barrett:** You have referred previously to the effect of everything that is going on. It obviously has an impact on staff generally and on their morale. When all of this happened, it was bad enough, but it is almost as if it is continuing, and different things are

coming out. How are you helping staff? They must be feeling a bit threatened as a group of employees. Are you able to help your staff to continue with their day-to-day work with all of this hanging over them, and is there a support mechanism to help them?

[190] **Mr H. Thomas:** I can assure you that nothing has higher priority for me than repairing public confidence in the Wales Audit Office. All parts of its activities merit having public confidence. That means the wellbeing of staff and restoring their morale. We focus on what has gone wrong, and the headlines are about the mistakes, but let us not forget that we are still producing reports of very high quality, and staff need to be supported in that. In terms of the management development that we handle within the Cardiff area, we have a group of staff who go out to spend time with one of the charities to give consultancy support. I have a quotation from the Welsh Refugee Council, where staff were just over a week ago. It said that it wanted to feed back as an organisation how much of a delight the Wales Audit Office staff were to work with. It said that staff were

[191] ‘professional throughout, showed great skill in communicating with some of our clients who do not speak much English and demonstrated a real range of hard and soft skills. Whilst challenging for us as they did ask those ‘difficult questions’ their ability to capture the issues at the heart of the Welsh Refugee Council was impressive. They worked on a real situation as we now face a one third cut in our budget.... They provided us with some real solutions and...made a real difference to us in our thinking about restructuring and refocusing the organisation.’

[192] Staff are producing and continuing to produce work of a high quality, and it is that area in which I wish to support them.

[193] **Darren Millar:** Thank you for that question, Lorraine; it is extremely important to point out that the work of the Wales Audit Office continues, regardless of the other work that is ongoing.

[194] **Bethan Jenkins:** This is a question to Simon Edge. You told us on 7 October that when you challenged Jeremy Colman about the existence of a package, he told you that there was no package. However, in March 2010, the due diligence team, headed by you, was informed by the head of finance that there was a termination package and this was subsequently discussed with the external auditors. That is in paragraph 17 of the National Audit Office’s report. Did you make the interim auditor general, any other members of the management team, or the audit and risk management committee, aware of the existence of the package at that time, or the fact that the accounts were incorrect? After all, I understand that you are the compliance partner looking at governance, and I would have thought that it was your role to check that things are done properly and that the processes are adhered to fully. Can you expand on that somewhat?

[195] **Mr Edge:** I can expand on that to a limited degree, because some of the answers that I might have to give to such a question could impact on the investigation that the auditor general has spoken about. It is right to say that part of my role is to make sure that things happen within due bounds and within due process. As part of the due diligence review, I did interview the head of finance and he did make a disclosure about the lump sum and ongoing pension liabilities. I had probably better not go any further about that at the moment, but I can say that, having had those disclosures, I then double-checked them with the external auditor, KTS Owens Thomas Ltd, and I received its assurances that the Snow package had been thoroughly reviewed by it and that it was satisfied that it had been handled correctly. Included in that, I took it that the matters had been properly accounted for, and I took those assurances.

[196] **Bethan Jenkins:** So, a result of taking those assurances, despite the matter being raised in the due diligence team, because the external auditors said it was something that they

accepted and that that was the advice that you took, you therefore took no further action to identify that to anyone else who was part of the Wales Audit Office.

[197] **Mr Edge:** The matter of the disclosure of a lump sum and other matters was disclosed to colleagues, but I did take assurance from the external auditor that the amounts had been reviewed by it and that they had been handled correctly.

[198] **Darren Millar:** You said earlier that you took it, because of the reassurances from the external auditor, that matters had been properly accounted for. However, you are a man who is familiar with how these things ought to have been reported in a set of financial statements, yet, clearly, they were not recorded or reported in that particular way. Did you not feel it appropriate to challenge again with someone else?

3.30 p.m.

[199] **Mr Edge:** Chair, I think that if I answer that question I will be straying into territory that would bring into conflict with the ongoing investigation that the auditor general has described.

[200] **Darren Millar:** Would you like to comment, auditor general?

[201] **Mr H. Thomas:** I will confirm that that has to be seen against a background. I have been assured, not just by the current staff, but by people who have left, that they had specifically asked my predecessor and had been assured that there was no package. This is at the heart of all of this: the assurance that there is no package. Therefore, people were not looking for it. There is also the fact that—the NAO report picks this up as well—when it goes before the audit and risk management committee there is a reference to there being £715,000 for pension liabilities in the accounts, and they would make the assumption, ‘Oh, that is it then. It is accounted for’. It was not clear at the time that that was not something that that £715,000 related to. It was a different arrangement. Against a background of people having been told that Anthony Snow had left without a package, a reference to the fact that there is provision for ongoing pension liabilities, and an element shown in the accounts for that, you are into confusing territory. That is because, right at the start, two or three people had set out to hide that liability.

[202] **Darren Miller:** With respect, in March 2010, the due diligence team, which was headed by you, Mr Edge, was informed about a package, and this was discussed, as you have already indicated. Therefore, you were aware that this package existed and how those matters should be disclosed in accounts, as a professional person who undertakes work for the Wales Audit Office in all sorts of different ways, but you felt it only appropriate to challenge the external auditors and not to share that information more widely.

[203] **Mr Edge:** No. That is not what I said, Chair.

[204] **Darren Millar:** Okay. Please correct me. I have obviously misunderstood.

[205] **Mr Edge:** It is partly correct. I think that you were right up until the last part in terms of not sharing the information more widely within the office. I asked the head of finance. In response to his answers, I felt it necessary to take further assurance. Given that this was a matter related to the accounts and that I had been told that only three people knew about the existence of the package, two of whom were no longer in the office, the only other individuals who knew about the existence of any package at that time were the external auditors. As the external auditors responsible for the external audit of the accounts, they were a logical and reasonable place from which to seek reassurance, and independent of the head of finance. I received the assurances from them and relayed information back to colleagues. The existence

of the lump sum, which was disclosed, is a matter that was seen as something that surprised colleagues in the office.

[206] **Janet Ryder:** For clarification, you checked with the external auditors, who told you about the lump sum; you were not happy with that and you seem to be saying that that was—

[207] **Mr Edge:** No, that was the head of finance.

[208] **Janet Ryder:** At what point then were you given assurances from the external auditors?

[209] **Mr Edge:** We went from the head of finance to the external auditors and confirmed, as I have described, with them.

[210] **Janet Ryder:** From there you went to other colleagues.

[211] **Mr Edge:** From there, I did regular updates. This was part of the due diligence review at that stage. I provided updates on the due diligence review to the executive committee members.

[212] **Janet Ryder:** Therefore, at what point were the executive committee members made aware of this?

[213] **Mr Edge:** I will have to get back to you on the date, but the existence of the whole package came as a surprise. The focus was on the lump sum and that there were some other pension entitlements involved. Those transactions were confirmed as having been properly reviewed and thoroughly checked as being correct by the external auditors. Those were the matters that I reported back to colleagues.

[214] **Darren Millar:** Before I bring Bethan back in, you were not aware, at that time, of the value of the package, only that a package existed. Is that right?

[215] **Mr Edge:** In terms of the pension entitlement, yes.

[216] **Darren Millar:** However, a business case had been prepared. Mr Thomas has advised the committee in the past that a business case existed that set out the value of the package, but you were not aware of its total value.

[217] **Mr Edge:** That is correct.

[218] **Bethan Jenkins:** I want to confirm the timelines, because in the PAC meeting on 7 October, Gillian Body said that the accounts were signed in good faith. Can I therefore clarify that you were not aware of the lump sum that the diligence review team that Simon Edge led had discovered before you signed off the accounts?

[219] **Ms Body:** I was aware of the lump sum, because that was disclosed in the accounts. So, that was properly accounted for, but the provision for the ongoing contributions to Mr Snow's pension was not. I was aware of the lump sum, but not of the whole package, and I did not become aware of its size until August, which was well after I had signed the accounts.

[220] **Mr H. Thomas:** I should stress that the August session coincided with one of my preparatory sessions for taking up this post. I can confirm that Gillian came to see me as soon as she was aware that the accounts were showing a wrong figure—in fact, that they were not showing a figure. The immediate question that I asked was why no liability was shown. The answer that we got was that the external auditors had not drawn anyone's attention to any

issues that the person signing the accounts needed to be aware of. That had also been the advice furnished to the audit and risk management committee and the Chair of the PAC.

[221] **Janet Ryder:** Could Simon Edge clarify one last date for me? When did you inform the management committee?

[222] **Mr Edge:** I think that I have already answered that.

[223] **Janet Ryder:** Can you confirm it to me again?

[224] **Mr Edge:** I will have to get back to you on that. I will have to return to the records.

[225] **Janet Ryder:** So, it was prior to the August meeting.

[226] **Mr Edge:** I would assume so, yes. I have not got that one not burned into my memory.

[227] **Bethan Jenkins:** This question is for clarification on what I have already asked, and is again for Gillian. The remuneration report for the 2009-10 accounts was made available at the meeting of the audit and risk management committee on 9 June. It discloses the lump sum and the pension commitment. Assuming that everyone present read the report—perhaps we could get clarification on who attended that particular meeting—especially as Jeremy Colman had previously said that no package existed, did the appearance of some sort of package on the face of the accounts not start to ring alarm bells? Was it again down to the fact that you relied on the advice of the external auditors that all was above board?

[228] **Ms Body:** I will try to go through all those points. The accounts were taken to the audit and risk management committee on 9 June. The attendees were the members of the committee, namely Peter Laing, David Hands, Rosamund Blomfield-Smith, who attended for part of the meeting, Denver Lynn, Haydn Warman and Michael Brooker. I was also in attendance with Kevin Thomas, Simon Edge, the head of finance, two individuals from our external auditors, KTS Owens Thomas, and a minute taker. Those were the people who attended, and they took the accounts, the remuneration report and also a report from the external auditors, the ISA 260, which is a way of the auditors highlighting any matters that need to be drawn to our attention. Those were the issues that were discussed on the day. No issue about the accounting for the severance package, or the question of whether this was a matter of judgment, or of any significance, was raised by either the head of finance or our external auditors.

3.40 p.m.

[229] **Darren Millar:** That did not quite answer the question, with respect. The question was simply that you had been told previously, by the former auditor general, that no package existed. One was reported to members of the audit and risk management committee, and you were present, as were others here this afternoon. It was clear at that point that there was a package, and that the auditor general had, therefore, misinformed you, it would appear. Did that not ring alarm bells and prompt you to ask whether there were other liabilities that should have been reported?

[230] **Ms Body:** The audit and risk management committee was surprised that there was a package, but it saw the lump sum accounted for, it saw a reference to ongoing liabilities to Mr Snow's pension, and in the accounts there was a reference to provision for voluntary severance. The point that the NAO makes—and, in fact, that a couple of members of the ARMC made subsequently—was that they thought that they were one and the same.

[231] **Darren Millar:** I see.

[232] **Ms Body:** At a subsequent meeting of the audit and risk management committee on 22 July, Simon gave an oral briefing on the due diligence review and particularly raised the issue around Mr Snow's severance package. There was a discussion about that and about the fact that the committee had not had sight of it, and would have had some stringent questions for Mr Colman had he still been in post.

[233] **Janet Ryder:** In light of the questions that we have had to date, and the National Audit Office report, do you stand by the position that you offered this committee on 7 October—namely, that none of those present at the audit and risk management committee meeting on 9 June, other than the head of finance and the external auditors, knew of the existence of a severance package? Are you convinced that, in light of the emerging evidence, it was reasonable for the lack of provision to be unquestioned?

[234] **Mr H. Thomas:** There are several issues in that question. Remember why I commissioned the NAO report: the accounts had been drawn up wrongly. There is an issue here that does not just apply to the 2009-10 report—it applies to all the years, in a sense, of the WAO's existence. It also has implications in terms of how we are, in a sense, preparing our estimates, which we will need to talk about in the course of the year. It means a slightly different treatment. The fact that 2009-10 found a package led us to look at other packages that had been paid out. We know that no proper provision was made in any of the years—that is why I subsequently wrote to you and said that, had that been applied, there would have been different payments.

[235] There are, therefore, issues that emerge. First, what was the culture? What was the basis on which people would have worked? The Wales Audit Office is an externally focused organisation that looks a lot at outside accounts, and you will see in the NAO report, paragraphs 2.3 onwards, the way in which the peer review and approval process operated in terms of the 2009-10 report. It is typical, I understand, of the procedures. The peer reviews took place but, basically, one person prepared the accounts. They saw the preparation without the remuneration report attached to it, which, apparently, was normal. Remuneration reports were seen, apparently, at ARMC for the first time in 2009-10. We need to bear in mind that, for a number of years, it did not see any kind of figures, and its members made their assumptions on the figures that they saw. One person commented that he was under the impression that, when he left, the accounts would pay off his pension and that the provision was being made in one year as opposed to being carried forward. Against that background, someone left and it was said that there was no package. That is what was said by the former auditor general, and was repeated several times. A number of people have given evidence that that is indeed what they heard and that, on separate occasions, they had been assured not just by the auditor general but by one or two others, including the individuals concerned.

[236] There had been no provision in the accounts showing future liabilities; why then should it be shown for 2009-10? So, when the ARMC met, as you have just heard, a provision of £715,000 was shown. The NAO, quite rightly, took the view that it was quite likely that it misread that kind of statement. That explains why people did not expect to see a package and, therefore, when a package was there, they wondered about the extent of the package. Was it just the lump sum, or did it include the pension? We are into an area of confusion, rather than trying to sort out why, at that stage, people were attempting to turn a blind eye to anything. I may want to revisit that judgment in the light of the current investigation, but that is the judgment that I have made at present, it is the judgment that the NAO arrived at and is the judgment that the internal audit has arrived at. So, I think that I am perfectly entitled to retain that position, as explained on 7 October. Nothing in the reports of the NAO or the internal audit has changed that underlying information.

[237] I realise that you may wish to pursue this line of inquiry in terms of the lump sum. Some of the matters relating to the due diligence report touch on it. I cannot comment very much on that at present.

[238] **Darren Millar:** I understand that. You will appreciate that it is difficult for members of this committee. Not everyone is familiar with how to prepare accounts. The big issue is that you are an organisation of a significant size, and you have payroll people who are involved in the processing of payments and so on, and the raising of cheques. It therefore seems extraordinary that so few people were aware of the severance package that was made available. You have given us information today in terms of the audit and risk management committee, where people would potentially have made assumptions based on the fact that something was reported and they could see a figure that they assumed was related to that severance package. I can understand that, and I think that you have explained that clearly. However, with regard to the other people in the chain of the processing of payments, it seems extraordinary that nothing was thrown up in straightforward things, such as the payroll exception report and so on and that no-one queried any of this. I understand that you will report further on this in the due diligence report.

3.50 p.m.

[239] **Mr H. Thomas:** I will report further, but in answer to that question, Chair, I would like to make it quite clear that only three people were involved in the agreement that is at the heart of this—the Anthony Snow agreement. That was how it was intended to be. That was how my predecessor arranged it. There was a very clear statement that no-one else should know. The fact that only three people knew is the issue, in a sense.

[240] **Darren Millar:** Okay, and I understand the cultural issues that you are now seeking to address.

[241] **Lorraine Barrett:** The question that I was going to ask was asked earlier by Alun. I do not know if you can answer this, but would Mr Snow be interviewed as part of your investigation? Do you think that you will ever get an answer as to why he received this package?

[242] **Mr Edge:** We have interviewed Mr Snow on two occasions as part of the due diligence review, and I would not rule out asking to speak to him again. He has co-operated with us so far, but I do not know whether he will continue to co-operate with us, although I hope that he will. If any further questions come out that need to be answered by him or that could be best answered by him, we will certainly attempt to put them to him.

[243] **Lorraine Barrett:** For me, the big question is ‘Why?’ Do you have a timescale for this investigation, auditor general? Do you have any idea when you might be able to put this to bed to everyone’s satisfaction and just get on with the job?

[244] **Mr H. Thomas:** I would like to get on with the job that I was appointed to do. On the timescales, as I said earlier, the work in progress should be reported to you in January. I hope that I will be able to update you then on the internal investigation. We also hope to be able to clear the due diligence by the end of January, so that those three pillars of the inquiry will be in front of you. You will also separately be seeing the external auditors. At that stage, we can start to bring things together. I would very much hope that we could conclude it in the session before the election period, not least because I think that there are recommendations that need to come out of this process; the NAO and internal audit report already point to that. For the new powers that the Assembly is seeking that would allow you to make provision for my governance and so on, it is very important that this committee takes advantage of the lessons learned from the past, to make sure that mistakes are not repeated. That means changes in

governance.

[245] **Darren Millar:** Lorraine, did you want to come back on that?

[246] **Lorraine Barrett:** No, that is fine.

[247] **Bethan Jenkins:** I appreciate that there is an ongoing investigation, but I just wanted to follow up on something that Rosemary Butler said and something that the auditor general mentioned at the beginning, with regard to there being no grounds for legal action. Can you clarify whether that is based on the training issue that has come out as a result of the FOI? Can you also respond to the National Audit Office's report that there was insufficient evidence to suggest that the chief operating officer could have been moved into another position, and that the auditor general wished to change the senior management structure? Does that not bring into question the fact that he is still receiving the severance package? Have you done enough investigating or will it come out in your future investigations that all avenues have been properly considered so that the package that he has received from the Wales Audit Office will continue?

[248] **Mr H. Thomas:** As I said at the beginning of October, the legal advice that we have is that the package is sound and cannot be set aside by itself. As I said in my earlier response, that is not to say that I do not continually look at events that come up and ask whether there are any issues that we should consider in relation to the actions of the former auditor general. You would expect me to keep that under review, and I do.

[249] **Darren Millar:** Thank you for confirming that. You referred earlier to the governance arrangements and some of the activities in Westminster with regard to the Budget Responsibility and National Audit Bill. I think that the committee may want to discuss that at some future point.

[250] For the record, auditor general, in closing this part of the meeting, can you confirm that all of the information that you are able to make available to us at present—you have referred to the due diligence work that is ongoing—has been provided to this committee and that there are no other bodies buried anywhere, to use your expression? Can you confirm that there are no other skeletons in your cupboard—not your cupboard, but other people's cupboards, which you are opening—that you might want to disclose? I just want to ensure that we have everything out in the open. We all want to see a line drawn under this matter and this issue cleared up as soon as possible. It is important that every bit of information is provided to us.

[251] **Mr H. Thomas:** I feel, Chair, that that is a bit like asking a chief constable whether he can assure us that there have not been any murders that have not been reported. [*Laughter.*] The position that I have outlined to you indicates that I intend to look robustly at all situations where I receive evidence that I can follow up. In particular, we are addressing the issues of the work-in-progress report, which you will get in January, detailing all the projects and so on. Some comments from the internal investigation might be appropriate at that stage and there will be the due diligence work. Clearly, I will write to you before then, as soon as I have bottomed out the issues arising from the training expenditure, which was revealed last night. What I can assure you is that I take seriously and will investigate issues as they arise and, in a sense, I do it in order to give you and the people of Wales the assurance that the Wales Audit Office is in good condition to deliver the important work ahead of it. Of course, Chair, I will be turning to you in the new year to sit with me for the selection process for the new governance committees.

[252] **Darren Millar:** We are very grateful for the opportunity to question you on these matters today. We recognise that some of them are very sensitive and that there is further

work to be undertaken. We are grateful to you and your staff for attending this committee meeting. Auditor general, Gillian Body, Simon Edge and Kevin Thomas, thank you.

3.57 p.m.

**Cynnig Trefniadol
Procedural Motion**

[253] **Darren Millar:** I move that

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

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

*Derbyniwyd y cynnig.
Motion agreed.*

*Daeth rhan gyhoeddus y cyfarfod i ben am 3.58 p.m.
The public part of the meeting ended at 3.58 p.m.*