

Agenda – Finance Committee

Meeting Venue:	For further information contact:
Hybrid – Committee room 4 Ty Hywel and video conference via Zoom	Owain Roberts Committee Clerk
Meeting date: 24 November 2021	0300 200 6388
Meeting time: 10.30	SeneddFinance@senedd.wales

In accordance with Standing Order 34.19, the Chair has determined that the public are excluded from the Committee's meeting in order to protect public health. This meeting will be broadcast live on www.senedd.tv

Private pre-meeting – Informal (10.15–10.30)

- 1 Introductions, apologies, substitutions and declarations of interest
(10.30)
- 2 Paper(s) to note
(10.30) (Pages 1 – 6)
Minutes of the meeting held on 10 and 19 November 2021
 - 2.1 PTN 1 – Information from the Minister for Finance and Local Government regarding the Committee's inquiry into a legislative budget process – November 2021
(Pages 7 – 9)
 - 2.2 PTN 2 – Letter from the Minister for Finance and Local Government: Finance Ministers' Quadrilateral Meeting – 9 November 2021
(Pages 10 – 11)
 - 2.3 PTN 3 – Senedd Commission response to the Committee's report on Scrutiny of the Senedd Commission Draft Budget 2022–23 – 10 November 2021
(Pages 12 – 16)

3 Tertiary Education and Research (Wales) Bill – Evidence session

(10.30–11.30)

(Pages 17 – 43)

Jeremy Miles MS, Minister for Education and the Welsh Language

Huw Morris, Director, Skills, Higher Education and Lifelong Learning

Zenny Saunders, Deputy Director PCET Reform

Supporting documents:

[Tertiary Education and Research \(Wales\) Bill](#)

[Explanatory Memorandum](#)

Research Service brief

4 Motion under Standing Order 17.42 (ix) to resolve to exclude the public from the remainder of this meeting.

(11.30)

5 Tertiary Education and Research (Wales) Bill: Consideration of evidence

(11.30–11.40)

Technical break (11.40–11.45)

6 Audit Wales – Travel and Subsistence review

(11.45–12.15)

(Pages 44 – 71)

Adrian Crompton, Auditor General for Wales

Lindsay Foyster, Chair of the Wales Audit Office

Nicola Evans, Head of Finance, Audit Wales

Supporting documents:

FIN(6)–11–21 P1 – Letter from Audit Wales: Update on the Travel and Subsistence review, and the Five year Strategic Plan – 1 November 2021

FIN(6)–11–21 P2 – Draft Supplementary Estimate 2021–22

Research Service brief

7 Audit Wales – Travel and Subsistence review: Consideration of the session

(12.15–12.25)

8 Consideration of Forward Work Programme

(12.25–12.30)

(Pages 72 – 79)

Supporting documents:

FIN(6)–11–21 P3 – Forward Work Programme

Concise Minutes – Finance Committee

Meeting Venue:

This meeting can be viewed

Video Conference via Zoom

on [Senedd TV](#) at:

Meeting date: Wednesday, 10 November
2021

<http://senedd.tv/en/12477>

Meeting time: 09.30 – 12.02

Hybrid

Attendance

Category	Names
Members of the Senedd:	Peredur Owen Griffiths MS (Chair) Peter Fox MS Mike Hedges MS Huw Irranca-Davies MS (In place of Rhianon Passmore MS)
Witnesses:	Adrian Crompton, Auditor General for Wales, Audit Wales Lindsay Foyster, Audit Wales Ann-Marie Harkin, Audit Wales Nicola Evans, Wales Audit Office Dyfed Alsop, Welsh Revenue Authority Sam Cairns, Welsh Revenue Authority Melissa Quignon-Finch, Welsh Revenue Authority Adam Al-Nuaimi, Welsh Revenue Authority
Committee Staff:	Owain Roberts (Clerk) Leanne Hatcher (Second Clerk) Georgina Owen (Second Clerk)



	Mike Lewis (Deputy Clerk) Owen Holzinger (Researcher) Ben Harris (Legal Adviser)
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In accordance with Standing Order 34.19, the Chair has determined that the public are excluded from the Committee's meeting in order to protect public health. This meeting will be broadcast live on www.senedd.tv

1 Introductions, apologies, substitutions and declarations of interest

1.1 The Chair welcomed Members to the virtual meeting of the Finance Committee.

1.2 Apologies were received from Rhianon Passmore MS. Huw Irranca-Davies MS attended as a substitute.

2 Paper(s) to note

2.1. The papers were noted.

- 2.1 PTN 1 – Letter from the Minister for Finance and Local Government: Update on Covid allocations – 14 October 2021
- 2.2 PTN 2 – Letter from the Minister for Finance and Local Government: Landfill Disposals Tax independent review – 14 October 2021
- 2.3 PTN 3 – Letter from the Wales Governance Centre: Further information following on from Committee – 14 October 2021
- 2.4 PTN 4 – Letter from the Chair of the Remuneration Board to the Llywydd: Members of the Senedd pension scheme – 19 October 2021
- 2.5 PTN 5 – Letter from the Scottish Public Services Ombudsman: Annual Report – 19 October 2021
- 2.6 PTN 6 – Letter from the Commissioner for Budget and Governance: Senedd Commission Engagement work – 19 October 2021
- 2.7 PTN 7 – Letter from the Minister for Finance and Local Government: Welsh Government's 'Tax Policy Framework Update' and 'Tax Policy Work Plan for 2021–2026' – 3 November 2021

3 Audit Wales – Scrutiny of the Estimate 2022–23 and Interim Report: Evidence session

3.1 The Committee took evidence from the Auditor General for Wales; Chair of the Wales Audit Office; and Audit Wales officials on scrutiny of the Estimate 2022–23 and Interim Report.

4 Motion under Standing Order 17.42 (ix) to resolve to exclude the public from the remainder of this meeting and the meeting on 19 November 2021.

4.1 The motion was agreed.

5 Audit Wales – Scrutiny of the Estimate 2022–23 and Interim Report: Consideration of evidence

5.1 The Committee considered the evidence.

6 Public Services Ombudsman for Wales (PSOW) – Scrutiny of the Estimate 2022–23: Consideration of draft report

6.1 The Committee agreed the draft report with minor changes.

Technical break (11:15 – 11:30)

7 Welsh Revenue Authority – Introductory session

7.1 The Committee received a briefing from Dyfed Alsop, Chief Executive; Sam Cairns, Chief Operating Officer; Melissa Quignon-Finch, Chief People Officer; and Adam Al-Nuaimi, Head of Data Analysis of the Welsh Revenue Authority.

8 Oversight of the Public Services Ombudsman for Wales – Terms and conditions of appointment

8.1 The Committee considered the paper.

9 Tertiary Education and Research (Wales) Bill: Consideration of approach

9.1 The Committee considered the Research Service paper on the Tertiary Education and Research (Wales) Bill and agreed to take evidence on the financial implications of the Bill from the Minister for Education and the Welsh Language.

Concise Minutes – Finance Committee

Meeting Venue:

Video Conference via Zoom

Meeting date: Friday, 19 November 2021

Meeting time: 09.30 – 09.52

Remote, Private

Attendance

Category	Names
Members of the Senedd:	Peredur Owen Griffiths MS (Chair) Peter Fox MS Mike Hedges MS Rhianon Passmore MS
Witnesses:	
Committee Staff:	Owain Roberts (Clerk) Georgina Owen (Second Clerk) Mike Lewis (Deputy Clerk) Owen Holzinger (Researcher) Christian Tipples (Researcher)

1 Introductions, apologies, substitutions and declarations of interest

1.1 The Chair welcomed Members to the virtual meeting of the Finance Committee.

2 Annual scrutiny of the Wales Audit Office and the Auditor General for Wales – Consideration of draft report

2.1 The Committee agreed the draft report with minor changes.



3 Consideration of expert advice

3.1 The Committee considered the paper.

Agenda Item 2.1

Inquiry into a legislative budget process

Introduction

The Welsh Government has worked closely with the Finance Committee over many years to improve the budget process, increase transparency and to support robust scrutiny.

Since devolution, the budget has been approved through a budget motion. With the devolution of tax powers, this represented a significant milestone in the fiscal journey for Wales and placed an even greater emphasis on the budget process.

In recognition of the additional fiscal responsibilities, we welcomed the Finance Committee's previous inquiry into Best Practice Budget Process. As a result of this work a new process was agreed between the Senedd Cymru ("the Senedd") and the Welsh Government in 2017.

We also welcome the Committee's current inquiry which provides an opportunity to reflect on the changes to the budget process over the course of this administration and the suitability of the current arrangements.

Current budget process

The new budget process was agreed between the Welsh Government and the Senedd in 2017. Key features of the new process include:

- a 2-stage process to aid scrutiny and improve transparency, with stage 1 setting out the main fiscal building blocks and strategic spending plans and stage 2 providing more detailed portfolio budget information;
- an increase in the period for scrutiny from 5 weeks up to 8 weeks; and
- a protocol setting out the principles underpinning the budget process, including a mechanism for agreeing revisions to the process in recognition that external factors can impact on the timeline for the production of the Welsh Government's budget.

The above changes were first introduced in the 2017 Budget. Since then, we have faced a number of uncertainties, such as the UK's exit from the EU and more frequent UK elections, which have impacted on UK fiscal events and hence the timing of the Welsh Government's annual budget. However, the budget protocol has provided sufficient flexibility in the process to accommodate these exceptional circumstances without unduly compromising the scrutiny arrangements.

Improving transparency of our budget proposals has also been at the heart of developments in recent years to include a greater level of detail and supporting information at both stages of the draft budget. Working with the Committee, this work has acknowledged the complexity of the information we are presenting at various points of the cycle and the variety of purposes for which stakeholders use the information.

To support robust scrutiny, the Welsh Government now publishes a suite of additional documents as part of the budget package, including:

- the Chief Economist's Report - providing an analysis of recent economic performance in the UK and Wales and economic and fiscal prospects in the short and long-term.
- a Welsh Tax Policy Report and annual tax policy work plan - providing an update on the delivery of the Welsh Government's strategic tax objectives and analysis to inform the development of tax policy.
- 'Welsh Tax Outlook' – the Office for Budget Responsibility's independent assessment of our tax proposals
- MEG Budget Expenditure Level tables - a lower level of budget information than previously published.

Comparison with Scotland

We note the Committee's consideration of the Scottish legislative budget process. While there are clear distinctions between approaches in Scotland and Wales, there are some important similarities that exist between both processes.

- *Opportunity for amendments to be tabled* - The current Welsh Budget process provides for the Senedd to propose amendments following the laying of the draft budget and before the Welsh Government publishes its firm spending plans. This effectively provides a similar mechanism to the Scottish process which allows the laying of amendments to the budget bill at stage 1.
- *Period for scrutiny* - The introduction of the 2 stage budget process in Wales now 'normally' allows for a period of up to 8 weeks for scrutiny. Within Scotland their standing orders set out that normally the Budget (noting that they no longer produce a draft budget) will be published no more than 3 weeks after publication of the UK budget and the budget bill will be introduced one week later. Although the timings are not fixed, in a normal year the Scottish budget is published shortly before Christmas, with the scrutiny being conducted in January and the budget bill passed in February. This means in a normal year, there is a longer period for scrutiny in Wales than in Scotland.

An important consideration is the timing of the budget publication. As described above, in a normal year the Scottish Budget is published shortly before Christmas. In Wales, we have always sought to publish our budget proposals in the early autumn in order to complete the process before the Christmas recess and to provide early funding certainty for delivery partners. In this context, we welcomed the Finance Committee's recommendation as part of scrutiny of the draft budget 2019-2020 that the Welsh Government continues with its current practice of publishing its draft budget in the autumn regardless of the timing of the UK Budget.

Taking these considerations together, the process in Wales allows for the same level of scrutiny and scope to make amendments as the Scottish Government process without the need for a full legislative process.

Pre-Budget engagement

In line with our commitment to improve transparency and understanding of the Welsh Government's spending priorities, we have looked to maximise the opportunities in recent years to increase engagement and scrutiny prior to publication of our draft

budget. This has included engagement with a range of stakeholders, including the Budget Advisory Group for Equality, the Welsh Local Government Association and directly-funded bodies.

In addition, and following discussions with the Finance Committee, we have agreed to build on the steps we took last year and to hold a debate in Plenary before the summer recess, focusing on strategic issues.

Multi-year budgets

It is always our ambition to provide multi-year settlements whenever possible. However, our ability to provide longer-term funding certainty is dependent on the UK Government's budget cycle and not related to our own budget process.

Combined tax and spending legislation

We note that the Committee is considering the case for a single legislative vehicle covering both taxation and spending plans. It is generally understood that budget legislation is a method specifically for approving overall spending limits and tends to be a simplified legislative procedure that limits non-government amendments. Budget legislation tends to use an accelerated timescale to ensure approval before the start of the financial year.

An important consideration is whether introducing other elements such as taxation as part of the same legislative vehicle as is used to approve spending limits would require normal scrutiny and amendment procedures. This could compromise the approval of spending plans before the start of the financial year and could impact on the ability to provide funding certainty to partners and stakeholders. Any proposal to move to a single legislative vehicle would therefore need careful consideration and with clear evidence as to additional benefits this would bring.

It also remains the case that Welsh Government currently has limited powers over taxation. On the basis of our current tax powers the need for, and benefits of, annual tax legislation is not clear. However, we acknowledge the importance of being able to make swift changes to tax legislation in certain circumstances. In this context, we are exploring the case for a Bill for Year 1 of the next Senedd that will provide Welsh Ministers with powers to make changes to the Welsh Tax Acts at very short notice. We look forward to working collaboratively with the Finance Committee to bring this legislation forward and are currently planning to go out to consultation in July.

Conclusion

Taking forward further developments to the budget process would require a significant amount of engagement and collaboration over the coming months, at a time when we are facing unprecedented challenges as a result of the coronavirus pandemic. We would also need to be satisfied of the benefits of moving to a different approach relatively soon after we moved to the current process.

Agenda Item 2.2

Rebecca Evans MS
Y Gweinidog Cyllid a Llywodraeth Leol
Minister for Finance and Local Government



Llywodraeth Cymru
Welsh Government

Eich cyf/Your ref
Ein cyf/Our ref

Peredur Owen Griffiths MS
Chair, Finance Committee
Senedd Cymru
Cardiff Bay
CF99 1NA

9 November 2021

Dear Peredur,

Further to my recent letter advising you of the Finance Ministers' Quadrilateral Meeting on 14 October, I write to briefly report on the discussions.

There was a natural focus on the UK Government's proposals for the UK Spending Review and Autumn Budget, with little further clarity received at that time. Details of the impact of the UK Government's Spending Review and Autumn Budget on the 27 October are set out in my Written Statement.

[Written Statement: The UK Government Spending Review and Autumn Budget 2021 \(28 October 2021\) | GOV.WALES](#)

In relation to the item on the UK Internal Market Act and use of the Financial Assistance Powers within it, I pressed the Chief Secretary on how the UK Government intended to work with the grain of Devolved Government policy, as stated by the Minister for Intergovernmental Relations. I also took the opportunity to emphasise the importance of Wales having full replacement EU funding and provided examples of national programmes, including apprenticeships and business support, which rely on that funding and is vital to our economic recovery. On replacement rural funding, I expressed concerns with the methodology applied, outlining how it does not fully cover the EU funding that Welsh Government had planned, and asked for further engagement on this methodology with a view to remedy the position.

Canolfan Cyswllt Cyntaf / First Point of Contact Centre:
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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

The Net Zero agenda item was an opportunity to share updates and experiences. As Devolved Governments we also took the opportunity to emphasise the importance of our request for additional budgetary flexibilities, specifically in relation to our capital borrowing limits, to allow investment in low-carbon infrastructure.

Yours sincerely,

A handwritten signature in black ink that reads "Rebecca Evans". The signature is written in a cursive style with a period at the end.

Rebecca Evans AS/MS

Y Gweinidog Cyllid a Llywodraeth Leol
Minister for Finance and Local Government

Agenda Item 2.3

Senedd Cymru
Cymru / Wales

Welsh Parliament
Senedd Commission

Peredur Owen Griffiths MS
Chair of Finance Committee
Senedd Cymru
Tŷ Hywel
Cardiff Bay
CF99 1SN

10 November 2021

Dear Peredur

Thank you for your Committee's **Report on the Scrutiny of the Senedd Commission Draft Budget 2022-2023**, published on 22 October 2021. The Commission's response to the Finance Committee's recommendations is detailed in **Annex 1**.

I am pleased that the Committee supports the overall request for resource in 2022-23 and that it has recognised the dedication and flexibility of Commission staff in successfully supporting the Senedd through the ongoing COVID-19 pandemic.

I would like to thank the Committee for its scrutiny and I look forward to the debate on the Commission's budget motion next week. If there is any further information your Committee would like to have, please do not hesitate to let me know.

Yours sincerely



Ken Skates MS

cc Senedd Commissioners, Manon Antoniazzi, Nia Morgan

Croesewir gohebiaeth yn Gymraeg neu Saesneg / We welcome correspondence in Welsh or English



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Annex 1

Finance Committee Recommendations

Recommendation 1. The Committee notes the 'Senedd Commission Draft Budget 2022-23' and, subject to the comments and recommendations in this report, supports the overall request for resource in 2022-23, and recommends the Senedd supports this budget.

Noted

Recommendation 2. In line with the statement of principles, the Committee recommends that the Commission should fund in-year pressures on the budget it has control over by making in-year savings and efficiencies, rather than through supplementary budgets.

Accepted in principle

The Commission will, of course, look for scope to fund in-year pressures on its operational budget by identifying any in-year savings in the first instance.

The Commission however, does not have a contingency budget and it is difficult for it to respond to in-year pressures, especially those which are out of its control such as the increase in National Insurance contributions, without a reduction in existing services or a Supplementary Budget.

Recommendation 3. The Committee recommends that the Commission must clearly demonstrate how it adheres to the statement of principles when formulating future budgets beyond 2022-23, and that, in particular, it should not assume an increase in funding from one year to the next.

Accepted

As noted in our recent scrutiny session, the Commission is conscious and mindful of the Statement of Principles set out by the previous Finance Committee and does not assume an increase in funding from one year to the next.

This was evident in the 2021-22 budget, where a operational budget increase of 1% was presented which included a significant cut to the project fund. This was a cut in real terms.

In line with the Statement of Principles, the Commission's budget is set to provide the minimum level of resources required to meet the anticipated level of demand and to ensure the Senedd can deliver its business.



The increase of 4.4% in the operational budget reflects the increasing pressure on the Commission to deliver its goals and priorities during the Sixth Senedd. An increase of less than 4.4% was considered by the Commission which reviewed a number of budget scenarios and the risks associated with a reduced level of funding. The Commission concluded that a reduced budget would put the Commission's ability to respond to the demands of the Sixth Senedd at risk.

Recommendation 4. The Committee recommends that the Commission provides as much information as possible to the Committee on any additional costs that will feature in the budget for 2023-24 and beyond as soon as the Commission's goals, objectives and priorities for the Sixth Senedd are agreed.

Accepted

We welcome the opportunity to share our goals, objectives and priorities for the Sixth Senedd with the Committee once they are agreed, by the end of February 2022. This will include any additional costs that will feature in the budget for 2023-24 and beyond.

Recommendation 5. The Committee recommends that the Commission continues to provide periodical reports during the rest of the 2021-22 financial year on in-year costs and savings related to the impact of COVID-19.

Accepted

We will provide the Committee with an interim assessment of the financial implications of Covid-19, as at 31 December 2021, in February 2022. We will also provide a final update for 2021-22 following the external audit for this financial year.

Recommendation 6. The Committee recommends that the Commission:

- confirms its leasehold responsibilities in relation to the maintenance and upkeep of the Tŷ Hywel building;
- explains whether it is contractually bound to replace the windows in Tŷ Hywel during the Sixth Senedd as a legal condition of the current lease.

Accepted



The Commission is required, under the terms of the Lease, to 'repair, maintain and clean the Premises and to keep the Premises in repair, maintained and in good condition.'

The Commission is not contractually bound to replace all of the windows specifically as a legal condition of the current lease. However, the Commission is required to maintain the premises in a good condition and therefore there is a legal obligation on the Commission to replace those windows that have failed.

Any decision to replace all of the windows is dependent on the Commission's long term requirement for Tŷ Hywel and the wider accommodation strategy for both the Senedd and the Welsh Government. Until the long term future of Tŷ Hywel is determined, no decision will be taken to proceed with the replacement of all of the windows.

Recommendation 7. The Committee recommends that the Commission provides updates on how the new ways of working and requirements for office space by the Welsh Government, as well as any proposals for Senedd reform, are impacting on the Commission's estate plans and needs for office space, particularly where this may have resource implications.

Accepted

This information is being gathered and will be incorporated within the Commission's Accommodation Strategy. We will provide the Committee with an update in February 2022

Recommendation 8. The Committee recommends that the Commission prioritises and implements changes associated with its Carbon Neutral Strategy 2021-2030 that are simple and cost-effective at the earliest opportunity.

Accepted

The Carbon Neutral Strategy identified a number of simple and cost-effective actions that can be implemented in the short term and our 10 year forward maintenance plan has been updated to include these. For the current and next financial year we will continue with further LED lighting replacement for Tŷ Hywel and will introduce new metering capability to target areas where we can reduce energy consumption.

The Commission has also agreed to join the Cardiff District Heating Scheme which is expected to become operational during 2023 and which is an important medium term Strategy target and will deliver a significant reduction in our Carbon emissions.

Recommendation 9. The Committee recommends that the Commission reports on its success or otherwise in engaging with hard to reach cohorts, particularly those in lower



socioeconomic groups, to ensure that its engagement and outreach activities are effective and provides value for money.

Accepted

On 19 October 2021 we wrote to the Finance Committee to provide further information on the Commission's plans to reach out to cohorts that do not traditionally engage with the Senedd. A copy of the Annex contained in this letter is included below.

We will be reporting on the success or otherwise of these initiatives, and whether they are effective and provide value for money, in future Annual Report and Accounts documents, within the Performance Analysis section.

Annex included in the letter dated 19 October 2021

Engaging with those who do not usually take an interest in our work is one of the main priorities for our communications and engagement teams. During the pandemic we have had to move much of our engagement work online and turn to virtual meetings and education sessions.

The number of people taking part in each engagement session has increased from an average of 34 per session pre pandemic, to 72 per session from April 2021. As we increasingly return to face-to-face engagement we will also ensure we maintain the quality of the virtual engagement work, which has already reached more people who would not normally be interested in our work.

We will shortly be holding our second set of Welsh Youth Parliament elections in November 2021, where 285 young people will be standing for election. Those elected will work with other young people across Wales to discuss and debate issues important to them.

We know that social media offers great opportunities to reach out to younger, as well as more disengaged, voters and we have strengthened our teams to improve our work in this area. Over the past year we've seen a 20% increase in followers across our social media platforms and we will be placing more emphasis on reflecting the lived experience of those who give evidence to committees. This "case-study" approach will improve engagement as well as increase interest in our work.

We will also be investing in online engagement tools which will make it far easier for the public to take part in committee inquiries, which we see as the driver to much of our engagement and communications work. Officials are also actively involved in working with committees to look for opportunities to involve young people in their work.



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Agenda Item 6

Mr Peredur Owen Griffiths MS
Chair of the Finance Committee
The Senedd

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Reference: LF21005/AC283/caf
Date issued: 1 November 2021

Dear Peredur

Finance Committee Meeting 29 September 2021 – Scrutiny of Annual Report and Accounts 20-21, Audit Findings Report and Annual Plan

At the Committee's meeting on 29 September where it considered our Annual Report and Accounts 2020-21 and Annual Plan 2021-22, you asked that we provide updates on the following:

A note on current progress with the Travel & Subsistence review

Pre-pandemic, our operating model saw our audit staff routinely travelling to audited bodies. Our mileage had been reducing for many years, however, as we sought to drive down costs, reduce our environmental footprint and developed new ways of working, including our investment in videoconferencing. In 2019 with the support of the Finance Committee, our External Auditors undertook a Value for Money review of our T&S scheme. This found that our payment of a fixed Travel Allowance of £3,350 to many of our staff was costly, did not provide good value for money and was out of step with other public bodies' reimbursement for travel schemes. Our auditors recommended that we seek an alternative arrangement.

Mindful of the sensitivity of change and the financial impact it could have for some staff, we established a staff Task and Finish group to develop proposals for a fit for the future T&S Scheme and transition arrangements. The Task & Finish group operated within parameters set by our Board, including the need to remove the

current fixed Travel Allowance and to achieve at least £1m savings over a 5-year period.

The Finance Committee welcomed both the value for money study and the establishment of the Task and Finish group. It also recognised the direct financial consequences for staff, and the need to ensure that due consideration was given to salaries and staff retention in developing proposals to change the scheme.

The proposals from the Task and Finish Group were presented to the Board in July 2021. The Board were supportive of the proposals which focussed on a transition period of 2 years with no changes being implemented until 2024. From 2024 there would be partial mitigation of the loss of the allowance by reinvesting a portion through a salary uplift. Staff would also have the option of an up-front payment of £7,000 which provides a small incentive of £300 more than the value of two years allowance. This was recommended by the Task and Finish Group to incentivise staff to implement the changes earlier – with savings being delivered from April 2022.

The proposed new scheme would have no fixed allowance and instead provide for all travel to be reimbursed at standard HMRC mileage rates. The Board also supported the Task & Finish group's recommendation that the £26 per month Home Working Allowance, which Audit Wales has paid since early in the pandemic, be continued.

These proposals sit alongside some related travel policy changes and were shared with TUs and staff in August 2021. The consultation period included a large amount of staff engagement including three all staff meetings, specific sessions for trainees, managers' briefings and supporting materials, dedicated space on the intranet with FAQs and direct individual feedback from a dedicated inbox. Throughout this process management has been sympathetic and empathetic around the detrimental financial impact consistent with views expressed by the Finance Committee, and the transition arrangements are designed to support staff to make necessary adjustments by not rushing to implement early. Due to starting the consultation during the summer period it was extended to cover six weeks so that all staff could have their say. Consultations concluded on 24th September 2021.

We are now in a period of negotiations with our trade union partners. Subject to those negotiations, we hope that the TUs will ballot their members on final proposals in November. We will be in a position to provide greater detail to the Committee once those negotiations have been concluded, and the ballot has been held.

If agreement is reached through this process, our aim will be to implement any up-front payments in April 2022 and fully implement the new arrangements from April 2024.

To fund the up-front payment, Audit Wales would require a Supplementary Estimate for the current financial year of up to £1.48m. This is the maximum cost of all eligible staff opting to receive an up-front payment rather than continuing to receive travel allowance for the next two years. Any unused balance would be returned to WCF.

Savings would start to be delivered from April 2022 with the cost of the up-front payments recovered in full within just over two years from savings on travel allowance. The changes to the T&S Scheme would then deliver ongoing annual savings in line with the Board's intention. Savings delivered from these changes will be reflected in future Estimates both as a reduced call on WCF and reduced fees for audited bodies.

We would be grateful if the Finance Committee would indicate whether it is prepared to support the rationale for the Supplementary Estimate in principle. Should the Committee not support the Supplementary Estimate, we would continue to pay the allowance to eligible staff until 1 April 2024 at which point the new arrangements, and the generation of savings, would commence.

A note on “the 5-year strategic plan we’re currently finalising to prioritise the key points of organisational change/transformation.”

During the Spring and Summer of 2021, our Executive Leadership Team has been working to articulate a long-term 5-year strategy for Audit Wales to support the annual planning process. The focus for this strategy is to create a clear vision for our organisation, and a roadmap for staff and external stakeholders on how we will reach the four ambitions to:

- Fully exploit our unique perspective, expertise and depth of insight;
- Strengthen our position as an authoritative, trusted and independent voice;
- Increase our visibility, influence and relevance; and
- Be a model organisation for public sector in Wales and beyond.

Over the Autumn of 2021 we will be engaging with our internal stakeholders to make sure the strategy is right and in early 2022 we will start to share our thinking externally ahead of launching the strategy in April 2022. This is not a big bang, new set of aspirations – this is the opportunity to ensure we are clear about what we need to do to succeed and deliver our purpose.

Themes running through the strategy will be the development of a more holistic and impactful audit programme, enhancing the impact of our communication and ensuring we create the organisational environment in which we can thrive now and in the future.

Please do not hesitate to contact us if there is any further clarification we can helpfully provide.

Yours sincerely



LINDSAY FOYSTER
Chair, Wales Audit Office



ADRIAN CROMPTON
Auditor General for Wales

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Agenda Item 8

By virtue of paragraph(s) ix of Standing Order 17.42

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