

Agenda – Public Accounts Committee

Meeting Venue:	For further information contact:
Committee Room 3 – Senedd	Fay Buckle
Meeting date: Tuesday, 15 March 2016	Committee Clerk 0300 200 6565
Meeting time: 09.00	SeneddPAC@Assembly.Wales

1 Introductions, apologies and substitutions

(09.00)

2 Papers to note

(09.05)

(Pages 1 – 7)

Wales Life Science Investment Fund: Letter from the Minister for Economy, Science and Transport (7 March 2016)

(Pages 8 – 9)

Senior Management Pay: Letter from Sir Derek Jones (8 March 2016)

(Pages 10 – 11)

NHS Wales Health Board's Governance: Letter from Dr Andrew Goodall (9 March 2016)

(Pages 12 – 13)

3 Regeneration Investment Fund for Wales: Consideration of the Welsh Government's response to the Committee's report

(09.05–09.20)

(Pages 14 – 23)

PAC(4)–10–16 Paper 1 – Letter from the Minister for Communities and Tackling Poverty

PAC(4)–10–16 Paper 2 – Welsh Government's response

PAC(4)–10–16 Paper 3 – Letter from the Auditor General for Wales



4 Motion under Standing Order 17.42 to resolve to exclude the public from the meeting for the following business:

(09.20)

Items 5, 6 & 7

5 Fourth Assembly Committee Legacy: Consideration of the draft report

(09.20–10.00)

PAC(4)–10–16 Paper 4

6 Cardiff Airport: Consideration of the draft report

(10.00–10.45)

PAC(4)–10–16 Paper 5

7 Wales Life Science Investment Fund: Consideration of the evidence received

(10.45 – 11.00)

Concise Minutes – Public Accounts Committee

Meeting Venue:

Committee Room 3 – Senedd

Meeting date: Tuesday, 8 March 2016

Meeting time: 09.02 – 11.01

This meeting can be viewed

on [Senedd TV](#) at:

<http://senedd.tv/en/3383>

Attendance

Category	Names
Assembly Members:	Darren Millar AM (Chair) Mohammad Asghar (Oscar) AM Jocelyn Davies AM Mike Hedges AM Sandy Mewies AM Jenny Rathbone AM Aled Roberts AM David Rees AM (In place of Julie Morgan AM)
Witnesses:	Gareth Bullock, Finance Wales James Price, Welsh Government
Committee Staff:	Meriel Singleton (Clerk) Claire Griffiths (Deputy Clerk) Joanest Varney-Jackson (Legal Adviser) Huw Vaughan Thomas (Auditor General for Wales) Mark Jones (Wales Audit Office)



Transcript

View the [meeting transcript](#).

1 Introductions, apologies and substitutions

1.1 The Chair welcomed the Members to the meeting.

1.2 Apologies were received from Julie Morgan. David Rees substituted.

2 Papers to note

2.1 The paper was noted. Members agreed to include a recommendation in its Legacy Report, that the successor Committee considers undertaking an inquiry into this topic.

2.1 Letter to the Chair from the Auditor General for Wales

3 Welsh Government Investment in Next Generation Broadband

Infrastructure: Consideration of response to the Committees Report

3.1 Members noted the responses and agreed to include a recommendation in the Committee's Legacy Report that the successor Committee seeks a further update on progress made in autumn 2016.

3.2 The Chair agreed to write to the Welsh Government seeking further clarification on the complexity of installing Broadband (R1), an indication of the possible cost over and above the value of the vouchers on offer (R2), what 'dynamic' means with regards to the consumer (R8) and a description of how the website has been improved.

4 Wales Life Science Investment Fund

4.1 The Committee scrutinised James Price, Deputy Permanent Secretary, Economy, Skills and Natural Resources Group at the Welsh Government and Gareth Bullock, Chair, Finance Wales plc on Wales Life Science Investment Fund.

4.2 James Price agreed to:

- Provide clarification of the selection panel's composition, when the advisory panel appointments were made and the number of members appointed from outside Wales;

- Raise within the Welsh Government, whether legal advice sought by the Welsh Government should be shared with arms-length bodies;
- Confirm the level of grant funding offered to ReNeuron;
- Clarify whether full minutes were taken at the WIDAB meetings of 18 June 2013 and 24 October 2013.

4.3 Gareth Bullock agreed to provide further information regarding arrangement fees payable to Fund Managers from Investor Companies.

5 Motion under Standing Order 17.42 to resolve to exclude the public from the meeting for the following business:

5.1 The motion was agreed.

6 Wales Life Science Investment Fund: Consideration of evidence received

6.1 Due to time constraints, Members agreed to consider the evidence received in the meeting scheduled for 15 March 2016.

Concise Minutes – Public Accounts Committee

Meeting Venue:

Committee Room 3 – Senedd

Meeting date: Tuesday, 1 March 2016

Meeting time: 09.02 – 11.03

This meeting can be viewed

on [Senedd TV](#) at:

<http://senedd.tv/en/3382>

Attendance

Category	Names
Assembly Members:	Darren Millar AM (Chair) Mohammad Asghar (Oscar) AM Jocelyn Davies AM Mike Hedges AM Sandy Mewies AM Julie Morgan AM Jenny Rathbone AM Aled Roberts AM
Witnesses:	
Committee Staff:	Meriel Singleton (Second Clerk) Joanest Varney-Jackson (Legal Adviser) Gemma Gifford (Deputy Clerk) Matthew Mortlock (Wales Audit Office) Huw Vaughan Thomas (Auditor General for Wales)



Transcript

View the [meeting transcript](#).

1 Introductions, apologies and substitutions

- 1.1 The Chair welcomed the Members to the meeting.
- 1.2 There were no apologies.

2 Papers to note

2.1 The papers were noted.

2.1 **Cardiff Airport: Additional information from Simon Jones, Chair of Holdco (19 February 2016)**

2.2 **Cardiff Airport: Welsh Government Response to the Auditor General's Report (22 February 2016)**

2.3 **Cardiff Airport: Letter from the Football Association of Wales (24 February 2016)**

2.4 **Cardiff Airport: Additional information from Chris Cain, Northpoint Aviation (23 February 2016)**

2.5 **Cardiff Airport: Letter from the Welsh Rugby Union (24 February 2016)**

2.6 **Cardiff Airport: Letter from James Price, Welsh Government (24 February 2016)**

3 Scrutiny of Accounts 2014–15: Consideration of responses to the Committees Report

3.1 Members considered and noted the response received from the organisations with regard to the recommendations directed to them in the Committee's report which was published in December 2015.

3.2 The Committee agreed to:

- Write to the Welsh Government seeking a view on the issues relating to the National Library for Wales' insurance arrangements, the National Museum Wales' approach to charging for events and views on both organisations severance arrangements.

- Seek clarification from the Assembly Commission on what action and how the Commission is planning to make material published on its website more accessible particularly to people with specific requirements.
- Include a recommendation in its Legacy Report, that the successor Committee scrutinises the Welsh Government on its Consolidated Accounts for 2015–16 in autumn 2016 and specifically considers whether the presentation of the accounts has improved and includes a link to the Welsh Government’s Annual Grants Management Report. It was also suggested that the successor Committee may also wish to probe more widely the Welsh Government’s approach to reducing energy consumption.
- Include a recommendation in its Legacy Report, that the successor Committee scrutinises the accounts of Natural Resources Wales in autumn 2016.

4 Motion under Standing Order 17.42 to resolve to exclude the public from the meeting for the following business:

4.1 The motion was agreed.

5 Consideration of the draft revised memorandum of understanding relating to the BBC Charter Review

5.1 Members noted and welcomed the draft revised Memorandum of Understanding (MoU) relating to the BBC Charter Review.

5.2 It was agreed that the Chair would write to the Welsh Government thanking them for inviting the Committee to consider the MoU and also advising that the Committee’s Legacy Report will include a recommendation that its successor Committee considers including the BBC’s accounts as part of its annual account scrutiny work.

6 Wales Life Science Investment Fund: Briefing from the Auditor General for Wales

6.1 Members received a briefing from the Auditor General for Wales on his report, *Establishment and Oversight of the Wales Life Science Investment Fund*, which was published on 26 February.

Agenda Item 2.1

Edwina Hart MBE CStJ AC / AM

Gweinidog yr Economi, Gwyddoniaeth a Thrafnidiaeth

Minister for Economy, Science and Transport



Llywodraeth Cymru
Welsh Government

Darren Millar AM
Chair
Public Accounts Committee

7 March 2016

Dear Darren

I am writing to you as Chair of the Public Accounts Committee to update you on a number of issues relating to the Committee's review on the Wales Life Sciences Fund.

The Fund is currently three years into its 10 year operating period. Despite the adverse impact that a two and a half year review has had on the Fund Managers' fund raising efforts, the Fund has already made 11 investments in nine businesses, of which; six are new inward investors to Wales, two and indigenous businesses and one is a new co-established business in Wales.

To date the Fund has generated over £200million co-investment and it is anticipated these investments will contribute to the creation of almost 500 quality jobs in Wales over the lifetime of the Fund.

The Fund investments have also already helped to bolster Wales' international reputation in Life Sciences. It has generated significant positive industry and media attention, firmly placing Wales on the global Life Sciences map and making national and international headlines with such investments as the establishment of the UK's first Proton Beam Therapy Centre in Newport by Proton Partners International Ltd; and ReNeuron plc, the leading clinical stage stem cell business that has relocated its state-of-the-art Advanced Therapy Medical Productions manufacturing facility to Pencoed.

Only last week, we announced that ReNeuron, the AIM-listed company is taking over the entire 25,000 sq. ft. ground floor of Therapia at Pencoed Business Park. This will be a state-of-the-art facility equipped with research and development laboratories, clean rooms designed for automated cell culture, and office accommodation, just off the M4.

ReNeuron is relocating its existing staff and hopes to create up to a further 70 new highly skilled jobs in Wales over time. The new facility in Wales is three times the size of their existing base in Guildford.

With the conclusion of the review, it is now anticipated that fund raising can resume with vigour and that the early momentum of the Fund can be sustained so it can continued to attract world-class companies to Wales.

The innovative nature of the Fund entails a novel approach as part of the broader life sciences sector strategy for Wales.

Deloitte's have now rated Wales as the third best performing region in the UK for Life Sciences investment and last week we had more than 600 industry delegates registered for our largest Bio Wales event ever. Meanwhile, our Life Sciences Hub in Cardiff Bay continues to go from strength to strength and has become a physical focus for the sector in Wales and a cornerstone of the building blocks to further grow the sector, maximise all opportunities, attract investment, commercialise research, support businesses and grow jobs.

You should also be aware of a further senior leadership change at Finance Wales.

Finance Wales has announced the appointment of Giles Thorley as the new Chief Executive of the Finance Wales Group. In a twenty-year business career, Mr Thorley has gained significant senior management and private-equity investment experience is also a successful business angel. He will be taking up his new post on 4th April.

Mr Thorley's appointment follows that of Gareth Bullock, who took up the role as new Chairman of Finance Wales Group on 1 October 2015. Mr Bullock also has a strong track record and a wealth of experience gained from a distinguished 30-year international banking career.

Edwina Hart

Agenda Item 2.2

Sir Derek Jones KCB
Ysgrifennydd Parhaol
Permanent Secretary



Llywodraeth Cymru
Welsh Government

Darren Millar
Chair of the Public Accounts Committee
National Assembly for Wales
Cardiff Bay
CF99 1NA

Dear Darren,

 March 2016

Thank you for the opportunity to appear before the Public Accounts Committee in the closing stages of this Assembly term. I hope the Committee found the discussion useful.

Following the discussion on the Committee's report on senior management pay in the public sector, and in particular, senior salaries in Higher Education Institutions (HEIs), the Committee asked me to explore further whether HEFCW receives financial information, specifically about senior pay and conditions, from universities during the year that could raise concerns in HEFCW or the Welsh Government.

The governing bodies of HEIs are responsible for the remuneration of their senior staff, and these institutions disclose information to HEFCW on senior pay on an annual basis through their annual accounts. HEFCW does not routinely require information in-year.

However, in response to the PAC's report on senior management pay and the Welsh Government's acceptance of the recommendations, the Minister for Education and Skills' remit letter to HEFCW for 2015-16 included a requirement for the Council to monitor senior pay levels and awards in the HE sector and submit a report to the Welsh Government on an annual basis, outlining the position for HEIs in Wales.



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Parc Cathays • Cathays Park
Caerdydd • Cardiff
CF10 3NQ

Ffôn • Tel 02920 823289
PS.PermanentSecretary@wales.gsi.gov.uk
Gwefan • Website: www.wales.gov.uk

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

HEFCW have confirmed that their report, which will be based on the published financial statements of HEIs, will be submitted by the end of March 2016. Welsh Government officials will be able to review the situation formally once the report has been received.

Lastly, during the discussion on the senior management pay report, Peter Kennedy said that a draft timeline for the implementation of the remaining recommendations would be discussed at the March meeting of the Workforce Partnership Council. I'm afraid this was not correct, however it is our intention to take this to a future meeting of the Council.

Yours,
Derek

Agenda Item 2.3

Cyfarwyddwr Cyffredinol Iechyd a Gwasanaethau Cymdeithasol/
Prif Weithredwr GIG Cymru
Grŵp Iechyd a Gwasanaethau Cymdeithasol

Director General Health and Social Services/
NHS Wales Chief Executive
Health and Social Services Group



Llywodraeth Cymru
Welsh Government

Darren Millar AM
Chair
Public Accounts Committee
National Assembly for Wales
Cardiff Bay
Cardiff
CF10 3NQ

Our Ref: AG/SR/TLT

9 March 2016

Dear Mr Millar

Public Accounts Committee Report – Wider issues emanating from the governance review of Betsi Cadwaladr University Health Board

Initial Views on the Report

I outline below the Welsh Government initial response at official level to the above report, published on 26 February.

The Welsh Government will provide a full response to the report and the 27 recommendations in the fifth Assembly. In the interim please find below some initial views and update for your final meeting scheduled for 15 March.

The recent consultation on the Green Paper *Our Health, Our Health Service* received responses and comments on a number of areas highlighted in your report, including health board membership and leadership, achieving collaboration and partnership working and effective regulation and inspection. The Minister for Health and Social Services said at the outset that this exercise would helpfully inform the incoming government. Whilst the report on the consultation responses received sets out the main findings, it is underpinned by a rich source of information to inform and enable the next Government to bring forward any detailed proposals. This report and its recommendations will provide further evidence for consideration for the next Welsh Government.

The report also considered how Betsi Cadwaladr University Health Board was responding to special measures and progress being made. The Welsh Government published the



improvement framework for the health board on the 29 January setting out clearly the expectations and milestones it will need to meet during the next two years. The health board will report on the first six months in May 2016, including progress on the key areas highlighted in your report – mental health and GP out-of-hours services.

The new chief executive started in post on 29 February and has clearly set out his priorities within his first few months including addressing a number of specific areas - mental health, primary care, unscheduled care and waiting times and evidence that the health board is making progress against all the requirements of the special measures improvement framework.

I note the reference to overspend contained in the report and press release, but this has not focussed on the improvement that was expected and has now happened, based on my letter to you. The Health and Social Services Minister has also been clear that he expects the health and social services budget will break even at year end, and this remains the case.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Andrew Goodall', written in a cursive style.

Dr Andrew Goodall

Agenda Item 3

Lesley Griffiths AC / AM
Y Gweinidog Cymunedau a Threchu Tlodi
Minister for Communities and Tackling Poverty



Llywodraeth Cymru
Welsh Government

Ein cyf/Our ref: MA-(P) / LG/1073/16

Darren Millar AM
Chair
Public Accounts Committee
National Assembly for Wales
Cardiff Bay
CF99 1NA

7th March 2016

Dear Darren

REPORT OF THE PUBLIC ACCOUNTS COMMITTEE ON THE REGENERATION INVESTMENT FUND FOR WALES

I enclose the Welsh Government's formal response to the Public Accounts Committee's report on the Regeneration Investment Fund for Wales (RIFW) following your letter of January 2016.

I share the frustration of the Committee we were not able to generate the benefits originally intended from the RIFW model and from the important public assets transferred into the Fund. Whilst we have taken firm actions designed to make best use of the resources that were tied up in the Fund, it has not been possible to realise the planned, longer term benefits associated with pursuing regeneration projects utilising loan rather than grant funding.

You will have seen from the First Minister's statement in the National Assembly on 26 January we are clear the way RIFW was managed fell well below the standards we would expect as a Government and for that we have apologised. We have made clear our view, the RIFW concept was a good one, however, its delivery was flawed.

The Committee's report highlights very clearly the central role played by the Fund's commercial advisers in carrying out the functions of the Fund and sets out some very serious concerns regarding how these functions were exercised. In light of those concerns and our own investigations, I am today able to confirm a legal process has been initiated against the Fund's Investment Managers, Lambert Smith Hampton. We are keeping under review whether further legal steps may be necessary.

I am pleased the Committee acknowledged the steps which have been taken since 2012 to address the concerns identified in this case, including the report commissioned from Gilbert Lloyd into the Fund's governance arrangements in 2013. You will be aware my predecessors and I have subsequently taken a number of steps designed to safeguard and make best use of the resources tied up in the Fund. This includes my announcement on 26 January that £16.5 million will now be made available to fund regeneration projects in 2016-17. I am also pleased to reassure the Committee we remain focussed on maximising the proceeds for the public purse arising from the overage provisions attached to the sale of RIFW's land assets.

Moving forward it is vital the Welsh Government learns lessons from the RIFW experience and takes every opportunity to improve our practice. The Committee has acknowledged the action already taken to improve our oversight of matters relating to RIFW and our internal arrangements for transferring projects between departments. This work now needs to continue, both with regard to our sponsorship of arms length bodies more generally and to the broader challenges surrounding the identification, oversight and management of major projects.

Our detailed response to each of the Committee's detailed recommendations is attached.

A handwritten signature in black ink that reads "Lesley Griffiths". The signature is written in a cursive, flowing style.

Lesley Griffiths AC / AM

Y Gweinidog Cymunedau a Threchu Tlodi
Minister for Communities and Tackling Poverty

Response to the Report of the National Assembly for Wales Public Accounts Committee Report on Regeneration Investment Fund for Wales

We welcome the findings of the report and offer the following response to the recommendations contained within it.

Recommendation 1

The Committee recommends that the Welsh Government must demonstrate that it has made appropriate changes so that governance arrangements, oversight and accountability are robust, clearly defined and understood by all parties involved, not only in relation to RIFW, but to all other activities the Welsh Government is undertaking.

Response: Accepted. The Welsh Government strengthened its governance and accountability arrangements following its internal reorganisation in July 2015 by:

- Appointing a set of new “Additional Accounting Officers” at director level who have taken on personal responsibility and accountability for key areas of Welsh Government business.
- Issuing an update of “Managing Welsh Public Money”.
- Issuing a series of Principal Accounting Officer (PAO) Notices to strengthen arrangements, covering matters such as handover of responsibilities following machinery of Government changes.

The Welsh Government is strengthening its oversight arrangements by:

- Reorganising its “Corporate Governance Committees” into “Audit & Risk Assurance Committees” (ARCs) aligned to the new internal organisation into Groups (since July 2015) and strengthening the interaction between these Group ARCs and the main Welsh Government ARC through overlapping non-executive membership of the ARCs.
- Implementing a new common approach to business planning which reinforces the “line of sight” from the Programme for Government to the actions of the Welsh Government and which contains, as standard components, milestones and performance measures against business objectives.

Recommendation 2

The Committee recommends that should the Welsh Government establish future arms-length bodies, these bodies’ functions and roles of Board Members must be clearly defined and understood by all concerned from the outset.

Response: Accepted. “Managing Welsh Government Money” has been reissued following a major update and is now more readable and accessible. We have also formalised the “classification” of our different arms length bodies. Guidance and templates for key documents have already been developed for common types of body. However, further work will be undertaken to consider whether more detailed guidance is required in the case of arms length subsidiaries where the governance challenge in respect of commercial undertakings requires finer detail. Welsh Government officials are currently working with Academi Wales to develop induction materials for new Board Members.

Recommendation 3

The Committee recommends that measures are put in place to ensure that Board Members have the appropriate expertise and capacity to fulfil their duties and receive adequate and appropriate induction training.

Response: Accepted. Robust procedures for public appointments are maintained by the Public Appointments Unit. Welsh Government officials are currently developing induction materials for new Board Members, Academi Wales has recently developed an induction programme for NHS board members and this is being reviewed and adapted so it is suitable for all new public appointees. The intention is the induction course will be made up of a series of modules run on a rolling bi-annual basis.

Recommendation 4

The Committee recommends that the Welsh Government should ensure that the capacity and capability of Boards is carefully addressed whenever members are absent or are unable to participate due to conflicts of interest.

Response: Accepted. The Welsh Government Corporate Governance Unit will work with the Heads of Operations across the Welsh Government to review guidance on the appointment of Boards and the management of conflicts of interest, particularly subsidiary entity arms length bodies in particular. Consideration will be given to the appropriate means to address this with Boards, for example, this could form part of the package of training delivered via Academi Wales to board members.

Recommendation 5

The committee recommends that the Welsh Government's internal accounting officer with responsibility for arms-length bodies is explicit, especially where officials are operating outside their usual line management arrangements.

Response: Accepted. The Assembly elections in May 2016 are likely to provide the next practical test of the better procedures already in place to manage accounting officer responsibilities. Ahead of the elections, the Welsh Government Corporate Governance Unit will work with the Heads of Operations across the Welsh Government to review and refine arrangements to ensure they remain clear and after any changes are made, ensure the "line of sight" from sponsorship teams to the appropriate internal accounting officer is clear and stated explicitly.

Recommendation 6

The Committee recommends that the Welsh Government's extant guidance to its officials on attendance at external board meetings should be enhanced to include an explicit requirement for observers to provide a written report to their line managers on their activities and key decisions made.

Response: Accepted. The Welsh Government Corporate Governance Unit has already worked with sponsor teams to develop more robust terms of reference to guide new Welsh Government observers for Qualifications Wales and Hybu Cig Cymru. The Corporate Governance Unit now intends to develop template terms of reference and associated best practice guidance for officials attending external board meetings. The requirement for written reports will be considered as part of this enhancement and the use of a "log-book" approach for recording observations will be explored.

Recommendation 7

The Committee acknowledges that clearer procedures have recently been put in place for transfer of portfolios between Welsh Government Departments and recommends that these procedures are reviewed in the light of our inquiry and strengthened accordingly.

Response: Accepted. The Assembly elections in May 2016 are likely to provide the next practical test of the better procedures that have been put in place to deal with the transfer of portfolios between the new Welsh Government Groups in the event of Ministerial portfolio changes. Ahead of the elections, the Welsh Government Corporate Governance Unit will work with the Heads of Operations across the Welsh Government to review and refine the procedures to ensure they remain robust.

Recommendation 8

The Committee recommends that the transfer of business at both Ministerial and official level within the Welsh Government and between its Departments should be monitored by our successor Committee in the Fifth Assembly to look carefully for evidence that these changes have taken effect.

Response: This recommendation is a matter for the National Assembly.

Recommendation 9

The Committee recommends that the Welsh Government's procurement processes are reviewed to prevent the unnecessary disclosure of commercially sensitive information to the marketplace

Response: Accepted. A Commercial Governance Workstream has been set up to review all Welsh Government procurement practices and policies. This will result in greater control and support for all procurement activity within Welsh Government. Under this Workstream, training and additional guidance is also being developed for staff involved in commercial activity on behalf of the Welsh Government.

Recommendation 10

The Committee recommends that the Welsh Government take action in relation to its remaining asset portfolio in order to ensure that it actually possesses clear legal ownership of each asset, has up to date valuations and a full understanding of how their potential for development can be best aligned with wider policy objectives.

Response: Accepted. In order to ensure legal ownership, the Welsh Government will take all steps to verify the title as appropriate prior to disposal. The Welsh Government is currently completing a corporate asset management strategy which looks to strengthen the link between an asset and Ministerial policy. In addition, it will introduce a process of regular asset review. This strategy is due for publication in spring 2016.

In respect of the Welsh Government's asset holdings:

- We engaged with the Land Registry to ensure land and property assets in the name of Welsh Ministers within a number of portfolio areas were formally registered. The exercise was completed in 2011.

- In accordance with International Financial Reporting Standards all Welsh Government property Assets (in excess of £5,000) are valued in accordance with their classification and use.
- When an asset is declared surplus and made ready for disposal a specific market valuation is prepared independently and the title that the Welsh Ministers' hold is established as appropriate.
- The National Asset Working Group has published a guide on land transfer which includes requirements for an independent valuation.
- Each property holding department has a current asset management plan which includes how assets support business need and what governance provisions are in place for control of those assets.

Recommendation 11

We recommend that the Welsh Government must, as a matter of urgency, address the weaknesses in its organisation culture that have given rise to deficiencies in the robustness of its record keeping.

Response: Accepted. The Welsh Government completed two records management projects during 2014/15 and 2015/16, one looking at email and record management and one exploring improvements to our electronic records system. An information management assessment was carried out by The National Archives during March 2015 and its report was published in December 2015. The Welsh Government has developed an Action Plan to address the recommendations made by The National Archives and at its suggestion, have incorporated recommendations of the Sir Alex Allan Review in this plan. We are taking a fundamental approach, focussed on managing information at the business unit level, rather than through a central register of information assets. This is proving a more effective approach in promoting a proper understanding of our information assets and the information management issues that relate to them.

Recommendation 12

We recommend that any material departure from a previously agreed plan by anyone acting on behalf of Welsh Ministers which has the potential to adversely impact on value for money must be reported to Welsh Ministers for their consideration.

Response: Accepted. To deliver this action, it will be necessary to develop clear and consistent guidance on what constitutes a "material departure" and also on how "value for money" is defined and assessed. It will also be necessary to confirm all parties acting on behalf of Welsh Ministers, have a clearly understood remit which sets out the expectations of Welsh Ministers. In the case of Welsh Government Sponsored Bodies, there are already well established governance arrangements which provide this certainty.

However, for commercial subsidiary entity arms length bodies, there may be a less well-defined purpose or less clarity about Ministers' specific wishes. Departures are likely to have more significant consequences in these cases. For this reason, the Welsh Government Corporate Governance Unit will focus its efforts on subsidiary entity arms length bodies in the first instance.

The Unit will work with the Heads of Operations across the Welsh Government to agree the meaning of the terms that will be used and also to review governance arrangements in place between subsidiary bodies and sponsor teams. Particular emphasis will be given to guidance on reporting requirements.

Looking forwards, the roll-out of a new common business planning approach across the Welsh Government will provide a more robust approach to ensure Ministers' priorities are translated into programmes of work and planned actions and activities. The setting of milestones and measures for these actions and activities will assist officials to identify material departures from previously agreed plans.

Recommendation 13

We recommend that the Welsh Government and RIFW should carefully consider whether any potential cause of action against Lambert Smith Hampton (and against Amber in respect of its oversight of Lambert Smith Hampton) regarding: the advice provided to the RIFW Board on the sale; and the contractual terms of appointment when acting for both SWLD and RIFW.

Response: Accepted. A legal process has been initiated against the Fund's Investment Managers, Lambert Smith Hampton. We are keeping under review whether further legal steps may be necessary.

Recommendation 14

The Committee recommends that the Welsh Government should consider referring Lambert Smith Hampton to their professional body

Response: Accepted. We have written to the Royal Institution of Chartered Surveyors providing evidence within our possession regarding the conduct of Lambert Smith Hampton in this case.

Recommendation 15

The Committee recommends that the Welsh Government should alert the UK Government to our view that the sale transaction should be referred to the EU for State Aid considerations. We note that it would be for the UK Government to decide whether to refer this or not, as neither we nor the Welsh Government are able to do so directly.

Response: Accepted. We have written to the Department for Business Innovation and Skills accordingly

Recommendation 16

The Committee recommends that the Welsh Government should ensure that robust overage arrangements are considered whenever it disposes of public assets that possess future development potential.

Response: Accepted. Assets identified for disposal by Welsh Government will continue to be subject to externally provided marketing advice. "Clawback" or "overage" provisions are included, where appropriate. Circumstances where overage should be considered on disposal are made explicit within Managing Welsh Public Money (A4.14.12).

The Welsh Government will take steps to recommend that arms length bodies follow a similar policy. Disposal good practice is also set out clearly in the “Estates Co-ordination & Land Transfer Protocol” published by the National Assets Working Group in June 2014 and which can be viewed on AssetsCymru.

Recommendation 17

The Committee recommends that the Welsh Government must strengthen monitoring and oversight arrangements of its arms length bodies and in particular ensure that any concerns are swiftly identified and escalated internally.

Response: Accepted. The Corporate Governance Unit within the Welsh Government will facilitate workshops for the sponsor teams overseeing its commercial, subsidiary entity arms length bodies with a view to evaluating any differences in practice, identifying best practice and then working with sponsor teams to develop common guidance and minimum standards of practice. All aspects of sponsorship will be explored, including the escalation of concerns. In this way, a community of practitioners will be developed within the Welsh Government. Action in respect of potential practice standards for wider sponsorship activities within the Welsh Government will be considered in the light of lessons learned from this exercise.

Recommendation 18

To ensure clear and robust lines of accountability and management in the future, the Committee recommends that the Welsh Government should designate a Senior Responsible Officer for each major programme or project that it undertakes with clear reporting lines to Welsh Ministers.

Response: Accepted. The Welsh Government recognises the importance of appropriate project and programme management. In response to the concerns raised by the RIFW experience, a process of review of the governance arrangements began through Group Operations Teams. We will now repeat this process across the whole of Welsh Government as part of our preparations for the next Government.

24 Heol y Gadeirlan / Cathedral Road
Caerdydd / Cardiff CF11 9LJ
Ffôn / Tel: 029 20 320500
info@audit.wales / post@archwilio.cymru
www.audit.wales / www.archwilio.cymru

Mr Darren Millar AM
Chair of the Public Accounts Committee
National Assembly for Wales
Cardiff Bay
Cardiff CF99 1NA

Date: 9 March 2016
Our ref: HVT/2516/fgb
Page: 1 of 2

Deu Daw

THE WELSH GOVERNMENT'S RESPONSE TO THE PUBLIC ACCOUNTS COMMITTEE'S REPORT ON THE REGENERATION INVESTMENT FUND FOR WALES (RIFW)

Thank you for forwarding to me the Welsh Government's formal response to the Public Accounts Committee's report on RIFW, together with the covering letter of 7 March 2016 from the Minister for Communities and Tackling Poverty.

I am pleased to note that the Welsh Government has accepted in full all 17 of the Committee's recommendations to it. (In addition, recommendation 8 within the Committee's report, which refers to monitoring action by its successor Committee in the Fifth Assembly, is a matter for the Assembly itself rather than for the Welsh Government). The Welsh Government's acceptance of the Committee's recommendations is particularly encouraging when one considers the gravity of the Committee Report's overall conclusions which reflected events since my own report was published, including evidence from subsequent onward sales of the assets by the purchaser.

I also note the specific references in the Minister's letter to:

- the First Minister's statement and apology to the National Assembly in its plenary session on 26 January;
- the Welsh Government's initiation of legal action against the Fund's Investment Manager, Lambert Smith Hampton (in direct response to recommendation 13); and
- the Welsh Government's commitment to keep under review whether further legal steps may be necessary.

The Welsh Government's recognition that it is vital for lessons to be learned and for practice to be improved is very important, as many of the recommendations within the Committee's report are of wider application to arms-length operations and the maintenance of good governance.

Clearly, your successor Committee in the Fifth Assembly will wish to scrutinise the effectiveness of the Welsh Government's actions in response to the report, in order to satisfy itself and also seek assurance on behalf of the Welsh public that the issues which arose with RIFW will not be repeated. I therefore suggest that it would help to facilitate that Committee's scrutiny if the Welsh Government could provide some more specific details on timescales and intended completion dates, as these are generally not included in the existing response (for example, see the responses to recommendations 2, 6, 17 and 18, none of which contain target completion dates). In addition, the Committee may also wish to write to the Additional Accounting Officer seeking some further details of specific actions that the Welsh Government intends to take, notably in respect of recommendations 4, 5, 12 and 18. My staff would be happy to support the Clerks in developing a suitable letter for the Committee Chair to send.

For my part, I intend to monitor closely the progress that the Welsh Government is making against each of the recommendations within the Committee's report, recognising that some of these may take considerable time to be completed (including in particular, the outcome of the litigation against Lambert Smith Hampton).



HUW VAUGHAN THOMAS
AUDITOR GENERAL FOR WALES