

## Agenda – Finance Committee

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Meeting Venue:	For further information contact:
Committee Room 2 – Senedd	Bethan Davies
Meeting date: Thursday, 29 June 2017	Committee Clerk 0300 200 6372
Meeting time: 09.30	<a href="mailto:SeneddFinance@assembly.wales">SeneddFinance@assembly.wales</a>

### 1 Introductions, apologies, substitutions and declarations of interest

(9.30)

### 2 Paper(s) to note

(9.30)

**Letter from the First Minister – Delay in laying of Natural Resources Wales Annual Accounts 2016–17 – 20 June 2017**

(Page 1)

**Letter from Chief Executive to the National Assembly for Wales – Corporate Key Performance Indicator Report 2016–17 – 26 June 2017**

(Pages 2 – 19)

### 3 National Assembly for Wales Commission budget: Remuneration Board Determination underspend

(9.30–10.30)

(Pages 20 – 48)

Manon Antoniazzi, Chief Executive and Clerk of the Assembly  
Suzy Davies AM, Commissioner for Budget and Governance  
Nia Morgan, Director of Finance

Paper 1 – Letter from Suzy Davies AM – Additional Information – 6 June 2017

Paper 2 – Letter from Anthony Barrett, Assistant Auditor General – 20 June 2017



**4 Motion under Standing Order 17.42 to resolve to exclude the public from the following items:**

(10.30)

Items 5, 9, 10 and 11

**5 National Assembly for Wales Commission budget: Remuneration Board Determination underspend: Consideration of evidence**

(10.30–10.45)

**Break (10.45–10.50)**

**6 Inquiry into the financial estimates accompanying legislation:  
Evidence session 4**

(10.50–11.35)

(Pages 49 – 115)

Dr Clive Grace O.B.E, UK Research and Consultancy Services Ltd  
Dan Bristow, Deputy Director, Public Policy Institute for Wales

Paper 3 – Reducing Complexity and Adding Value: A Strategic Approach to Impact Assessment in the Welsh Government – February 2016

**7 Inquiry into the financial estimates accompanying legislation:  
Evidence session 5**

(11.35–12.20)

(Pages 116 – 139)

Philip Blaker, CEO, Qualifications Wales  
Kerry Price, Head of Finance, Qualifications Wales  
Alison Standfast, Executive Director – Finance and Corporate Services,  
Qualification Wales

Paper 4 – Written evidence – Qualifications Wales

Paper 4 – Written evidence – Qualifications Wales – Updated 28 June

**8 Inquiry into the financial estimates accompanying legislation:**

**Evidence session 6**

(12.20–13.05)

(Pages 140 – 159)

Bethan Jones, Operational Manager, Rent Smart Wales

Paper 5 – Written evidence – Rent Smart Wales

**9 Inquiry into the financial estimates accompanying legislation:**

**Consideration of evidence**

(13.05–13.15)

**10 Approach to Scrutiny of the Welsh Government Draft Budget**

**2018–19**

(13.15–13.30)

(Pages 160 – 171)

Paper 6 – Approach to Scrutiny of the Welsh Government Draft Budget 2018–19

**11 Scotland Visit: Consideration of meetings**

(13.30–13.45)

(Pages 172 – 175)

Paper 7 – Summary of Key points

Ein cyf/Our ref: MAP/FM/2182/17

Simon Thomas AM  
Chair  
Finance Committee  
National Assembly for Wales

[SeneddFinance@assembly.wales](mailto:SeneddFinance@assembly.wales)

20<sup>th</sup> June 2017

Dear Simon,

Thank you for your letter of 26<sup>th</sup> May regarding the report into the delay in laying of Natural Resources Wales annual accounts 2016 and for forwarding a copy of the feedback you received from the Auditor General for Wales.

Officials have started to discuss the technical and legislative implications raised with colleagues in the Wales Audit Office and have agreed that they should work together in order to arrive at a satisfactory yet comprehensive way ahead.

Although I am pleased that the Welsh Government and Wales Audit Office will be cooperating on these important matters, it does mean that I will not be able to provide the committee with a full and comprehensive response on the actions to be taken until after the summer recess.

Yours sincerely



**CARWYN JONES**

Bae Caerdydd • Cardiff Bay  
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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.

## Agenda Item 2.2

Simon Thomas AM  
Chair of the Finance Committee  
National Assembly of Wales  
Tŷ Hywel  
Cardiff Bay  
Cardiff

26 June 2017

Dear Simon

I am pleased to provide the Finance Committee with the first annual Corporate Key Performance Indicator Report of the Assembly Commission for the Fifth Assembly. This covers the Commission's performance against our strategic goals for the period April 2016 to March 2017.

The beginning of the Fifth Assembly has seen a high level of activity and the Assembly Commission has performed well against its strategic goals. You will find a summary and highlights on pages three and four of the report.

I hope the Committee finds the report informative and helpful. Please do not hesitate to contact me if you have any queries or would like any further information. The report will now be published on the Commission's web pages.

Yours sincerely



**Manon Antoniazzi**

**Prif Weithredwr a Chlerc/Chief Executive and Clerk**  
**Cynulliad Cenedlaethol Cymru/National Assembly for Wales**

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





National Assembly for Wales  
**Corporate Key Performance  
Indicator Report of the  
Assembly Commission**

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April 2016 - March 2017



National Assembly for Wales  
Assembly Commission

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National Assembly for Wales  
**Corporate Key Performance  
Indicator Report of the  
Assembly Commission**

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April 2016 - March 2017







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# Introduction

The corporate body for the National Assembly for Wales is known as the Assembly Commission. The Commission serves the National Assembly for Wales to help make it a strong, accessible and forward looking democratic institution and legislature that delivers effectively for the people of Wales.

The Commission consists of Elin Jones AM, the Llywydd/Presiding Officer, and four other Assembly Members who have been elected by the Assembly: Suzy Davies AM, Caroline Jones AM, Adam Price AM and Joyce Watson AM. The Commission is responsible for the strategic direction of Assembly services and is accountable to the Assembly. Day-to-day management and delivery is delegated to the **Chief Executive and Clerk**, Manon Antoniazzi.

The **Assembly Commission Strategy 2016-2021** sets out our goals for the Fifth Assembly. Our strategic goals are to:

- provide outstanding parliamentary support;
- engage with all the people of Wales and champion the Assembly; and
- use resources wisely.

## Performance Reporting

These strategic goals provide the framework for an ambitious set of priorities that build on the investment and momentum that has been achieved in the Fourth Assembly.

This report consists of a number of headline indicators, allocated under the strategic goals, which are then broken down into more detailed indicators. A 'traffic light' system is used to show performance against the indicator targets:

### Key for Red/Amber/Green (RAG) status:



**Red:** There are significant issues impacting the achievement of business objectives. To achieve delivery, changes must be made to timing, costs and/or scope.



**Amber:** There are issues or risks which must be addressed. However, successful delivery is achievable without major impacts to budget, service standards or target dates.



**Green:** Work is meeting agreed standards or is proceeding to plan. All known risks are being managed.

This is the first annual corporate performance report of the Fifth Assembly and looks at how the Assembly Commission performed against its strategic goals for the period April 2016 to March 2017.

We have reviewed the report and the range of indicators to ensure that they continue to meet our performance reporting needs and are useful and relevant for the Fifth Assembly. Therefore for some indicators which have been reviewed there is no comparable data from the previous year. The indicator targets have also been reviewed and a new baseline for the Fifth Assembly created to ensure we continue to challenge and build on previous achievements.

The Assembly Commission also publishes an **Annual Report and Statement of Accounts**, which examines how the Commission is achieving against its strategic goals and priorities and what has been delivered for the financial year.

This report should be read in conjunction with the Annual Report and Statement of Accounts to obtain a full picture of the Commission's performance and achievement.

## **Assembly Members and Assembly Member Support Staff Satisfaction Survey**

In February, Assembly Members and Assembly Member Support Staff are asked to complete an annual satisfaction survey to help gauge how well the services provided by Commission staff have performed over the past year. A summary of results is presented in this report.









### **Access to Information**

The Commission is happy to provide further information if you would like to learn more about our work:











- You can contact us here: [\*\*www.assembly.wales/contact\*\*](http://www.assembly.wales/contact)
- Guidance on **access to information** is available on the Assembly website.

# Achievement against Strategic Goals

Summary overview of the more detailed key performance indicator (KPI) information that follows:

Provide outstanding parliamentary support	April 2015 - March 2016	April 2016 - March 2017
<p><b>KPI 1: All parliamentary business has taken place as planned</b>            A consistently high performance on timeliness of issuing committee papers and briefings. Due to an increase in the number of Plenary and committee hours, there has been a slight decrease in the Committee Record of Proceedings published to deadline, however, new staff have been recruited and will be fully trained shortly. A Plenary session was adjourned for technical reasons in January 2017 following a power failure. Remedial steps have been taken to provide resilience for such an event in the future.</p>	 Green	 Green
<p><b>KPI 2: Providing effective Professional Development</b>            As expected, the take up of continuous professional development activities was low during the run up to the May 2016 Elections, while the take up increased substantially following the Election. A high rating has been received for the positive impact it will have on delegates work. The creation of a new Language Skills Team has seen an increase in the number of Welsh learners.</p>	 Amber	 Green
Engage with all the people of Wales and champion the Assembly	April 2015 - March 2016	April 2016 - March 2017
<p><b>KPI 3: Help build an understanding about the role and work of the Assembly</b>            Visitor satisfaction levels remain high and there has been an increase in the number of tours. The number of events organised on the estate decreased during the period of dissolution prior to the Assembly Election in May 2016. Following the Election the take-up of Assembly Member (AM) sponsored events has been slower than the corresponding period last year. There was also a decrease in visitor numbers to the Pierhead when compared to the same period last year. This was due to a popular exhibition being held July – September 2015 which attracted an increased number of visitors, and the Pierhead being shut for maintenance for a week during May 2016.</p>	 Green	 Green
<p><b>KPI 4: Champion the work of the Assembly</b>            The Election campaign running April to May created high levels of social media attention which increased traffic numbers. There was also a big increase in YouTube views for this period.</p>	 Green	 Green



Use resources wisely	April 2015 - March 2016	April 2016 - March 2017
<p><b>KPI 5: Expenditure to target</b></p> <p>We expect to report a year end position of circa £224k underspend against budget. Renegotiated contracts will realise £537,600 savings. The timeliness of payments to suppliers and Assembly Members continue to be well within target.</p>	 Green	 Green
<p><b>KPI 6: Staff resource requirements and expectations are being met</b></p> <p>Absence rates for the rolling 12 month average showed a slight decrease over the first 6 month period, partly owing to seasonal factors and partly owing to a decrease in cases of long term sickness. However, as the year went on the usual increase in seasonal illnesses such as coughs, colds etc was observed. Average absence rates are below the Chartered Institute of Personnel and Development (CIPD) benchmark figure of 3.7% but above the Assembly's target of 3%. The completion of staff performance reviews by the deadline increased; there was a decrease in the number of staff completing the annual staff survey but the response rate still remains higher than the Civil Service Median. The total headcount has increased slightly.</p>	 Amber	 Amber
<p><b>KPI 7: ICT services are being delivered as planned</b></p> <p>Despite a heavy workload post-election to support AMs and their staff with office ICT set-up, service performance standards have improved.</p>	 Amber	 Green
<p><b>KPI 8: Freedom of Information (FOI) requests are being processed as required</b></p> <p>A high number of FOI requests were received during this period with seven FOI requests exceeding the statutory deadline. Of these, some requests captured a number of service areas and therefore required additional consultation with teams, while others requested the disclosure of personal information, about which the Commission was obliged to consult with the data subjects.</p>	 Green	 Amber
<p><b>KPI 9: Environmental targets are being delivered as planned</b></p> <p>Good progress continues to be made against the reduction in total energy emissions and diversion from landfill targets. The Assembly Commission has achieved a 17.1% reduction in total energy emissions compared to the 2012-13 baseline and is on course to achieve the target of a 30% reduction by 2021.</p>	 Green	 Green

## Strategic Goal: Provide outstanding parliamentary support

	Target	April 2015 – March 2016	April 2016 – March 2017	
<b>KPI 1: All parliamentary business has taken place as planned</b>				
Percentage of committee papers issued by deadline agreed with each committee	100%	93.3%	95.8%	●
Plenary Record of Proceedings published within deadline	100%	99.0%	100%	●
Committee Record of Proceedings published within 5 working days	100%	99.0%	96.3%	●
Percentage of Assembly proceedings (committee/Plenary meetings) affected by failure to deliver Commission services	0%	0.6% (2 out of 345)	0.3% (1 out of 350)	●
Research Service enquiries answered within agreed deadline	100%	98.5%	98.4%	●

Note: Data is shown as an average for the reporting period.

	Target	April 2015 – March 2016	April 2016 – March 2017	
<b>KPI 2: Providing effective Professional Development</b>				
Following the Election, the number of New Assembly Members (AMs) to complete the induction programme <sup>1</sup>	80%	-	100%	●
Number of delegate spaces filled by AMs on a Continuous Professional Development (CPD) programme <sup>2</sup>	180	144	334	●
Number of delegate spaces filled by Assembly Member Support Staff (AMSS) on a CPD programme <sup>2</sup>	350	444	660	●
The extent to which AMs and AMSS anticipate the provided training will have a positive impact on their work <sup>3</sup>	70% positive impact	-	97.7%	●
Number of Welsh learners (Commission staff, AMs and AMSS) receiving tuition through the Language Skills Team <sup>1</sup>	-	-	95	-








Note: <sup>1</sup> Data is shown as at the end of March. <sup>2</sup> Data is shown as a total for the reporting period. <sup>3</sup> Data is shown as an average for the reporting period.







## Strategic Goal: Engage with all the people of Wales and champion the Assembly

	Target	April 2015 – March 2016	April 2016 – March 2017	
<b>KPI 3: Help build an understanding about the role and work of the Assembly</b>				
<b>Number of visitors to the:</b> <sup>4</sup>				
- Senedd	Maintain each period	77,462	83,680	
- Pierhead		85,696	82,962	
<b>Number of visitors on tour</b> <sup>4</sup>	Maintain each period	17,663	26,305	
<b>Customer rated good/very good overall experience of taking a tour on the estate</b> <sup>5</sup>	80%	-	100%	
<b>Number of events organised on the estate</b> <sup>4</sup>	Increase on previous period	292	263	
<b>Customer rated good/very good overall experience of organising an event on the estate</b> <sup>5</sup>	80%	-	98.7%	
<b>Number of face to face general awareness raising sessions held with young people</b> <sup>4</sup>	Maintain each period	-	873	

Note: <sup>4</sup> Data is shown as a total for the reporting period. <sup>5</sup> Data is shown as an average for the reporting period.

	Target	April 2015 – March 2016	April 2016 – March 2017	
<b>KPI 4: Champion the work of the Assembly</b>				
<b>Web Traffic: <sup>6</sup></b>				
- Visitors	Maintain each period	42,374	45,940	●
- Visits		80,782	87,553	●
- Page views		274,905	281,797	●
<b>Facebook – Average Reach <sup>6</sup></b>				
	Maintain each period	-	9,847	●
<b>Facebook – Likes <sup>7</sup></b>				
	Maintain each period	4,749	9,067	●
<b>Twitter Impressions (the number of people who saw the content) <sup>7</sup></b>				
	Maintain each period	-	689,000	●
<b>Twitter: <sup>7</sup></b>				
- Followers (main corporate account)	Maintain each period	36,193	44,215	●
- Followers (other accounts)		23,024	28,270	●
<b>YouTube: <sup>8</sup></b>				
- Views	Maintain each period	59,509	102,478	●
- Minutes watched		64,597	93,233	●
<b>Use of Senedd.tv: <sup>8</sup></b>				
- Views	Maintain each period	280,284	386,576	●
- Users		44,839	58,650	●
<b>Research Service Blog views (English and Welsh) <sup>8</sup></b>				
	Maintain each period	90,004	138,426	●

Note: <sup>6</sup> Data is shown as an average for the reporting period. <sup>7</sup> Data is shown as at the end of March. <sup>8</sup> Data is shown as a total for the reporting period.



## Strategic Goal: Use resources wisely

	Target	April 2015 – March 2016	April 2016 – March 2017	
<b>KPI 5: Expenditure to target</b>				
Per cent underspend forecast at year end <sup>9</sup>	<0.5%	0.1%	0.4%	●
Achieving value for money target <sup>9</sup>	£500,000	£866,000	£537,600	●
Average days taken to pay suppliers <sup>10</sup>	<10 days	5.9	5.9	●
Average days taken to pay AMs <sup>10</sup>	<5 days	1.7	2.0	●

Note: <sup>9</sup> Data is shown as at the end of March. <sup>10</sup> Data is shown as an average for the reporting period.

For more information on the Assembly Commission's budget strategy please refer to the [Budget](#) and the [Annual Report and Statement of Accounts](#).

	Target	April 2015 – March 2016	April 2016 – March 2017	
<b>KPI 6: Staff resource requirements and expectations are being met</b>				
Sickness absence - % rolling 12 month average <sup>11</sup>	<3%	3.7%	3.5%	●
Sickness absence - % monthly average <sup>11</sup>	<3%	3.1%	3.8%	●
Completion of staff performance reviews (twice annually – April and October)	100%	86.0%	95.9%	●
Employee response rate to the annual staff survey <sup>12</sup>	Civil Service Median – currently 65%	93.0%	85.0%	●
Employee engagement level against the 5 core questions in the annual staff survey	Civil Service Median – currently 58%	72.0%	72.0%	●
Number of staff: <sup>11</sup>				
- Headcount	-	450	466	-
- Full Time Equivalent (FTEs)	-	434.27	447.98	-

Note: <sup>11</sup> Data is shown as at the end of March. <sup>12</sup> The annual staff survey is completed in May/June each year.

	Target	April 2015 – March 2016	April 2016 – March 2017	
<b>KPI 7: ICT services are being delivered as planned</b>				
Achievements against Service Level Agreement (SLA) targets for all incidents	90%	89.1%	91.3%	●
Customer satisfaction score for incident handling (out of 9)	8	8.6	8.8	●

Note: Data is shown as an average for the reporting period.

	Target	April 2015 – March 2016	April 2016 – March 2017	
<b>KPI 8: Freedom of Information (FOI) requests being processed as required</b>				
Number of FOI requests answered	-	69	75	-
Per cent of FOI requests answered to statutory deadline	100%	99.0%	90.7%	●

Note: Data is shown as a total for the reporting period.

	Target	April 2015 – March 2016	April 2016 – March 2017	
<b>KPI 9: Environmental targets are being delivered as planned</b>				
Combined energy footprint (Cardiff Bay Estate)	30% reduction in total energy emissions by 2021	11.0%	17.1%	●
Diversion of waste from landfill	100% by 2021	-	96.6%	●







Note: Data is shown as at the end of March.



For more information on environmental issues please refer to the [Annual Environmental report](#).

# Assembly Member and Support Staff satisfaction survey

In February, Assembly Members and Assembly Member Support Staff are asked to complete an annual satisfaction survey to help gauge how well the services provided by Commission staff have performed over the past year. Questions use a 10 point scale, where 1 = poor and 10 = excellent. A summary of results are presented here.

The satisfaction survey was not completed in 2016 because of the Assembly Election; therefore data from 2015 has been provided for comparison. It should also be noted that the satisfaction survey was reviewed for the Fifth Assembly and therefore comparable data is not available for every indicator.

	Target	2015	2017	
<b>Strategic Goal – Provide outstanding parliamentary support</b>				
Overall support for Assembly Committees	8	8.3	8.5	
Overall support for Plenary	8	8.6	8.4	
Overall support for constituency work	8	-	8.2	
Overall support to conduct your work in the language of your choice	8	8.8	8.9	
Overall support provided by Members' Business Support	8	9.0	8.9	
Overall support provided through the Professional Development function	8	8.2	8.3	

	Target	2015	2017	
<b>Strategic Goal – Engage with all the people of Wales and champion the Assembly</b>				
Overall effectiveness of the Assembly Commission in engaging with the people of Wales	8	7.2	6.9	
Overall effectiveness of the Assembly Commission in championing the work of the Assembly	8	-	7.0	

	Target	2015	2017	
<b>Strategic Goal – Use resources wisely</b>				
Overall support provided by ICT in Tŷ Hywel	8	8.2	8.3	●
Overall support provided by ICT in the Senedd	8	8.2	8.4	●
Overall support provided by ICT in the constituency or regional offices	8	7.2	7.9	●
Overall choice of ICT equipment available	8	-	7.9	●
Overall support provided for Tŷ Hywel and the Senedd	8	8.4	8.7	●
Overall support provided for constituency or regional offices	8	-	8.0	●

Note: Data is shown as an average score provided by Assembly Members and Assembly Member Support Staff.

# Agenda Item 3

National Assembly for Wales  
Assembly Commission

Simon Thomas AM  
Chair of Finance Committee  
National Assembly for Wales  
Tŷ Hywel  
Cardiff Bay  
CF99 1NA

16 June 2017

Dear Simon

Thank you for your letter of 24 May, regarding your Committee's further scrutiny of the Assembly Commission's Draft Budget 2017-2018 on 17 May 2017. I'm happy to provide you with the additional information requested in your letter.

You asked for:

- a detailed breakdown of exactly how the £1.185m identified for the ground floor refurbishment was used to cover this project;
- what further costs have been, or will be, incurred in the ground floor refurbishment, and how much of this has already been allocated to this project from the 2017-18 budget; and
- additional details on the current projected underspend for 2017-18, and how this is expected to be utilised.





My detailed responses to these questions are contained in Annex A and include the following:

- Table A details the actual 2016–17 costs alongside the estimated costs supplied previously in my letter of 28 March 2017;
- Table B provides a breakdown of exactly how the £1.185m (estimated) identified for the ground floor refurbishment detailed in our letter of 28 March was used to cover this project. The actual 2016–17 cost was £1.211m;
- Table B also provides information on further costs which have been incurred in the ground floor refurbishment during 2017–18 and other ground floor expenditure including ICT; and
- Table C provides the Committee with an indication of the current projected underspend for 2017–18 and how this is expected to be utilised. This table shows that all of the work incurred on the ground floor refurbishment during 2017–18 has provisionally been allocated as being funded from the determination underspend for 2017–18.

Regarding the use of underspends from the Remuneration Board’s Determination and other budgets, to fund planned and prioritised investment, the Commission met on 12 June and took the opportunity to discuss your letter. Commissioners remain convinced that our approach remains the most prudent and robust way of managing the Commission’s funds for the good of the Assembly as outlined in my letter to the Committee on 28 March.

That said, it is absolutely right that your Committee scrutinises and challenges how we manage the funds entrusted to us by the Assembly. I therefore hope that the attached information is helpful and we welcome the opportunity to attend a meeting of the Committee to discuss this issue further.



As ever, if there is any further information your Committee would like, please let me know.

Yours sincerely

A handwritten signature in black ink that reads "Suzy Davies". The signature is written in a cursive style with a large initial 'S'.

Suzy Davies

cc Manon Antoniazzi, Nia Morgan

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



## Annex A

My letter dated 28 March 2017 contained an extract from Table A below and provided an estimate of the forecast underspend (£1.954m) in relation to the money drawn down to fund the Remuneration Board Determination and how it would be utilised during 2016–17.

Column (b) provides information on the utilisation of the actual underspend (£1.705m), which was lower than that anticipated in the March forecast (£1.954m).

**Table A – Utilisation of the Determination Underspend 2016–17**

Description	March Forecast (a)	Funded from the Underspend (b)
Ground Floor Refurbishment	£1.185m	£1.211m
Committee Room ICT	£0.202m	£0.224m
Table Office Project	£0.048m	£0.048m
Record of Proceedings Project	£0.078m	£0.078m
Improved Security at Members' Constituency Offices	£0.040m	£0.048m
Enhanced power resilience	£0.140m	£0.140m
Completion of the Siambur Refit	£0.261m	£0.261m
<b>Total Estimated Underspend 2016–17</b>	<b>£1.954m</b>	
Actual Expenditure on projects		<b>£2.01m</b>
<b>Total Actual Underspend 2016–17</b>		<b>£1.705m</b>
<b>Difference</b>		<b>-£0.301</b>

This difference was mainly due to Assembly Member expenditure in March 2017 being significantly greater than forecast. This unanticipated expenditure related mainly to 2016–17 invoices and claims submitted and paid in April 2017.

This difference did not have a cash impact on 2016–17 or delay other expenditure as an underspend on the Commission depreciation budget (also a non-cash item) was available to absorb this overspend.



## **Tŷ Hywel ground floor refurbishment**

The forecast spend on the ground floor refurbishment communicated to you in March was £1.185m. The final cost, as per (b) above, was £1.211m. A detailed breakdown of this £1.211m, as requested, and a breakdown of the £0.224m ICT costs, associated with the ground floor works and also incurred during 2016–17, are shown in Table B below. Table B also shows the projected 2017–18 costs, as requested.

At the time the 2016–17 budget requirement was being constructed (summer/autumn 2015) the business need for additional committee rooms had not arisen. The decision to add additional committees was made during 2016–17. The Commission was unable therefore to highlight this expenditure as a significant call on resource in the 2016–17 draft budget.

The main driver for this refurbishment was the Business Committee/Assembly decision to create two more policy committees and to expand the pattern of the business week e.g. it is now routine for four committees to be sitting simultaneously.

In the Fourth Assembly, Committee Room 4 on the Ground Floor of Tŷ Hywel was used as a backup when three Committees were meeting simultaneously. However, this room had limitations and was not configured in the best way for regular use. With the increase in the number of committees it could no longer be relied upon as a backup when four Committees are meeting. It also had no waiting/refreshment facilities outside the rooms for Members or witnesses.



**Table B – Total actual ground floor costs split between 16/17 and 17/18**

<b>Committee Rooms 4 &amp; 5 Project</b>		
<b>Item</b>	<b>16/17</b>	<b>17/18</b>
<b>Enabling works</b>		
Building works	£49,106	£0
Modular building hire	£11,295	£0
Project management fees	£3,120	£0
<b>Sub-total</b>	<b>£63,522</b>	<b>£0</b>
<b>Committee rooms</b>		
Building works including all moveable partitions, glazing, blinds and doors	£438,794	£20,000
Electrical works	£226,040	£0
Mechanical works	£153,571	£0
Project management fees including security accommodation works	£14,976	£0
Furniture	£73,286	£92,213
Variation costs	£0	£28,745
<b>Sub-total</b>	<b>£906,667</b>	<b>£140,959</b>
<b>Security accommodation</b>		
Building works including glazed corridor	£152,253	£0
Electrical works	£4,909	£0
Mechanical works	£58,824	£0
Furniture	£24,706	£0
<b>Sub-total</b>	<b>£240,691</b>	<b>£0</b>
<b>ICT</b>		
Cameras, control equipment, interpretation, cabling	£174,468	£97,905
Room Control & Signage		£89,415
Video conferencing		£55,070
Labour, T&S, project management		£113,875
ICT network cost	£21,986	
CBRE Additional Costs	£27,687	£4,481
<b>Sub-total</b>	<b>£224,141</b>	<b>£360,746</b>

<b>Total project costs</b>	<b>16/17</b>	<b>17/18</b>
Enabling works	£63,522	£0
Committee Rooms	£906,667	£140,959
Security accommodation	£240,691	£0
<b>Sub-total - Works</b>	<b>£1,210,880</b>	<b>£140,959</b>
ICT	£224,141	£360,746
<b>Total</b>	<b>£1,435,020</b>	<b>£501,705</b>



In support of the emerging requirements of the Fifth Assembly, the Assembly Commission reviewed available facilities, both in terms of business needs for committee meetings and options for more flexible use of office and meeting spaces. It had become clear that the risks of continuing for any length of time with inadequate committee facilities were too great. The risks included:

- the increase in the volume of committee activity since the election leaving no contingency fall back should any of the committee rooms be unavailable.
- the Commission has a statutory duty to ensure that the Assembly is provided with “the property, staff and services required for the Assembly’s purposes” (GOWA 27(5)). There are also requirements within GOWA and Standing Orders that the Commission must comply with, for example around public access to proceedings. Not providing additional committee rooms placed the Commission in jeopardy of not being able to comply with these statutory and Standing Order requirements.

These risks were identified during summer/autumn 2016. A business case was presented to IRB in November 2016 recommending the refurbishment of the ground floor. Following scrutiny of the options, IRB approved this expenditure. The Commission was informed of this project, despite its value being within the Chief Executive’s delegation of £5m, due to the profile of the project.

The Chief Executive’s delegation was increased from £1million to £5million in June 2016 to reflect delegated limits elsewhere in the public sector and, in particular, bring the Assembly Commission more in line with the arrangements at the Scottish Parliament. The Scottish Parliamentary Corporate Body has delegated to their Clerk and Chief Executive the authority to approve capital expenditure up to £10million and contract awards up to £5million.

The project delivered:

- two fully equipped and configured committee rooms in place of one inadequate one;
- waiting/refreshment facilities for Members and witnesses;



- a further meeting room; and
- moveable walls to allow for flexible use of the spaces for a range of different purposes outside committee meeting times.

Sufficient funds were made available to the project by allocating the underspend relating to the money drawn down to fund the Remuneration Board Determination, and by careful prioritisation of investment projects e.g. delaying a number of significant ICT and Estates projects.

Utilising these funds enabled the work to commence during 2016–17 for completion shortly after Easter recess 2017 (across two financial years), addressing the risks noted above at the earliest opportunity. If the underspend had not been available, a Supplementary budget in February or June 2017 would have been considered, significantly delaying the project.

A Supplementary budget was not necessary as funds allocated, but unused for the Remuneration Board Determination, were available to the Commission. The Commission is required to make provision for Determination expenditure in its budget and any underspends remain available to the Commission to achieve its strategic objectives.

Hopefully, this information provides clarification that:

- the Business Committee decision occurred too late for the Commission to include this expenditure within the 2016–17 budget and subsequently the 2017–18 budget;
- scrutiny was provided by IRB; and
- the Commission was informed about the expenditure.

The Public Accounts Committee will scrutinise the 2016–17 Assembly Commission Annual Report and Accounts. The accounts will be laid in July with the scrutiny session expected to take place in September.

Additional transparency was provided by the Llywydd's statement to Members in November 2016:



“Commissioners also considered exploratory work to ensure that the Assembly’s Cardiff Bay estate keeps pace with the work of the Assembly.

In the light of the increase in volume in committee activity since the election, Commissioners agreed to reconfigure the space on the ground floor of Tŷ Hywel. This will leave the Assembly with five fully equipped committee rooms – three in the Senedd and two in Tŷ Hywel. The new accommodation will be ready from the start of the summer term.”





## Impact on 2017–18

Meeting the statutory duty and addressing the risks above has significantly impacted on the 2017–18 financial position. The Committee room expenditure during 2017–18 is around £0.5m, further reducing the available funds for investment projects that ideally would be going ahead.

Upgrading the CCTV system around the estate is also impacting on 2017–18, along with an expectation that funds will be required late in 2017–18 to move forward with the Commission's aim to ensure future accommodation needs can be met.

Consequently, this year's budgetary position is extremely tight and tough decisions are having to be made on staffing and projects that would ideally be going ahead.

We anticipate, that despite these additional pressures we will deliver a financial outturn within 0.5% of our budget for 2017–18. This has however resulted in significant items of expenditure being delayed until 2018–19. These pressures will be reflected in the Commission's budget for 2018–19, to be discussed by the Committee in October.

The Commission agrees with the view the Committee expressed last year when it pointed out that the future demands on the Assembly were unpredictable and noted that there needed to be flexibility about the Commission's budgetary needs in future years. As mentioned previously, utilising this flexibility has enabled the Commission to respond effectively to the needs of the Assembly.



## Anticipated underspend against the 2017–18 Determination

The current expected underspend against the Determination for 2017–18 is £1.05m, based upon early forecast predictions of Member expenditure during the remaining months of 2017–18.

This will be reviewed on a monthly basis, as expenditure trends start to materialise, particularly in relation to Member Staff and Office costs.

Potential projects identified for this underspend (subject to business cases) are;

**Table C – Anticipated use of the 2017–18 Determination Underspend**

<b>Already approved by IRB:</b>	
<b>Description</b>	<b>Amount</b>
Completion of Ground Floor refurbishment	£0.141m
Completion of Committee Room ICT	£0.361m
Completion of Record of Proceedings Project	£0.052m
Completion of Table Office Project	£0.032m
Legal advice concerning Electoral Reform and draft legislation	£0.050m
Completion of CCTV Project	£0.328m
<b>Subtotal</b>	<b>£0.964m</b>

<b>Business cases expected during 2017–18</b>	
Youth Parliament	£0.050m
ICT hardware replacement (part of a larger rolling programme)	£0.036m
<b>Subtotal</b>	<b>£0.086m</b>
<b>Total</b>	<b>£1.050m</b>

Table C illustrates that the Commission has a significant number of projects that require funding during 2017–18. These projects are essential in meeting our statutory obligations, ensuring resilience and the achievement of the Commission's strategic objectives set at the start of the Fifth Assembly.



As can be seen above, a number of these projects have not yet been approved by IRB. These will only be approved as and when clarity around the actual level of underspend is known with more certainty.

Only essential items, following scrutiny and prioritisation by IRB will be approved.

Additional items, not included above e.g. additional ICT and facilities expenditure, also require funding during 2017–18 and will only be progressed if additional underspends are identified. If this is not the case, these will be delayed until 2018–19, subject to funding and other priorities at that time. Additional information on Security, EFM and ICT expenditure is included at the end of this Annex.



## ADDITIONAL INFORMATION

### Security Expenditure 2016–17

Significant expenditure on security also impacted upon the 2016–17 financial year. Table A notes that £48k was spent on improved Security at Members' constituency offices. This expenditure included items such as new doors, CCTV, panic buttons, alarm systems, frosting, security lights etc.

In addition, during 2016–17, work commenced on a new CCTV system across the Cardiff Bay Estate. This amounted to £473k in 2016–17 and £189k in 2017–18. Other security enhancements include replacement scanners for the estate and staysafe improvements to enhance the robustness and security of key external doors

### Estates and Facilities Management (EFM) 2017–18 Priorities

The 2017–18 financial position has the following items of EFM work earmarked for expenditure. These have not yet been approved by IRB. These four items are prioritised primarily on the basis of statutory compliance, health and safety, and business continuity.

Item	Category	Cost
Phase 2 Electrical Distribution Boards (C1s)	Essential Lifecycle	£28,800
Senedd & Pierhead lift improvements	Statutory compliance/ Essential lifecycle	£33,693
Ty Hywel water risk assessment remedials	Statutory compliance	£16,320
Ty Hywel Lifts 1, 2, & 3 rope replacement	Statutory compliance	£54,450
		<u>£133,263</u>



## ICT 2017–18 Priorities

The following table shows the current ICT priorities for 2017–18, as a result of the financial pressures facing the Commission in 2017–18 a number of items may have to be delayed until 2018–19. The current priorities relate to new priorities and to items delayed from 2016–17.

IRB have approved £100k of hardware replacement spend and are reviewing the 2017–18 financial position on a fortnightly basis. Further funds will be released for ICT expenditure if funds are available and if these items are deemed a priority for the Commission as a whole.

ICT Projects on 2017-18 Forward Work Plan	Current Priorities	IRB Approved
Transition to Cloud Services	£120,000	
Desktop Hardware Replacement	£344,000	£100,000
Hardware Consumable Costs	£25,000	
BT Underground Works	£11,000	
Cyber Security	£32,000	
Adobe Licenses	£6,000	
SeneddTV	£40,000	
Caseworker replacement	£75,000	
	<b>£653,000</b>	<b>£100,000</b>





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**Reference:** AJB301

**Date issued:** 20 June 2017

Dear Simon

## National Assembly for Wales Commission – Draft Budget

Thank you for your letter of 24 May 2017 to the Auditor General. I am replying on Huw's behalf as he is currently on holiday.

My response is based on our knowledge of the issues as outlined in your letter and the supporting Finance Committee transcript. We have not undertaken a specific review of the Commission's budget setting arrangements.

It appears to me that there are two issues that need to be addressed:

- The requirement that the Commission provide sufficient resources to fund Remuneration Board determinations. I understand that the Commission sets its budget at the maximum that it estimates will be needed to cover this requirement.
- The Finance Committee's responsibilities to scrutinise the Commission's budget, which is complicated by the contingency ("foreseeable underspend") that is built into the Remuneration Board budget line.

HM Treasury provides guidance in its publication, 'Supply Estimates: a guidance manual' on the form and content of Supply Estimates. At paragraph 2.1 this guidance states that:

"Parliament expects departments to submit for approval Estimates based upon taut and realistic spending plans. This means that the amount of provision sought in the Estimates must reflect the department's best view as to the amount of expenditure likely to take place in that financial year. The amounts sought in the Estimate should be neither more (perhaps in order to provide a buffer in case of unexpected additions) nor less (perhaps in order to spread out the increase) than is actually expected to be needed."

It is a matter for the National Assembly to determine whether to apply such guidance in Wales.

I fully recognise the practical difficulties that the Commission faces in needing to provide budget cover for such demand-led expenditure. It is interesting therefore to review the published 2015-16 outcome position for each of the Commission's UK counterpart bodies across corresponding budget lines, as summarised in the following table.

Body	Description of Expenditure	Estimated Expenditure* £'000	Actual Expenditure* £'000	Variance £'000	Variance %
National Assembly for Wales Commission	Resources in respect of Remuneration Board decisions	14,500	13,453	1,047	7.2
Independent Parliamentary Standards Authority	MPs' pay, staffing, business costs and expenses	201,082	169,230	31,852	15.6
Northern Ireland Assembly	Members' salaries, expenses and administration costs	46,230	43,063	3,167	6.8
Scottish Parliament Corporate Body	The Body does not produce an itemised outturn summary				

\* As set out in the body's Resource Outturn Statement

For preceding years, I also summarise below the Commission's percentage underspend on Remuneration Board decisions:

- 2014-15: 5.5%
- 2013-14: 3.2%
- 2012-13: 4.2%

This high-level analysis, shows that each of the Commission's counterpart bodies reported relatively significant underspends on "members' costs" for 2015-16. Although we have not reviewed these bodies' budget setting processes we have had discussions with colleagues in the Northern Ireland Audit Office and Audit Scotland which have highlighted some interesting differences in budget setting arrangements for Members' costs. For example, we understand that the Scottish Parliament Corporate Body estimate the likely take up of members' allowances each year; whilst the Northern Ireland Assembly, similarly to the Commission, set their budget at the maximum amount payable, although we understand that there is an informal arrangement to refund any underspend. If it has not done so recently, there may be merit in the Commission considering with its counter parts how they try to manage this budget area.

While I do not think that there is a simple solution to the issues you raise, I offer below two models for consideration by the Finance Committee.

### Establish a separate resource control total for Remuneration Board determinations

At present the Budget Motion approved by the National Assembly includes a single resource limit for the Commission relating to all its expenditure. You could consider with the Commission the option of separating this out into two resource requests: the first for Remuneration Board determinations; and, the second for the Commission's other expenditure.

This option would provide for greater transparency in the overall budget process. The original resource request for Remuneration Board determinations could be set at an estimated level for the year with any additional resource required being sought through the supplementary budget

process. This approach would effectively transfer the risk of providing sufficient resource for determinations from the Commission to the overall management of the Welsh block budget. I would note, however, that it would be unusual for a legislature to exercise such detailed control over a body's budget.

### Maintain the status quo with additional reporting

The second option would be to request the Commission to provide further detail in its budget submission, including:

- The estimated budget for determinations in the year (potentially based on historical experience); the maximum amount as currently included in the overall resource request; and the level of contingency (being the difference between these two figures).
- Information about the projects on which any underspend against the determinations budget would be utilised.

This approach would afford the Finance Committee the opportunity to scrutinise the totality of the Commission's spending plans.

The Committee would then have three options when considering the budget request:

- Endorse the maximum request, and allow the Commission to use any underspend on its priority projects.
- Endorse the maximum request, but require the Commission to present a revised budget later in the financial year if anticipated Determination spend was likely to be significantly below that maximum level. This would allow the Committee to decide whether to allow the Commission to retain the funding for its priority projects or to reallocate the funding to another WCF funded-body.
- Endorse the expected rather than the maximum level of budget and require the Commission to present a supplementary estimate if actual spend was expected to be higher than the initial estimate.

I hope that you find this information useful. I have not asked the Clerk for the Commission's perspective on these options. The Finance Committee may wish to do so while also asking for a more-depth commentary on budget management in the other UK administrations.

Yours sincerely

Anthony Barrett  
Assistant Auditor General



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

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Public Policy Institute for Wales  
Sefydliad Polisi Cyhoeddus i Gymru

## Reducing Complexity and Adding Value: A Strategic Approach to Impact Assessment in the Welsh Government

February 2016

# Reducing Complexity and Adding Value: A Strategic Approach to Impact Assessment in the Welsh Government

Dr Clive Grace O.B.E.

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## Summary

- The Welsh Government's Permanent Secretary engaged with staff to identify ways to improve advice to Ministers and reduce the complexity of internal processes. Impact Assessment (IA) was an area where increasing complexity militated against effective policy advice. The First Minister asked the PPIW to support the Welsh Government in addressing this.
- IAs are a structured understanding of the consequences of governmental actions and interventions, applicable to all the principal governmental intervention instruments. The evidence shows that structural, cultural and contextual factors interact to create the IA 'system' that shapes both the complexity and the value that IAs contribute.
- Improving IAs requires a full understanding of the 'problem'. There is no silver bullet to fix it. The need is for a clear, strategic approach consisting of the following:
  - **Cabinet Statement of Purpose:** The Permanent Secretary to ask the First Minister and Cabinet to consider issuing a clear 'purpose' statement of IA in the Welsh Government;
  - **Well-being of Future Generations (Wales) Act:** The Well-being of Future Generations (Wales) Act 2015 to provide a key integrating framework for all assessments of impact;
  - **Steward:** Creation of the function of 'steward' of the overall IA process;
  - **Aligning the legal framework:** The Welsh Government and the National Assembly for Wales (NAfW) to align their approach to IAs, with other legal IA requirements kept under review where appropriate;
  - **Culture and judgement:** The IA process to emphasise the judgement and responsibility of officials, and a reliance on people rather than procedure;
  - **Process and procedure:** Terminology to be consolidated around 'IA', and a single IA front end template and screening process to be created, data and evidence resources to be identified, and a consolidated and searchable IA archive to be created;
  - **Design:** IA design principles to be developed and (re) promulgated; and
  - **Public bodies and other stakeholders:** They should be party to the changes and able to influence and share Welsh Government materials and guidance on IAs.
- These changes would enable a more integrated approach and reduce complexity, and officials should then be able to approach IAs with more confidence and clarity.



## Introduction

The Permanent Secretary led a process of engagement with staff to identify ways of improving advice to Ministers and reducing complexity in the Welsh Government. As part of that, the range of processes of Impact Assessment was highlighted by many officials as being a problem, and action was then taken within a wider 'Reducing Complexity' Programme. A Working Group and internal review identified various aspects of the problem (effectively all of which have been broadly confirmed by this study), and pointed to ways to improve. As a result, some positive progress was made, but not sufficient to satisfy the need. The Welsh Government recognised that deeper and more intractable cultural and/or structural problems lay behind the 'surface' problem of complexity in the impact assessment process. The First Minister asked the PPIW to support the Welsh Government in addressing this.

The overall aim has been to advise the Welsh Government on steps to improve the impact assessment processes as a means of supporting better, simpler and more integrated policy making in Wales. It has attempted to:

- identify evidence of impact assessment activities within the Welsh Government which have been most / least effective and most / least burdensome;
- understand existing practice in other governments, including smaller countries;
- review existing integrated impact assessments/appraisal tools and to identify the characteristics of an improved model for supporting people to carry out high quality analysis and demonstrate that this has been done; and
- identify options to introduce an integrated approach aligned to the seven goals within the Well-being of Future Generations (Wales) Act 2015 and building in other existing impact assessment requirements.

Working with a Steering Group of officials, the approach and method deployed has been:

- Understanding and mapping the existing requirements and the typical processes associated with impact assessments through a mixture of documentary analysis, semi structured interviews with key identified individuals, workshops, and further iteration with the Steering Group, and generally assessing current practice in Welsh Government, including a 'user' test of Welsh Government intranet materials;
- Reviewing similar and alternative international and UK arrangements through both an academic and grey literature search, and also through engagement with practitioner and policy maker experts in other jurisdictions, and generating a thematic analysis and



also a comparative analysis across jurisdictions on key issues such as the Regulatory Impact Assessment (RIA)/IA relationship;

- Interviews/workshop totalling 91 individuals (47 internal to Welsh Government, 3 within National Assembly for Wales, 23 external to Welsh Government although within Wales, and 18 outside Wales);
- (Re-)analysis of the ‘problem’ of impact assessments including understanding the forces acting on and within the impact assessment ‘system’, contextualising the problem developmentally and redefining it in relation to added value and making better policy as well as reducing complexity, and analysis of potential dimensions of both ‘complexity’ and ‘integration’; and
- Developing lines of recommendation and credible alternatives and testing them through bi-lateral and multi-lateral exchanges with the client Steering Group and others with relevant experience, and crafting credible options for consideration.

The following report reviews the ‘landscape’ of impact assessment in the Welsh Government, and also catalogues its functions and its problems. It goes on to consider what insights might be garnered from other jurisdictions, albeit that ‘context is key’ and so lessons from other countries may only be applied with care and re-interpretation to the particulars of the development of the governance of Wales. In light of this, the ‘problem’ of impact assessment is re-analysed, and conclusions and recommendations drawn out.

Finally by way of introduction, it should be noted that whilst this is a report commissioned by the Welsh Government, in seeking to provide a comprehensive analysis it became important to take into account the role of the National Assembly and its requirements, because they are a key part of the landscape. The report therefore addresses these aspects also.

## Impact Assessment in the Welsh Government

### **The role of impact assessment**

The field of ‘impact assessment’ in public policy is very broad, and terminology is no sure guide to what an impact assessment is in practice. Its meaning in this context is:

- At heart, IAs are a structured understanding of the consequences (intended and unintended) of governmental actions and interventions which can be applied to legislation (primary and secondary), to significant policy developments, and also (potentially) to significant investments and budgetary decisions (Northern Ireland



Executive, 2007). They are conducted *ex ante* (and ideally early in the policy development/legislative/investment cycle) but potentially linked to *ex post* evaluation (Russel & Turnpenny, 2009; OECD, 2011; Smismans, 2015);

- They are generally associated with wider processes of evidence-based policy making, and of public consultation and stakeholder engagement, and they are variably integrated into other policy/legislative procedures such as policy clearance arrangements and Ministerial submission requirements (Her Majesty's Government, Department of Business, Innovation and Skills, 2015; Australian Government, 2015; Government of Canada, 2012b);
- They are underpinned by statutory or Ministerial or National Assembly for Wales (NAfW) requirements, and given effect through a designated procedure, and with/without associated screening, template, and tools, depending on the IA in question; and
- They are variably policed/enforced administratively within the civil service, and/or by potential legal intervention, and/or by external formal institutional actors, and/or by external stakeholders/publics.

It is important to note that, in a governmental context, the genesis of 'impact assessment' as a major policy making aid comes from two principal currents relating to 'mainstreaming' particular cross-cutting policies. On the one hand there is the often detailed and technical requirements associated with certain kinds of policy initiatives, and especially those with potential environmental consequences. On the other, there are initiatives aimed at tackling regulatory burden on private businesses, and usually styled as 'regulatory impact assessments', although RIAs in the Welsh Government have been only indirectly influenced by the 'reducing red tape' approach to regulatory reform.

## The Functions of IAs in the Welsh Government

The Welsh Government distinguishes between RIAs and IAs:

- RIAs are completed for primary legislation (as a requirement of the Assembly's Standing Orders (SOs)) and secondary legislation (as a statutory requirement and pursuant to a Ministerial Code, and also as required by Assembly SOs) (National Assembly for Wales, 2015; National Assembly for Wales, 2009). They concentrate on the economic costs and benefits of proposals (which can include monetised environmental or social benefits);

- ‘IAs’ as a policy instrument include RIAs, but in Wales in practice they sit alongside RIAs to address a whole series of other policy areas, some of which themselves have a statutory underpinning (notably equalities, children’s rights, privacy, and environmental impact assessments) and others which are ‘only’ policy driven (including health, poverty, and rural proofing) but which should be part of the RIA backdrop for policy that is being delivered through legislation. (For examples see: Welsh Government, 2015a; Welsh Government, Fairer Futures Division, 2015a; Welsh Government, Information Security Branch, 2015a).

A list of what is considered to be the current array of IAs is at Annex 3. RIAs are effectively policed by the Legislative Programme and Governance Unit and the Chief Economist’s Office, and by the NAFW. The other IAs are policed by a variety of actors/processes of varying strengths and locations, some of which (such as the various Commissioners<sup>1</sup>) are ‘external’ to the Welsh Government *per se* (Welsh Government, Policy Support Unit, 2015d).

## **The potential opportunities and risks of IAs**

The popularity of IAs as a policy instrument across all modern jurisdictions as an aid to evidence based policy making points clearly to their ubiquity in the policy process. There is an obvious and compelling counterfactual – no serious modern policy and legislative body would not undertake an ‘understanding of the likely consequences’ in developing policy or legislation. However, what is also clear is that IAs have multiple (and possibly sometimes conflicting) purposes, and that the benefits associated with them vary in character and scale and realisability from the perspective of the various stakeholders who have an interest in them (Dunlop et al., 2012; Rissi & Sager, 2013; Torriti, 2010; Davies, 2012).

On the positive side, IAs are a core instrument in policy making. They are powerful because they provide focus and can mobilise resource and attention, and because associated IA procedures create channels for action and for potential policing and enforcement mechanisms. They can also identify unintended effects or opportunities. They are potentially very flexible, supporting changes in and a focus on new priorities, and they have strong ‘mainstreaming’ and ‘horizontal’ effect in applying an area of policy priority across the range of governmental responsibilities (Northern Ireland Executive, 2013; Government of Canada, 2012; Government of Canada, 2014). They can bring an important element of democratic accountability and transparency to the policy making process by supporting ‘the public’ and

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<sup>1</sup> The Commissioners of particular relevance here are those for Children, Equalities and Human Rights, Older People, Future Generations, and Welsh Language.

other key stakeholders in having their say on proposed policy, which is a critical function in a democratic society (European Commission, 2015; Northern Ireland Executive, 2007; O’Faircheallaigh, 2010). Further, even when they do not lead to changes in policy direction as such, IAs can have collateral benefit in building evidence and understanding on the part of politicians, officials and stakeholders or in the design of mitigating actions where adverse effects are identified. (Jacob et al., 2012; Bartlett, 2013).

On the negative side, however, IAs can too often perform the function of *ex post facto* justification and decision ‘retro-fit’, being weighted down with burdensome procedure and a distraction from officials’ ‘main’ purpose. (Russel & Turnpenny, 2009; Hertin et al., 2009) As officials strive to comply with statutory and non-statutory requirements, and ‘get them done and out of the way’ they can become merely a tick-box exercise, or, conversely, lengthy and obfuscatory (Jacob et al., 2008; European Court of Auditors, 2010). The success of IAs in having strong horizontal effect can encourage multiple and excessive policy demands from other policy entrepreneurs, and there is an ever present risk of IA proliferation. Whilst IAs ought in theory to create an effective platform against which to conduct *ex post* implementation evaluation, that connection is not often made effectively (Smismans, 2015; Jacob et al., 2008).

## **Problems and Issues with IAs in the Welsh Government**

To understand existing practice in Wales, a series of interviews were conducted including with most of the IA ‘owners’, many IA authors, and various types of IA ‘consumers’ within the Welsh Government and amongst external stakeholders. There was no real doubt about the potential benefits of IAs, nor the possibility to realise some of those benefits. Indeed, a number of the IAs that are required reflect important moves forward by the Welsh Government on key policy areas, such as the incorporation of the rights of children and a stronger focus in relation to equalities. However, the interviews and the associated review of internal documentation surfaced a number of preliminary themes. As will be seen from the references in the text below, these reflect IA-related problems which have also been identified in other jurisdictions:

- Overall, IAs are not done as well as they could or should be, as officials recognised in initiating this review. There is evidence from authoritative observers that the quality of RIAs in particular is improving, but it remains variable and patchy. Sometimes they are spread too thin, and so themselves lose impact, and the sheer number of them itself can promote a compliance culture. Respondents in all categories identified few if any IAs which they regarded (albeit from their own perspectives) as adding real value based on evidence. This judgement is also reflected in the judgements of authoritative external observers, including the Auditor-General for Wales and some Commissioners;

- The current weaknesses in IAs include inappropriate timing (usually too late, but sometimes too early) (Jacob et al., 2008; European Court of Auditors, 2010); a ‘compliance’ approach which inhibits value-add (Rothstein & Downer, 2013; Davies, 2012); unclear or inadequate use of evidence (Jacob et al., 2012; Russel & Turnpenny, 2009); failure sufficiently to identify risks (Pope et al., 2013; National Audit Office, 2007; Hertin et al., 2009); and poor standards of presentation (Davies, 2012). They are not always done with the right focus e.g. at programme rather than project level. The current model is experienced as burdensome by those who have to do them;
- The IA landscape in the Welsh Government is undoubtedly very complex. For example there were 60+ IAs produced for the Public Health (Wales) Bill. There is also a comparatively large number of different IA topics. Wales has at least 18. No other jurisdiction is close to that, apart from Northern Ireland which has 14 (Welsh Government, Policy Support Unit, 2015d; Northern Ireland Executive, 2007);
- The current approach focuses mainly on the adverse impact of decisions, rather than on getting the best decisions through exploring benefits in an integrated way. It is not strategic in nature but something of a ‘free for all’ with home grown guidance and templates (see, for example, Welsh Government, 2015a; Welsh Government, Fairer Futures Division, 2015a; Welsh Government, Information Security Branch, 2015a). The various IAs tend to operate as strong silos with stakeholder support which nonetheless seek to exercise mainstreaming and horizontal effect. A number of issues are not covered (or not always), and there is continuing pressure to add new statutory requirements, including health, for example;
- The application of the various duties is often blurred and there are variations in approach which add to complexity (Pope et al., 2013; Morgan et al., 2012; Rothstien & Downer, 2013). It is a struggle for officials to pull the various threads together, even though some of the corporate resources, such as the intranet ‘front end’ address appropriate issues and provide constructive advice. There is some procedural/gateway consolidation through the intranet and some efforts to join up IAs, but a general absence of coordination across IA topic boundaries; and
- There is a perceived lack of high quality sources of data needed to conduct in depth assessment processes for IAs, particularly in certain areas such as economic impacts (European Court of Auditors, 2010; Russel & Turnpenny, 2009; Rothstein & Downer, 2013; Achtnicht, Rennings & Hertin, 2009; Carroll, 2010), and a perceived lack of capacity among practitioners in departments to conduct effectively some of the more ‘specialist’ IAs, especially those that require fundamental knowledge and

understanding of the field in order to make a meaningful assessment (Jacob et al., 2008; Jacob et al., 2011; Jacob et al., 2012; Hertin et al., 2009; Petak, 2015; Howlett et al., 2014; Howlett, 2009; Pope et al., 2013). Actual production of the IAs appears often to be delegated too far down to be done with the requisite level of skill, judgement and experience.

The elements in the policy making process which exacerbate IA complexity in the Welsh Government include:

- The sources of authority vary between the IAs, and their character varies considerably - some are universal, some are not; some are statutorily required, some are 'only' policy; some are treated as compliance matters by the owners as well as the producers; some have associated templates and screening processes, some do not; and some have dedicated or related quality and policing mechanism, some do not (Welsh Government, Policy Support Unit, 2015b; Welsh Government, Policy Support Unit, 2015c; Welsh Government, Policy Support Unit, 2015d). Overall they are not fully connected to the wider policy development process;
- There is a lack of clarity over who owns the overall process. There is no clear steward of the process, and the process is not clearly connected to any significant strategic and corporate approach to IA. It is essentially a decentralised and partially fragmented 'process' which lacks a clear and focussed 'authorising environment'. That is, it lacks a stated organisational framework and approach which guides officials in understanding what they should be trying to achieve in assessing the potential impact of the Government's proposals, and how they ought to go about it in order to give Ministers the best possible advice and the NAFW the best possible evidence to support scrutiny and the legislative process. In the current context, policy entrepreneurs and advocates flourish and (quite legitimately) pursue their particular policy priorities. This then 'invites' others to join in to try and add their own policy priorities to the IA environment. Potential new ones are always in the wings; and
- There are constant changes and developments in the IA landscape as policy priorities emerge and evolve, and as procedures and processes are elaborated, matured, and further developed, and as improvements are made. Training and support is largely in individual IA areas and lacks a central overview.

The above assessment echoes in all material respects to those made by officials themselves in grappling with the problem of how to tackle the complexity of IAs in the Welsh Government.

The task now is to try and go further in understanding some of the root causes, drawing on insights available from other jurisdictions.

## Insights from Other Jurisdictions

Impact assessments are a near universal instrument for supporting public policy in all modern jurisdictions, and valuable insights can be drawn from what happens differently elsewhere, and what seems to work well – albeit that a fundamental lesson from the international literature is that ‘context is key’ (Pope et al., 2013; Jacob et al., 2008; Rissi & Sager, 2013; Hertin et al., 2009; Peci & Sobral, 2011; Rissi & Sager, 2013; Torriti, 2010). Why IAs take the form they do in any particular jurisdiction is a function of the many both typical and unique features jurisdictions exhibit, and their combinations. So ‘lessons’ need to be learned cautiously, on any basis, and they have to be focussed at the level at which learning can sensibly be transferred. The focus here is to learn how IAs function in other jurisdictions as part of a wider governmental process, and to see if there are lessons to draw on at that functional level.

This section reviews the functioning of IAs in Northern Ireland, Canada, the European Union, the State of Victoria, Scotland, and the UK. It is important to note that the terms ‘impact assessment’ and ‘regulatory impact assessment’ are not used consistently across jurisdictions and, in the account below, these terms are not a sure guide to the content or form of an IA or RIA.

### Northern Ireland

IAs are regarded as key tools, forming an integral part of the policy cycle and effective policy making. IAs are not seen as particularly burdensome. They are situated within the Sustainable Development agenda of the Government (Northern Ireland Executive, 2013), but may not always be framed in that context. Public authorities have a statutory duty to promote sustainability in policy making and service delivery under the *Northern Ireland (Miscellaneous Provisions) Act 2005*.

Policy makers may be required to undertake a range of different IAs for proposals, in some cases to meet statutory obligations (such as Equality Assessments) (Northern Ireland Executive, 2007). Guidance on the policy making process is supplied by the *Northern Ireland Policy Toolkit*, a series of five workbooks that provide a practical overview of the key steps and phases in the policy development process. *Workbook Four - A Practical Guide to Impact Assessment* – contains step-by-step guidance, screening tools, and IA templates for every





kind of IA practitioners may be required to undertake in Northern Ireland. RIA is one form of IA, dealing with economic issues. However, in many cases the social and environmental dimensions will also be included as key factors for the development of policies (Northern Ireland Executive, 2014). RIA is one form of IA to be undertaken depending upon the policy proposal in question, and is included alongside the other kinds of IA in guidance documentation. The same basic methodology applies to all (Northern Ireland Executive, 2013; Northern Ireland Executive, 2007).

## Canada

The use and methodological approaches to IA vary between the national (federal) and sub-national levels of government – e.g. Health Impact Assessment is not required federally, but is in Quebec and British Columbia (Mendell, 2011). The federal level has a highly structured, centrally directed approach to the development of regulation, in which RIA plays a crucial role. All federal government departments utilise a common approach, and the process is facilitated through clear guidance on the required procedures (Government of Canada, 2014). The President of the Treasury Board (a senior Cabinet post) has responsibility for implementing overall federal regulatory policy, as directed by the Prime Minister. A committee of Cabinet Ministers (the Treasury Board) reviews and considers all regulatory proposals requiring Governor-in-Council approval. A central directive – *The Cabinet Directive on Regulatory Management 2012* – outlines the obligations of departments in relation to RIA (Government of Canada, 2012). The overall objective is “to maximize net benefits of regulation for current and future generations of Canadians”. Departments undertaking RIA are supported by the Regulatory Affairs Sector of the Treasury Board Secretariat, which acts as a central facilitator, consultant, trainer, and gatekeeper (Government of Canada, 2015b).

RIA is embedded in an overall policy context of the streamlining of regulation and reducing the burden of red tape, reflected in the requirements of a ‘one for one’ rule and the application of a ‘small business lens’ (Government of Canada, 2007; Government of Canada 2012b; Government of Canada 2014). RIA processes are refined over time to achieve greater effectiveness and efficiency. This is thought to have reduced the burden of RIA and fostered cultural acceptance among practitioners – ‘this is just how we do it in Canada’.

## EU - European Commission and Parliament

IA in the EU is framed by the need to develop legislation and policy to take into account the plethora of stakeholders it may impact on (Torriti, 2010), to contribute to evidence based policy





making and as a tool for political decision making. The European Commission (EC) uses an Integrated Impact Assessment that evaluates the potential economic, social, and environmental impacts in a single assessment, and which must be completed for most legislative proposals, as well as for non-legislative initiatives, and implementing and delegated acts expected to have significant impacts (European Commission, 2015a; European Commission, 2015b). IAs are an essential element of Better Regulation, and designed to mainstream sustainability to ensure that European Commission proposals meet policy goals and deliver maximum benefits to citizens, businesses, and workers, while avoiding unnecessary regulatory burdens. There is no consensus as to whether undertaking IA to account for the complicated institutional and political context of the EU actually increases efficiency, or if taking an increasing number of impacts into account makes EU IAs unduly complex.

The EC's Better Regulation Guidelines clearly outline the requirements for IA in EU policy development, and include explicit obligations for the process to be embedded in the policy cycle, to be proportionate, and to include stakeholder consultation (European Commission, 2015a). The Regulatory Scrutiny Board acts as a quality control gatekeeping body for IAs (European Commission, 2015c). The EC does not undertake separate RIA, EIA, HIA etc. processes for each initiative, but a single holistic analysis that can account for all impacts (at least in theory). The Principles of Better Regulation are incorporated into the whole of the policy making process (European Commission, 2015a; European Commission, 2015b). The European Parliament now has its own IA services to scrutinise EC IAs against established internal guidelines as well its own criteria, and (increasingly) to initiate and conduct their own IAs.

## **State of Victoria**

In Victoria, Legislative Impact Assessments (LIAs) and Regulatory Impact Statements (RISs) are influenced by a deregulation agenda and an administrative/policy context in which the focus is on developing policies that produce the greatest net benefit (Australian Government, 2015). LIAs are for primary legislation and are confidential to Cabinet, and RISs are conducted separately. RISs in Victoria are used to determine whether the costs (very broadly conceived) of a policy intervention are at least offset by the benefits, with guidance on how to achieve this provided by the *Victorian Guide to Regulation*, which is signed off by the Cabinet (State Government of Victoria, 2014). Victoria has a mature system of IA which is both supported and policed by an independent Commissioner who is responsible for compliance but strives above all to add value. They have reviewed the effectiveness of the IA system and identified



significant avoided cost and improved public consultation. LIAs and RISs are far and away the most important, and there are no other significant IAs, but RISs in particular are very broad.

## Scotland

IA operates in the context of a National Performance Framework and the very strong political consensus on the need for such a framework, if not all of its content. Scotland does have examples of requirements for impact assessments set externally to the Government. For example, Parliament requires evidence of impact in relation to legislation. Other IAs conducted include Equalities, Wave and Tidal Development, Children's Rights and Well-being, Privacy, and Environmental.

The service provided by the Better Regulation team in respect of Business and Regulatory Impact Assessments (BRIAs) changed in 2015. BRIAs need to be completed for policy changes and legislation which may have an impact on business or the third sector. They apply to primary or secondary legislation being introduced to the Scottish Parliament, as well as codes of practice of guidance, and are undertaken when considering traditional regulations as well as alternatives such as proposals which encourage self-regulation or opt-in regulation and voluntary guidance. This is seen as helping to ensure through consultation and engagement with business, that the costs and benefits are fully analysed and understood. Guidance is provided, along with the template and toolkit, to provide comprehensive advice on what is involved, the process and sources of further support and advice (Scottish Government, 2015).

Each Directorate is responsible for BRIA quality assurance and monitoring, with each policy area ensuring BRIAs are completed and the assessments are robust, consulting with economists and analytical colleagues and others as appropriate, before seeking Ministerial sign off. The Better Regulation team continues to be available for general advice.

As seen by the Head of Policy Profession in the Scottish Government, understanding impact is less about 'only' policy-making and more about the end to end journey, taking implementation into account, with a strong focus on outcomes and a responsibility on officials to attend to implementation and delivery as well as policy development. Whilst there is concern about the volume of work associated with IA, its value is not in question. A significant factor is that its value is reinforced by Ministers who want to know about the possible consequences of their proposed interventions, and who have an explicit reputational concern for their own and for wider governmental competence.

## UK Government

In the strongly centralised UK system IA is a key instrument used to ensure policy makers adhere to the overall policy objective of reducing regulation as outlined in the *Principles of Regulation* – which has a mandatory core and ‘gateway’ delegations to Whitehall Departments (Her Majesty’s Government, 2015). RIAs have become just ‘IAs’, but they remain rooted in the Better Regulation and de-regulatory agenda. IAs are undertaken to determine the necessity of regulation, and present the likely costs and benefits and associated risks of a regulatory proposal. They apply to primary legislation, secondary legislation, and codes of practice and guidance, and are required, *inter alia*, for proposals that will impose additional costs or reduce existing costs on businesses or civil society organisations. Policy makers must also account for the Business Impact Target (BIT).

Clear guidance on the required procedures for IA is provided by the Better Regulation Executive (BRE) through documents such as *Impact Assessment Guidance – When to Do an Impact Assessment* and an associated single template (Her Majesty’s Government, 2011). The BRE works with departments to provide practical support to practitioners undertaking IA, drawing on the Better Regulation Framework Manual (2015). The Regulatory Policy Committee (RPC) – an independent, non-departmental public body – provides independent scrutiny of impact assessments supporting regulatory proposals and validates figures, measuring the impact of these proposals on business and civil society organisations, for the Government’s regulatory account. Independent scrutiny is seen as crucial to increasing the quality of IAs, testing the evidence base (for example against the BIT) and making the system credible for stakeholders. The RPC also supports IA practitioners by providing guidance on its application of the Government’s better regulation framework, in particular relating to the methodology for counting business impacts in the Government’s regulatory account. The regulatory IA process is also quality controlled by the Reducing Regulation Sub-Committee (RRC) which acts as a gatekeeper for IAs (Her Majesty’s Government, 2015; Her Majesty’s Government, 2011). IAs must be submitted to the RRC (alongside relevant RPC opinions on that IA) for approval as part of the Ministerial clearance process for new regulatory and deregulatory measures.

## Overall

A number of other jurisdictions are defined by a clearer approach to IAs than Wales’ in relation to both process/procedure and substance. They have stronger ‘vertical’ arrangements and requirements than Wales. Thus, the UK, Canada and Victoria are all highly centralised and have a continued focus on the ‘regulatory burden’ agenda and adverse economic impact,



although Victoria has a wider approach to assessing scope than the UK. Northern Ireland has a sustainable development focus, and the European Union an integrated approach. Scotland's 'vertical' is organised around an outcome and national performance framework focus.

This does not mean that those developing policy or legislation do not have to also have regard to many other factors and issues, for example in the UK Government, possible statutory requirements affecting environmental proposals or State Aid. But those are left to Departments themselves to address. The effect of the IA arrangements is that officials and others are clearer about the purposes as well as the processes of IA. Complexity may not be eliminated, especially in intrinsically complex jurisdictions such as the EU, but is more manageable and, where it persists, has a clearer justification.

## The 'Problem' of Impact Assessments

The 'problem' of IAs in the national governance of Wales has been fairly well documented internally, and in the initial appraisal above. But the review of other jurisdictions underlines that the character of IAs relates to deep forces and themes in the approaches of particular governments. The 'problem' of IAs in Wales needs to be re-assessed and re-stated against its own context and history by firstly setting out the IA 'system', and by understanding the many dimensions of 'complexity' it might exhibit and why such complexity has emerged in Wales. That will help focus on key aspects of the IA jigsaw, and how they might be brought into better alignment and integration.

### **The IA 'System'**

In practice, the way that IAs are conducted and the degree of 'success' they enjoy is a function of multiple forces and choices (Pope et al., 2013; Jacob et al., 2008; Rissi & Sager, 2013)). Especially important is the 'authorising environment' which shows officials and others at a fairly high level why the government wants IAs undertaken, who should be doing them, how they should be conducted, and within what policy frame of reference. Other 'structural' aspects include the underlying nature of the legal (or otherwise) requirement and the intervention instrument being deployed, the political context, and the wider policy process, including the degree and character of Ministerial interest (Hertin et al., 2009; Devon County Council, 2013; Chanchitpricha et al., 2011). Features of the particular proposal itself also figure, such as the degree of sensitivity/controversy of the issue and the character and extent of public interest, any technical aspects, and the availability of data/evidence (O'Faircheallaigh, 2010; OECD, 2011). Process aspects include the leadership, capacity and capability of those entrusted with

the IA, the required procedures, the 'cultural attitude' of practitioners towards IA (whether seen as useful or as simply a 'hurdle'), and any quality control or quality assurance processes (Devon County Council, 2013; Howlett, 2014; Jacob et al., 2012).

## **Recasting the 'problem' of IAs in Wales**

This brief description of the IA 'system' helps to locate the various dimensions of complexity which it may exhibit. Thus there may be complexity in the number of different IAs that may have to be completed, and in the authorising environment in terms of who needs to do IA and to what purpose. There may be complexity in what needs to be done and how, with uncertainties around whether and to what extent IAs have to be done, and variation in the level of detail required and the format of the templates and procedures to use. There is complexity in 'when', and at what stage in the policy/legislative cycle to do IA, and in the support mechanisms available. There is complexity in accountabilities, in who an IA is being done for and who ought to benefit, and this is often associated with the way in which the enforcement of some IAs has partially been 'outsourced', for example to Commissioners. There is also, as Williams [Commission on Public Service Governance and Delivery, 2014] pointed out, complexity in the multiple policy mechanisms used across the Welsh Government which do not interact coherently and effectively.

IA in the Welsh Government has all of these complexities, but a key question remains as to why it has become more complex. Context is a key determinant, and the complexity that has arisen in the Welsh Government is not happenstance. It is, rather, deeply rooted in the way in which government in Wales has developed since 1998, and is itself an unintended consequence of otherwise very positive developments in the national governance of Wales. Current IA complexity fundamentally arises from the pace and dynamic of a developing devolved Welsh governance, in which an 'activist' devolved government has successively acquired and exercised new powers. The Government has enjoyed increasing policy 'reach', and it has used IAs as an instrument to exercise that reach, driven in part by Ministerial policy enterprise and well organised stakeholder lobbies. In climbing towards policy goals, Ministers and stakeholders have sought to drive a succession of 'pitons' in the rock face to support progress and so that there would be no going back on key policy commitments.

The complexity of the current processes has its origin in the wide range of IA duties which have been created as a result, and their differences in terms of organisational reach, legislative competence, decision making procedures, standards, output, enforcement, and delivery. The duties have developed in a piecemeal way either through UK, Welsh or EU legislation, and/or policy, and this has been coupled with the sheer usefulness of the IA process to prioritise,



embed, and mainstream policy priorities for the benefit of Wales and its future generations. The current complexity is best understood as an unintended consequence of exercising policy and legislative power in Wales to add value and benefit. It reflects the changing and developing priorities and the developmental character of devolved government in Wales and the successive acquisitions of additional powers which it has actively exercised.

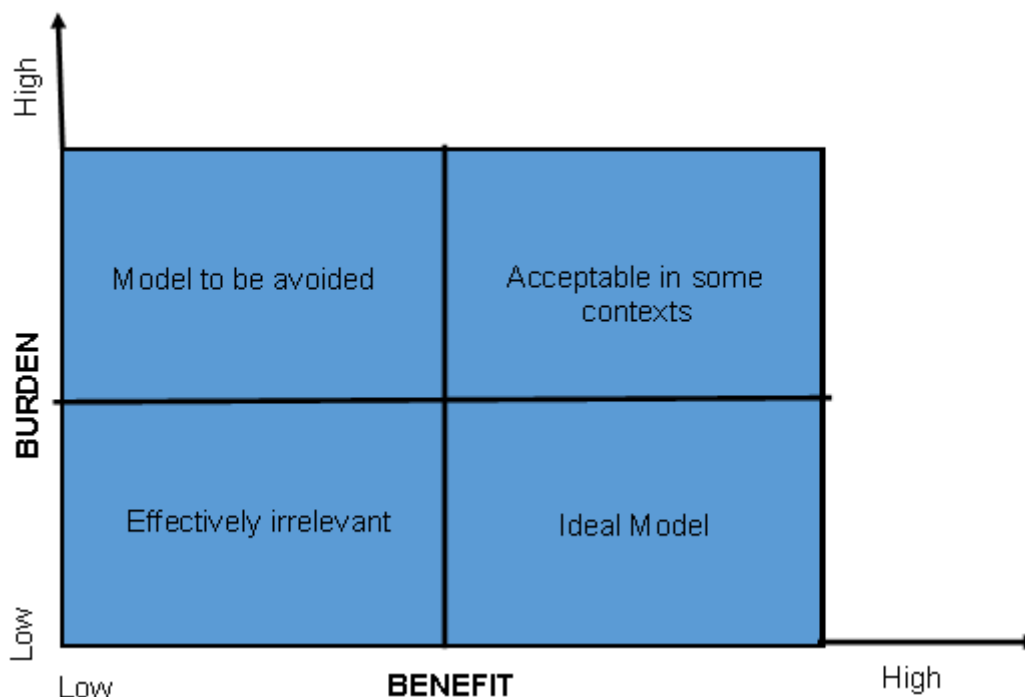
## **Implications for improving IA in Wales**

The underlying problem behind the ‘surface’ problem of IA complexity is therefore structural as well as cultural and operational. There are lines of tension and a degree of fracture in the authorising environment for IA, and an absence of a strong and clear ‘vertical’ sense of purpose capable of marshalling and coordinating the powerful multiple horizontal IA ‘authorising’ forces which operate in and on the policy system. As a consequence, it is unlikely that the problem of IA will ‘naturally’ disappear over time, though it may well attenuate and the perceived burden will probably ultimately reduce with familiarity. The forces aiming to add additional IAs to the mix are likely to remain strong, and there is no current centrally stated strategic purpose to help counter those forces. So any improvement in value may not be significant or enduring. The current compliance culture encouraged by the complexity of the IA process and the lack of clarity in who owns the overall process is unlikely to change, and that complexity may also continue to inhibit the exercise of judgement.

The issue is how to get added value as well as reduce complexity in a small country government which needs to harness all its capabilities and capacities, and to have a coherent framework to guide the deployment of those resources.

### ***Reducing complexity and adding value***

Seeking to reduce complexity might suggest reducing the scope and number of IAs, but so doing may also risk sacrificing value. Complexity may not be undesirable in and of itself, but entirely appropriate and necessary in some cases because the character of the problems and the IA process necessarily entail that. There is a danger of conflating complexity with undesirability when the key issue is whether IAs add value and for whom, and at what administrative and other cost. Added value (‘benefit’) and complexity (‘burden’) are in fact variably related, as shown by the diagram below of their relationship.



The two (not necessarily incompatible) ways of improving IAs would be to increase their value in terms of good policy making, delivery, and outcome, or to reduce their associated burden. As the figure suggests, there will be some instances where IAs impose a large burden but be highly valued by the multiple potential beneficiaries of IAs (O’Faircheallaigh, 2010). However, this need not be the case, and adding value might actually depend on reducing complexity. In fact, it is probably the case that reducing complexity is positively related to adding value in many (although not all) circumstances. The reason is that excessive complexity of process undermines the motivation of those who need to do IA well, and excessive complexity of the product of IA undermines the clarity and communicability of the key messages which policy makers and publics need to hear and respond to.

***Reducing complexity through integration***

The Welsh Government has emphasised ‘integration’ rather than mere ‘simplification’ as a possible way forward in reducing complexity, on the grounds that without a more integrated approach there is a risk of adding further to complexity and administrative cost. However, there are many possible lines of integration of IAs:

- Integrating the terminology of ‘IA’ and ‘RIA’, which appears to be largely historical and to reflect more of an operational than a meaningful difference;
- Integrating the political and the administrative approach to IAs through a Cabinet level statement of purpose to be applied throughout the Welsh Government as a key authorising statement for all IAs;



- Making IAs a more integrated part of the policy making process;
- Integrating the multiple legal requirements for IAs. Such an approach might integrate the purposes for which IAs are conducted, possibly supported through an integrated 'risk' framework, although not all the current legal requirements could be integrated in a single framework because some are beyond the legislative competence of the Government and the NAFW; and,
- This could be associated with an integrated policy framework such as could be provided by the Well-being of Future Generations (Wales) Act 2015, and its 7 ambitious national goals and 5 ways of working as a framework for broad sustainable development.

There are also process and operational forms of integration to consider, including;

- Developing an integrated IA tool which brings together the requirements for all the various IAs which may have to be completed, and an integrated IA procedure, with oversight by a 'steward' of the overall IA process;
- Creating an integrated record/archive of IAs to enable tracking and quality control and learning, with associated accessible data sources and repositories; and
- Integrating ex ante IAs with ex post facto evaluation both to test empirically the accuracy of the IA predictions in relation to the chosen policy/legislative option, and as an aid to evaluation generally.

## Key elements of the Welsh IA 'system'

In charting a way forward for a more integrated and less complex IA process it is useful to consider in turn some key aspects of the Welsh context. These are the various intervention 'instruments' at the disposal of the Welsh Government; the sources of legal and institutional authority for IAs; and the (potential) sources of substantive direction.

### ***Instruments:***

There are four principal intervention instruments available to the Welsh Government.

1. The first is legislation, both primary and secondary, and this stands at the pinnacle of the 'hierarchy' of intervention instruments, and is increasingly popular. RIAs are prepared for legislation, together with some of the available IAs, depending on the subject matter and other features of a given proposal (Welsh Government, Policy Support Unit, 2015d).



2. The second is major non-legislative policy, for which IAs are prepared, again contingent upon subject matter and character.
3. The third is major capital investments, for which a Five Case Model business case is used to support decision making. (The Five Case Model approach was developed in partnership between HMT and Welsh Government.) (Welsh Government, 2012a; Welsh Government 2012b; Welsh Government 2012c). This model and its application has an unclear relationship to IAs, although some efforts have been made to join up some IAs with the model.
4. Fourthly there are major budget decisions, both in budget setting and significant changes. These are of growing importance at a time of reduced expenditures and hard choices. Budget decisions have an unclear relationship to IAs although the Budget Advisory Group on Equalities provides advice and support to WG in embedding equality into its budgetary processes. This advice informed the Equality Impact Assessment (EIA), and now the Strategic Integrated Impact Assessment (Welsh Government, 2014b). There may be development work to do in creating a mechanism best suited to produce such a comprehensive document, but the fundamental link has already been made between budget decisions and IA.

### **Legal authority**

In terms of the sources of legal authority, RIAs derive from SO 26 (6) of the NAFW for primary legislation, and from SO 27 and the Government of Wales Acts 1998 and 2006 for secondary legislation (National Assembly for Wales, 2015; National Assembly for Wales, 2009). An RIA for primary legislation is intended to provide

*“the best estimates of: (a) the gross administrative, compliance and other costs to which the provisions of the Bill would give rise; (b) the timescales over which such costs would be expected to arise; and (c) on whom the costs would fall”.*

In terms of understanding all aspects of the consequences of a legislative proposal this is not perfect, for it does not include benefits. Such RIAs often have ‘associated’ IAs to address wider policy aspects, but these have an unclear relationship with the RIA and with the Explanatory Memorandum which accompanies a Bill. The Government’s approach to IA and the NAFW requirement for IA are not well aligned with each other, although the Legislative Programme and Governance Unit and the Economic Advice Division headed by the Chief Economist actively try to achieve alignment by recommending that attention be given to benefits as well as costs, and by requiring ‘feeder’ IAs to support the overall RIA.

The requirement for RIAs for subordinate legislation is actually wider than for primary legislation and is founded in Section 76 (2)(a) of the Government of Wales Act 2006 which requires;

*“an assessment as to the likely costs and benefits of complying with relevant Welsh subordinate legislation”*

This is elaborated by a Ministerial Code approved by the Assembly in 2009 to be:

*“a process to help the Welsh Ministers consider the impact of proposed regulation on the interests of individuals, groups, organisations etc.; a tool to enable Welsh Ministers to weigh the costs and benefits of all options available to them before implementing a policy; and a means of presenting for scrutiny the relevant evidence on the positive and negative effects of such interventions.”* (National Assembly for Wales, 2009)

This is a potentially important and powerful statement, but in practice the Code appears to be little used other than as a threshold guide for whether an RIA is required for a piece of proposed secondary legislation. Recently, and in connection with consideration of the Public Health (Wales) Bill, the NAFW Finance Committee has made a series of recommendations as to the presentation of costs and benefits in RIAs and the need for the Welsh Government and the Auditor General for Wales (AGW) to work together to agree the best approach, and for the Welsh Government to develop a more consistent approach on RIAs for subordinate legislation in order to support better scrutiny (National Assembly for Wales, Finance Committee, 2015). The NAFW Constitutional and Legislative Affairs Committee has also recommended that the Government considers the information which is provided in Explanatory Memoranda, including financial information (2015),

As to IAs more generally, the sources and types of legal authority vary. For Children’s Rights IAs it is ultimately the ‘due regard’ statutory provisions in the 2011 Measure, translated through preparation of a statutory scheme into secondary legislation (National Assembly for Wales, 2011; Welsh Government, 2015b; Welsh Government, Fairer Futures Division, 2015b). For the Equalities IA, it is in secondary legislation made under the Equalities Act 2010 by virtue of regulations passed by the NAFW that are designed to ensure ‘better performance’ of the general public sector equality duty in the Act. For the Privacy IA it is the framework of data protection legislation and guidance issued by the Office of the Information Commissioner (Information Commissioner’s Office, 2014; Information Commissioner’s Office, 2012). For the Welsh Language IA, it is shortly to be the Welsh Language Standards enshrined in secondary legislation. For environmental matters the ultimate source is often European Regulations. For

older people there is not a specific Welsh Government requirement but one has been promoted for local government and takes its cue from equalities legislation, reinforced by the duties of the Older Peoples Commissioner.

Other potential IAs are in the wings. The Well Being of Future Generations (Wales) Act 2015 requires that public bodies 'must take account of' certain matters, including how the body's well-being objectives may impact upon each of the well-being goals, and how its well-being objectives impact upon each other or upon other public bodies' objectives. The Social Services and Well Being (Wales) Act 2014 contains provisions which could potentially also be translated into a new 'IA'. Placing Health IAs on a statutory footing has also received considerable stakeholder support but HIAs currently remain a matter of 'policy' only.

### ***Institutional authority***

The sources of institutional authority for IA overlaps with but is not coterminous with the sources of legal authority. They include the NAFW and the various Commissioners for Welsh Language, Children, Older People, Equalities and Human Rights, and Future Generations, but also individual Ministers, the Legislative Programme and Governance Unit and Chief Economist in relation to legislative RIAs, and various units within the Welsh Government which are focussed on particular areas of policy, and some external lobbies and stakeholder groups. It also includes the requirements placed on the Permanent Secretary as Accounting Officer such as those set out in 'Managing Public Money' (Her Majesty's Treasury, 2015a) which makes explicit reference to the evaluation of proposals in accordance with the Her Majesty's Treasury's Green Book (Her Majesty's Treasury, 2015b: 3.3.3). The Policy Support Unit has a role in the overall IA and policy process, but its non-strategic location and limited capacity limits that role. The Welsh Government at a strategic level appears not to exercise explicit institutional authority on the overall IA process, although it of course contributes to the fundamental underpinning institutional authority for all of the IAs.

### ***Substantive direction***

A substantive direction for assessing likely consequences and impacts is (or should be) a key part of any authorising environment for IA. In many jurisdictions the substantive direction is given by the 'better/reducing regulation' theme, with an external focus on avoiding/reducing administrative burden, especially in relation to 'red tape', improving the business environment, and effects on small business (Government of Canada, 2007; State Government of Victoria, 2014; Her Majesty's Government, 2015). Some jurisdictions have an overarching policy framework for example the Scottish Government's National Performance Framework. In

Wales there is not one although the Well-being of Future Generations (Wales) Act 2015 potentially provides an overarching framework, and work is in hand on an improved business planning system and re-shaping the Welsh Government's policy-making guidance in light of the Act.

## Conclusions and Recommendations

This section makes a number of recommendations. They seek to build on the initial progress by the Welsh Government in tackling the IA problem. There is already in place a Legislation Handbook which is a model of clarity on IAs (Welsh Government, 2014c), even though it does not amount to a clear and definitive statement of the IA authorising environment. The Legislative Programme and Governance Unit and the Policy Support Unit are also making efforts to align the RIA and the IA process. Both the Poverty and Public Health Divisions have attempted to minimise complexity by aligning consideration of poverty and health impacts with existing policy mechanisms as a better alternative to creating new processes or statutory requirements, the former by embedding poverty considerations into other IAs, and the latter as part of the implementation of the Well-being of Future Generations (Wales) Act 2015. Both Equalities and Children's Rights IAs are changing for the better, and the field work done for this report identified mature and measured thinking by many of the IA process owners.

Given both this progress, and the significant underlying structural, cultural and operational causes, there is no silver bullet to fix the problem because the 'surface' issues reflect deeper causes of the problems in the IA 'system'. The need instead is to develop a clear, strategic direction of travel, which is given effect through a series of steps designed to both add value and reduce complexity. That should consist of the following elements, which are considered in turn below:

- **Cabinet Statement of Purpose:** The Permanent Secretary to ask the First Minister and Cabinet to consider issuing a clear 'purpose' statement of IA in the Welsh Government;
- **Well-being of Future Generations (Wales) Act:** The Well-being of Future Generations (Wales) Act 2015 to provide a key integrating framework for all assessments of impact;
- **Steward:** Creation of the function of 'steward' of the overall IA process;
- **Aligning the legal framework:** The Welsh Government and the NAFW to align their approach to IAs, with other legal IA requirements kept under review as appropriate;

- **Culture and judgement:** The IA process to emphasise the judgement and responsibility of officials, and a reliance on people rather than procedure;
- **Process and procedure:** Terminology to be consolidated around 'IA', and a single IA front end template and screening process to be created, and a consolidated and searchable IA archive to be created;
- **Design:** IA design principles to be developed and (re) promulgated; and
- **Public bodies and other stakeholders:** To be party to the changes and able to influence and share Welsh Government materials and guidance on IAs.

## **Cabinet Statement of Purpose of IA in the Welsh Government**

An ideal framework would start with the articulation of a clear statement of what the Government wants in terms of assessing the potential consequences of its legislative, policy, investment and budget proposals. The Permanent Secretary should ask the First Minister and the Cabinet to consider issuing such a statement. It would set a strategic policy framework in terms of both process and substance as the context for assessing the impacts of all proposed major interventions in these fields. It would underpin the 'authorising environment' for IA, and confirm its function as fundamental to evidence based policy making and stakeholder engagement, the importance of joining up across policy boundaries and of linking policy to implementation, and the intended beneficiaries of the work. The IA process would aim to help:

- Cabinet understand the likely impact of their major proposed interventions;
- The NAfW to have best supporting evidence on matters brought before it for scrutiny in order to hold the Welsh Government to account, and to support the wider legislative process; and
- The public and key stakeholders to be informed, better able to contribute to policy development, and better able to hold Government to account.

The statement would be set in the strategic policy priorities of the Government as the context for and against which to assess impacts of proposed major interventions, and would contribute to an underlying strengthening of the strategic centre in relation to the policy development process. It would signal the style of approach wanted by the Government (e.g. proportionate, avoiding excessive proceduralism, bringing judgement to bear, etc.). It would consolidate terminology as 'Impact Assessments', and give recognition to the increasing importance of budget issues, and of legislation. It would generally prohibit further proliferation of additional IAs without explicit Cabinet approval on the Permanent Secretary's advice. Operationally it would note and endorse the 'steward' function, and give explicit recognition to the Permanent Secretary's responsibilities as Accounting Officer and in relation to HM Treasury's Green Book

and related requirements in delivering the IA process. Part of its aim would be to inform understanding of what is looked for at senior management level, thus helping to change the discourse around IAs so that they could improve the standards of policy and decision making.

## **Well-being of Future Generations (Wales) Act 2015**

It may not be absolutely essential that the Cabinet relates the IA process to a substantive policy direction. It could simply set out the purposes, functions and process of IA. But setting a substantive direction through strategic policy priorities provides a much more powerful 'vertical' around which to marshal the IA process. The Well-being of Future Generations (Wales) Act 2015 is a strong candidate for such a function, with the 7 national objectives and 5 ways of working providing the integrating framework which is relevant to all four of the Government's intervention instruments. Whilst the headline level would still be 7 lines of IA, they potentially have the virtue of relative stability over time. The explicit aim would be to promote policy coherence and a 'whole society' approach across multiple policy and delivery domains, and an approach to policy integration founded on evidence.

It will be easier to integrate some existing IAs than others into such an approach. The 'policy' IAs should be relatively straightforward. Those with separate sources of statutory authority and institutional enforcement will require more effort. The Welsh Government can integrate the way they do them, but not the requirements themselves, some of which are outside competence. Integrating how they are done will also need the co-operation of Commissioners. However, some can be brought within the framework, such as equalities and Welsh language, both of which mirror one of the national objectives in the Act, although the integration of neither is entirely straightforward. Others fit less comfortably. Medium term legal and related changes may be required to ensure fully effective integration.

This role for the Act is potentially very important for its own effectiveness, as well as the value and coherence it can offer the IA process, but there are potential pitfalls. For example, the Social Services and Well-being (Wales) Act 2014 may need special consideration in order to integrate it, and avoid it operating in parallel, although most of the aspects of wellbeing as defined in s2 of the Act can probably be nested within the goals of the Well-being of Future Generations (Wales) Act 2015. Explicit attention will also be needed to avoid a mis-alignment of time horizons. Whereas most IAs operate at a 3-5 year horizon, the Act looks beyond that. It will also be important that the underlying political and national consensus on the Act's aims continues to grow and strengthen.





There is a risk of developing an over-elaborate framework which is too tightly internally connected and so may become resistant to subsequent development and change. But the use of the WFG Act in this way also leaves the door open to stronger integrated financial reporting, and a clearer accountability framework through the review role of the AGW. It will also be important to connect with emerging local authority and other initiatives in this area, and with the positive potential of an integrating framework at Welsh Government level for impact assessment throughout the public service. Local authorities and other stakeholders are likely to value non-prescriptive guidance and access to integrated procedures and tools developed by the Welsh Government in consultation with them.

## **The steward function**

The underlying forces which tend to diversify and fragment the IA system in the absence of strong vertical orchestrating arrangements means that its oversight requires active agency in giving effect to a revised IA process, operating as part of a stronger strategic centre of Government. The precise organisational form of the 'steward' is less important than that the function is clearly established and effectively delivered under the authority of the Permanent Secretary to give effect in part to his Accounting Officer and Green Book 'duties', and his wider civil service responsibilities. The steward of the IA Cabinet statement, charged with giving effect to it through the IA and policy development process, would be an active 'agency' able to provide leadership in giving effect to the Cabinet statement, and in responding to proposed changes in the IA 'system' as a business process owner.

This function should be more than a 'champion'. Rather it should include responsibilities for doing, shaping, cajoling, telling, and encouraging more consistency, rather than simply cheerleading or celebrating. It will involve intervening in matters of culture as well as 'structure' through training, communications and developmental instruments to equip officials and the policy machine to be more effective in IA processes, aiming to promote evidence based and holistic/collaborative policy linked to delivery and implementation. Clarity will be needed as between this function and that of Head of Policy Profession.

There is a case for the steward function also to perform explicitly the functions of quality control and quality assurance in the IA process, either as an *ex ante* 'gateway' function and/or an *ex post* sampling and review function. However, this would best be considered in light of the operation of the revised IA system rather than now, although there should be early thought to whether and how quality control can be strengthened within the IA process as a whole.

## **Aligning the legal and institutional framework**

The NAFW and Welsh Government have a common interest in having the best evidence base to inform major policy and legislative proposals, and in having common instruments applied to ensure that they get it. Ideally they should align their requirements and frameworks. This would mean discussions on what the NAFW needs in terms of evidence of likely impacts of a proposal to do their work effectively, and what the Welsh Government considers appropriate. Assuming agreement could be reached on the principles and procedures to be adopted, they could then be reflected in the proposed Cabinet statement and the NAFW could be asked to revise their SOs and if necessary the underlying legislative requirements in relation to subordinate legislation and member-led Bills. Primary and secondary legislation requirements should be aligned, even if they need not be identical. Any further proposed self-imposed duties of an IA character should be rigorously evaluated by the Welsh Government and the NAFW to assess the wider implications before they are translated (if at all) into additional requirements on themselves and other public bodies.

The other current legal requirements for IAs should be revisited over time as resources allow in order to bring them into a closer 'natural' alignment. Meanwhile the Cabinet statement would make clear the expectation that, within the limits of the law, specific IA requirements should be conducted within the spirit and process specified in the Cabinet statement.

As to other key actors, the various Commissioners also have an especially important role to play because of their institutional and legal authority in relation to IAs and the public duties they discharge, and the AGW will also have an important role in these proposed changes.

## **Culture, judgement and responsibility**

The revised arrangements should emphasise responsibility and judgement on the part of officials in assessing the consequences of the potential interventions on which they are advising, and place reliance on people as much if not more than on procedures. They should recognise and address the need for further underlying cultural change, and encourage a shift away from compliance and towards adding value through the IA process. The cultural shift should be underpinned through a systematic training programme aimed at conveying the generic character of IA processes as well as the particulars of methods and tools, as part of raising the quality and skills of policy professionals more generally.



## Process and procedure

The value of procedure, *inter alia*, is to prompt necessary discussion, challenge, and judgements about proportionality. There should be a single generic process at headline level to include screening and threshold arrangements designed to encourage the integration of IAs and not merely their assembly under a common title. The process should, in effect, be injected with the thrust of the Cabinet statement. It should include the consolidation of some ‘groups’ of IAs, including Commissioner-related IAs, all purely ‘policy’ IAs, and those that display an obvious synergy such as equalities and children’s rights. The revised approach should also be explicitly linked to the new Ministerial submission template and the wider policy development process. There should be a commitment to the more effective use of the available technology, including a single searchable archive for IAs and better and more accessible sources and repositories of relevant data, as well as to underpin their improved presentation and communication.

The Welsh Government should also consider whether the time is right to seek a Wales ‘annex’ to the HM Treasury Green Book setting out the ways in which the general principles set out in the Green Book should be applied in the context of the Welsh Government’s values and policy priorities, as exemplified by the Well-being of Future Generations (Wales) Act 2015.

The Welsh Government should make its IA templates and working materials publicly available, especially for use by other public bodies (no doubt ‘tweaked’ as necessary by them), supported by training materials for policy professionals. This should include publication of (re) formulated ‘design principles’ for IAs.

## Design Principles

There is no ‘recipe’ for good IAs because so much of what makes them ‘good’ in any particular context is system-dependent. But it is important to articulate a set of design principles for good practice IAs, to be applied with judgement, to include:

- Beneficiaries - clarity of purpose of use for Ministers, NAFW, and public consultation
- Intent – to understand an issue from a range of different perspectives, including how it affects different people in different circumstances
- Approach – firmly rooted in the principles set out in the Cabinet statement
- Timing - IAs are generally best done early but this is also a matter for judgement
- Proportionality – tailoring the amount of IA work done to the scale and character of the issue, and focusing on the aspects of greatest significance



- Tools - appropriate use of tools such as Integrated Reporting, Resource Based Accounting and Cost Benefit Analysis
- Data – drawing on both quantitative and qualitative evidence
- Screening – application of both threshold and topic screening to identify IA scope
- Risk - to be considered for the given proposal itself and for stakeholders
- Presentation – aspects of length, clarity, and ‘fit-for-purpose’ quality presentation
- Evaluation - link IA to subsequent *ex post facto* evaluation

## Public bodies and other stakeholders

Wider stakeholders should be party to the revised IA process so they understand the reasoning, and are enabled to influence and share Welsh Government materials and guidance on IAs. The revised process should recognise their role in producing as well as in consuming IAs. The First Minister has emphasised the importance of “*careful evidence gathering and...good engagement and a shared understanding between Government and stakeholders as the basis of decision making and financial planning*” (Welsh Government 2014c, 6.3.3 p.58). Shared confidence in a transparent process is fundamental to that, even though there will not always be complete agreement on the conclusions. The aim should be a common understanding of the IA process across local government, health and Public Service Boards, and the use of common tools and analysis. Ideally, on matters of national reach and significance IA would be done ‘once’ and shared across the wider public service.

## What would be different as a consequence?

If the above proposals are implemented there will be a reduction in complexity and enhanced integration in the following areas:

- Clearer and explicit purposes for IA across the range of Government’s intervention instruments within an integrated political/administrative approach, coupled with clear authority in direction and stewarding and with an ongoing declared goal to reduce complexity and emphasise the quality of understanding, evidence, and judgement;
- Integration of the IA process with the substantive direction of the Well-being of Future Generations (Wales) Act 2015, and with reach into the wider public service;

- Integration through the creation of a strong 'vertical' approach into which to consolidate some IAs and to marshal 'statutory' IAs, together with alignment of Government and NAFW requirements;
- A consolidated process and screening tool and template, common data sources, and a consolidated archive and examples;
- Integration between IA and *ex post facto* evaluation; and
- Avoidance of further proliferation and additional complexity.

The result should be that in 2 years' time, when an official is asked to lead a proposed intervention, they will find:

- A statement of process, philosophy and substance of the highest authority as to why they must assess the possible consequences of proposals, and to what end, linked to their own clear personal and professional responsibility;
- A process and procedure consolidated around the Well-being of Future Generations (Wales) Act 2015 and an archive to consult of previous examples;
- Clear links to the requirements of the NAFW and/or civil service requirements as appropriate;
- A set of design principles to apply across all IA tasks, supported by training to support their IA knowledge and skills as part of the wider policy development process; and
- A steward to turn to with responsibility for both the smooth operation and the continuous improvement of the IA process (though not the content of each IA).



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## Annex 1: Note on Method

This has been an 'expert analysis' rather than a formal research study. It has observed the essential canons of academic research in the approach to and use of evidence, and in the selection of and approach to interviewees.

It has drawn on interview material with care. Many of those interviewed were 'experts' in their own right, either in relation to part of the field of practice of IA, or in some cases academic study of IA. Their accounts and views have been given considered and appropriate weight, especially on matters of current or historical fact. Wherever possible the views of interviewees have been triangulated and tested either against the views of relevant others, and/or against documentary material.

## Annex 2: Interviewees

<b>WELSH GOVERNMENT</b>	
<b>Name</b>	<b>Role</b>
Rhodri Asby	Head of Climate Change and Natural Resources Policy Division
Sarah Austin*	Senior Policy Manager, Social Services and Integration Directorate
Karen Bathgate	Regulation and Inspection Senior Policy Manager, Health and Social Services Department
Piers Bisson	Deputy Director, Devolved Services Reform
Andrew Charles	Head of Sustainable Development
Huw Charles	Policy Officer, Curriculum Assessment
Charles Coombs	Head of Policy Support Unit
Ceri Davies	Senior Departmental Liaison Adviser
Andrew Dobbs	DPA and FOI Senior Case Advisor, Information Rights Unit
Carys Evans	Deputy Director Constitutional Affairs & Intergovernmental Relations, & Project Steering Group Chair
Gawain Evans	Director of Finance, Office of First Minister and Cabinet Office
Andrew Felton	Head of Justice Policy, Constitutional Affairs and Inter-Governmental Relations
Caren Fullerton	Chief Digital Officer
Bethan Griffiths	Head of the Welsh Language Improvement Programme
Lisa Griffiths	Eligibility, Assess and Care Planning Policy Manager
Elin Gwynedd	Head of Empowering Children and Young People
Kathryn Helliwell	Senior Research Officer, Welsh European Funding Office
Andrew Hobden	Economist, Welsh Treasury



<b>WELSH GOVERNMENT</b>	
<b>Name</b>	<b>Role</b>
Maureen Howell	Deputy Director, Tackling Poverty
Ruth Hussey	Chief Medical Officer
Kath Jenkins	Head of Information Security Branch
Matthew Jenkins	Head of Performance Management, Budget Effectiveness Branch
Phil Jenkins	Head of Equality Support Unit, Economy, Skills and Natural Resources Group
Amelia John	Deputy Director Fairer Futures and Project Steering Group Member
Sir Derek Jones	Permanent Secretary
Lillian Jones	Deputy Departmental Security Officer
Steve Lazell	Senior Policy Manager, Policy Support Unit
Alison Lott	Senior Manager, Crime and Justice Team
Jo Maddaford	Central Legislation Support Team Manager, Health and Social Services Department
Steve Marshall	Chief Social Research Officer, Knowledge and Analytical Services
Gez Martin	Programme Manager ESF, Peer Mentoring Project, Health and Social Services Department
Deralyn Mawdsely	Children's Rights Manager
Helen Minnice- Smith	Agriculture and Climate Change Policy Adviser
Victoria Minshall-Jones	Transport Legislation Team Leader
Isabel Mortimer	Equality Impact Assessment Reporting and Engagement Manager
Padraig McNamara	Regulation & Inspection Senior Policy Manager, Social Services
Jonathan Price	Chief Economist & Project Steering Group Member

<b>WELSH GOVERNMENT</b>	
<b>Name</b>	<b>Role</b>
Irfon Rees	Deputy Director, Public Health, and Project Steering Group Member
David Richards	Director of Governance & Project Steering Group Chair
David Rosser	Director of Innovation, EST Department
Carl Sargeant AM	Minister for Natural Resources
Andrew Slade	Director, Agriculture, Food and Marine, & Head of Policy Profession
John Spence	Legislative Governance & Improvement Manager
Lyn Summers	Head of Central Legislation Support Team, Health and Social Services Department
Chris Tudor- Smith	Senior Responsible Officer, Public Health Bill
Cathy Weatherup	Head of Health Inequalities and Legislation, Public Health Division
Bethan Webb	Deputy Director Welsh Language
Sharon West	Head of Equality Unit
<b>TOTAL PEOPLE INTERVIEWED = 47</b>	
<ul style="list-style-type: none"> <li>Contributed materials and views, although not interviewed. N = 47 + 1</li> </ul>	

<b>NATIONAL ASSEMBLY FOR WALES</b>	
<b>Name</b>	<b>Role</b>
Sarah Beasley	Clerk to Communities, Equality and Local Government Committee, Policy and Legislation Committee Service
Martin Jennings	Research Team Leader, Research Service, National Assembly for Wales
Owain Roberts	Head of Table Office, National Assembly for Wales
<b>TOTAL PEOPLE INTERVIEWED = 3</b>	

<b>EXTERNAL – WITHIN WALES</b>	
<b>Name</b>	<b>Role or Interest</b>
Kate Bennett	National Director for Wales, Equality and Human Rights Commission
Dan Bristow	Deputy Director, Public Policy Institute for Wales
Daisy Cole	Director of Well Being and Empowerment, Older People's Commissioner for Wales Strategic Management Team
Tracey Cooper	Chief Executive, Public Health Wales
Peter Davies	Sustainable Development Commissioner
Rhian Davies	Chief Executive, Disability Wales
Heather Delonnette	Sustainable Futures Officer, Regeneration, Property and Commissioning, Powys County Council
Dr Eva Elliott	Director of the Wales Health Impact Assessment Support Unit, Cardiff Institute of Society, Health and Wellbeing
Liz Green	Principal Health Impact Assessment Development Officer, Public Health Wales
Liz Grieve	Strategic Planning Team Manager, Denbighshire County Council
Dr Simon Hoffman	Lead on independent evaluation of Children's Rights Impact Assessments, Swansea University
Professor Sally Holland	Children's Commissioner for Wales
Caroline Joll	Economist at Cardiff University, and Member of the Budget Advisory Group for Equality
Calvin Jones (Prof.)	Professor of Economics, Cardiff Business School, Cardiff University
Ruth Marks	Chief Executive, Wales Council for Voluntary Action
Steve Martin	Director, Public Policy Institute for Wales
Tim Peppin	Director of Regeneration and Sustainable Development, Welsh Local Government Association
Professor Stijn Smismans	Director, Centre for European Law and Governance, Cardiff University
Steve Thomas	Chief Executive, Welsh Local Government Association
Huw Vaughan-Thomas	Auditor General for Wales
Paula Walters	Director, NHS Centre for Equality and Human Rights
Iwan Williams	Lead for Communities, Local Government and Well Being, Older People's Commission
Elizabeth Woodcock	Research Officer, Bangor University
<b>TOTAL PEOPLE INTERVIEWED = 23</b>	

<b>EXTERNAL – OUTSIDE WALES</b>	
<b>Name</b>	<b>Role or Interest</b>
Pierre Bascou	Directeur D Soutien Direct, DG Agriculture and Rural Development, European Commission
Yves Plees	Coordinator for Institutional Relations, DG Agriculture and Rural Development, European Commission
Leo Maier	Head of Unit, DG Agriculture and Rural Development, European Commission
Claudio Collova	Policy Analyst, European Parliament Research Service, Ex-ante Impact Assessment Unit
Doug Band	Executive Director, Regulatory Affairs Sector, Treasury Board Secretariat of Canada, Ottawa, Canada
Rex Deighton-Smith	Director and Principal, Jaguar Consulting, Melbourne, Australia
Julian Farrel	Deputy Director and Head of Europe Team, Better Regulation Executive
Michael Gibbon	Chair, Regulatory Policy Committee
Kenneth Hogg	Director for Local Government and Communities, & Head of Policy Profession Scotland
Peter May	Permanent Secretary, Department of Regional Development, & Head of Policy Profession Northern Ireland
Phil McRea	Secretariat, Regulatory Policy Committee
Professor Anne Meuwese	Professor, Tilburg Law School, Tilburg University, Tilburg, Netherlands
Michael Ridley	Assistant Director, Better Regulation Executive
Dr Angus Morrison-Saunders	Associate Professor in Environmental Assessment Murdoch University, Perth, Australia
Vincent Ngan	Director, Cabinet Committee Operations, Treasury Board of Canada Secretariat, Ottawa, Canada
Professor Ciaran O'Fairchealligh	Professor, Griffith Business School, Griffiths University South East Queensland, Australia
Graham Turnock,	Chief Executive, Better Regulation Executive
Andrew Walker	Assistant Director Reviews, VCEC, State of Victoria
<b>TOTAL PEOPLE INTERVIEWED = 18</b>	

**OVERALL TOTAL NUMBER OF PEOPLE INTERVIEWED = 91**



## Annex 3: The IA Landscape in the Welsh Government

The Table below is an internal Welsh Government document which brought together information (autumn 2015) about all the then current IAs.

<b>THE FOLLOWING ASSESSMENTS OR CONSIDERATIONS ARE NEEDED FOR ANY POLICY OR LEGISLATION, TO MEET OUR STATUTORY OBLIGATIONS</b>			
<b>Issue</b>	<b>Nature of requirement</b>	<b>Screening?</b>	<b>Full?</b>
Equality	Complete Part 1 of EIA to decide if a full assessment is needed	Yes	
Rights of children and young people	Complete an assessment, by working through 6 stages	Yes	Yes
Welsh Language	Complete an assessment, by working through 5 stages.	Yes	Yes
Biodiversity	Have regard to conservation of biodiversity. Consider the likely impact of your policy in biodiversity – positive, negative or neutral. If negative, mitigate. If neutral, seek opportunities to make it positive.	Yes	

<b>WG HAS MADE POLICY COMMITMENTS TO CONSIDER AND/OR UNDERTAKE THE FOLLOWING ASSESSMENTS OR CONSIDERATIONS FOR ANY POLICY</b>			
<b>Issue</b>	<b>Nature of requirement</b>	<b>Screening?</b>	<b>Full?</b>
Climate change	Consider the impact. Your policy should be carbon neutral or support reduction of carbon emissions in some way.	Yes	
Health impact	Complete the screening stage to decide if a full assessment (involving 4 more stages) is needed	Yes	
Poverty	Consider impact on poverty. (TO BE UPDATED)	Yes	
Rural proofing	Engage with stakeholders then complete screening tool, and detailed checklist if needed.	Yes	
Communities First	Consider whether there are distinctive issues	Yes	

Economic impact	As per Regulatory Impact Assessment (see below) in relation to business. Engage with business to gather evidence. Consider cumulative impact of policies if possible.		
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**THE FOLLOWING ASSESSMENTS OR CHECKS ARE MANDATORY IN CERTAIN CASES, BUT ARE NOT NEEDED ALL THE TIME**

Issue	Needed	Nature of requirement	Screening?	Full?
Strategic Environmental Impact Assessment	For certain plans and programmes	Answer the 3 questions on <a href="#">this page</a> to establish whether duty applies. Compile and consult on an Environmental Statement if needed. Procedural and timing requirements apply.	Yes	
Environmental Impact Assessment	For policies affecting uncultivated land and semi-natural areas	Answer the 2 questions <a href="#">on this page</a> . If answer to either is 'Yes', or if you are running a project that involves seeking planning permission, consult Environmental Impact Assessment Unit for advice.	Yes	
Habitat Regulations Assessment	For policies affecting certain sites	If policy will affect an SAC, cSAC, SPA, pSPA or Ramsar Sites <sup>5</sup> , complete a Strategic Environmental Assessment	Yes	
Regulatory Impact Assessment	Almost any legislation	Set out short- and long-term costs and benefits, and where they fall. Consider impact on small businesses if relevant. As part of this, apply competition filter, and make detailed competition assessment if needed.		
Justice Impact Assessment	Almost any legislation	Consider if your proposal may impact on the justice system, in any one of a number of ways. If it may, refer to guidance for further advice.		
Privacy	If proposals will involve personal data	Answer initial screening questions, and undertake full assessment if needed.		
State aid (not an impact assessment but needs to be checked)	If supporting an organisation	If organisation is engaging in economic activity, apply criteria to identify if support constitutes State Aid. If it does, State Aid		

		issues will need to be addressed. Discuss with State Aid Unit.		
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There has long been a requirement to consider Sustainable Development, but this is not an impact assessment as such. See also the categories and the list in the Legislation Handbook for a 3-way classification of WG IAs. Note also:

- The above tables may be technically accurate only in a narrow sense
- A number of others than those referred to as such are 'statutory' but do not apply to all Governmental acts or functions
- Certain of them are 'statutory' only in the sense that they are the instrument chosen to give effect to a statutory duty (e.g. 'have regard' to the UN Convention on the Rights of the Child via a statutory scheme in subordinate legislation)
- The list is arguably incomplete e.g. does not include 'Business Impact Assessments' (which are about Governmental rather than commercial 'business').



# The Public Policy Institute for Wales

The Public Policy Institute for Wales improves policy making and delivery by commissioning and promoting the use of independent expert analysis and advice. The Institute is independent of government but works closely with policy makers to help develop fresh thinking about how to address strategic challenges and complex policy issues. It:

- Works directly with Welsh Ministers to identify the evidence they need;
- Signposts relevant research and commissions policy experts to provide additional analysis and advice where there are evidence gaps;
- Provides a strong link between What Works Centres and policy makers in Wales; and
- Leads a programme of research on What Works in Tackling Poverty.

For further information, please visit our website at [www.ppiw.org.uk](http://www.ppiw.org.uk)

## Author Details

Dr Clive Grace O.B.E. advises and researches on public services and public policy in Wales, the UK, and internationally. He was supported in this assignment by Associates Sandra Harris and Liam Whittington.



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

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Mr Simon Thomas AM  
Chair of the Finance Committee  
National Assembly for Wales  
Cardiff Bay  
Cardiff  
CF99 1NA

20 June 2017

Annwyl Simon

### **Finance Committee Inquiry into the accuracy and reliability of financial estimates accompanying legislation**

#### **Qualifications Wales Written Evidence**

1. Qualifications Wales was established as the regulator of non-degree qualifications in Wales through the Qualifications Wales Act (2015). We were established on 6 August 2015 and took on our regulatory powers on 21 September 2015.
2. We have, therefore, been operating for 22 months. Our 2015/16 Annual Accounts cover the first 8 months of operation and we are in the process of having our draft 2016/17 Annual Accounts audited. We are also required to produce a separate Annual Report for the period September to August, describing how we have delivered our functions and our first Annual Report was scrutinised by the Children, Young People and Education Committee in December 2016.
3. This evidence provides information about our establishment and our views on the reasons for any differences between Welsh Government's RIA and our actual costs. We also comment on our current stage of development and provide some context to the nature of our costs.

## Operating Costs compared to the RIA estimates

4. It is very difficult to meaningfully compare the RIA to our 2015/16 Annual Accounts because these accounts do not cover a full year, and an extrapolation will not be appropriate as some of the set-up costs covered in the RIA had been paid by Welsh Government, while others fell to QW in full. The following table shows the comparison for the period 2016/17 (using the figures from our draft accounts). Although this gives a better indication it is important to note that we are still maturing as an organisation and expect to see on-going variation in some cost areas.

	RIA	QW 2016/17 draft Accounts	Difference
<b>Total</b>	<b>£8,124,000</b>	<b>£7,146,609</b>	<b>£977,391</b>
Staff	£3,912,318	£4,087,895	-£175,577
Premises	£748,000	£461,639	£286,361
IT	£442,305	£330,483	£111,822
Programme (Grants, Research and Comms)	£2,380,000	£1,844,275	£535,725
Other costs	£641,377	£422,317	£219,060

## Establishment

5. The Regulatory Impact Assessment (RIA) costs were largely based on PricewaterhouseCoopers' advice – which was drawn from a database of benchmarking information gathered from the public and private sector. As decisions were taken relating to establishment, these figures were replaced with more accurate estimates wherever possible prior to RIA publication.
6. The RIA assumed that most staff employed within Welsh Government on similar work would transfer to Qualifications Wales. In reality, very few chose to make the move and the vast majority of staff needed to be recruited.
7. Due to the wish to establish the new organisation quickly, some work took place in parallel to the legislation being developed. The CEO was employed by Welsh Government in October 2014 so that he could be involved in the key decisions that needed to be taken prior to establishment. For example, to be operational by September 2015, decisions on the preferred premises and the staff structure had to be taken to enable premises to be fitted out and staff recruited (with appropriate exit provisions in place if legislation were delayed). This helped with the accuracy of some projected costs, but nevertheless firm costs were not fully available until after the RIA was published.

8. The following points are worth noting as they affect our past and future cost:
- The fully populated staff structure was agreed by the CEO after the RIA was published. Working within the overall budget, the new structure had a slightly higher staffing with some posts upgraded. For example, two additional senior posts at Associate Director level were put in place and around 10 regulatory posts were set at the next grade up. These decisions were partly compensated by reducing the number of more junior posts;
  - During 2015/16 we had some permanent posts which we chose not to recruit at the outset – preferring to secure staff resources to fulfil immediate priorities and then consider whether the staffing structure was appropriate before completing recruitment. This included a decision to delay the recruitment of our Research and Statistics team;
  - The decision to delay to recruit the research and statistics team until after establishment reduced 2015/16 staff costs and delayed research expenditure;
  - Staff costs will increase over the next three years above inflation as we have adopted the Welsh Government pay scales and, given that most staff were newly recruited to the organisation, we anticipate their progression through pay scale points within their pay band as the majority are not yet at the top scale point. We also expect to see increases in travel costs as we further increase our stakeholder engagement activities;
  - Premises were secured that were efficient to operate and an attractive lease was negotiated resulting in lower on-going costs than estimated in the RIA;
  - Welsh Language grants for vocational qualifications have historically not been taken up fully. We have worked with awarding bodies to develop new processes that have improved take-up and we anticipate this growing over time;
  - The IT set up is different to that envisaged in the RIA, some costs are higher others are lower, overall costs are set to remain below RIA estimate;
  - Although running costs are stabilising we anticipate our focus areas changing each year as we continue to develop our strategic goals, grant schemes, research areas and priorities. We are also likely to see a continued trend of one-off IT projects, although our approach to maintaining a small in-house development expertise will reduce our exposure to spikes in associated costs.

### **Medium Term Financial Position**

9. Last year we agreed with Welsh Government to take a 4% reduction in our grant allocation, with an expectation that further cuts would not be sought and that budgets would be flat lined for future years.
10. In agreeing to this we identified and implemented areas for savings and carried out some medium-term cost projections. We anticipate that our full grant allocation will be required from this year onwards. Our projections are that staff costs will form a greater proportion of our total expenditure, representing around 78% of our total budget by 2019/20.

11. Building our internal staff expertise and strengthening our operational independence from the qualifications Regulator in England, Ofqual, continues to be part of our development.

Yours sincerely



Ann Evans  
**Chair**



Philip Blaker  
**Chief Executive**



Mr Simon Thomas AM  
Chair of the Finance Committee  
National Assembly for Wales  
Cardiff Bay  
Cardiff  
CF99 1NA

28 June 2017  
(updated from 20 June 2017)

Annwyl Simon

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- 5.

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Yours sincerely



Ann Evans  
**Chair**



Philip Blaker  
**Chief Executive**

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# Agenda Item 8

## Welsh Government Finance Committee

### Rent Smart Wales Written Evidence

#### Scope of the inquiry and input from Rent Smart Wales:

The purpose of the inquiry is to gather evidence on how the current Regulatory Impact Assessment process works, including the consistency and reliability of the information provided, and whether there might be any desirable improvements.

Cardiff Council has been designated as the Single Licensing Authority for delivery of Part1 of the Housing (Wales) Act 2014. The response provided below is limited to the experience and knowledge of delivering Rent Smart Wales during the set up and implementation phase to date.

This evidence considers the information outlined for Option 3 in the Explanatory Memorandum.- **Legislation to make the registration and licensing of all landlords and agents mandatory**

#### Assumptions relied upon By Welsh Government and RSW comments are set out below:

Assumption	Commentary
WG assumed that the costs would be recovered from fees; albeit a commitment was made to support the initial set up.	Set up funding was provided. Self funding model is now in place, No funding commitment from WG for 2017/18
WG anticipated that significant part of the marketing campaign could rely upon earned and owned communication channels.	This has been the case. In addition, we have used lower cost “paid for” advertising such as social media, google adverts, radio and bus advertising. Much of the successful advertising has been through agents / landlord forums and local authorities.
All landlords, responsible persons and agents will be required to register and where applicable obtain a licence.	Now know that only landlords are required to register
Landlord population estimated between 70,000 – 130,000 and Private Rented Sector 185,000	A main objective of the legislation is to better understand the sector to allow strategic planning. Very limited information was available at the time. 2011 census data was being relied upon. WG dwelling stock estimates currently estimate that there are 202,000 private rented homes (not all will fall under the remit of the legislation). Our current data indicates that the average number of properties / landlord is 2. This is higher than initially anticipated.

<p>Registration fees anticipated to be £50 and £10 / property</p>	<p>A financial model was later developed by Cardiff Council which set fees based on the estimated costs of processing, compliance and enforcement. A copy of the Fees Policy is attached.                  This distinguishes between the fees applied to an online application (£33.50) and paper based application (£80.50). The model and fee structure takes account of the Supreme Court judgement in the Hemmings v Westminster case; not available until 2015.</p>
<p>Time taken for landlords to apply for registration. (10 minutes)</p>	<p>If the applicant does not experience difficulties in understanding the requirements, 10 -15 minutes is correct for the Registration process. However, the time involved in submitting a licence application is more significant, particularly for Agent applications. The risk assessment could have also commented on the time involved in attending / undertaking training.</p>
<p>30,000 landlords will register but not become licensed, preferring to appoint an agent instead.</p>	<p>Our figures show that of the 161,564 registered properties 46,738 are being managed by letting and managing agents. However, some landlords appoint an agent and also apply for their own licence.</p>
<p>1000 letting &amp; managing agents offices and branches</p>	<p>1083 is the number of unique offices currently part of a Commercial Licence application. This represents 707 unique agents.</p>
<p>The number of criminal cases is likely to be small with impact on the Courts</p>	<p>Enforcement activity up to 20.06.17:</p> <ul style="list-style-type: none"> <li>• 41 FPNs Served (£150–£250 fines)</li> <li>• 1 successful prosecution</li> <li>• 6 Prosecution cases being prepared</li> </ul>
<p>The costs to local authorities of enforcing will be met from the revenue generated from registration fees</p>	<p>Agreed up to the point when an offence is established, following which the fees from FPNs or Court costs are intended to cover the costs incurred. Often courts do not make the full award for costs.</p>

Figures provided up to end of May 2017, unless indicated otherwise.

### Comparisons of cost and fee estimates with Actual

Cost Description	Commentary	Amount	Actual
Regulation of landlords and agents	Assumed that this is directly related to the set up and delivery of the new legislation. However, LAs have made the case that having the new powers have an indirect impact on the legislation already on statute, due to the consequential impact of marketing of the new scheme.	£500,000	Additional amount awarded to LAs. 2014/15: £300,000 2015/16: £500,000 2016/17: £275,000
Data base development (Cost to WG)	The database is still in the development phase with further enhancements outstanding and invoices still to be received.	£500,000	£102,910
Marketing and Communications (Cost to WG)	Campaign delivered by WG up to March 2017	£80,000 over 3 years	WG to provide
Additional staff requirement to LAs (Cost to LA)	The final delivery model opted for the designation of a single licensing authority. However, local authorities incurred additional costs during the preparation phase for marketing and promotion and dealing with additional demand on their services; this is referenced above.	£250,000 (funded by income after year1)	RSW set up grant funding from WG: £526,300 (including database)
Costs incurred to landlord / sector of applying for a licence.	A copy of the Fees Policy is attached. This makes a distinction between: <ul style="list-style-type: none"> <li>• Online and paper applications</li> <li>• Landlords and agents and</li> <li>• Whether agents are part of a professional body or not.</li> </ul>	£100 / landlord or £13 million for the sector. ( or 10 million when those who appoint agents are excluded)	See table below
Costs to letting and managing agents per office / branch	The fees are applied to each business based on the portfolio size, not the number of offices / branches.  Worth noting that: <ul style="list-style-type: none"> <li>• there is a cost involved in training “connected</li> </ul>	£250 for a Licence / registration. £100 to become a member of a professional	A copy of the Fees Policy is attached.



	<p>persons” to an application for a licence.</p> <ul style="list-style-type: none"> <li>• Cost of providing the safeguards required to comply with licence conditions i.e. client money protection, professional indemnity insurance and member of a redress scheme can be secured without becoming part of a professional body.</li> </ul>	body. Total: £350	
Residential Property Tribunal costs	<p>Appeals to date 2 Landlord licence applications refused. 3 appeals against licence conditions later withdrawn by the appellant.</p>		

### Summary of Activity Levels and Income received up to 30<sup>th</sup> March 2017

Activity description	Activity level	Income 2015.16	Income 2016.17
Registration	74,188	272,787	2,319,775
Licences submitted	21,871	180,673	5,232,317
Training with RSW (classroom and online)	25,870	143,130	1,187,815
Calls managed	99,380	-	-

#### Other considerations:

1. The limited information available about the private rented sector and the unique nature of the scheme being proposed in Wales.
2. The exact nature and extent of the scheme changed during the development stages of the legislation e.g. moved to a single licensing authority model and the licensing regime became more formalised (this differed from the model in place under the voluntary accreditation scheme)
3. The legislation took effect from 23<sup>rd</sup> November 2015, however enforcement powers were not enacted until 23<sup>rd</sup> November 2016. This significantly impacted the compliance profile for year 1 and 2 of the scheme.

Bethan Jones  
Operational Manager  
Rent Smart Wales

20.06.17

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# Agenda Item 10

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# Agenda Item 11

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