

## Agenda – Public Accounts Committee

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Meeting Venue:

Committee Room 3 – The Senedd

Meeting date: 9 July 2018

Meeting time: 13.45

For further information contact:

Fay Bowen

Committee Clerk

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### (Pre-meeting)

(13.45 – 14.00)

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

(14.00)

### 2 Paper(s) to note

(14.00 – 14.05)

(Pages 1 – 3)

#### 2.1 NHS Wales Informatics Services: Letter from Steve Ham, Chief Executive, Velindre NHS Trust (28 June 2018)

(Pages 4 – 12)

#### 2.2 Intra-Wales – Cardiff to Anglesey – Air Service: Letter from the Welsh Government (3 July 2018)

(Pages 13 – 14)

### 3 The Welsh Government's initial funding of the Circuit of Wales Project: Consideration of the Welsh Government's response to the Committee's Report

(14.05 – 14.20)

(Pages 15 – 19)

PAC(5)–19–18 Paper 1 – Welsh Government's response to the Committee's Report

### 4 Implementation of the NHS Finance (Wales) Act 2014: Evidence Session 2

(14.20 – 15.30)

(Pages 20 – 41)



## Research Briefing

Tracy Myhill – Chief Executive, Abertawe Bro Morgannwg University Health Board

Sian Harrop-Griffiths – Director of Strategy, Abertawe Bro Morgannwg University Health Board

Lynne Hamilton – Director of Finance, Abertawe Bro Morgannwg University Health Board

### **(Break)**

(15.30 – 15.40)

### **5 Implementation of the NHS Finance (Wales) Act 2014: Evidence Session 3**

(15.40 – 16.45)

(Pages 42 – 61)

Len Richards – Chief Executive, Cardiff and Vale University Health Board

Bob Chadwick – Director of Finance, Cardiff and Vale University Health Board

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

(16.45)

Item 7 and the meeting on 17 July 2018

### **7 Implementation of the NHS Finance (Wales) Act 2014: Consideration of evidence received**

(16.45 – 17.00)

## Concise Minutes – Public Accounts Committee

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Meeting Venue:

Committee Room 3 – The Senedd

Meeting date: Monday, 2 July 2018

Meeting time: 14.01 – 16.40

This meeting can be viewed

on [Senedd TV](#) at:

<http://senedd.tv/en/4751>

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### Attendance

Category	Names
Assembly Members:	Nick Ramsay AM (Chair) Mohammad Asghar (Oscar) AM Neil Hamilton AM Vikki Howells AM Lee Waters AM
Witnesses:	Steve Webster, Cwm Taf University Health Board Allison Williams, Cwm Taf Local Health Board Dr Jacinta Abraham, Velindre NHS Trust Stuart Morris, Velindre NHS Trust Mark Osland, Velindre NHS Trust
Wales Audit Office:	Huw Vaughan Thomas CBE – Auditor General for Wales Mark Jeffs Dave Thomas
Committee Staff:	Huw Vaughan Thomas CBE Mark Jeffs Dave Thomas



	Fay Bowen (Clerk) Meriel Singleton (Second Clerk) Claire Griffiths (Deputy Clerk)
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## **1 Introductions, apologies, substitutions and declarations of interest**

- 1.1 The Chair welcomed the Members to the Committee.
- 1.2 Apologies were received from Rhianon Passmore AM and Adam Price AM. There were no substitutes.
- 1.3 Lee Waters AM declared an interest for Item 4 as his wife is an employee of Cwm Taf University Health Board.

## **2 Paper(s) to note**

- 2.1 The papers were noted.

## **3 Implementation of the NHS Finance (Wales) Act 2014: Committee Correspondence**

- 3.1 The Committee noted the correspondence.

## **4 Implementation of the NHS Finance (Wales) Act 2014: Evidence Session 1**

- 4.1 Members received evidence from Allison Williams, Chief Executive, Cwm Taf University Health Board and Steve Webster, Director of Finance, Cwm Taf University Health Board as part of the inquiry into the Implementation of the NHS Finance (Wales) Act 2014.
- 4.2 Steve Webster agreed to send further information regarding the proportion of savings which were non-recurrent in 2017-18.

## **5 NHS Wales Informatics Services: Evidence Session 4**

- 5.1 Members received evidence from Dr Jacinta Abraham, Medical Director, Velindre NHS Trust, Mark Osland, Director of Finance and Informatics, Velindre NHS Trust, and Stuart Morris, Associate Director of Informatics, Velindre NHS Trust as part of the inquiry into NHS Wales Informatics Services.

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

6.1 The motion was agreed.

**7 Implementation of the NHS Finance (Wales) Act 2014: Consideration of the evidence received**

7.1 Members considered the evidence received.

**8 NHS Wales Informatics Services: Consideration of evidence received**

8.1 Members considered the evidence received.

**9 Forward Work Programme: Autumn 2018 term**

9.1 Members noted and agreed the Committee's Forward Work Programme for the Autumn 2018 term.

# Agenda Item 2.1



Ymddiriedolaeth  
GIG Felindre  
Velindre NHS Trust



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Our ref: SH-rc/2018

Nick Ramsay AM  
Chair of the Public Accounts Committee  
National Assembly for Wales,  
Senedd,  
Cardiff Bay Link Road,  
Cardiff  
CF10 4PZ

**28<sup>th</sup> June 2018**

Dear Mr Ramsay

## **NHS Wales Informatics Services**

I have been asked to respond to several specific questions following your receipt of a letter from the Auditor General at your meeting on the 11<sup>th</sup> June. My apologies that I am unable to attend in person but I will address each question in turn:

- What do you see as yours and the Trust's wider role in addressing these concerns.

In terms of my role as lead CEO for informatics I provide the focal point for the Chief Executives group in discussing informatics issues, plans, and strategies but operating within existing governance arrangements and not overriding them. This involves liaising with the Assistant Directors of informatics group (which acts as a peer group for the service), NWIS, and government in developing strategies and ways of working. Therefore, in this instance there are no specific responsibilities as a result of the role in addressing the concerns which have been raised, however, I have updated Chairs and other Chief Executives regarding progress and developments.

The hosting agreement (Feb 2011) in place between the Trust and Welsh Government, defines that;

- NWIS will be directed by WAG in respect of both strategy and operational management.
- Velindre NHS Trust will host NWIS on an "arm's length" basis only, and will not engage in a direct managerial relationship with NWIS and its functions.

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In addition, the hosting agreement specifies that;

- NWIS agrees to comply with Velindre NHS Trust policies and procedures, for example Standing Orders, Standing Financial Instructions, and HR Policies and Procedures.

In respect of this latter point, and further to reports from the NHS Wales Delivery Unit (March 2017) and NWSSP Internal Audit on NWIS Value for Money (July 2017), the Trust strengthened the governance arrangements in respect of Serious Incident Reporting under Putting Things Right Regulations (PTR), and wider governance and assurance requirements. Following the Delivery Unit report, Velindre NHS Trust, as a **responsible body** under PTR, has aligned processes within NWIS following meetings between the Trust Executive lead for PTR, NWIS Directors and senior managers. As a result quarterly reporting of NWIS technical SI events that impact on patient safety are integrated into the Trust's governance arrangements to the Board and with Welsh Government through the quarterly Quality & Delivery performance meetings.

All statutory NHS organisations in Wales are **responsible bodies** under the PTR Regulations and each organisation will need to assess the scale and the impact of an NWIS technical event in relation to their patient populations across primary, secondary and tertiary services and to report this to Welsh Government in accordance with the Serious Incident reporting process.

The Trust agreed with Welsh Government following the Delivery Unit report to establish a national working group with representation from the Delivery Unit, all Health Boards and Trusts in Wales and the group has developed a governance framework to clarify roles and responsibilities across the health sector, in accordance with the Putting Things Right regulations. A feasibility exercise has been conducted to test and refine the proposed framework which will now be implemented shortly and formatively evaluated in 12 months' time.

To share wider system learning arising from patient safety incidents, it is proposed that thematic reports will be drawn from Incident investigations and provided to the National Quality & Safety Forum. This will be discussed further with Welsh Government in the coming weeks.

In summary, the Trust is a responsible body under PTR along with all other HB and Trusts in Wales and each statutory body will need to ensure that it discharges its duties for serious incidents as required by the Regulations. The Trust does not get involved in the root cause analysis of the technical incidents, unless of course, the incident has

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an impact on services provided by the Trust as reflected in the Trust Board report provided by the Auditor General.

- Whether the lines of communication for raising concerns are sufficiently clear, in the context of the governance issues that we have already explored as part of our inquiry.

Clearly given the issues raised by Boards there are improvements required with respect to lines of communication to ensure that assurance is received on a timely basis by individual Boards. This will be improved through the implementation of the above framework mentioned earlier. However, arrangements are in place operationally through the national Infrastructure Management Board and the Informatics Planning and Delivery Board to provide opportunities to both raise concerns and receive assurance.

- What action have you taken personally to respond to concerns that have been raised with you (both within the Trust and by other health boards, notably ABM UHB)

Within the Trust we have held a meeting at senior level with NWIS to consider further ways of mitigating the risk of system outages in relation to CANISC and to explore opportunities to automate some aspects of our business continuity response.

We have also discussed our business continuity response to ensure that we have the most effective response in place should further outages occur.

On a wider basis I have met with NWIS, WG, and facilitated discussions with both Chairs and Chief Executives in relation to further improvements which could be made.

- Whether you or NWIS has yet provided a formal response to the concerns that have been raised in recent months and whether other health boards have been raising similar concerns to those expressed by ABMUHB and identified by the Trust. If there has been a formal response, then we would welcome sight of it.

After liaising with WG colleagues, I responded, in my role as Chief Executive of the host organisation, to Tracy Myhill, CEO of ABMu on 20<sup>th</sup> June noting that the concerns raised and assurances being sought sat outside of the responsibilities of Velindre Trust as host. I advised that the letter had been passed to the Director of NWIS who had liaised with WG and has since responded directly to ABMu.

Attached is my response sent to Tracy Myhill at ABMu HB, together with the response from Andrew Griffiths in NWIS, sent directly to ABMu.

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- How serious do you consider the concerns to be.

Any issue which has the potential to affect the confidence of those using our systems to support patient care is very important and this is reflected in the concerns which are being raised and the clarity which is being sought from Boards in terms of prompt reporting in relation to the causes of incidents and the changes which have been made to avoid the issues in the future.

- Why is it taking so long for NWIS to complete and report back on investigations into specific incidents.

The Trust is unable to comment on specific reasons and suggest this is a matter for NWIS to respond on.

- What are the main reasons for these outages, and is there hard evidence that underlying infrastructure issues are a significant factor.

In terms of the outages on a wider basis than the Trust, I'm not aware that there is one specific issue but Andrew Griffith's letter to ABMU does refer. Improvements have been made already, further improvements are planned and an external review of the datacentres has been commissioned. The role of the Infrastructure Management Board which is chaired by a Health Board representative in overseeing NWIS' planned changes in the national infrastructure and incidents and reporting key issues to IPAD and NIMB has recently been strengthened

In terms of Velindre NHS Trust the issues relating to CANISC are further complicated as result of the systems age and design. As a consequence of this it has been reflected in the national informatics risk register and a plan has been developed, facilitated through the Cancer Network, and is being implemented to replace the system. This has meant that the Trust is now utilising the National instance of the Welsh Clinical Portal, which enables the service to take advantage of other functionality such as access to the Welsh Care Record Service, GP Summary Report, the ability to view Test Results and is currently in the process of piloting the Medicines Transcribing and electronic Discharge module.

In terms of further technical solutions, we are actively working with Health Board colleagues and NWIS to deliver more information currently stored within Canisc into the Welsh Care Records Service so that this will be visible through the Welsh Clinical Portal across Wales. Furthermore, over the next two years we will continue to prepare the Cancer Centre for the transition away from Canisc and to using the Welsh Patient

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Administration System and the Welsh Clinical Portal as the clinical interface, which will not only remove the Canisc vulnerabilities it will also enhance the visibility of Information across organisational boundaries.

Hopefully this will provide you with the details you require

Yours sincerely

Steve Ham  
**Chief Executive**

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Our ref: SH-rg/2018-19

20th June 2018

Tracy Myhill  
Chief Executive  
ABMU Health Board  
Headquarters  
One Talbot Gateway, Seaway Parade,  
Port Talbot  
SA12 7BR

Dear Tracy,

My sincere apologies for the delay in my response to your letter from 27<sup>th</sup> April noting concerns raised by your Board about NWIS.

As you are aware the Trust hosts NWIS on behalf of Welsh Government and the assurances you seek relate to areas that sit outside our responsibility within these arrangements.

I forwarded your letter to Andrew Griffiths and following agreement with Welsh Government I'm aware that he has responded to you directly.

If there is anything further that I can do to help please let me know.

Yours sincerely



Steve Ham  
**Chief Executive**

Cc: Frances Duffy, Director of Primary Care & Innovation  
Andrew Griffiths, Director of NHS Wales Informatics Service

Tracy Myhill  
Chief Executive  
ABMU Health Board  
Headquarters  
One Talbot Gateway, Seaway Parade  
Port Talbot  
SA12 7BR

12th June 2018

Dear Tracy

### **NWIS Business Continuity Incidents**

Further to your letter of 27<sup>th</sup> April 2018, addressed to Steve Ham in Velindre NHS Trust, I have set out below a response to the concerns raised from the perspective of the NHS Wales Informatics Service. As the Director of the Informatics Service, I am acutely aware of the impact of any service outage and consider myself personally responsible for ensuring that issues are addressed comprehensively and in a timely fashion. I am therefore keen to ensure that you have the information needed in order to assure yourselves that actions have been and continue to be taken in the manner that you would expect and I am happy to discuss any of these points further with you directly if that would be helpful.

Firstly, with regard to the issues themselves and the analysis of their cause and the corrective actions taken, I have attached to this letter the Serious Incident Report into the incident that occurred on 24<sup>th</sup> January 2018 and a further Briefing Document following the incident on 21<sup>st</sup> March 2018. You will note that both incidents have been fully investigated, involving the third party suppliers where applicable, and a number of corrective actions have already been undertaken.

You mention in your letter the option to failover services, in this case the WLIMS; as you would expect the design of the infrastructure allows for failover to an alternative data centre. In the case of WLIMS, the complexity of the service and the process required to failover can take a number of hours to complete and therefore a 2 hours contingency has been introduced during which time a decision is made. A decision to failover is only made if expectations of outage exceed this time.

We recognise that in the event of any loss of service pro-active communications are key and that was certainly the case with the two incidents in the data centre. At a senior management level we link in with the Assistant Directors of Informatics, in these two cases arranging regular telephone calls to update on the situation, and subsequently to share the outcome of the investigations via the Informatics Planning and Delivery Group (IPAD) forum; As well as issuing a notification as soon as the

incident occurs and regular updates via our Service Desk to the Health Board Service Desks for local escalation.

I note in the ABMU Debrief Report the point was raised about the lack of any notification to the Health Board Communications Team *“and therefore, dealing with media enquiries was difficult, particularly with regard to the queries in relation to Cyber Security.”* This is currently being considered as part of the procedural review with Welsh Government, as this is not currently an action assigned to NWIS; In the majority of cases I would anticipate that the Health Board will be better placed to understand the specific impact on their services of any issues with their IT Services and we respect your decisions in terms of wider communications.

The Infrastructure Management Board, whose members include representatives from all of the Health Boards and Trusts, in ABMU’s case Carl Mustad, has discussed these issues in detail and has overseen all activities in terms of both the remedial actions as well as the additional measures that we are taking for further assurance.

In addition to regular audits in relation to our ISO Accreditation status for ISO 20000-1 IT Service Management Systems, NWIS already has a number of external technical audits that are undertaken periodically on key components of the infrastructure. These include an Active Directory Risk Assessment, Exchange (Email) risk assessment and Microsoft SQL (Database) supportability reviews. Work to commission external reviews of the following is also now underway:

- Data Centre Networks and Firewalls
- NWIS Citrix estate (used in the delivery of LIMS, WPAS, CANISC and others).
- Backup systems

To provide additional assurance and identify any further remedial actions.

In summary we have had very few incidents in the provision of data centre services across NHS Wales but we are very aware of the impact of any disruption in service provision and have taken actions not only to ensure that the specific issues have been addressed but also to ensure that the resilience of these services is robustly tested and any additional measures taken. In doing so, we work closely with the Health Boards through the Infrastructure Management Board, Service Management Boards, IPAD and the National Informatics Management Board and I will ensure that we continue to do so.

I am happy to discuss any of these points further when we meet on 11<sup>th</sup> July 2018.

Yours Sincerely



Andrew Griffiths

Chief Information Officer NHS Wales  
Director of NHS Wales Informatics Service

cc: Hamish Laing  
Matt John

Grwp yr Economi, Sgiliau a Chyfoeth Naturiol  
Economy, Skills and Natural Resources Group

Cyfarwyddwr Cyffredinol - Director General



Llywodraeth Cymru  
Welsh Government

Nick Ramsay AM  
Chair  
Public Accounts Committee  
National Assembly for Wales  
Cardiff Bay  
Cardiff  
CF99 1NA

3 July 2018

Dear Chair

### **Intra Wales Air Service**

Further to my letter of 28 June, please find attached the performance information in relation to the punctuality of the air service and the number of cancellations for technical reasons in comparison with the service under other operators since 2014.

Please accept my apologies for the delay in providing this information.

Yours sincerely

A handwritten signature in black ink, appearing to read 'A. Slade', is positioned below the text 'Yours sincerely'.

**ANDREW SLADE**  
Director General  
Economy, Skills and Natural Resources

Parc Cathays/Cathays Park  
Caerdydd/Cardiff  
CF10 3NQ

<b>Contract</b>	<b>No. of Flights</b>	<b>Punctuality - % on time</b>	<b>Technical cancellations</b>
LinksAir - Dec 2014 to Jan 2016	924	96.6%	10
North Flying - Jan 2016 to Feb 2016	50	96.0%	0
Van Air - Feb 2016 to Sep 2016	588	88.0%	2
Van Air - Sep 2016 to Feb 2017	389	89.6%	3
Eastern Airways - Mar 2017 - May 2018*	1160	94.5%	8
* data supplied by Eastern Airways up to latest available month			
The table above shows the number of flights operated, the punctuality performance and the number of cancellations due to technical reasons for each operator of the Cardiff to Anglesey PSO air service from December 2014 to May 2018.			



## **Written Response by the Welsh Government to the report of the Public Accounts Committee – Welsh Governments initial funding of the Circuit of Wales project.**

**June 2018**

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We welcome the report and offer the following response to the recommendations in the report.

**Recommendation 1.** We recommend that the Welsh Government strengthen their controls to ensure value for public money in relation to:

- Understanding relationships between funding recipients and their contractors and suppliers;
- Including requirements within funding conditions for recipients to put appropriate controls in place to secure value for money from their contractors and suppliers, and to provide evidence to the Welsh Government of their effective operation, in particular for:
  - Claims involving payments for services on the basis of retainers, to ensure that the services have been provided;
  - Claims for payment involving companies or individuals who are related parties, irrespective of whether or not they can exert direct influence over the claimant or over the conduct of the project being funded.

**ACCEPT**– The Welsh Government accepts that, in certain specific circumstances, it needs to strengthen its controls to ensure value for public money, recognising that actions must be proportionate to risk and clearly documented. However, assessment of all organisations which could be related in any way to the funding recipient would require excessive resources and would not achieve value for money; the cost of such an exercise would exceed the potential risks.

The Welsh Government implemented changes to the Business Finance grant application process in April 2017, which requires applicants to clarify whether Welsh Government funds are to be paid to related companies for goods and/or services. Additional due diligence has been put in place where related companies are identified. Where appropriate, additional conditions will be included in the funding agreement to ensure value for money is being achieved.

The Welsh Government's standard funding agreement already requires recipients to demonstrate that value for money has been secured from their contractors and suppliers. However, the Welsh Government accepts that the assessment of whether value for money has been achieved needs to be strengthened, especially where retainers have been paid. An exercise will be undertaken to consider this issue in more detail, including the processes that can be put in place to ensure complex projects demonstrate procured activities can evidence value for money. Best practice taken from the procurement requirements implemented by Welsh European

Funding Office (WEFO) will be considered as part of this exercise. Testing that services and/or goods have actually been provided, especially in the case of retainers, will form part of any process implemented. Welsh Government will report back to the Committee once this exercise has been completed.

Implementation: By end March 2019

**Recommendation 2.** We recommend that the funding of the purchase of FTR is utilised as a case study for internal training purposes by the Welsh Government, given the highly unorthodox decisions made at official level, the accompanying lack of documentation and the apparent failure of officials to seek and obtain the requisite approvals from their respective Minister.

**ACCEPT** – The funding for the purchase of FTR will be developed into a case study for use at appropriate internal training sessions, including with members of the Senior Civil Service in ESNR Group in early autumn 2018.

**Recommendation 3.** We recommend that the Welsh Government confirms to the Public Accounts Committee that it has since recovered the £100,000 from the escrow account.

The Welsh Government is pursuing the £100,000 that was in the escrow account. Legal advice has been commissioned to determine whether the £100,000 is still in the escrow account or whether the funding was forfeited when the option on the land expired and ultimately whether the £100,000 can be recovered. The Committee will be updated on the outcome of this advice in due course.

**Recommendation 4.** We recommend that the Welsh Government ensures that a contractual requirement is included for future payments made to cover eligible expenditure related to escrow accounts in the event of a project failure

**ACCEPT** - The use of an escrow account can be an effective method of mitigating project risks where transactions are conditional. However, Welsh Government accepts that where an escrow account is utilised as part of a funding package in future, appropriate conditions of funding will be specified to ensure that any associated risks are mitigated. These conditions of funding will include the ability to recover funding from the escrow account in the event of project failure.

Implementation – September 2018

**Recommendation 5.** We recommend for all projects involving either significant risk or large sums of money that a requirement for applicants to elect for their financial statements to be independently audited is included within the Welsh Government's funding conditions, and that such terms are then rigorously enforced as part of robust ongoing monitoring arrangements

**ACCEPT** – Welsh Government strives to adopt and apply controls intelligently, flexibly and proportionately to the scale and complexity of the project, in order to mitigate the risks involved. The Welsh Government will strengthen the assessment of risk at a project level and will require and enforce any condition to provide

independently audited accounts where it is appropriate to do so. Where independently audited accounts cannot be provided, additional evidence at the claim stage will be used, for example the need to provide an Independent Accountants' Certificate to demonstrate appropriate defrayal of expenditure.

Welsh Government funds a significant number of projects annually with a high proportion of projects being undertaken by small and medium sized enterprises. For a small or even medium sized entity, the imposition of an audit could be a significant financial burden to their business. In addition, the statutory process for filing audited accounts can take up to nine months so the availability of current audited accounts would be limited.

**Recommendation 6.** We recommend the Welsh Government strengthen its arrangements to ensure that whenever staff have concerns about instructions from authorising officers to make payments, they are able and confident to raise those concerns with a senior independent manager

**ACCEPT** – Welsh Government already has robust processes in place for dealing with such concerns. Welsh Government officials must comply with the Civil Service Code (<https://www.gov.uk/government/publications/civil-service-code/the-civil-service-code>).

Where appropriate, concerns can be escalated via the Welsh Government's whistleblowing policy which utilises the independent whistleblowing panel (<https://gov.wales/docs/decisions/2016/government/160824at1sn10602doc1.pdf>).

The existence of the whistleblowing policy, and its proactive use, empowers staff to undertake appropriate action.

The importance of compliance with the Civil Service Code and the escalation route will be further highlighted to Welsh Government staff via a number of communication techniques including articles on the Welsh Government intranet site and appropriate internal training sessions.

This action will be completed by end September 2018, and regularly followed-up thereafter.

**Recommendation 7.** We recommend that all Cabinet Secretaries, Ministers and all Welsh Government Senior Civil Servants are reminded of the requirements within the Ministerial and Civil Service Codes to ensure the accuracy of all information released

**ACCEPT** – The importance of ensuring the accuracy of all information released will be communicated to all Welsh Government Senior Civil Servants via appropriate briefings and training sessions.

Cabinet Secretaries and Ministers are regularly reminded of the contents of the Ministerial Code – the latest version was published and issued to them by the First Minister in November 2017.

**Recommendation 8.** We recommend that the Welsh Government standardises the use of the “internal assurance group” mechanism for all future complex, novel or large-scale investment decisions.

**ACCEPT** – Welsh Government has already accepted the benefits of the internal assurance group mechanism for this project. It will be standardised for future complex, novel or large-scale investment decisions

Implementation: December 2018

**Recommendation 9.** We recommend the Welsh Government establish a more sophisticated methodology for evaluating the overall economic impact of projects potentially involving public sector financial support, including robust analysis of the sharing of risks and rewards, and the value for money of loan guarantees and other non-grant funding options

**ACCEPT** – Our new approach to business cases, incorporating the guidance set out in the revised HM Treasury Green Book and supporting documents, will address these principles.

We are supporting the implementation of our updated approach to business cases through the Better Business Cases Network, which promotes collaboration and sharing best practice in the creation or assessment of business cases across the Welsh public sector and by increasing our capacity for economic analysis through the recruitment of additional economists and working with external partners.

The recently launched Economic Action Plan sets out a new operating model to drive inclusive growth and future proof businesses. Focussed on investment with a social purpose, this new approach has the Economic Contract at its heart, which will help us develop a new and strengthened relationship with businesses to drive inclusive growth and responsible business behaviours from our initial contact.

The application of the revised guidance, a new operating model, together with increased internal challenge, will help provide added assurance on the economic impacts of the Welsh Government’s investments.

**Recommendation 10.** We recommend that the Welsh Government explore with Her Majesty’s Treasury and the Office of National Statistics whether the published guidance on the risk weighting of projects of this nature can be enhanced to ensure that it is fully relevant within a devolved context.

**ACCEPT** – The published guidance on risk weighting is set out in Eurostat’s Manual on Government Deficit and Debt (MGDD, 2016) and applies at the EU level. The MGDD is updated periodically. An enhancement of the guidance will be sought in due course in the working group established by Eurostat to undertake the updating of MGDD.

**Recommendation 11.** We recommend that the Welsh Government work with relevant parties to establish a framework policy for decision-making in relation to large scale projects, which will set out potential sources of advice such as ONS, IPA.

**ACCEPT** - While decision-making rests with the ONS (and ultimately Eurostat), and a clear framework for its decision-making already exists, it is acknowledged that the Welsh Government's internal processes for the sourcing and provision of classification advice, and the management of classification risk should be clarified. To that end these internal processes will be discussed, agreed and recorded by Directors of Finance by December 2018.

**Recommendation 12.** We recommend that the Welsh Government adopts a standard practice that meeting notes are agreed for factual accuracy by all relevant parties at the point of drafting.

**ACCEPT** – Where contemporaneous notes of meetings are to be retained as part of the audit trail for Welsh Government decision-making processes, they will be shared with relevant parties at the point of drafting to confirm factual accuracy. The importance of producing accurate, contemporaneous audit trails will be reinforced in appropriate training sessions for staff.

**Recommendation 13.** Given the Creditors Voluntary Agreement and the uncertain financial status of the HOVDC, the Committee requires clarification from the Welsh Government on what action it is taking to safeguard its £7.3m debt from HoVDC arising from the Welsh Government loan guarantee.

**ACCEPT** – The Welsh Government is a secured creditor of HOVDC as a consequence of the debenture held over the company and its direct subsidiaries. The company has been served with notice that they have defaulted on the terms of the Welsh Government funding, thereby preserving our ability to make a formal claim or to take action pursuant to our security. Officials are liaising with executives of Santander plc, who as first charge holder would have to agree to any action taken under the debenture by WG - the reverse also being the case should Santander wish to initiate action.

We understand a number of proposals have emerged in recent months from the private sector to take the project forward. Whilst there has been no request for Welsh Government financial support, one of the potential promoters has indicated that they would wish Welsh Government to enter into an arrangement to release the security, to enable the project to proceed, and in return receive a financial stake in the new business that could repay the debt over time. We are awaiting the outcome of discussions between this new promoter and the Cardiff Capital Region City Deal.

Welsh Government will keep the Committee informed about developments in relation to the debt (subject to requirements of commercial confidentiality).

# Agenda Item 4

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

Document is Restricted

# Agenda Item 5

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

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