



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

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

Dydd Mawrth, 23 Hydref 2012
Tuesday, 23 October 2012

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Cofnodir y trafodion yn yr iaith y llefarwyd hwy ynddi yn y pwyllgor. Yn ogystal, cynhwysir trawsgrifiad o'r cyfieithu ar y pryd.

The proceedings are recorded in the language in which they were spoken in the committee. In

addition, a transcription of the simultaneous interpretation is included.

Aelodau'r pwyllgor yn bresennol
Committee members in attendance

Mohammad Asghar	Ceidwadwyr Cymreig Welsh Conservatives
Mike Hedges	Llafur Labour
Darren Millar	Ceidwadwyr Cymreig (Cadeirydd y Pwyllgor) Welsh Conservatives (Committee Chair)
Julie Morgan	Llafur Labour
Gwyn R. Price	Llafur Labour
Jenny Rathbone	Llafur Labour
Aled Roberts	Democratiaid Rhyddfrydol Cymru Welsh Liberal Democrats
Lindsay Whittle	Plaid Cymru The Party of Wales

Eraill yn bresennol
Others in attendance

Gillian Body	Archwilydd Cyffredinol Cynorthwyol, Swyddfa Archwilio Cymru Assistant Auditor General for Wales, Wales Audit Office
Jeff Collins	Cyfarwyddwr Cyflenwi, Busnes, Menter, Technoleg a Gwyddoniaeth Director of Delivery, Business, Enterprise, Technology and Science
Paul Dimblebee	Cyfarwyddwr Grŵp, Swyddfa Archwilio Cymru Group Director, Wales Audit Office
Ann-Marie Harkin	Cyfarwyddwr Grŵp, Swyddfa Archwilio Cymru Group Director, Wales Audit Office
Terry Jones	Rheolwr Technegol, Swyddfa Archwilio Cymru Technical Manager, Wales Audit Office
James Price	Cyfarwyddwr Cyffredinol, Busnes, Menter, Technoleg a Gwyddoniaeth Director General, Business, Enterprise, Technology and Science
Huw Vaughan Thomas	Archwilydd Cyffredinol Cymru Auditor General for Wales
Kevin Thomas	Archwilydd Cyffredinol Cynorthwyol, Swyddfa Archwilio Cymru Assistant Auditor General for Wales, Wales Audit Office

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

Dan Collier	Dirprwy Glerc Deputy Clerk
Joanest Jackson	Uwch-gynghorydd Cyfreithiol Senior Legal Adviser

Tom Jackson

Clerc

Clerc

Dechreuodd y cyfarfod am 9.08 a.m.

The meeting began at 9.08 a.m.

Cyflwyniad, Ymddiheuriadau a Dirprwyon Introductions, Apologies and Substitutions

[1] **Darren Millar:** Good morning, everyone. Welcome to today's meeting of the Public Accounts Committee. I remind everyone that the National Assembly for Wales is a bilingual institution and that people should feel free to contribute to today's meeting in either English or Welsh, as they see fit. We have the usual headsets available for people so that they can hear the translation facility if they need that, and those headsets can also be used for sound amplification purposes. I remind everyone to switch off their mobile phones and other electronic devices, as these can interfere with the broadcasting and other equipment. In the event of an emergency, we should follow the ushers, who will guide us to the nearest safe assembly point.

[2] I have not received any apologies for today's meeting, so we will get straight into the meat of our agenda.

9.09 a.m.

Yr Amcangyfrif o Incwm a Gwariant Swyddfa Archwilio Cymru ar gyfer y Flwyddyn a Ddaw i Ben ar 31 Mawrth 2014

The Estimate of Income and Expenditure of the Wales Audit Office for the Year Ending 31 March 2014

[3] **Darren Millar:** We will start with the estimate of income and expenditure of the Wales Audit Office for the year ending 31 March 2014. I am pleased to be able to welcome the auditor general, Huw Vaughan Thomas, to the table today, along with Terry Jones, Kevin Thomas and Ann-Marie Harkin, who are all of the Wales Audit Office.

[4] Would you like to talk us through your estimate to start off with? We will then ask you some questions.

[5] **Mr H. Thomas:** Yes, I would be happy to.

[6] By way of introduction, I want to say that I took very seriously the comments that you made when you considered the estimates last year. You asked me then whether I had budgeted enough to ensure that quality was being delivered in the work of the Wales Audit Office, and I think that you then questioned me about the extent of the reductions that I was proposing. As you will see, this year, I have continued to drive down. The fees that I want to charge the audited bodies are down, in real terms.

[7] At the same time, there are three areas in which I would like to see improvement, and I have identified those so that you can see exactly where the additional money that I am requesting is going. When we first presented a value-for-money study to this committee, Members might recall Jenny Rathbone, in particular, asking how much it cost and what kind of savings there were for the public purse. The value-for-money study at the time was on hospital catering, which cost around £280,000 at the time. We identified that, even if the 10 hospitals that were the focus of our inquiry all performed in the upper quartile of good practice, £750,000 could be saved. However, they represented something like 10% of hospitals in Wales; therefore, the potential for savings was that much greater. We wanted to

drive that kind of improvement agenda forward not just by issuing a report and leaving it on the shelf, but by actively taking part in spreading good practice, working with others, producing our own documentation and so on. So, I am anxious to see the work of good practice exchange developing this year, to run more of such seminars to ensure that, where we identify good practice, we actively take steps to ensure that the public sector in Wales understands them and can apply them. That is one of the things that the Wales Audit Office should do: not just identify and then leave it to others, but play a part with the public sector. So, with that £250,000, I am looking to improve the work of good practice exchange.

[8] Equally, this year—and I do not think that it is untypical, because I have looked back over previous years—there have been unplanned studies that have arisen in the course of the year. The All Wales Ethnic Minority Association has taken a fair amount of the resource that I would otherwise have spent on value-for-money studies. There was an additional study, which you will look at later today, on the River Lodge Hotel, which came up in the course of the year. I now have to spend more resource looking at the regeneration fund for Wales, because there are concerns in that quarter. Every time I take that kind of out-of-pattern study, I am taking resource away from the value-for-money work that we had planned. So, the pre-planned area is suffering to ensure that I am able to deliver more timely reports on matters of perhaps more immediate concern to you.

[9] I also want to change slightly the value-for-money studies. We have traditionally delivered a reasonably sized study over a longer period, but I want to deliver a new pattern in which that type of work continues but alongside some shorter studies, so that they are more contemporaneous, in a sense, and we are able to contribute to the debate in real terms. I am seeking extra funds—again, about £250,000—for that to take place.

[10] On our choice of work and our pattern of work and studies, I should say that we will be publishing a consultation document shortly on the strategy that the Wales Audit Office intends to adopt over the next three years, and we will seek the views of stakeholders to see whether they share our thoughts on the areas that will need attention.

[11] The last area for the extra £250,000 is the Bill work. I will not go over the details, as we have written to you separately about the cost of the Bill. We estimate that this is higher than that put forward by the Welsh Government. Had the Welsh Government talked to us more openly during the preparation of the Bill, there would be less differential between what we are estimating and its headline figures.

9.15 p.m.

[12] There is one bit in the Bill, whatever you decide, that I would very much like to see taking place. Currently, we have almost an iron curtain, if you like, between the funds that I am able to take from local government and how I account for them and so on. It would be much easier if, as the Bill intends, they became part of a general income stream. It would then be much easier to understand, particularly when you get to appendices 2 and 3, where my funds are coming from, rather than the current division. In short, we are proposing to keep the costs and the fees down, but to seek extra funds from the consolidated fund to improve the effectiveness and penetration of Wales Audit Office studies.

[13] **Darren Millar:** Thank you for those opening remarks, auditor general. Of course, it is always the percentage increases that tend to capture people's imagination. At first glance, when you see a 16% increase in funding requirements coming from the Wales Audit Office, it makes people gulp a little. However, we understand that the revenue requirement is only part of your overall expenditure. What is the £750,000 as a percentage of the overall expenditure within the Wales Audit Office?

[14] **Mr H. Thomas:** Exhibit 1 gives you a clear idea of where the funds are going in the course of the last few years, with the reductions and the actual shift back of the £750,000. The Wales Audit Office amounts are £24 million, so you can take £750,000 as a percentage of that.

[15] **Darren Millar:** You mentioned the fact that you want to roll out the good practice work that the Wales Audit Office does, and we know that you have spoken to the committee many times about the good practice web portal that you use. What, specifically, are you going to deliver with the £250,000 that you are requesting, and is this a one-off request, or will it be a recurring additional request in future years?

[16] **Mr H. Thomas:** I see it as built into the baseline from then on. Perhaps I could give an illustration. I will take the grants management example, as it is a more current study. As part of that, we budgeted for providing a good practice seminar for the Welsh Government. After we provided the first seminar, it became clear that the Welsh Government needed another five or so seminars to cover all the staff who needed to be exposed, if you like, to the good practice. There was only so much that I had built into the studies. Normally, I build one session on good practice exchange into most studies, but I am looking to increase that number. You can apply it to the studies that we are doing. I would also want to continue to work with other parts of the Welsh public sector in presenting our studies and applying good practice. So, we might want to work, for example, with Welsh local government on some, and on others we will want to work with a particular funding strand of the Welsh Government itself.

[17] **Darren Millar:** How did you arrive at this £250,000 figure? Was it a finger-in-the-air job?

[18] **Mr H. Thomas:** I appreciate that it looks like that. We have a very detailed business case. We currently spend around £250,000 on it, to be honest, and I am seeking to double my penetration.

[19] **Darren Millar:** On the portal that you have, the website, will that continue as is, or do you also hope to enhance that with the cash?

[20] **Mr H. Thomas:** Part of this is to do with improving the web portal itself. We actually need to improve our general internet facilities at the Wales Audit Office. On the £250,000, that actually includes—Kevin, just remind me.

[21] **Mr K. Thomas:** It does include the development of the web portal. As the auditor general said, we want to expand that. We also want to make it more of an interactive tool to encourage greater citizen engagement with the good practice exchange, which is very much a part of the focus of this enhanced work.

[22] **Gwyn R. Price:** You say that £250,000 would be used to respond promptly to additional requests for ad hoc work without delaying the delivery of the national studies programme. If that amount were not made available, what would be the impact?

[23] **Mr H. Thomas:** I would row back on the planned value-for-money studies. Basically, that is your choice. Currently, you provide funding to allow me to carry out something of the order of 10 to 12 value-for-money studies each year. If I do not get that extra money, I will simply be shifting one study in order to allow another study to take place. For example, AWEMA took the place of a study that was intended to look at the impact on the third sector of the various funding decisions that the Welsh Government was taking under austerity, and the role that the third sector could play in that regard. I simply could not afford to do that study and AWEMA alongside each other.

[24] **Gwyn R. Price:** So, how many studies would be affected and what would be the delay then?

[25] **Mr H. Thomas:** It depends entirely on the number of unplanned studies that come along and the impact. This year, we have had to do the work on River Lodge and AWEMA, and as I have indicated, I also have major work coming up now on the regeneration investment fund for Wales. So, I am looking at the potential loss of two at present. It costs somewhere in the order of £225,000 per standard value-for-money study. So, what I am seeking to do, if you like, is to make sure that I have a cushion there for the work. I cannot guarantee if we get a flood of extra study requests that I feel need to be carried out, that there will not still be an impact, but this gives us an extra cushion. We have not previously put a sum in for unplanned work of this nature.

[26] **Gwyn R. Price:** You may be coming here again.

[27] **Mr H. Thomas:** I think that you will be wanting to talk to me in the early part of next year, in January or February, when I look at the programme of value-for-money studies with you, and you will want to say me, perhaps, 'Can't you do more on that?', and I will simply have to say, 'The funds I've got will only allow me to do this amount'.

[28] **Mohammad Asghar:** Thank you very much indeed for your initial statement. I am surprised that a department of your scale does not have any contingency funds to deal with this additional work, like the AWEMA and River Lodge inquiries. So, on additional funding, I am not quibbling about it, but my question is: are there any other studies in your programme that you would be happy to reduce in scope or delay if additional money were not available?

[29] **Mr H. Thomas:** There are various other studies that we do. For example, you have seen the drainage board study recently, and we have also had to do other ones in terms of public interest reports. Under those headings, we are able to charge the extra work that we do to the audited bodies—it is part of the legislation. I am focusing on the value-for-money studies because they are funded out of the consolidated funds, and that is why we are talking about the extent of contingency and so on, under that particular heading. So, I am not looking at saying, 'Are there other studies?'. I am looking at the value-for-money studies.

[30] **Mohammad Asghar:** But you are saying good practice in one and also you are saying new governance and other arrangements—initial transitional costs. You know, it is the same thing, or from the Bill's proposals rather. What do you mean by this? What additional costs is the Bill proposing? This is there in the paragraph. It is included in the figure of £250,000, this estimate to cover new governance and other arrangements, and some initial transitional cost arising from the Bill's proposals. You have indicated a further investment cost of £350,000, which will arise in 2014-15. So, you have already estimated that additional cost anyway.

[31] **Darren Millar:** Just before we move on to the Bill, just on this issue of value-for-money studies, one issue that we have is that every year you get unplanned work and you manage to cover it within your existing resource at the moment. This is the first time, as you have admitted this morning, that you have asked for some additional resource to be specifically ring-fenced for any additional studies. Why do you think you would not be able to meet the demand even if it means a slight delay in delivering other VFM studies? Why do you feel it is necessary this year to put in this request?

[32] **Mr H. Thomas:** It is my personal role as the auditor general to ensure that I am looking at those areas of the economy and public expenditure that I think merit study. I am conscious that I brought to the predecessor PAC, very early on in my first appearances, a list

of value-for-money studies that I would like to see carried out. I have supplemented it this year, and I am conscious that it has been knocked from time to time, particularly recently, by unplanned work. You might say, 'Well, you ought to have one unplanned piece of work.' I accept that, and one swallow does not make a summer. Currently, however, we are getting them in a flock. As they come in, it is causing me concern that I cannot look at the regular work and that I am having to move staff to do more emergency work. That is why it is appropriate that we move on to a more standard basis, in which you accept that I am delivering a certain number of value-for-money studies and that I am holding a contingency. I would not be declaring at the beginning of the year which study it would be because I would anticipate that something would crop up in the course of the year. It seems to me that that is a much clearer and more open way of budgeting. Currently, as I said, I am telling you that I will do 10 to 12 studies and, at the end of the year, you will ask me, 'Why haven't you done 10 to 12?' and I will say, 'Well, it was because of A, B and C.' I want to ensure that I have 10 to 12 plus reserve.

[33] **Mohammad Asghar:** I have a few minor things to ask.

[34] **Darren Millar:** Could you confine them to value-for-money studies, please? We will go on to the public audit Bill later.

[35] **Mohammad Asghar:** I have just a little question to ask: in your good department, do you have any contingency funds?

[36] **Mr Jones:** In general terms, the legislation allows us to build up reserves, but only from local government fees. When we talked about the accounts three weeks or so ago, we talked about the provisions that we put in and that cleared any reserves that we had at that time, which were very small in any case. Under the current legislation, were we to try to build up reserves—

[37] **Mohammad Asghar:** How much is a 'very small' amount of reserves?

[38] **Mr Jones:** It was £160,000 or so. Were we to try and build up reserves under the current legislation, the only way in which we could do it would be to charge extra fees to local government. Given the drive for the auditor general to try to reduce fees, I do not think that that would be palatable at present.

[39] **Julie Morgan:** If you did get the £250,000 for the ad hoc work, how do you plan to use it? Would you get more staff in or contract out extra work? What sort of plans do you have?

[40] **Mr H. Thomas:** It would allow us to buy a range of resources, some of which may well be knock-on. For example, we could bring in extra contractors to carry out standard value-for-money activity and maintain the pattern of 10 to 12, while I use my staff on particular studies. In other cases, such as one that I am currently looking at, I need to buy in some extra speciality to deliver that study. So, this would give the flexibility that I would need to allow that study to take place.

[41] **Julie Morgan:** You are asking for an extra £250,000. Would you be expecting that to be built into the budget indefinitely?

[42] **Mr H. Thomas:** All I can say is that, in the two years that I have occupied the role of auditor general, these unplanned studies have come with a degree of regularity. Looking back, I cannot answer that question, but I am told that they have had that kind of impact: in the course of the year, people have simply delayed the planned studies to carry out that work. It is better to say that there will be a sum. After all, this is something that we can expect to arise in

the course of the year. I hope that we do not have too many AWEMAs because the amount of resources that that had to take far exceeded the sum that I am looking for. However, this sum provides a really good contingency factor.

[43] **Julie Morgan:** So, this is something that you anticipate happening.

[44] **Mr H. Thomas:** Yes, I would anticipate that.

[45] **Darren Millar:** What would happen in the event that that sum of money was not spent? Let us say that you had a fallow year with no additional requests—not that they would come up regularly, I know. However, if you did not have any requests, would you return the sum to the consolidated fund?

9.30 a.m.

[46] **Mr H. Thomas:** As you know, the way in which we are now resource accounting means that we do return funds to the consolidated fund at the end of the year.

[47] **Darren Millar:** Yes. Would that arrangement continue?

[48] **Mr H. Thomas:** Yes.

[49] **Darren Millar:** So, we would get it back if you did not spend it. That is the point I am making.

[50] **Mr H. Thomas:** What I am arguing is that this is an easier way of doing it than if I were to come here each time I needed to carry out an investigation such as the one into AWEMA in order to ask for a supplementary estimate to go through. That might politicise some of my studies a bit too much.

[51] **Darren Millar:** That is fair enough.

[52] **Lindsay Whittle:** In paragraph 7 of your submission, you say that the remaining £250,000 is a request for the non-executive element of the new shadow board and perhaps some legal costs. However, that is very much dependent on the passing of the Bill. If the Bill is not passed, you will not need that, will you?

[53] **Mr H. Thomas:** No, I would not need it. That is why I have divided it up in the way that I have and cross-referenced it back to my letter of 12 October. Should the Bill not proceed, I would not need this amount of money.

[54] **Lindsay Whittle:** Paragraph 33 of your submission says that the cost would be £250,000 in 2013-14, but that another £100,000 would be required in 2014-15. An extra £100,000 seems like a lot. What is going to happen in 2014-15 that will not have happened in 2013-14?

[55] **Mr H. Thomas:** I refer you to my letter of 12 October, which sets out in some detail why that difference occurs. In particular, I draw your attention to paragraph 11 of my letter of 12 October, which shows that, in a sense, we have additional costs arising.

[56] **Darren Millar:** I am sorry, auditor general, we only noted that letter as a document in our meeting yesterday. Are you able to remind us of the specific point you make in that letter?

[57] **Lindsay Whittle:** Yesterday was a lot of reading ago. [*Laughter.*]

[58] **Mr H. Thomas:** I repeat the original bit, which is that, if the Bill is not passed in the way that it is currently drafted, the sums will change. There is a risk of further costs, which we refer to in the letter in particular. There are transitional costs to do with setting up and issues to do with developing codes of audit practice. The codes in the Bill look as though they have been passed round policy branches in the Welsh Government with each one adding an extra requirement, so the codes have to be rewritten. In my own right, I have to prepare a freedom of information scheme and an equality scheme, as does the Wales Audit Office. So, we have a lot of transitional costs, which are detailed in the letter. Finally, there is an issue that we still need to bottom out to do with whether staff who carry out their work for me, as auditor general, despite the fact that they are employed by the Wales Audit Office, might fall foul of a taxation requirement. Therefore, if the worst scenario comes to pass, the ongoing costs are going to be higher. I sincerely hope that that will not come to pass, but I thought that it was appropriate that I mentioned it as a risk. Of course, I am not applying for those extra funds this year. I am simply warning that they may be required next year.

[59] **Lindsay Whittle:** However, you must have a policy on that now. Surely you do not have to rewrite that.

[60] **Mr H. Thomas:** I would like to. Again, I am sorry because this sounds as though I am arguing about the Bill rather than my estimate, but had the Welsh Government talked to me when drafting the Bill about the issues covered in the code of audit practice, we could have done it without this substantial amount of rewriting. I recognise this from having been in the civil service: when you circulate something around a department, everyone wants to add their two pennyworth to it. So, we have a longer list of requirements that I am having to prepare a code of audit practice for than currently exists.

[61] **Darren Millar:** When the Minister was before the committee yesterday, talking about the Bill, she estimated the resource requirement to be just an additional £150,000 a year, based on what was being spent by the National Audit Office on its corporate-body-type arrangements. You clearly do not recognise that sum as being appropriate.

[62] **Mr H. Thomas:** It would have helped considerably had the civil service been prepared to talk to me, and to the Assembly, in drafting the Bill. The NAO Bill was so drafted.

[63] **Darren Millar:** Okay. Thank you for that. We will park that one. We will move on, unless anyone wishes to ask further questions on this.

[64] **Jenny Rathbone:** I wanted to pick up on something in the Auditor General's letter. You also talk about the need to co-opt two independent members to the audit committee of this new board. Why would that be necessary? The audit committee handbook of HM Treasury states that it is necessary:

[65] 'When there are insufficient non-executive Board members'.

[66] However, if there were five non-executive board members, why could you not just draw some of them into your audit committee?

[67] **Mr H. Thomas:** Because the Bill has mixed up non-executive and executive functions. The non-executives will be carrying out executive functions and then you are asking them, carrying out executive functions on the WAO board, to audit themselves. That is not in accordance with the Treasury handbook.

[68] **Jenny Rathbone:** Okay. We are still deliberating on that. So it is possible that these

extras will not be required, but we obviously need to wait and see.

[69] **Mr H. Thomas:** If the Bill gets closer to the NAO model, where you have executive and non-executives on it, then you are able to take some of the non-executives into the audit committee. However, it is still good practice to add at least one external person to an audit committee. Therefore, I recognise that, in a sense, going back to the original point, I am estimating the maximum that I believe the Bill will cost. If it costs less, I would be delighted, and I would not need this money.

[70] **Jenny Rathbone:** Fine. So we can come back to that once we know—

[71] **Mr H. Thomas:** Yes, absolutely.

[72] **Darren Millar:** Do you have any further questions, Lindsay?

[73] **Lindsay Whittle:** I am not sure that you should park it, Chair.

[74] **Darren Millar:** We are parking it for discussion later.

[75] **Lindsay Whittle:** All right, that is good. When you said ‘park it’, it sounded as if you were abandoning the car, and I do not want to do that.

[76] **Darren Millar:** No, not at all.

[77] **Lindsay Whittle:** Okay, thank you.

[78] **Darren Millar:** I can assure you that the car is still firmly on the road. I have asked the clerks to get a copy of the auditor general’s letter for us, for our discussion later, and to remind us of the sums that the Minister brought to the table yesterday, which were quite different, so that we can compare those and have some discussion about that. Mike Hedges has the next questions.

[79] **Mike Hedges:** Talking about things that are over designed, information communications technology systems are often good examples of that. On your capital resources, paragraph 16 mentions £20,000 to support the development of your ICT infrastructure, such as the renewal of your computer servers. Is there anything apart from the renewal of your computer servers, why do the computer servers need renewing now, and what would happen if they were not renewed?

[80] **Mr K. Thomas:** We have a programme of ICT replacement and upgrading, which we apply to all of our ICT kit—laptops, servers and so on. We work on the basis that we want to replace before systems fail, rather than when they fail. Therefore, for example, with the new server, there is a dual requirement. One is that it is nearing the end of its useful life, and we believe that it is time to replace before it fails. Failure would cause significant adverse consequences for the organisation. However, secondly, there is rapidly increasing demand on our servers and on our ICT kit. We need additional bandwidth, as there is more homeworking or remote working by our auditors, who work at sites across Wales. Therefore, with that increase in demand, we need a better and improved server to ensure that we provide all the tools that our auditors need to discharge their duties.

[81] **Mike Hedges:** At what percentage of capacity is your server running now?

[82] **Mr K. Thomas:** I would need to check on that, and come back to you.

[83] **Mike Hedges:** Please come back to us. You say that you need to change it, and it

must be because of capacity issues, because servers will go on forever, or virtually forever, will they not, without breaking? It is one of the great misconceptions about ICT that computers keep breaking down—apart from some mechanical parts breaking down, breakdowns are fairly rare.

[84] **Mr K. Thomas:** I think it is important to replace them. A breakdown may be rare, but it would be catastrophic for any organisation, and we have to take a prudent approach to ensure that the kit is in proper working order.

[85] **Mike Hedges:** I will ask for a note on this, but how do you calculate when you need to replace your server? I do not expect you to answer that now, but we would be grateful if you could provide us with a note on that.

[86] **Mr H. Thomas:** Sure.

[87] **Darren Millar:** Is it a triennial programme?

[88] **Mr H. Thomas:** It is a periodic programme in which we ensure that the ICT is up to capacity. I talked earlier about our web systems and good practice, and we need to invest in improving that. However, we are happy to supply the note that Mike Hedges asked for.

[89] **Darren Millar:** Thank you; that will be helpful.

<p>[90] Aled Roberts: Rydych wedi sôn am y tri maes lle mae cais am arian ychwanegol ac am y ffaith bod rhaid i chi gael gostyngiadau hirdymor yn rhai o'r meysydd lle mae gwariant. Beth yw eich cynlluniau ar gyfer y flwyddyn nesaf o ran y gostyngiadau hirdymor hynny?</p>	<p>Aled Roberts: You have mentioned three areas where there is a bid for additional funding and the fact that you have to have long-term reductions in some of the areas where there is spending. What are your plans for next year in terms of those long-term reductions?</p>
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[91] **Ms Harkin:** Sorry, my headset does not appear to be working.

[92] **Aled Roberts:** You have the three headings where you clearly made a bid for extra resources, but the underlying message is that there is a need for long-term efficiency savings. Could you expand on what you will do this year as far as those long-term efficiency savings are concerned?

[93] **Ms Harkin:** We will have to make efficiency savings because we have to pay for some of the expenditure that we have not been able to pay for—some of which will fall into this financial year and some of which will fall into the next one. I am currently looking at a need to make efficiency savings of around £500,000 next year. I could give you some examples: we have already discussed one, namely our website and the need to improve it. You will recall that, last year, we had some discussions about a HR payroll system. We will have to look at that at some stage. So, we need to make these efficiencies in order to cover additional costs that will inevitably fall into next year because we are not asking for any more money for our baseline activities; we are only seeking the additional £750,000. Other than that, we are seeking to keep our request at the same level.

[94] **Aled Roberts:** There was mention of the HR payroll system last year, has that not advanced as rapidly—

[95] **Ms Harkin:** It has advanced; we have made a lot of progress with that. You requested that the resources committee look at that and it has. We have a very good business case—we are currently seeking invitations to tender so it has made significant progress and

the resources committee has been very helpful.

[96] **Jenny Rathbone:** Auditor general, you talk about efficiency savings and Ann-Marie has just mentioned that you are making efficiency savings. Could you tell us a bit more? For example, what assumptions are you making in terms of pay increases for staff in 2013-14?

[97] **Mr H. Thomas:** We work within the Treasury's guidance on pay. So, we have not as yet started to look at any increase for next year. However, what I am doing, which is linked to that, is, because of the Bill, I am starting to double check that issues relating to my staff salaries bear a strong relationship to those of the Welsh Government because I do not think that any organisation can afford a step-change in this process. Over the last year, there has been a 1% pay rise for staff, which was the Treasury's guidance.

[98] As you will see from paragraph 31, I am tasking the staff generally to drive down costs, with around 2.5% extra efficiency savings on our existing cost base. In short, we very much appreciate the need to keep staff costs as low as possible.

[99] **Jenny Rathbone:** Are you saying that, if the corporate body model goes ahead, it is likely to increase the staff costs?

9.45 a.m.

[100] **Mr H. Thomas:** It is not the corporate body, but the drafting of a particular part of the Bill, which talks about a broad aligning with the Welsh Government's pay rates. The equivalent provision in the Budget Responsibility and National Audit Act 2011 has 'have regard to' in it, which gives a better match. Indeed, it is the same bit that is often used in terms of the Parliament—for the officers of Parliament, the comptroller and auditor general and so on. Their salaries are often phrased using 'have regard to'. Those extra three words give you that bit of flexibility—otherwise 'broadly in line' suggests very much that you have to move staff to the Welsh Government's terms and conditions of employment.

[101] **Jenny Rathbone:** Okay. Perhaps we will come back to that another day. Is there anything that you can tell us in the interim about the savings that you are likely to make on your fleet vehicles, in terms of travelling less and doing more videoconferencing?

[102] **Ms Harkin:** Next year, we have planned fleet savings of £70,000 in 2013-14. That is what the budget is showing at the moment.

[103] **Aled Roberts:** Hoffwn droi at baragraff 8, sy'n sôn am y ffaith eich bod yn bwriadu cadw'ch ffioedd—rydych eisoes wedi sôn am hyn—ond bod y penderfyniad hwnnw'n dibynnu ar gymeradwyo'r amcangyfrif. A allwch chi esbonio'r hyn sydd tu ôl i'r datganiad hwnnw?

Aled Roberts: I want to turn to paragraph 8, which talks about the fact that you intend to keep your fees—you have already mentioned this—but that the decision depends on approving the estimate. Could you explain what is behind that statement?

[104] **Mr H. Thomas:** Os ydych yn rhoi llai i mi na'r hyn rwyf yn gofyn amdano, rhaid i mi ddod o hyd i weddill y pres o'r ffioedd. Mae yna gydbwysedd, ac rwy'n ceisio darganfod cydbwysedd newydd o ran yr hyn y dylid cael ei dalu allan o'r pres canolog, a dyna pam rwyf wedi gofyn am y swm ychwanegol ar gyfer arfer da, er enghraifft. Os nad yw'n dod allan o'r canol

Mr H. Thomas: If you give me less than what I am asking for, then I will have to find the rest of the money from fees. There is a balance, but I am trying to find a new balance with regard to what should be paid out from the central fund, and that is why I have asked for the additional sum for good practice, for example. If it does not come from the centre and I want to do more, then I will have to

ac rwyf eisiau gwneud mwy, bydd rhaid imi godi ffioedd. Fodd bynnag, mae'r cyfan yn arian cyhoeddus yn y pen draw. Felly, credaf ei bod hi'n well dangos lle rwy'n buddsoddi a'r arian yn dod o'r canol, a beth mae'r cyrff yn talu amdano yn uniongyrchol drwy eu ffioedd. Yn ychwanegol at hynny, ar hyn o bryd, rhaid imi gadw'r gwahaniaeth rhwng ffioedd llywodraeth leol a ffioedd y gweddill.

[105] **Aled Roberts:** Rydych chi'n teimlo felly bod hynny'n gydbwysedd gwell na gofyn, o ran arfer da, i lywodraeth leol. Rydych wedi sôn bod rhan o'r gwaith yn cael ei anelu at lywodraeth leol, a deimlwch felly fod y ffaith bod y canol yn cymryd y pwysau i gyd o ran y gost yn well?

[106] **Mr H. Thomas:** Credaf fod y cydbwysedd yn well. Gwnaethom adroddiad ar sut roedd llywodraeth leol yn ymgynghori â'r cyhoedd, ond, wrth inni gynnal y sesiynau a'r seminarau, gwelsom fod pobl yn dod o bob sector ar draws y cyrff cyhoeddus, ac, yn enwedig, o'r sector iechyd. Felly, os oedd yr ymgynghoriadau yn cael eu hariannu gan y ffioedd a dalwyd gan llywodraeth leol, rwy'n siŵr y byddai rhai arweinyddion yn gofyn, 'Pam ydym ni'n talu am hyn er mwyn i'r cyrff yn ymwneud â iechyd elwa?' Felly, mae'n well sicrhau bod y pres yn dod o'r canol.

[107] **Julie Morgan:** We have had discussions previously about your negotiations with HMRC and you have said that if you had to change the way that you charge VAT, then it would mean an extra £600,000 on your bill. So, if you had to pay that, where would you get that money from? Would you have to increase fees? What are your plans?

[108] **Mr Jones:** We ultimately have two options: we either increase fees or we ask for additional funding from the consolidated fund. If that came to pass, the auditor general would have to take a view on what balance could be recovered from fees and what balance would need to be sought from the consolidated fund. We are still waiting to hear back from HMRC. We have written to it and we continue to chase it, but, as of yet, we have had no indication from it what its decision will be. So, we are still waiting, but, ultimately, there are two choices: increase fees or request additional resource from the consolidated fund.

[109] **Julie Morgan:** Have you had no indication about when this decision might be made?

[110] **Mr Jones:** No, it has been much more responsive to us of late, since we have been dealing with local officers, but this situation has been ongoing since about 2004. I would not have expected it to take that amount of time to resolve, but it is not a quick process, I am sorry to say.

[111] **Darren Millar:** It is like wading through treacle, is it not?

raise fees. However, all of it is public funds at the end of the day. So, I think that it is better to note where I am investing and the money comes from the centre, and what the bodies are paying for directly through their fees. Another thing to add to that is that, at present, I have to keep the difference between local government fees and the fees of the rest.

Aled Roberts: You feel, therefore, that this is a better balance than perhaps asking, in terms of good practice, local government. You have talked about the fact that some of the work is aimed at local government, so do you feel that the fact that the centre is taking all of the pressure in terms of the cost is better?

Mr H. Thomas: I think that the balance is better. We did a report on how local government is engaging with the public, but, when we held the sessions and seminars, we found that people were coming from every sector across the public bodies, and, in particular, from the health sector. So, if the consultations were being financed by the fees paid by local government, then I am sure that some leaders would ask, 'Why are we paying for this so that health bodies can benefit?' So, it is better to ensure that the money comes from the centre.

[112] **Jenny Rathbone:** I entirely applaud your idea in paragraph 26 to charge extra to bodies that do not have their paperwork in order and, therefore, cause extra work for your staff. It is an excellent incentive for them to get their papers in order. I just wondered why you had not done that before.

[113] **Mr H. Thomas:** I am sorry, it is. This is a caveat that we put in, I think, nearly every year. We rely on a certain level of work being done by the audited bodies. If we have to go in and do additional work that the audited body should have done in terms of preparation then we charge it for it.

[114] **Jenny Rathbone:** So, you do that currently; that is not a new—

[115] **Mr H. Thomas:** No, but it is a caveat that appears regularly.

[116] **Lindsay Whittle:** You are saying that this has been going on since 2004, Mr Jones. Is that right?

[117] **Mr Jones:** With the VAT, it has.

[118] **Lindsay Whittle:** That is quite a long time, is it not? I am not sure that my tax situation ever takes that long, but, there you are; they are always quick enough to ask me for any tax, as they are with most working people. Once this situation has been resolved, will you come back to this committee, perhaps if you are in negative equity? What would be the position for next year? It may not even be resolved by next year, of course.

[119] **Mr Jones:** Once the situation is resolved, I think that the auditor general will want to come back to the PAC and explain what has happened, how it has been resolved and what the implications are for funding and financing. I am sure that he would want to come back and complete that story.

[120] **Mohammad Asghar:** Thank you for your briefing. I am interested in your new corporate strategy—a wonderful phrase—with a commitment to an austerity emphasis, good practice, public interest, sustainable development, equality and the Welsh language and making the most of information technology. What input would you expect from this committee in respect of your strategy? Will we be given an opportunity to provide you with our views on it?

[121] **Mr H. Thomas:** Most definitely. Hopefully, by the end of this month, I will have written to a large number of stakeholders in Wales, including this committee, with the approach that I intend to take to the strategy, seeking your views on it. This is not a document that I am publishing and saying, ‘This is my strategy’. It is more a case of, ‘This is on the way towards being a strategy, and these are the factors that we want to take into account’. We will very much welcome the views of this committee and of the wider group of stakeholders in Wales. As a result of those views, we will then finalise a document and, hopefully, by then there will be some certainty as to the nature of the body that will need to receive it and endorse it, whether it is a corporate body or not.

[122] **Darren Millar:** On your strategy, I assume that the WAO has a corporate strategy at the moment, and you have been working to that. This budget should reflect your corporate strategy in some way.

[123] **Mr H. Thomas:** It does.

[124] **Darren Millar:** Okay, and your next corporate strategy will be reflected in future

budgets.

[125] **Mr H. Thomas:** The corporate strategy will be a three-year document. The consultation draft would have come out earlier this year if we had had a clearer steer on what the nature of the new body would be. I also want to have an understanding that this and the resources I am asking for go hand in hand. If you decide today that you do not wish to pursue some of the thoughts that I have in here, I will need to reflect that before issuing the document for consultation.

[126] **Darren Millar:** Are there any further questions? I see that there are not. That brings us to the end of this part of our meeting. Thank you very much, Huw, Terry, Kevin and Ann. Diolch yn fawr iawn.

9.57 a.m.

**Proses Gaffael Llywodraeth Cymru a'r Camau a Gymerwyd ganddi i
Waredu Hen Westy River Lodge, Llangollen—Tystiolaeth gan Lywodraeth
Cymru
The Welsh Government's Acquisition and Action to Dispose of the Former
River Lodge Hotel, Llangollen—Evidence from the Welsh Government**

[127] **Darren Millar:** We will continue with the meeting. I welcome back James Price, director general of the Department for Business, Enterprise, Technology and Science, to the committee. I also welcome Jeff Collins to the table. We do not have a paper from the Welsh Government for today's meeting. We will go straight into questions, if that is okay with you two gents, unless you wanted to make any opening remarks?

[128] **Mr Price:** No, that is fine.

[129] **Darren Millar:** We have obviously taken quite a bit of evidence on this particular subject now. We went up to Llangollen to hear from some of those involved directly in the disposal process and we received evidence from both Amanda Brewer and Gareth Hall, who talked about the schemes of delegation that existed under the Welsh Development Agency, which then appeared to continue, even when the WDA became part of the Welsh Government. When you came before the committee some months ago, you indicated that the schemes of delegation had now changed and that individuals like Amanda would not be able to make those decisions any more in isolation. I think that you indicated that everything is now referred to you for sign-off as director general within the department. Can you tell us what the schemes of delegation are now, how the process has changed and how you arrived at the new scheme?

[130] **Mr Price:** 'What are delegations?' is the first question to answer, I guess. Delegations are formal pieces of permission that are delegated from Welsh Ministers to officials. Currently, there are no formal delegations in place within the BETS department, apart from European funding and funding of incredibly routine activities such as payments for farmers, which is just processing of routing grants. That does that mean that you do not need some form of delegation in place, because Ministers do not take financial decisions in the absence of advice from officials.

10.00 a.m.

[131] So, while there are no formal delegations in place in the same way that there were in the WDA, where officials signed off stuff, or where, in the Department for Enterprise, Innovation and Networks or the Department for the Economy and Transport, officials were

able to discharge finance without reference to Ministers on some occasions, we now have a set of processes in place. These are either formal delegations for areas that have them—European funding, common agricultural payments—or things that are a bit like delegations that say how we delegate to people to make recommendations to Ministers, if that makes sense. In the area at which you are looking—the property area—that is done through the property leadership team. If you were looking at the grants to business area, that is done through something called the investment panel, which is similar. They both take each project and peer-review it.

[132] The number one question for all of these things is on value for money. Having gone through the paperwork over the weekend, that is one thing that has not necessarily featured that much in the evidence that people have given; it has been quite technical with regard to red-book valuations or non-red-book valuations. The first thing that is looked at is value for money. We then look at eligibility criteria, which are the second thing. If it does not offer value for money, you would not waste your time trying to find a way of doing a project anyway.

[133] **Darren Millar:** When did you introduce the changes?

[134] **Mr Price:** Those changes have been introduced gradually. With regard to no-one having formal ministerial delegations, that change has been a gradual process since I took on the role of acting director general under the previous Government. With regard to pulling the balance of delegations, it was done under this administration, so it would have been in May of last year. The property leadership team was established under the previous Government and before I was appointed. The investment panel would have been established shortly after May of last year. I do not have the exact date—I can get it if you want—but it was around the time of the election.

[135] **Darren Millar:** Does it not leave things open to being a little messy if something gradually develops rather than there being a new scheme of delegation from a specific date?

[136] **Mr Price:** I was going to say that this has been the case during the time I have been in post, but I do not think that we have ever been in a position where we have not had clear delegations. That was, potentially, the position a long time ago, but certainly in the last three years, we have not been in a position where we have not had clear delegations. We have evolved delegations in terms of being stricter. However, that has been done in a thought-through way. Potentially, on some of those things, we might loosen them up a bit to lead to quicker decision making. That will be communicated properly, and the model that I will use is the model that I saw working quite effectively in transport when I worked at that department. I adopted it, and it is just a series of notes that come out of the director's office, basically. They sit on people's desks and you build up a book of how you have to operate. It is just a series of desk instructions, and it is not difficult for people to understand.

[137] **Darren Millar:** Are you satisfied that the systems that are in place as regards delegation for property transactions are sufficiently robust to avoid the River Lodge Hotel scenario from occurring in future?

[138] **Mr Price:** I do not think that you can ever have a set of systems and processes in place that can prevent anything from going wrong. I am, however, satisfied that we have done everything that we reasonably can to ensure that it would not happen again. There are two ways in which things go wrong in life, whether you are looking at operating a road safely, giving a grant to a business or anything else, frankly. You have systems and then you have people adhering to the systems; you need both to operate safely. I am content that we have systems in place. Our systems are, potentially, a bit too onerous. I am content that we have training in place so that people know the system. That does not mean that someone would not

try to get around the system. However, the fact that we have peer review for almost everything, and the fact that we do have not formal delegations in place so that everything goes on a submission folder, means that no one person can push through that type of decision.

[139] **Darren Millar:** You have, therefore, minimised the risk as best you can.

[140] **Aled Roberts:** Until when were these WDA-type delegations in place in the directorate?

[141] **Mr Price:** I do not know off the top of my head. It is in the paperwork that I have before me. I would have to get a note on that for you. However, the WDA-type delegations would have gone on property three years ago, probably.

[142] **Mr Collins:** In 2010.

[143] **Mr Price:** It may have been a bit before that, actually.

[144] **Mr Collins:** It was gone in 2010.

[145] **Aled Roberts:** Under the new delegations, then, would a transaction of this type require ministerial approval?

[146] **Mr Price:** Yes, it would.

[147] **Aled Roberts:** In that scenario, ministerial approval would be dependent on accurate briefings. Clearly, in this particular case, there were occasions when briefings were factually incorrect. I see that you are nodding. So, what systems have been put in place to insure against that? In the current system, a Minister, in all innocence, based on incorrect information, could sign something off.

[148] **Mr Price:** Right. Well, there are two things—and I can smile wryly about this—the first being peer review, and the second being a number of checks and balances in the system. The reason I said that I could smile wryly is because I have been attempting to find someone to nicely shout at this morning, because they have stopped something going through the system that is actually really good and we need to do it, which proves, in a way, that the system is working. The downside of that is that it sometimes slows stuff up. However, you have the peer review in the group, so a submission could not just come without having the peer review in the first place. Then, as the submission goes through the system, checks and balances are in place, including those of the finance department, which looks at stuff and asks whether it represents value for money and whether it is legal.

[149] **Lindsay Whittle:** I just want to follow that up now, as it will save me asking a question later. Do you routinely see all briefings provided by your staff?

[150] **Mr Price:** Do I? No. I get copied into everything, but do I read them all? Honestly, no. Could I read them all? Probably, if I did nothing else. However, what I would see is anything that anyone had a problem with. Sorry, Jeff would first see it if anyone had a problem with something in his area, and he would have the opportunity—or the desire—to sort it out and work with the finance team, if it had raised the concern, to sort it out. If that could not be done, it would be raised with me, and I would then bring everyone together to try to sort it out. I do not think that something like the River Lodge thing would get through the stage 1 peer review. If it did, it would certainly not get past the finance team, at which point they would initially raise the matter with Jeff. You cannot push stuff through the system based on positional power—and, again, that is sometimes a frustration of mine. You would have to sort it out, prove value for money and prove legality.

[151] **Lindsay Whittle:** How robust and reliable are the briefings provided to Ministers? Clearly, whatever we in the opposition may think of them, Ministers of Government are extremely important people, and, in my opinion, their briefings should be absolutely first class.

[152] **Mr Price:** Yes, they have to be. That is the role of the civil service, and that is the point of the checks and balances that we have now put in place in the system, to try to ensure at all times that that advice is correct. The other thing that we have put in place, which is less relevant to the type of checks and balances that we are talking about now and more relevant to the quality of advice that Ministers get, is the Government business unit. That basically checks that things have a policy rationale, that gobbledygook is not being written down, and that things are consistent and coherent across a time period. Even that team would probably have stopped the River Lodge thing, but it is finance and compliance that would have stopped rather, rather than policy, I think.

[153] **Lindsay Whittle:** Finally, is there a system for highlighting issues that could possibly be contentious and others that are almost day to day in nature and that no-one would notice?

[154] **Mr Price:** Absolutely. Again, this happens in a number of ways, and it is quite a number, so I will try to keep it to a minimum. Under the headline civil service stuff—and I am sure that you, as a committee, will be aware of this—you have the concept of novel or contentious, which means that, if you are trying to do something that has not been done before, is novel, or that might lead to contention, which we certainly had in this case, it should be flagged up. If that happens, there is another level of checks and balances outside the BETS portfolio that occurs within the Minister for finance's team. All that relies on someone flagging it up as something novel or contentious. If it is not flagged up as novel or contentious, that will not happen. I come back to the difference at the time when the Powys Fadog case went through. The checks and balances were not in place, so it was quite plausible for someone to be able to push something through the system without flagging it up. I do not think that that would happen now.

[155] **Darren Millar:** Before I bring Jenny in, I want to ask a question on the ministerial briefing side of things. If a Minister is provided with factually incorrect information, who carries the can for that, and what action is taken within your department to address that sort of problem?

[156] **Mr Price:** Ultimately, it is me—and when I say 'ultimately', I do not mean after I have exhausted a line of people in front of me.

[157] **Darren Millar:** So, you carry the can for the ministerial briefing.

[158] **Mr Price:** Yes, that is the point of being in charge, I guess. I will caveat that slightly in the sense that, under company law in the context of something far worse, such as corporate manslaughter or personal manslaughter, so if you were running something where you could damage or kill people, my responsibility would be to ensure that we had all reasonable systems and processes in place and that we had trained all people to use those systems and processes and that, where people did not use those systems and processes, we brought people into line very clearly. That would be how a company would deal with it. A company chief executive would not be sacked simply because someone disobeyed a rule or procedure, but you could be prosecuted and/or sacked if you did not have the correct procedures in place or made sure that people followed them.

[159] **Darren Millar:** So, in short, you would follow a disciplinary procedure for whoever prepared the briefing, would you?

[160] **Mr Price:** It would depend on the level of severity. If it was the first time and someone had made a genuine error, we would just speak to them. Everyone makes errors all the time. If someone is doing something on purpose, that is a very different matter.

[161] **Darren Millar:** Has there ever been such an occasion within the department?

[162] **Mr Price:** I think that I have come close to it, not in the BETS portfolio, but in other departments that I have worked in. When I say 'not in the BETS portfolio', I mean not in the time that I have been in my current role—that I am aware of.

[163] **Darren Millar:** Is the approach towards ministerial briefings consistent within each different department of the Welsh Government, given that you have worked in a couple? The reason I ask is that it is helpful information for our other grants management inquiry, where the accuracy of ministerial briefings has been questionable.

[164] **Mr Price:** The standard rules that we all work to are civil service rules. The only thing that I would say, as a civil servant, is that it is very easy for civil servants to hide behind the rules and give Ministers advice that they cannot do something. There is always a balance for me to push people to be quite creative and to take some risks.

[165] **Darren Millar:** But not to lie in briefings.

[166] **Mr Price:** No. The headline point that I would like to come back to again is that the first question that should have been asked was whether it was value for money. If it offered value for money, we should and would have found a way of doing it; if it did not offer value for money, we should not have done it in the first place.

[167] **Darren Millar:** We will come to some of those issues in a few moments.

[168] **Jenny Rathbone:** When did you take up your post in the acting capacity?

[169] **Mr Price:** It was about 18 months ago, so it would have been around February 2011, and then I was substantively appointed at the beginning of September 2011.

[170] **Jenny Rathbone:** Okay, so since February 2011, you have been operating with these checks and balances.

[171] **Mr Price:** Yes.

[172] **Jenny Rathbone:** So, is it clear that it would be impossible for someone to go ahead and sign a lease when the legal department—

[173] **Mr Price:** Someone could do it, but they would be doing it outside the systems.

[174] **Jenny Rathbone:** Would they be sacked?

[175] **Mr Price:** I cannot guarantee that they would be sacked, but they would certainly be disciplined for that.

[176] **Jenny Rathbone:** If the legal department was saying that something could be unlawful—

[177] **Mr Price:** Then they should not do it. There is a way through that. If the legal department said that we could not do it, we would have to meet the legal department and

agree one of two things. I would certainly be aware of this, or someone at Jeff's levels would be. We would either put a note on file saying that we were aware that the legal department had said that it was illegal or may be perceived to be illegal, but that we thought that the risk of challenge was worth taking and therefore we would do it, or we would work to find a way that the legal department was more content with.

10.15 a.m.

[178] **Jenny Rathbone:** Okay. You also would not have people purchasing properties without having ensured that there was vacant possession, or some other mechanism in place for any tenants.

[179] **Mr Price:** We should certainly not have purchased a property with vacant possession and then left people in it, which affects its value. You can buy a property with someone in it, but that would have to be taken into account in the valuation.

[180] **Jenny Rathbone:** You would have to have an assured tenancy.

[181] **Mr Price:** Yes.

[182] **Darren Millar:** We will touch on some of these other issues as we proceed with questions. You have a supplementary question, Oscar, and then I will move on to Aled's questions.

[183] **Mohammad Asghar:** I was surprised when you mentioned earlier that you do not look at every document, that they go to Jeff first and then to you. At what level of funding would you have to read the document yourself? You cannot ignore every one. You have to start at a certain level of asset value.

[184] **Mr Price:** It is not done based on the level of funding, but on how contentious it is or the level of risk we are taking. So, we might quite happily give out £15 million of funding to a company to create jobs if it is a clear inward investment project. The audit trail is very easy and the only thing that is likely to happen is for the Government to get good publicity. Even in the worst case, if the company pulls out, we have processes and systems in place so that we have guarantees against the head office of the company, and we then pull the money back. I would not need to see that. However, if we were spending £150,000 on something far more contentious, where we would be taking a significant risk, and it may or may not be legal, I would need to be aware of it.

[185] **Aled Roberts:** I want to turn to the options appraisal, which was commissioned by the Permanent Secretary in April 2010. From my reading of the documentation that we have, it appears as though the options appraisal was conducted only in line with what were then the Government's economic development strategic objectives, which had changed in March that year. Is that the explanation for why the Powys Fadog scheme per se was not included in that options appraisal?

[186] **Mr Price:** I have obviously read and gone through all the papers, and I read the options appraisal again over the weekend, and it is difficult for me to say what was and was not done and why, because the people who did it are not here anymore.

[187] **Aled Roberts:** I accept that they are not here, but is it common practice for an options appraisal not to appraise all options?

[188] **Mr Price:** It is not common practice to do an options appraisal after you have decided to do something already, really. If I were doing it, the first question that I would have

asked was whether it represented value for money. I do not think that it is a problem to come at something halfway through and ask that question. We would obviously have had to deal with the situation quite sensitively if we were backing out of something that we had already committed to do, but, in my view, the question that should have been asked, more than whether it fitted with the policy of the day, was whether it represented value for money.

[189] **Aled Roberts:** Given that your overriding principle was value for money, what type of options appraisal does not include any assessment of the costs and benefits of any of the options?

[190] **Mr Price:** I do not know whether you want to come in, Jeff. That is kind of the conclusion that I came to. All the other stuff is fairly relevant, but the bit that I would have liked to see in the options appraisal, the headline bit about whether it was value for money, is not in there. The answer to the question would have been the same: it is not value for money. If you look at the costs and then at the number of jobs that were going to be created, even if you were being as creative as you liked, I could not get this anywhere close to the value-for-money guidance that we work to on the panels. So, the outcome would have been the same, but the headline question that I personally would have put in there is whether it represented value for money or could it have been delivered in such a way as to make it value for money?

[191] **Aled Roberts:** My understanding of current Government policy is that any land that is declared surplus—and it looked as though the department was coming to that conclusion with regard to the Powys Fadog project—has to be offered to any public sector body.

[192] **Mr Price:** That is right.

[193] **Aled Roberts:** So, why bother with an options appraisal, if the easiest thing in the world would have been to declare it surplus and to await bids from the public sector?

[194] **Mr Price:** I do not know the full detail of the answer to that question, but the headline view was that we needed to go through some kind of process, with an open mind, to explore whether the land genuinely was surplus land or not—against the policy of the day, because things had changed. That was why the appraisal process was done in that way. Could it have been dealt with in a different way? Yes, I think that it could have been. I have expressed how I think it could have been done in a different way, which was to ask whether it was value for money or not. Ironically, not declaring it surplus would have allowed it to be dealt with far more quickly, because we could have just sold it. It is only when you declare it to be surplus that you cannot sell it.

[195] **Darren Millar:** Would you like to come in now, Mike?

[196] **Mike Hedges:** Now would be fine. Going back to the very beginning, I will outline what I do not understand. You had River Lodge and a gentleman who was running events there, while the property was being run by someone else. It could not make any money when it was being run as a hotel and a place where martial arts schemes were being run. How could anyone have ever thought that you could make money by just running martial arts schemes when the property was not making money before, which is why it was made available? It immediately fails the ‘can it work?’ test. Even if everything had gone right, and the property had been transferred and you had paid the money for it, it would still have failed that test.

[197] **Mr Price:** That is a very fair question, and it reflects the conclusion that I have come to, having read all of this. That is why I said that the first question that should have been addressed was: does this represent value for money? In fairness to everyone who has gone before, the one thing that we have not talked about is the case officer who put this through, who was experienced and who knew that they were meant to act independently et cetera. In

my view, that person's judgment on this case, in terms of value for money, was not the correct one.

[198] **Mike Hedges:** This was not a marginal value-for-money judgment.

[199] **Mr Price:** No, I know that.

[200] **Mike Hedges:** That person got it wrong, but surely someone higher up in the chain should have picked that out. This was not a marginal question of whether it would be a good idea or not—yes or no. This was a case that, even if everything had gone right, still could not work.

[201] **Mr Price:** Jeff has more knowledge on this than me, so I will pass this on to him.

[202] **Mr Collins:** To introduce myself, I was appointed as the decision officer in the disciplinary cases that ran on from this. As a result, I have spent quite a while reviewing the files. I was also acting head of the infrastructure group from about 2010. The infrastructure group was then the transport, property and what is now next generation broadband group. My review of the files in this case showed that the anomaly between operational profit and the investment required demonstrated that it was never really going to stand on its own two feet. That led to concerns, or people started to wonder, that we were investing in a commercial organisation and, hence, engaging in state aid. Once that question was asked, a whole layer of intervention and governance said, 'Hang on, you are investing money in something that is never going to make a profit, so is that state aid?' Then, there was a more forensic analysis of the whole thing. So, I think that that was spotted quite a while ago, and it has probably led us here.

[203] **Julie Morgan:** I would first like to declare an interest, as my husband, the former First Minister, was in post at the time of these events. After an options appraisal, was a formal assessment of costs and benefits carried out?

[204] **Mr Price:** No. The paperwork that I have gone through does not indicate that there was. There are enough figures in the headline stuff to come to a headline conclusion, which is that it did not represent value for money. However, there was no value-for-money study, as far as I can see from all of the paperwork.

[205] **Julie Morgan:** So there was never a formal analysis—

[206] **Mr Price:** Not of the costs and benefits, no.

[207] **Julie Morgan:** So how was it possible to make a decision without any such formal analysis?

[208] **Mr Price:** The decision made itself, really, in the sense that Powys Fadog was not in a position to be able to complete on the lease that had been agreed. This is an important point. Having gone through the paperwork, if Powys Fadog could have completed on that lease with the conditions that were previously agreed, the Welsh Government would have entered into that lease. There was not a decision not to do the project—which, personally, I think that I would have taken—but there was a decision to adhere to the terms of the lease. Given that Powys Fadog could not adhere to the terms of the lease, the lease was not granted. That is one of the reasons why it has taken a very long time to deal with this. The terms and conditions of the option for lease did not expire until June last year. I am not defending it—

[209] **Julie Morgan:** No, no; those are the facts.

[210] **Mr Price:** Yes, those are the facts of it. The decision not to pursue was lawful and correct, but taken on potentially strange grounds, because the value-for-money question was not asked.

[211] **Darren Millar:** We understand that one of the reasons why such a significant sum was paid for the site was the prospect of potential residential housing on the site. Did that form part of an options appraisal for the site, conducted by the Government?

[212] **Mr Price:** I believe that it was covered, in terms of the valuations et cetera, in the options appraisal that was done. I am speaking from memory now. Certainly, the potential value of the residential aspects of the site drove the original valuation. To a certain extent, the answer is 'yes', in that it drove the valuation and was touched on in all of the projects.

[213] **Aled Roberts:** On your knowledge of the files, I thought that we had heard evidence in Llangollen that the solicitor had returned documentation to the Welsh Government but had been unable to obtain any response—that, basically, there was no communication from officials in the period leading up to—

[214] **Mr Collins:** I have read—

[215] **Mr Price:** It would be best to check that, but go on.

[216] **Mr Collins:** I have read the previous transcripts. This was the discussion that you had with Mr Wong. I have never seen that in the file, but I was not actually looking for it.

[217] **Mr Price:** We can check that if you would like us to.

[218] **Darren Millar:** It would be helpful if you could check that.

[219] **Jenny Rathbone:** How could the assessed value of the property be based on an assumption of residential development when there was no planning permission in place?

[220] **Mr Price:** I am less concerned about this than I am about all of the other aspects, which I think that I covered when I came here before. Having gone through this and spoken to three reasonably well-qualified, experienced and trustworthy surveyors, the conclusion that I have come to is that it was not an unreasonable thing to allow the value of a potential development within the boundary of the town to influence the valuation. I know that I am jumping around a bit here, but if you look at the valuation on the books now relating to the options agreement that we have entered into with the health board, which is £500,000 with the buildings still standing and £600,000 if the building is demolished, you will see that, luckily, it roughly tallies with what I said last time I was here, which was that it would be between £500,000 and £600,000. The valuation also says that that reduction in value is in line with the reduction in value of other similar residential sites in north Wales, and it specifies three examples that have fallen by that amount between that point, which was the height of the boom, and now.

[221] **Gwyn R. Price:** What is the latest position with regard to the local health board acquiring the River Lodge site?

10.30 a.m.

[222] **Mr Price:** Jeff might have to dig out the actual dates on this, because I do not want to mislead you, but, in headline terms, we have entered into an options agreement with the local health board to buy the site. It is not as good a news story as I would have liked to have told you, because the health board is viewed as part of the Welsh Government, in a way. That is

the reason for having the protocol in the first place—we should not look to maximise value in one part of Government and then cause a cost in another part of Government. That is the reason for the protocol about selling. If we had an options agreement with a private sector organisation, there would be a cost to that organisation if it did not go through with the options agreement. Through the options agreement, we have to sell the health board the site for £500,000 with the building on it, or for £600,000 with the building demolished—it will, most likely, be demolished anyway. Therefore, it is at no cost to the organisation. It has to exercise it by September 2013, and all the evidence is that it will exercise it. The rationale for not billing another part of the public sector for this comes from Government guidelines—it is not mine. I say that I am less happy because if we were going to bill the health board if it did not do it, it would be incentivised to complete. As it is, it is not incentivised to complete. If it does not purchase by that time, we will simply sell the site on the open market.

[223] **Gwyn R. Price:** I missed that date—by when do they have to exercise it?

[224] **Mr Price:** It is September 2013. The evidence is that it will do it much before then, and that it wants the site. However, there is due process to go through in terms of public consultation on where the health facility should be.

[225] **Gwyn R. Price:** So you have another year nearly. It can pull out at any time before then, and we would then be back to square one.

[226] **Mr Price:** We would not be back to square one, because we would immediately sell the site on the open market.

[227] **Gwyn R. Price:** For £500,000. However, you say that it will take up to a year again.

[228] **Mr Price:** Yes. That is not through anyone's doing; those are just the rules that exist. When I came here before, I said that I was not convinced that the timescales involved in the public sector land protocol were necessarily that good. However, that is the protocol, and I believe that it operates across the UK—it is not just a Wales thing.

[229] **Gwyn R. Price:** It would never happen in private industry, would it?

[230] **Mr Price:** No, but maybe it would. If X, Y, Z company had a subsidiary, which potentially might want to acquire that site, it would not make sense to dispose of that site at £600,000. The private sector would be bound to sell it back to us, with some cost added into it, even if it was only legal fees, so you would probably hold on to it. In the context of a property portfolio that is currently worth about £200 million, which is what we currently hold on the ground, I would not say that a £500,000 site is neither here nor there, but we need to disaggregate the fact that we are holding land from the fact of whether the project was any good or not, and how we have dragged something on for such a long period of time. They are two different things.

[231] **Gwyn R. Price:** Yes, but we are holding on to £500,000 worth of land for which we paid, through the public fund, £1.6 million.

[232] **Mr Price:** Yes. There will be a lot of other land that we bought that has fallen in value, and there will, equally, be land that we bought that has gone up in value.

[233] **Gwyn R. Price:** Not to this extent, I would respectfully suggest. Is there any more recent assessment of the total cost to the Welsh Government arising from its ownership of the River Lodge, including the latest evaluation?

[234] **Mr Price:** The costs of ownership have been about £25,000 a year. That includes

business rates and services, plus any security costs—I have struggled to get that figure from the finances team. However, that will not have been anywhere near that figure; at present, security costs are not costing anything. When the building was potentially going to be used, there were higher security costs in trying to keep people out.

[235] **Gwyn R. Price:** The security costs would have come in if the officers had done what normal officers would do—boarded the place up and got a security firm to look after it in its entirety as a going concern. However, because it is virtually derelict now, the security costs very little.

[236] **Mr Price:** The view that we have come to is that the buildings were always of very poor quality. They probably would never really have been able to be utilised effectively. The best thing to have done with the buildings in the first place would have been to flatten them, which is indicated by the fact that the value of the land is higher with nothing on it.

[237] **Gwyn R. Price:** So, really, as Mike followed up, it was never a goer from day one. Thank you.

[238] **Mike Hedges:** To follow on from that, I assume that from now on you will not do anything to protect it because it is not an asset; it is a liability. In future, if you do buy buildings will you continue to follow what I have always known to be the public sector method: when you buy it, you secure it first and put security in, and then you get criticised in the press for spending all that money on securing it and putting security in? However, it does protect the building.

[239] **Mr Price:** You asked two questions there. On the first one, that we would not put any security on it, my biggest fear about this, as a responsible public servant—although it may be a strange thing to say in the PAC—over and above value for money, is public safety. So, when you buy any land, the first thing that you have to ensure is public safety. If someone can break in, fall down a hole and kill themselves or whatever, that is the first thing that you have to guard against. Therefore, in some instances we have land where no-one can do any damage to anything, but we must have security on it because there might be mine shafts or goodness knows what else. There have been incidents in the past where people have died on our land.

[240] On the second issue, in terms of what we do with the site, that is based on whether there is a public safety issue and what the costs and benefits are of security versus no security. If, at the end of the day, you are only going to demolish something and there is no public safety issue, you would not put security on it. Typically, certainly in terms of residential stuff and transport, we try to let it because when there is someone in there it does not get broken into. Quite often we buy property because it has become derelict and therefore, by definition, you cannot let it. However, I absolutely take your point on board.

[241] **Darren Millar:** I have two Members who wish to come in now. I am very conscious of our time. Perhaps I could ask Members to be brief with their questions, and witnesses to be brief in their responses. I will now call on Aled, and then Jenny.

[242] **Aled Roberts:** I have to say that, as someone who lives five miles from the site, I do not accept that the building could only have been demolished in 2005. It may suit the Government to say that now. As far as your options agreement with Betsi Cadwaladr health board is concerned, are there any other conditions on it?

[243] **Mr Price:** No. I double-checked because I have seen stuff in the report about the potential for a bridge being required. There have been discussions about that, but that bridge being required does not affect the land value that has been offered. Therefore, if any bridge is required, that is a matter for the health authority, not us, and it does not affect the land value.

[244] **Aled Roberts:** If a bridge is not built, will the health authority be required to provide a footpath to the site?

[245] **Mr Price:** That is a matter for the health authority. I honestly have no idea. I am not ducking the issue; it is a genuine answer. I would be interfering in someone else's portfolio if I—

[246] **Aled Roberts:** Again, it would be further expense to the Welsh taxpayer.

[247] **Mr Price:** The health authority would need to make a value-for-money decision on where it placed the health centre; so, that would be further value for money and further expenditure on a different project.

[248] **Aled Roberts:** Would you have any oversight of the health authority's options appraisal with regard to the other three sites that it currently owns in Llangollen?

[249] **Mr Price:** No.

[250] **Jenny Rathbone:** Pol Wong told us that he still has property stored in the building. Why, on your watch, has he not been asked to remove it or been charged for that?

[251] **Mr Price:** I need to look into that. I was not aware that that was the case. I saw that he said that, but I was not aware that that was the case. He was taken into the premises some six or nine months ago to remove stuff. So, I am guessing that the view is that if he has not asked for it back, it will go into a skip when the bulldozers come in. If he asks for it back, he can certainly have it back.

[252] **Jenny Rathbone:** Okay; but six or nine months ago you invited him to remove all his property.

[253] **Mr Price:** Yes. He was escorted on the site, which, at the time, led to some issues, I believe. I cannot remember what they were, but there were some issues.

[254] **Darren Millar:** Just before I go back to Mike to see whether he wants to follow up issues in terms of the protection of the assets, I have one final question on this. You indicated that you had valuations now that suggest that if the site were being made available on the open market, it would fetch between £500,000 and £600,000. However, you can only really test that by making it available on the open market, can you not?

[255] **Mr Price:** Something is only worth what someone will pay. Yes, absolutely. However, the public sector protocol on transferring land without going to the market is that you do that through a land valuation, and that is what has happened here. There has been a land valuation that says £500,000 with the building, or £600,000 without.

[256] **Darren Millar:** I appreciate the policy environment—

[257] **Mr Price:** I completely agree.

[258] **Darren Millar:** It seems pretty extraordinary. Mike, did you want to come back?

[259] **Mike Hedges:** I am okay; thank you, Chair.

[260] **Mohammad Asghar:** What is your current estimate of the cost of renovating the property to the condition that it was in at the time of the purchase in 2007?

[261] **Mr Price:** I do not know if we have a cost estimate for that. In terms of bringing the property into a useable standard at that time, various costs seem to have been expressed between £500,000 and £1 million—those are the figures that I have seen. I think that the damages are about £150,000, so you can add £150,000 on to whatever those costs were.

[262] **Jenny Rathbone:** How clear are you about the Welsh Government's policy regarding the ability of its officials to hold management or board-level positions with external organisations—especially organisations funded by the Welsh Government?

[263] **Mr Price:** This has changed quite significantly from the time that this project took place. The expectation now is that, ordinarily, people will not sit on boards of companies. There are some exceptions to that, so a wholly owned subsidiary of ours, Finance Wales, regularly puts people on the board of companies that it invests in. As a department, we do not. However, where we hold a formal joint venture, we may well do. An example of that would be the Ely Mill Development Company in Cardiff—I think that that is what it is called. A member of my management team sits on the board of that organisation to protect the policy outcome and our investment in that project. However, ordinarily, people are discouraged from doing it, and anyone would have to get permission for doing it—they cannot just do it, and the environment is therefore very different from what we had before. We had a lot of people on boards before, and we have hardly anyone now. I am not on a board. I used to be, but I am not anymore. I do not think that you are either, Jeff.

[264] **Jenny Rathbone:** I suppose that one of the more disturbing aspects of this is that Gareth Hall told us that he had sought assurances that there were no conflicts of interest in relation to these transactions, and he was told by the people in north Wales that there was no problem. Either he was economical with the truth or other people were, because it was clear that Amanda Brewer was unable to see that there was a conflict of interest, and so was her line manager, but a person more senior than that either did not know what was going on or gave inaccurate information to Gareth Hall.

[265] **Mr Price:** My understanding of all of this is that you declare an interest and it is then your responsibility to ensure that that does not turn into a conflict of interest. The safest way of doing that is to exclude yourself from any involvement with the project. I do not understand how or why this was not viewed as a conflict of interest, but it obviously was not. I do not really want to talk about individuals, but I think that the case officer involved was unwise to assume that it was okay because no-one stopped her. She had a personal responsibility to herself, as much as anything else, to exclude herself. I would have sought an instruction from the organisation to do it, if I thought that that was what was required.

[266] **Mr Collins:** The declaration of interest is a pro forma in the department. You do not actually declare a conflict of interest—it is a perception issue. You referred to recognising a conflict of interest; I think that was, looking back on it, the step that was missing. There was a declaration of interest. We get regular declarations of interest, but you normally sit with your line manager and go through it to see if it could constitute a conflict, and if there is that potential, you consider what mitigating steps could be put in place to avoid any conflict.

[267] **Jenny Rathbone:** Gareth Hall said that he asked the question and was told that there was no conflict of interest, but clearly that was inaccurate.

10.45 a.m.

[268] **Mr Price:** I am finding it difficult to answer these questions because I am trying not to criticise anyone who has done the job before me. In retrospect, that was the wrong thing to do. However, reading Gareth's evidence, he was correct in that there was the perception of a

very strong management team in north Wales. Some of those people were paid an awful lot of money; it was not just one person, but three senior managers, who were all at senior civil service level. Apparently, all of them thought that it was okay, and clearly it was not okay. I would hope, in the culture that we now have within the organisation, that that could not happen again—certainly not two people thinking it was okay, let alone three. One person might think so, but that would be an air of madness or wrongness coming over someone.

[269] **Darren Millar:** Given what Mr Hall knew to be the facts, that Amanda Brewer was on the board of this charity, that she was heavily involved and that she was managing this transaction, which had been disclosed as a declaration of interest and discussed at some length with her line managers, if that information appeared on your desk, what would you do?

[270] **Mr Price:** I have two points to make on that: I do not know that Gareth did know all of that—

[271] **Darren Millar:** That is what he seems to be suggesting—that he knew and had been copied in on letters that disclosed the lot—

[272] **Mr Price:** If that came to my desk, we would immediately look into it and that person would quickly not be dealing with that project.

[273] **Darren Millar:** It is easy to suggest that this is all about Amanda Brewer's judgment and her errors in the process, but it appears to me that there is a stream that travels further away from Amanda, which is also ultimately responsible for this mess.

[274] **Mr Price:** I think that Jeff wants to come in quickly, if that is okay. However, there are three points to make on this. I know that I keep saying this, but the number one question that was never really asked is the value-for-money one. If that had been asked routinely, none of this would have happened. The second issue is that the case officer acted incorrectly and should have known better. The third issue is that I do not think it was down to an individual—just Gareth or just Ian Williams—because there was a culture in the organisation at that time that did not consider some of these things to be as important as we do now, because systems and processes at the level that they are at now were not in place then. They were sufficient to have stopped most people from doing it, but they were not sufficient in this instance. However, if the value-for-money question had been asked, none of it would have happened. I am trying to walk a fine line here.

[275] **Darren Millar:** I understand.

[276] **Mr Price:** Jeff knows a lot more than I do about the detail.

[277] **Mr Collins:** The registration of interest in this project is key, as is the mitigation and the recognition of a potential conflict. That, in my view, when I went through it, was key. This is not a comment on any individual, but what we must avoid is the mere registration of an interest being all that you ever do. There must be a management step after that. I thought that a management step was introduced after that, which said that, post purchase, there should be no involvement so that there was a degree of mitigation. Looking back, with a bit stronger management, the management should have recognised the potential for conflict and there should have been more policing to ensure that individuals did not get themselves into a bit of a pickle.

[278] **Aled Roberts:** Having heard the evidence in Llangollen and here today, I am left with a distinct impression that there has been a fall guy here and that there is a degree of Teflon Cardiff, suggesting that there is a rogue element in north Wales. Surely, in any management system, it is not only up to the individual case officer to recognise conflict, and

to have management request that that case officer prepare briefings on what they knew to be a contentious issue is beyond comprehension.

[279] **Mr Price:** It is quite difficult for me to comment. It is stupid for me to comment on issues that I do not know that much about, but I cannot understand the conclusion that she is a scapegoat. I can understand the conclusion that it was not simply one individual, which, of course, is why the conclusion of the HR report, which we cannot get into now, was that her line manager also received a final written warning. I think that Gareth said in his evidence—and I do not know any more or less than that—that all he did was ask for this to be investigated. The outcome of that is the outcome of that. I am not suggesting that there was a problem with north Wales. I think that there was a general cultural issue across the organisation that these things were not seen to be as important as they are today. Some of this is a consequence of that.

[280] **Darren Millar:** Mike wants to come in and I will bring Lindsay in as well.

[281] **Mike Hedges:** Mr Wong was of the opinion that it was a joint venture with the Welsh Government, which was a reasonable thought for him to have because a fairly senior of the Welsh Government was placed on his board and was acting as company secretary, there were three layers of managers above her, none of whom thought it was wrong and none of whom stopped it. Had this been a worthwhile project and had actually worked, we probably would not be discussing it now, but it would still have been wrong.

[282] **Lindsay Whittle:** Her line manager received a warning just prior to a very convenient early retirement. That is why some of us think—I certainly do—that the official who was dismissed was the scapegoat. I have not got the evidence to give me any other indication at the moment.

[283] **Mr Price:** I can understand why you are asking those questions, but I am genuinely struggling to answer them, because I have not been party to the detail of that HR stuff. We should not discuss it here anyway, because some of it is sort of personal incompetence. I just think that I am adding more vacuous comments if I talk about something that I do not know anything about.

[284] **Darren Millar:** Okay. We will move on to Gwyn and then we will have to leave it there.

[285] **Gwyn R. Price:** Amanda Brewer said in her statement that she thought that she was entitled to rely on the judgment of senior managers. Would you agree with that?

[286] **Mr Price:** I think that there is some element of senior management culpability, but Amanda herself was a senior individual. It is a slippery slope if you take the position that people can do anything they want as long as they can get away with it. I am not saying that that is what was happening here, but it is, potentially, the logical conclusion to that—‘I will do anything I want, so long as no-one stops me.’

[287] **Gwyn R. Price:** So, although she had declared an interest, which she quite clearly did, and the senior managers were on board, you believe that it was not right for the senior managers to have the same punishment as she did.

[288] **Mr Price:** I do not know what they saw. I assume that the HR process looked into all of that and was fair. I can assume nothing else. I would not be happy if this had happened; I would be speaking to the senior managers, personally.

[289] **Darren Millar:** We have to bring the session to a close. Thank you both for the

evidence. You will receive a copy of the transcript and, if there are any errors in there, feel free to let us know.

**Cynnig o dan Reol Sefydlog Rhif 17.42 i Benderfynu Gwahardd y Cyhoedd
o'r Cyfarfod**
**Motion under Standing Order No. 17.42 to Resolve to Exclude the Public
from the Meeting**

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

the committee resolves to exclude the public from the remainder of the meeting in accordance with Standing Order No. 17.42(vi).

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

*Derbyniwyd y cynnig.
Motion agreed.*

*Daeth rhan gyhoeddus y cyfarfod i ben am 10.53 a.m.
The public part of the meeting ended at 10.53 a.m.*