

# Cofnod y Trafodion The Record of Proceedings

[Y Pwyllgor Cyfrifon Cyhoeddus](#)

[The Public Accounts Committee](#)

22/09/2015

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from the Meeting

Cofnodir y trafodion yn yr iaith y llefarwyd hwy ynnddi 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
Jocelyn Davies	Plaid Cymru The Party of Wales
Mike Hedges	Llafur Labour
Sandy Mewies	Llafur Labour
Darren Millar	Ceidwadwyr Cymreig (Cadeirydd y Pwyllgor) Welsh Conservatives (Committee Chair)
Julie Morgan	Llafur Labour
Jenny Rathbone	Llafur Labour
Aled Roberts	Democratiaid Rhyddfrydol Cymru Welsh Liberal Democrats

**Eraill yn bresennol**  
**Others in attendance**

David Anderson	Cyfarwyddwr Cyffredinol, Amgueddfa Cymru Director General, National Museum Wales
Colin John	Trysorydd Bwrdd yr Ymddiriedolwyr, Llyfrgell Genedlaethol Cymru Treasurer of the Board of Trustees, National Library of Wales
Avril Jones	Cyfarwyddwr Casgliadau a Rhaglenni Cyhoeddus, Llyfrgell Genedlaethol Cymru Director of Collections and Public Programmes, National Library of Wales
Terry Lewis	Swyddfa Archwilio Cymru Wales Audit Office
David Michael	Cyfarwyddwr Adnoddau Corfforaethol, Llyfrgell Genedlaethol Cymru Director of Corporate Resources, National Library of Wales

Matthew Mortlock	Swyddfa Archwilio Cymru Wales Audit Office
Neil Wicks	Cyfarwyddwr Cyllid ac Adnoddau Corfforaethol, Amgueddfa Cymru Director of Finance and Corporate Resources, National Museum Wales
Steve Wyndham	Swyddfa Archwilio Cymru Wales Audit Office

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

Fay Buckle	Clerc Clerk
Claire Griffiths	Dirprwy Glerc Deputy Clerk
Joanest Varney- Jackson	Uwch-gynghorydd Cyfreithiol Senior Legal Adviser

*Dechreuodd y cyfarfod am 09:01.*  
*The meeting began at 09:01.*

**Cyflwyniadau, Ymddiheuriadau a Dirprwyon**  
**Introductions, Apologies and Substitutions**

[1] **Darren Millar:** Good morning, everybody. Welcome to today's meeting of the Public Accounts Committee. Just a few housekeeping notices before we go into the meeting proper: the National Assembly for Wales, of course, is a bilingual institution and Members and witnesses should feel free to contribute to today's proceedings in either English or Welsh, as they see fit. There are, of course, headsets available for translation, and these can also be used for sound amplification for those who require it. If I could encourage everybody to switch off their mobile phones or put them on to silent mode because they can interfere with the broadcasting equipment. Just to remind everybody that, in the event of a fire alarm, we should follow the directions of the ushers. Members, of course, are aware of the new rules in relation to declarations of interest, and will be encouraged to declare any interests as they arise on the agenda. We haven't received any apologies for this morning's meeting.

09:02

## Papurau i'w Nodi Papers to Note

[2] **Darren Millar:** We'll go straight into item 2 on our agenda, which is a paper to note. We've got the minutes of our meeting held on 15 September. Can I take it that those are noted? Yes? That's great.

09:03

### Craffu ar Gyfrifon 2014–15: Llyfrgell Genedlaethol Cymru Scrutiny of Accounts 2014–15: National Library of Wales

[3] **Darren Millar:** Item 3, then, is the scrutiny of accounts 2014–15. I'm very pleased to be able to welcome the National Library of Wales to the Assembly today. We've got David Michael, director of corporate resources at the national library here with us; Colin John, treasurer of the board of trustees—welcome; and Avril Jones, director of collections and public programmes at the national library. Welcome to you all.

[4] We've obviously had an opportunity to have a look at your accounts. This is part of an ongoing piece of work that the Public Accounts Committee committed to undertaking a couple of years ago, looking at those organisations that receive significant sums of public money and taking the opportunity on behalf of the public to look at their accounts. We've received a copy of your accounts and your annual report. We're also aware of the action plan that you have as an organisation and, really, we've got lots of questions, I suppose, on the audited accounts.

[5] Can you tell us just where things are at in terms of the governance at your organisation? We're aware that a review was undertaken earlier this year. It's reported in your accounts, but the publication of that document was some time after the year end. I don't know who wants to start on that.

[6] **Mr John:** If I can start, Chair. Yes, the review was instigated back in May time, when PricewaterhouseCoopers were asked to undertake a governance review for us and come back with various recommendations. That report was received by the board at its July meeting. There were 11 recommendations made by PwC in that governance report, all of which were duly accepted by the board. At that meeting, the board instigated or created a taskforce consisting of various members of the board of trustees, together

with an executive member of staff, who have then gone on to deal with those recommendations. The taskforce has met on a couple of occasions and reported back to the board, actually, last Friday at its last board meeting. We were very pleased to receive that report from the taskforce, whereby, I think, out of the 11 recommendations, four have already been completed and the other seven are ongoing, several of which are out to consultation with unions and at that sort of stage. So, there's been a fair degree of progress made in a reasonably short period of time, which the board was pleased to note.

[7] **Darren Millar:** What triggered the review?

[8] **Mr John:** The review came out of an employment tribunal and as a consequence of that, where the library was found against. It was decided that we should review the various policies, procedures and what was involved in that tribunal and that we would get the recommendations of an outside body on how we would improve matters.

[9] **Darren Millar:** This is the tribunal information that's been reported in the press recently—

[10] **Mr John:** That's right.

[11] **Darren Millar:** Payoffs of £153,000, yes?

[12] **Mr John:** That's right.

[13] **Mr Michael:** The compensation awarded under the tribunal was £88,000 in total.

[14] **Darren Millar:** Yes. There were two individuals, weren't there, concerned in respect of that? But, of course, on top of that, there were legal fees, yes?

[15] **Mr Michael:** Yes.

[16] **Mr John:** Correct.

[17] **Darren Millar:** Legal fees of £53,000.

[18] **Mr John:** That's right.

[19] **Darren Millar:** Isn't one of your board members a partner at a firm called Geldards?

[20] **Mr Michael:** Yes.

[21] **Mr John:** Yes.

[22] **Darren Millar:** Was Geldards instructed in respect of this particular case?

[23] **Mr John:** Geldards were acting as solicitors to the library at the time, yes.

[24] **Darren Millar:** Right, okay. So, you're the partner, are you?

[25] **Mr John:** No, I'm not, no.

[26] **Darren Millar:** Okay. In the report on your governance, it mentions that there is an issue in relation to the way that interests are declared on your board. Is that correct?

[27] **Mr John:** That is one of the recommendations made by PwC, which has now been acted upon.

[28] **Darren Millar:** So, when the board made a decision to award the contract or the business to Geldards to take forward the tribunal cases, was the individual who's a partner at Geldards party to the discussion?

[29] **Mr John:** Not at all. He has excluded himself from all discussions to do with any matters relating to Geldards.

[30] **Darren Millar:** In relation to the fire as well, can I assume that Geldards are the legal firm that are helping you with that?

[31] **Mr Michael:** Could I just explain—

[32] **Darren Millar:** Please.

[33] **Mr Michael:** —that we did a joint procurement exercise with the National Museum Wales to procure legal services. That was about three years ago, and Geldards were the successful company in that procedure—in that

process. So, during the life of the contract, our legal services have been given—or we've bought in legal services from Geldards. That contract is just coming to an end. So, we're now going to be using the national procurement service framework for legal services and buying off that. So, it's a procurement exercise that we did about three years ago, and Geldards were successful.

[34] **Darren Millar:** Okay. Jocelyn Davies.

[35] **Jocelyn Davies:** Thank you. I'm glad that you say that four of the recommendations—. I've got the PricewaterhouseCoopers report; it was on your website, actually, so it was easy enough to obtain. I think, Chair, it would be useful to circulate it to all Members of this committee. I'd like to know what the—. I know you've got an action plan and four recommendations are already in place, and you're very pleased with that, but it does make some shocking reading, I think, when you look at just the headlines: management skills and competencies need to be developed, you didn't have an up-to-date fraud policy, your policies in relation to disciplinary procedures weren't up to date—they were unclear—and your current whistleblowing policy doesn't reflect the most recent legislation. I could go on, I suppose, but I would imagine that the reaction of the trustees was one of bitter disappointment at seeing this report.

[36] **Mr John:** Certainly, and that's why we decided to instigate a taskforce with immediate effect to deal with those recommendations.

[37] **Jocelyn Davies:** So, of all the recommendations, you say four—. What four are they, then? Obviously, you now have to declare—. Instead of just saying, 'the usual interests' at board meetings, you have to say what the interests are. What are the other three?

[38] **Mr John:** The four that have been completed are with regard to training and guidelines for staff in relation to an appraisal process; the declared interests are now clearly recorded on an ongoing basis; the seventh recommendation regarding two procedures relating to performance appraisal for the chief executive—that's been dealt with; and a core programme of training and development has been developed for managers with specific training on procurement and training.

[39] **Jocelyn Davies:** Thank you. I guess that it does lay out—. One of the reasons, as you mentioned earlier, was to evaluate the verdict on the opinion

of the tribunal, so, the employment tribunal was a key event that led to this report. I hear what you said earlier about Geldards, and no doubt, they are an excellent legal firm, although it does appear that the chief executive should've taken other action, alongside that legal advice, in order to go ahead with that tribunal. Obviously, the judge was of a different view to your legal adviser.

[40] So, could you tell me something, then, in terms of the example that Geldards are still representing you, as is mentioned here, in terms of the fire? I guess you're suing the company now that were the contractors who were working there. What are the legal fees in relation to pursuing that case of a company that's already gone into liquidation?

[41] **Mr Michael:** Okay. I think our legal fees so far are about £75,000 in relation to the fire.

[42] **Jocelyn Davies:** Do you hope to be able to recuperate that from a company that's already gone into liquidation?

[43] **Mr Michael:** Can we just rewind slightly? If we were in a normal position where we had insurers, our insurers would be taking forward any legal action against the company, but because of the rules and the Government indemnity, we can't buy any commercial insurance, or, there are very limited circumstances. So, we have to, the library has to, take on the responsibility for following up the legal case.

[44] **Jocelyn Davies:** Well, most people in those circumstances would like to make an assessment of whether they're likely to be successful before they run up massive legal bills.

[45] **Mr Michael:** So, at the start of the process, we had to act quickly because there was a payment due under the contract and we had to issue what was called a 'pay less notice', and that has avoided us paying out about £50,000 in contract fees to the company. The company then went into liquidation and we have put in our claim as one of the creditors. Every year, the liquidator has to produce a report saying how far they've got with the liquidation, and we're expecting the second report now. As far as we're aware, last year, there was about £30,000 of assets left in the company and our claim as a creditor would be about half the value of the creditors, so we'd be getting about half of any assets left in the company.

[46] But, there are other legal issues that the liquidators have been asked to follow up about payments that should be due to the company. We're awaiting the liquidator's report, but it could be that there may well be a substantial amount of money coming back to the company, if the liquidator chooses to follow that up.

[47] **Jocelyn Davies:** Yes, I'm sure. Then, as you were saying, yours represents about half, you just said half—

[48] **Mr Michael:** Yes, about half.

[49] **Jocelyn Davies:** And we're not quite sure what—. It doesn't sound like it's a very large company, your legal fees alone you said were £50,000—

[50] **Mr Michael:** Seventy-five thousand.

[51] **Jocelyn Davies:** Seventy-five thousand. And, that's without whatever your case is valued at, so I'm assuming that that's going to be an awful lot more, because you don't run up legal fees of £70,000 if your claim is only going to be £20,000 or £30,000. I should imagine it's millions in the case of this fire. And, of course, I guess there will be others that will also have claims. So, all I'm saying is, are you getting external advice, other than from Geldards, based on your experience in the past, on the likelihood of you succeeding in getting money from a company that's gone into liquidation with not much assets?

[52] **Mr Michael:** Well, at the time—

[53] **Jocelyn Davies:** I'm not a lawyer, by the way. I'm not giving you any advice, I'm just advising you to get advice. *[Laughter.]*

[54] **Mr Michael:** This is an issue on which the board has questioned the executive on several occasions, and whether we have reached the point where we've actually spent more in legal fees than we're ever going to get back. As I said, we avoided the £50,000 payment under the contract, so—

[55] **Jocelyn Davies:** I think you're missing my point. It's not just your legal fees you want to get back; it's your damages. Because anybody who runs up more in legal fees than they're going to get back in their damages would be wondering whether this was a good idea.

[56] **Mr Michael:** There are several legal cases that could be brought and this is a case against the company in liquidation. We've also asked the Welsh Government recently about two possible courses of legal action: one is against the insurers of the company and one is against the insurers of the architect who was supervising the contract. Now, potentially, we could put in big claims against those insurers, but it would be very expensive to run.

[57] **Jocelyn Davies:** So, you're satisfied that the governance around the decisions that you were making going forward—. Because, it says in this report that if you don't make cultural changes, the library will not move forward.

09:15

[58] **Mr Michael:** The fire happened in April 2013; we had to make decisions on what we were going to do with the legal case then. We pursued the legal case against the company. We've got options to go after the insurers, but we could end up spending £0.5 million on those cases, and we've said to the Welsh Government that we're not prepared to commence that legal action unless the Welsh Government would actually underwrite the cost, because we can't afford that kind of cost.

[59] **Jocelyn Davies:** Well, yes; it sounds like somebody's doing very well out of it. Perhaps we're in the wrong profession. In terms of the rest of the recommendations, when do you think that they'll all be actioned?

[60] **Mr John:** All the others are ongoing at the moment. We would hope the majority of them are actually in place by the end of—we've got dates in October, November time.

[61] **Jocelyn Davies:** By October, November time you should be well advanced in terms of putting a tick by all the recommendations in this particular report.

[62] **Mr John:** The recommendations have taken top priority, basically, and now we need to get them in place.

[63] **Jocelyn Davies:** Okay. Thank you.

[64] **Darren Millar:** Sandy Mewies, and then I'm going to bring in Julie.

[65] **Sandy Mewies:** It's only a very quick enquiry, actually, for clarification. I may well have missed it, but I'm not clear about the process of your insurance. You say Government rules don't let you insure for yourself; well, most people like me would think, 'Well, take out your own insurance'. You look at your assets and work out how much they're worth. So, can you just clarify exactly how this works for you, and presumably for bodies like you?

[66] **Mr Michael:** For us and the museum, we are prevented from taking out commercial insurance under the framework agreement with the Welsh Government. It's like our contract with the Welsh Government, and, if we want to take out insurance, we have to make a case. So, we've got no public liability, no employers' liability, no product liability, so, if someone comes into the library and trips over and is injured, then it would come out of our pot, our money, with no insurance. We've raised the issue over a long period of time—if this is the insurance, how is it going to work? When an event like the fire does happen, I think the deficiencies in the indemnity scheme are apparent, because we're left quite exposed. With no insurance, we have to pick up then the cost of pursuing the claims, and it's fine when there are no claims, but, when something happens, it's a very unsatisfactory system, we feel.

[67] **Sandy Mewies:** That's about risk management, isn't it, really? I agree with you. So, what you're saying is that, if someone walked into the library and one of your exhibits fell on their head, which could be a very costly case, you are going to look at the pot of money that you get and a big tranche of it could disappear overnight, practically.

[68] **Mr Michael:** Yes.

[69] **Sandy Mewies:** Thank you.

[70] **Darren Millar:** What discussions have you had with the Welsh Government about that, and about potentially changing the arrangement so that you can take out commercial insurance?

[71] **Mr Michael:** We have had discussions going back over 10 years about when this will kick in, and I think the answer we've always had is, 'Well, you know, the Government indemnity is there; we'll deal with the problems when they arise, or if they arise'. But it would be very interesting to know what the rules of this policy that we have are. What are the rules of the game with the Welsh Government? At what point will they come in and support us when a

claim comes in? To be fair, with the fire, we've had about £2.4 million of capital funding to fix the building, but things like personal injury claims are a worry, because those can mount up quite quickly. We don't know what the excess on the policy is, and we'd like some clarity.

[72] **Sandy Mewies:** Did you never know? Have you never known?

[73] **Mr Michael:** We've always known that we haven't got insurance and—

[74] **Sandy Mewies:** But you haven't known the details.

[75] **Mr Michael:** Well, there are no details of the Government indemnity scheme, other than it's there and the Government will step in.

[76] **Darren Millar:** So, effectively, you petition the Government when you think a claim's big enough that you need it underwriting by them.

[77] **Mr Michael:** Yes.

[78] **Darren Millar:** That's how it works.

[79] **Mr Michael:** That would be how it would work.

[80] **Darren Millar:** And it's a judgment call from the board as to when they should approach or when they shouldn't approach the Welsh Government.

[81] **Mr Michael:** We've been very lucky that we haven't had very many claims against us. The biggest claim, really, is the fire. That's way beyond anything. We've had a few small personal injury claims over the years, but nothing really substantial.

[82] **Darren Millar:** But your position as a board is that you would like to be able to take out commercial insurance, yes? Am I right in saying that?

[83] **Mr Michael:** Under certain circumstances, we would—where there are risks against which we would like to insure. But if we're going to have to come under Government indemnity, it would be better to know what the exact rules are, and when the Welsh Government would come in and pay. You know: what's the excess on the policy?

[84] **Darren Millar:** Is it on the insurance, Jenny?

[85] **Jenny Rathbone:** Yes, I just want to understand why this wasn't bottomed out when you signed the framework agreement, because that's what normally happens. If you're signing an agreement, before you sign it you work out what the details mean.

[86] **Mr Michael:** It's a fairly standard part of all the framework agreements with the Welsh Government, and it certainly applies to us and the museum. If we want to take out commercial insurance, we have to produce a case that shows it's financially advantageous to do so. It's very difficult to do that, because insurance companies exist to make a profit. So, you have to overcome the hurdle that it's always going to be cheaper to self-insure.

[87] **Jenny Rathbone:** I'm not arguing against self-insurance, I'm just trying to understand why the detail of what was actually being agreed wasn't resolved before you actually signed the agreement.

[88] **Mr Michael:** It's always been in there; I think the last time it was reviewed was in 2009.

[89] **Jenny Rathbone:** But why, then, was the library not pressing to clarify issues that you thought were important and relevant?

[90] **Mr Michael:** We've always pressed for this one; it is an issue we've raised over the years, but that is it: it's Government indemnity, that's the way it is, and, if you want to insure—we're not saying you can't insure, but you have to prove the case, and it's a very difficult hurdle to get over.

[91] **Darren Millar:** Julie Morgan.

[92] **Julie Morgan:** Thank you. I wanted to go back to the tribunal issue and the consequences there. I just wondered if, for clarification, you could tell the committee why the two members of staff were originally demoted. Was that to do with finance?

[93] **Mr Michael:** It goes back to a procurement of services that was badly handled.

[94] **Julie Morgan:** Right, so the—

[95] **Darren Millar:** Can I just remind Members that, obviously, this has

been a legal case, so we just need to be careful in terms of where we tread?

[96] **Julie Morgan:** Right. So, in terms of the actual issues that were addressed, which caused the demotion and the subsequent findings of the tribunal to do with the procurement, what progress has been made on the procurement issue?

[97] **Mr Michael:** As part of the PricewaterhouseCoopers review, one of the recommendations is that there should be compulsory training for staff on procurement, and we're in the process of arranging a training course for all staff involved in procurement of services for the library.

[98] **Julie Morgan:** How far has that training gone?

[99] **Mr Michael:** We're in discussion with two potential providers, and then we will—we've identified the staff who will be put through the course, and we will start that as soon as we can agree a contract with the provider.

[100] **Julie Morgan:** Right. So, it hasn't actually started yet.

[101] **Mr Michael:** No. We have had quite a bit of procurement training over the years, but I think what this is saying now is that this training has to be compulsory; people can't opt out of it. So, we have got a programme of specific modules of procurement training, and we are in discussion with two providers; we're trying to negotiate a price, and then we will implement it.

[102] **Julie Morgan:** Right, thank you.

[103] **Ms Jones:** Could I just add that, even before we had the PricewaterhouseCoopers review, we had actually instigated training for many members of staff in terms of procurement? So, the response was immediate; it hadn't been left until we had the review, but now it's more of a programme and the compulsory element is key.

[104] **Julie Morgan:** So, before, the training was available, but it was on a voluntary basis.

[105] **Ms Jones:** Yes.

[106] **Julie Morgan:** So, how many of the staff would have taken that up at the time?

[107] **Mr Michael:** There'd have been a good number; there would probably be 10 members of staff who had probably been through the training.

[108] **Ms Jones:** I think it varied between departments. It was dependent on the head of department making sure that staff undertook the training, or had the opportunity to undertake the training, and, of course, tie that up, then, with annual appraisals.

[109] **Julie Morgan:** And that will be starting on a programme basis soon.

[110] **Mr Michael:** Yes.

[111] **Julie Morgan:** Right; thank you. Just finally, how would you describe the culture of the library?

[112] **Mr Michael:** I think, over the years, it's been quite paternalistic, but I think now we're moving into a financial environment where the pressure is on, things have to change, and we have to become more focused on performance and delivery. I think one of the issues in the PricewaterhouseCoopers report was that we have to take staff performance seriously and start addressing issues of poor performance.

[113] **Julie Morgan:** And that is recognised by all the staff now in the library?

[114] **Ms Jones:** Yes. I think, again, there were perhaps differences across different departments; some were managed tighter than others. So, what we want is a consistent culture across and, of course, we always want to improve, we always want to change.

[115] **Julie Morgan:** Thank you.

[116] **Darren Millar:** Just in terms of the procurement problems, you obviously talked about the fact that you've procured these services from Geldards under a procurement process; have you considered the possibility that there may have been issues with that procurement process, given the issues that were identified with these two individuals and then exposed further by the PricewaterhouseCoopers work?

[117] **Mr Michael:** We've always had, I think, quite a good service from Geldards over the years. As I say, it was a joint procurement exercise with the

national museum; I don't believe they've had any issues with Geldards. This is one case that hasn't gone the library's way. I think it's probably time to move on now with the Geldards contract. As I say, the National Procurement Service have just issued their new framework for legal services, so we will buy off that.

[118] **Darren Millar:** Okay. Mike Hedges.

[119] **Mike Hedges:** Just leading on from the question that Julie Morgan asked, you gave an answer of the financial pressures you're under, yet you added £3 million to your reserves last year.

[120] **Mr John:** We are a charity, and therefore the way we report is through charity accounts, not through a sort of profit-and-loss account as a normal commercial enterprise would. So, in our statement of financial activities that are shown in the accounts, it shows the cash coming into the business and the cash going out. What it doesn't show on that page is the capital expenditure that we actually spend in the year as well. So, although money did come in for capital expenditure purposes, not all of it was spent as at 31 March, and therefore some of that expenditure has been carried forward and utilised in this current year.

[121] **Mike Hedges:** So, whoever's sat in here next year will see £3 million coming off the reserves?

[122] **Mr Michael:** Yes, that's true. One of the problems we have is that the rules of Government accounting are you can't follow normal accruals accounting. So, when we received money in the last financial year, we can't then match that income to the expenditure. Ideally, what we'll do is put that in as a pre-paid grant so it wouldn't come out in the reserves. But we have to recognise it all, because the Government's system is on cash accounting. Our accounts are on a proper commercial accruals basis, so we've got a bit of a mismatch there between the fact that you have to follow the rules of Government accounting and recognise all that income in the year it happened, even though the expenditure might happen some time down the line. There's a note further on in the accounts that shows we've got about £2.7 million of capital commitments. We've actually signed the contract, the work's ongoing but we haven't actually—. The cash is going out during the current year.

[123] **Mike Hedges:** Two more questions. You show £7.5 million in your

accounts as unrestricted private funds. Is that usable as revenue or capital or both?

[124] **Mr Michael:** Both.

[125] **Mike Hedges:** And the third question is: you show £88 million balances, which some people would say was exceptionally high. But then you say that only £15 million of it is cash-backed. Where would I find the other £73 million?

[126] **Mr Michael:** Most of that £88 million is the cost of the fixed assets, of the library's building. So, if you look at our balance sheet, there is £89 million in fixed assets, including investments. Current assets are—. What we've actually got in reserves, if you look at the funds part at the bottom of the balance sheet, they're £141,000; those are our revenue reserves. The £88 million is mostly the cost of the building.

[127] **Mike Hedges:** You're showing your capital. Again, it's unusual showing a capital asset as a reserve. You'd normally have it as a capital asset, wouldn't you, and you'd have assets being held as a separate class?

[128] **Mr John:** We are answerable to two bodies, basically. We're answerable to the Welsh Government for the funding we get. We're also a registered charity, so we've also got to present everything in accordance with charity law. And, therefore, this is the reporting structure we have.

[129] **Mike Hedges:** Can I come back to this £15 million, which is held in cash? Is that usable cash?

[130] **Mr Michael:** Which page of the accounts do you have?

[131] **Mike Hedges:** I don't know; it's in here somewhere. It shows £15 million of cash-backed usable reserves somewhere in there.

[132] **Mr John:** As of 31 March 2015—the balance sheet is on page 31 of our accounts—

[133] **Mike Hedges:** Yes, I've got that.

[134] **Mr John:** Our cash at bank at that point was just over £5 million.

[135] **Mike Hedges:** And that's your usable—. I've got it out of order. And that's your usable cash?

[136] **Mr Michael:** Yes.

[137] **Mike Hedges:** Okay. That's me done.

[138] **Darren Millar:** Can you just clarify for me: you do use accruals accounting, don't you, for your revenue expenditure? It's just your capital expenditure that you were referring to.

09:30

[139] **Mr Michael:** No. What we can't treat for accruals is Government grant income. We have to recognise it a 100 per cent in the year it's received; we can't actually match it to the year of expenditure, which causes a mismatch in our accounts, and often, you—

[140] **Darren Millar:** Okay. So, it's not everything. Everything else is done on an accruals basis.

[141] **Mr Michael:** Everything else is accruals; it's just the Government grant—

[142] **Darren Millar:** Because you can't bank on it until it's in your coffers, as it were. Okay. Mohammad Asghar.

[143] **Mohammad Asghar:** Thank you very much, Chair. On the same point here, if you look at page 52 on capital expenditure, the proceeds from sale of investments have gone up double, really, from last year to this year. If you look at this £600,000 to £1.2 million—. If you look at point 16 on page 52, on capital expenditure and financial investment, could you explain what the last bit is there—'proceeds from sale of investments'?

[144] **Jocelyn Davies:** It's page 49 in yours. It's 52 in our papers, but it's page 49 in yours.

[145] **Mohammad Asghar:** It's a massive jump in sale of—

[146] **Mr John:** You're referring to the £5.14 million, are you?

[147] **Mohammad Asghar:** Yes. Look at the last bit there, ‘proceeds from sale of investments’—£1.2 million.

[148] **Darren Millar:** Table 16 on capital expenditure and financial investment.

[149] **Mohammad Asghar:** It is to recoup the losses or what?

[150] **Mr Michael:** That would be from our private funds transactions.

[151] **Mr John:** The money we have on private funds, which are made up from legacies, bequests and things of that nature, accumulated over the years, those are held and managed by a private company, Investec. Therefore, they’re involved in buying and selling of assets, and the proceeds from sale of any investments would be reflected there, basically.

[152] **Mohammad Asghar:** I need a bit more expansion on that; what actually was sold out, because it’s a lot of investment last year—this year, I mean, 2014–15. We are here to scrutinise you for the best value for money; that’s what we are here for. The things is: at what time during 2014–15 did you receive this additional £600,000 grant aid from the Welsh Government? When did you receive it—the £600,000 grant from Welsh Government?

[153] **Mr Michael:** We had £600,000 received towards the end of the financial year.

[154] **Mohammad Asghar:** It was at the end.

[155] **Mr Michael:** Yes, in March.

[156] **Mohammad Asghar:** All right. How do you manage your finances in terms of utilising unpredictable income, such as from donations, bequests and investment income? I will come in on the investment point.

[157] **Mr Michael:** If we just touch on our reserves policy, because of the cash carry-over rules, it’s very difficult to have a reserves policy for the bulk of our expenditure, the revenue costs, but what we do have are private funds, which have come from donations and legacies over the years. So, what we plan to do is use those private funds to subsidise our running costs and our capital expenditure over the coming years, and also, we’ve got plans to make bids to the lottery for some fairly big schemes, so we’ll be able to use

our private funds as match funding. Our private funds have grown quite a lot in the last five years. We looked at this last week and we've had a 9 per cent per annum increase over five years—it's gone up by about 45 per cent due to the change in the stock market. We also had a big legacy in the previous year, which you obviously can't predict, but we will be drawing out substantial sums, between £700,000 and £900,000 per annum over the next five years to subsidise the library's activities.

[158] **Mohammad Asghar:** Alright. And what restrictions do you have on the £7.5 million showing in your accounts as unrestricted private funds?

[159] **Mr Michael:** As I say, that's grown by 45 per cent over the last five years. We had a big legacy of £1.25 million in the previous year and we will be planning to spend that money to subsidise the library's activities. It's available there to fund our running costs and our capital expenditure.

[160] **Mohammad Asghar:** And what was the reason for the high value of assets in the bank of £5.1 million at 31 March this year?

[161] **Mr Michael:** The main reason for that is a Government grant received for capital expenditure and we haven't incurred the expenditure.

[162] **Mohammad Asghar:** And is that an expenditure that you've already planned for?

[163] **Mr Michael:** Most of it is going through this year. There are two contracts which have been let; one to create storage and one to revamp a part of the building in preparation for the relocation of the Royal Commission on the Ancient and Historical Monuments of Wales. They are coming into the library's building as a tenant. So, we are doing the preparatory building works this year, and during the latter part of this financial year, they'll commence the move to the library's building.

[164] **Mohammad Asghar:** Have there been any in-year changes to the anticipated level of unrestricted grant in aid you received from the Welsh Government in this financial year?

[165] **Mr Michael:** The grant in aid we've had from the Welsh Government this year is at the same level. The major uncertainty is what's going to happen next year. We've had two years, now, where we've only had one year's grant in aid notified to us, so it's hard to plan for the long term when

you're only just being given an annual budget. The rumours I hear are that, perhaps, we only get another year's budget next year. So, we'll have been through three years, in succession, where we've only been planning for one year at a time, which is not a good way of planning for your business in the longer term. It would be better if we'd had a longer time horizon and we could see where the grant was going. That's why we're keeping the private funds there, to subsidise our activities. That's our only cushion, to take us through the next series of cuts in public expenditure.

[166] **Mohammad Asghar:** Finally, Chair, austerity measures are going on quite a lot, so what impact is it having in your department? Your funds are not very severely reduced, but you are seeing a lot of investments and all other things in line.

[167] **Mr Michael:** Well, we've had a problem for 10 years, because our grant income now from running costs—£9.7 million—is less than it was in 2006. So, we've been through a decade of reducing costs. And the difficulty for the library now is, where do you go to cut costs when the grant goes down a significant amount? So we've had to run a voluntary severance scheme, where about 30 members of staff have left; it's cost us about £1.4 million. We can't keep on looking for salami slicing—we've got to start getting rid of staff, unfortunately. We're trying to do this through voluntary means, but that's the only—it's our major cost. Three quarters of our running costs are staff. We've looked at all the obvious efficiency gains since 2006, but we're getting to the point now where it has to be through loss of staff. The critical relationship in our accounts is the cost of our pay bill in relation to the revenue grant we get in, and we've got to keep those in balance.

[168] **Mohammad Asghar:** I've just heard about this revenue and capital expenditure, very clearly from you. A library is a hub of knowledge, and the people who are running the library—have they got the financial knowledge to run the libraries? What type of training do they get? Reading through this PricewaterhouseCoopers report, there's a lot of things that need to be learned, or understood—otherwise, we can't get the best value for money from library officials.

[169] **Darren Millar:** I've got a few Members who want to come in on some of the questions that Mohammad Asghar has actually asked there. So, I want to go to Jenny first, then Sandy, then Jocelyn, and then I'm going to come to Aled.

[170] **Jenny Rathbone:** You have about £15 million of private investments—is that right?

[171] **Mr Michael:** No, it's about £8 million.

[172] **Jenny Rathbone:** £8 million, okay. So, where it says 'total private funds'—

[173] **Mr Michael:** That includes assets that have been gifted to us—

[174] **Jenny Rathbone:** Assets?

[175] **Mr Michael:** Yes.

[176] **Jenny Rathbone:** Okay.

[177] **Mr Michael:** Some of those will be paintings by Kyffin Williams, for example.

[178] **Jenny Rathbone:** Fair enough. So, the actual amount that needs to be invested in order to retain its value is about £7 million?

[179] **Mr Michael:** Yes, that's correct.

[180] **Jenny Rathbone:** Okay. So, when did you appoint Investec?

[181] **Mr Michael:** They've been appointed for a number of years, and it goes back a long time.

[182] **Jenny Rathbone:** Okay. Because I was a bit concerned to see that the return of 8.57 per cent was lower than the benchmark.

[183] **Mr Michael:** Yes. The benchmark varies every year. We've just had the annual meeting with the investment managers last year, and, over five years, they were within 0.5 per cent of the benchmark.

[184] **Jenny Rathbone:** Okay. That's still not—it's a bit underwhelming in terms of performance.

[185] **Mr Michael:** Well, I think the benchmark was about 45 per cent, and we returned 44.5, so pretty much on the benchmark.

[186] **Jenny Rathbone:** And so this is a benchmark against other charitable investment funds.

[187] **Mr Michael:** No, it's a benchmark that takes different elements of where the investments are in bonds and equities, and it produces what should be an overall return. It's a blended benchmark.

[188] **Jenny Rathbone:** Okay, but, I mean, what you need to know is whether your investment managers are performing at least as well as the market, for moderate risk, as well as against other charitable funds. Do you actually regularly see that information in the audit?

[189] **Mr John:** Yes, we meet with them on an annual basis. This year's meeting took place last week. As David said, the benchmark over the last five years, although it was 1.5 per cent down on the last year in isolation, over the five years it was within less than 1 per cent.

[190] **Jenny Rathbone:** So, they only analyse the investment policy once a year?

[191] **Mr John:** We get reports on a quarterly basis from them, but we have a meeting with them to review all the policies on an annual basis.

[192] **Jenny Rathbone:** How do you know that they're providing the best possible outcome for your assets?

[193] **Mr John:** We're comparing them with the benchmark.

[194] **Jenny Rathbone:** In terms of the funds you do have, you say that you are unable to improve your environmental performance because of a lack of funds, but why is it not possible to use some of the unrestricted private funds that you've received to invest to save in your huge energy bills—£0.25 million on electrics and £341,000 in all?

[195] **Mr Michael:** On Friday of this week, we've got a meeting with the invest-to-save panel because we've put in a case for photovoltaics, which we will put on the building. Our base electricity load is something like 200 kW, so whatever photovoltaics we put, we're going to use a 100% of the electricity that's produced. The problem is—

[196] **Jenny Rathbone:** How come you haven't done that before? They've been around for a while.

[197] **Mr Michael:** The obvious place to put to photovoltaics is on the part of the building where the roof blew off in a storm about five years ago. That was the roof that was replaced, which then led to the fire. So, what we did when we replaced the roof, the structure under the roof—it's a very low-pitch roof. You have to have braces put under the roof. So, when we reinstated the roof, we prepared it for photovoltaics. There were some contractual issues about leaks in the roof that we had to resolve first. We couldn't go on the roof and put the photovoltaics on until we'd been assured that the contractor had fixed all the leaks, because they would then perhaps have an excuse, if we'd been on the roof putting photovoltaics in, they'd say: 'The leaks were caused by you going on the roof'.

[198] **Jenny Rathbone:** I understand that.

[199] **Mr Michael:** But we're definitely looking at our environmental performance. The problem we have is that the library's building, a lot of it, is very old. It was designed in an era when energy efficiency wasn't an issue. As it's a grade II\* listed building, there's limited amounts we can do to a lot of it. We know we lose a lot of heat through the windows and through the roof—

[200] **Jenny Rathbone:** True, but photovoltaics is not the only game in town. You could be doing ground source heat pumps. Other sources of energy are available.

[201] **Mr Michael:** Combined heat and power is one of the ones that we would look at because, as I say, our base electricity load means we could use almost everything we could generate. So, photovoltaics in quite an easy thing to do. We've got the plans for doing that. I hope we'll get the money through invest-to-save on Friday this week.

[202] **Jenny Rathbone:** But if you don't, could you not apply to the European Investment Bank?

[203] **Mr Michael:** We are not allowed to borrow any money. The only money we can borrow is through invest-to-save, from the Government, which isn't really a loan. We can't borrow anything.

[204] **Jenny Rathbone:** Okay. How many buildings have you got?

[205] **Mr Michael:** We've got the one, just the library site.

[206] **Jenny Rathbone:** Okay, so you've only got the one listed building. I'm beginning to understand the problem. The other, I suppose, problem is the amount of waste you send to landfill, which is obviously increasing the expense. Could you just explain why so much is sent to landfill?

[207] **Mr Michael:** We've had some quite big construction projects going on, so that's probably what it is.

[208] **Jenny Rathbone:** Okay, so these are one-off costs.

[209] **Mr Michael:** But actually we do try and restrict the amount that goes into landfill. All the grounds waste we compost on site. So, we are trying to reduce our footprint as far as waste is concerned.

[210] **Jenny Rathbone:** Okay, so the construction companies are ratcheting up the amount of waste to landfill.

[211] **Mr Michael:** We do monitor food waste. It affects the performance of our canteen if we've got a lot of waste going out, so we've acted on that. There's not an awful lot going out. Any waste we can deal with on site, especially grass cuttings—we compost that on site.

[212] **Darren Millar:** Can I just ask, invest-to-save, why are you needing to access Government funds for invest-to-save when you have all this cash in the bank and all this unrestricted reserves that you could easily tap into? Why can't you make decisions to invest from your own resources?

[213] **Mr Michael:** The cash we've got will be committed to capital expenditure in this year.

[214] **Darren Millar:** I'm talking about your other unrestricted funds that you could easily access and liquidise in order to invest in your efficiencies.

09:45

[215] **Mr Michael:** Yes, we could, but we've also planned that we're going to be drawing that money out of—

[216] **Darren Millar:** You're going to be drawing down all £7.5 million.

[217] **Mr Michael:** No, we'll be drawing out a substantial amount over the next five years. We need to keep that money there because that generates returns for us.

[218] **Darren Millar:** I understand it generates returns, but if you're going to get a return on your investment because you're investing-to-save, then it's the same principle, is it not?

[219] **Mr Michael:** Well, the invest-to-save money we have to pay back; there is no interest on it. So, it actually suits us to have that money from the Government to invest—

[220] **Darren Millar:** But, what about other parts of the public sector that might need to access that money and might be able to get a good return on it for the public purse?

[221] **Mr Michael:** It's a competitive process, applying for invest-to-save, and it's by no means certain that we would get it. If we weren't successful, then we would definitely look at using our private funds for it. But, we'd rather keep our private funds to generate returns for us. If we can borrow money for nothing from the invest-to-save and pay it back, then it's a better option for us.

[222] **Darren Millar:** It's attractive for everybody—

[223] **Mr Michael:** It is, yes.

[224] **Darren Millar:** —if you can tap into it. Given that you've got that resource, there's nothing whatsoever prohibiting you from implementing your plans, is there, in terms of improving the sustainability of your organisation?

[225] **Mr Michael:** We have planned the amount we're going to pull out of private funds over the next five years. It's looking very uncertain in terms of the stock market at the moment. We're trying to manage it conservatively and prudently so that we don't end up here in five years' time with you asking us, 'Why have you spend all your private funds? That was poor financial management'. We're trying to do it in a sensible and measured way.

[226] **Mr John:** Just going back to the charity side of it as well, a lot of those private funds have been given to us for purposes—

[227] **Darren Millar:** I'm talking about the unrestricted funds, I'm not talking about the restricted; I understand that principle. I understand that you will have designated some as well for specific purposes. But, if you have some resources that you could put to use in improving the efficiency of the organisation, reducing your revenue costs, then surely it makes sense to do that?

[228] **Mr Michael:** We've used our private funds over the years, but in the last five years, we've used about £2 million out of our private funds to support our activities. A lot of that will be investing in areas that make us more efficient.

[229] **Darren Millar:** Okay. Fair enough. Sandy Mewies.

[230] **Sandy Mewies:** Thank you, Chair. I've been quite interested listening to this discussion about your investment fund, because it's quite unusual for us to hear something like that. Anyway, I think a lot of private investors would think that's not bad, given the state of the stock market over the last five years, when prudence and conservatism—with a small 'c'—have been the watchwords. So, I can quite understand why you'd want to be careful about what's going to happen in the future. But, what I wanted to know was: you obviously rely on a private investment fund manager to manage the assets in whichever part of the market they're placed, but did you say you only have one meeting a year with them to look at the portfolio?

[231] **Mr John:** We actually have a face-to-face meeting once a year, but we have regular reports from them and discuss matters by telephone and e-mail and what have you, but as far as face to face, yes, one meeting a year.

[232] **Sandy Mewies:** Okay, but once a year seems quite a long time, given the amount of money. But, you can presumably rely on them; if there was something like the Chinese market, something that was worrying you, you could have a quick meeting with them and discuss it. Have you done that?

[233] **Mr Michael:** We set them an investment policy every year and we review it annually, which says: 'This is our appetite for risk; this is how we would like you to invest this. Go away and invest it'. Then, we can hold them

to account against the benchmark. If we were advising them every time, it would be difficult for them to—. If they underperformed, they'd obviously say, 'It's because you told us not to do this'. But, I think our private funds is actually quite a good news story, because it is money that isn't coming from the Welsh Government, it's subsidising our activities and actually adding to what we do and the services we provide.

[234] **Sandy Mewies:** I just wondered, if you wanted to meet with them, face to face, you could do.

[235] **Mr John:** Absolutely.

[236] **Mr Michael:** Yes.

[237] **Sandy Mewies:** Okay, thank you.

[238] **Darren Millar:** Aled Roberts.

[239] **Aled Roberts:** Rwyf eisiau mynd yn ôl at y mater o'r ffordd rydych yn cael eich llywodraethu yn y lle cyntaf, imi ddeall yn union beth yw'r sefyllfa. A oedd y person sydd efo cefndir cyfreithiol yn aelod o'ch bwrdd chi cyn i Geldards gael eu penodi yn 2011, neu a oes rhywbeth yn eich cyfansoddiad chi sy'n dweud bod yn rhaid i rywun gael cefndir cyfreithiol er mwyn ichi eu penodi? Rwy'n gweld bod penodiadau gweinidogaethol a phenodiadau'r llyfrgell. Felly, a ydy'r penodiad yna yn un gan y Llywodraeth neu'n un gan y llyfrgell ei hun?

**Aled Roberts:** I just want to return to the way that you are governed in the first place, and understand what the situation is precisely. Was the person who had a legal background a member of your board before Geldards were appointed in 2011, or is there something in your constitution that states that someone needs to have a legal background in order for you to appoint them? I see that there were ministerial appointees and appointees from the library. So, is that appointment one that was made by the Government or one that was made by the library itself?

[240] **Mr Michael:** Nid wyf yn cofio. Mae'r Llywodraeth yn penodi wyth, ac mae'r llyfrgell yn penodi saith. Nid wyf yn cofio pwy sydd wedi penodi'r aelod yma.

**Mr Michael:** I don't remember. The Government appoints eight, and the library appoints seven. I don't remember who appointed this person.

[241] **Aled Roberts:** Ond, a oedd yr aelod yna yn aelod o'r bwrdd pan gafodd Geldards eu penodi yn 2011, neu a ydy o neu hi wedi dod yn aelod ers hynny?

**Aled Roberts:** But, was that person a member of the board when Geldards were appointed in 2011, or has he or she become a member since then?

[242] **Mr John:** Na, roedd Geldards wedi'u penodi cyn bod y person hwn wedi'i benodi.

**Mr John:** No, the Geldards appointment was made before this person was appointed.

[243] **Aled Roberts:** Ocê. Felly, os ydy o'n benodiad gan y llyfrgell, neu yr oeddech chi'n ymwybodol pan gafodd ei benodi ei fod o'n gweithio i'r cwmni a oedd yn rhoi cyngor i chi, buasai'r Llywodraeth, os mai penodiad gan y Llywodraeth oedd o, yn yr un sefyllfa yn union.

**Aled Roberts:** Okay. So, if it was an appointment by the library, or you were aware when he was appointed that he was working for the company that was giving you advice, then the Government, if it was a Government appointment, would be in exactly the same situation.

[244] **Mr Michael:** Buasai.

**Mr Michael:** Yes.

[245] **Aled Roberts:** Ocê, diolch. O ran eich polisi buddsoddi chi, pa mor aml a ydych chi'n adolygu polisi moeseg y llyfrgell o ran buddsoddi, ac a ydy hi'n bosibl inni weld copi o'ch polisi o ran *ethics* a'r cyfarwyddyd yr ydych chi'n ei roi i'r cwmni?

**Aled Roberts:** Okay, thank you. In terms of your investment policy, how often do you review the ethics policy of the library in terms of investment, and is it possible for us to see a copy of your policy on ethics and the guidance that you give the company?

[246] **Mr Michael:** Rydym ni'n adolygu'r polisi bob—. Rwy'n meddwl taw tua thair blynedd yn ôl wnaethom ni edrych arno fe.

**Mr Michael:** We review the policy every—. I think it was about three years ago that we looked at it.

[247] **Mr John:** Ie.

**Mr John:** Yes.

[248] **Mr Michael:** Ac mae'r bwrdd wedi trafod y busnes o fuddsoddi'n foesol dros y blynyddoedd. Mae yn

**Mr Michael:** And the board has discussed investing ethically over the years. It is a subject that has arisen

bwnc sydd wedi codi yn eithaf aml.

quite often.

[249] **Aled Roberts:** Ocê. Ac a gaf i jest ofyn cwestiwn olaf? Gwnaf eich cyfeirio chi at 7.4 yn eich adroddiad chi, tudalen 24, sydd yn sôn am gynllun pensiwn a'r ffaith bod yna bryderon ynglŷn ag a ydy'r gronfa'n gynaliadwy. Rwy'n synnu braidd bod nodyn yma'n dweud bod y newidiadau a wnaed i gynllun pensiwn y gwasanaeth sifil wedi arwain at gynydd treth o 2 y cant o ran cyfraniad y llyfrgell fel cyflogwr, ac mae yna ryw fath o sôn nad oedd y llyfrgell yn ymwybodol ac yn dweud eich bod chi hefyd wedi gwneud cais i gael eich eithrio o'r newidiadau i Lywodraeth Cymru. A ydych chi wedi cael unrhyw fath o benderfyniad ar hynny, ac os nad ydych chi wedi cael penderfyniad, sut byddwch chi'n delio â'r cynnydd yma o 2 y cant?

**Aled Roberts:** Okay. May I just ask one final question? I refer you to 7.4 in your report, page 24, which talks about the pension scheme and the fact that there are concerns about whether the fund is sustainable. I'm rather surprised that there is a note here that states that the changes that were made to the civil service pension scheme led to an increase of 2 per cent in the library's contribution as an employer, and there has been some mention of the fact that the library was not aware, and that you had applied to the Welsh Government to be exempted from these changes. Have you had any sort of decision on this, and if you have not had a decision, how will you deal with this increase of 2 per cent?

[250] **Mr Michael:** Mae'r data yn dal gyda'r Llywodraeth; nid ydym ni wedi cael ymateb. Ond, jest er mwyn egluro'r sefyllfa i'r pwyllgor, ers dros ddegawd rŵan, mae'r llyfrgell wedi gweithio'n galed i wneud yn siŵr bod y cynllun pensiwn yn gynaliadwy, ac rydym ni wedi mynd trwy gyfnod lle mae'r staff wedi talu 6 y cant ychwanegol i'r cynllun. Erbyn mis Mawrth 2013, roedd yr actiwari wedi asesu bod y cynllun yn '*fully funded*'. Felly, roedd y cyfraniad ychwanegol gan y staff wedi cwmpo allan. Rydym ni wedi monitro'r sefyllfa ers hynny, ac mae'r gronfa'n aros yn yr un un sefyllfa ariannol.

**Mr Michael:** The data are still with the Government; we haven't had a response. But, just to explain the situation to the committee, for more than a decade now, the library has worked hard to try to ensure that the pension scheme is sustainable, and we have gone through a period where staff have paid an additional 6 per cent into the scheme. By March 2013, the actuary had assessed that the scheme was '*fully funded*'. Therefore, the additional contribution made by the staff had fallen out. We have monitored the situation since then, and the fund is remaining in the same financial position.

[251] Beth sydd wedi digwydd wedyn yw ein bod ni wedi cael cyfarwyddyd drwy Lywodraeth Cymru inni newid y cynllun pensiwn i fod yn fwy cynaliadwy yn ôl rheolau Hutton. Rydym ni wedi mynd yn ôl at y Llywodraeth i ddweud, 'Wel, rydym ni wedi gwneud y newidiadau dros y blynyddoedd, ac mae ein cynllun ni yn "*fully funded*"; nid oes problem ariannol'. Petasai ni'n gweithredu rhai o'r newidiadau y maen nhw'n eu hawgrymu i ni, byddai *actually* yn cynyddu'r gost i ni o redeg y cynllun o ryw 2 y cant. So, nid ydym ni'n gweld achos dros newid ein cynllun ni—buasai'n ein costio hyd at £0.5 miliwn mewn costau cyfreithiol a ffioedd actiwari inni newid y cynllun. Felly, rydym ni wedi gweld, wel, gan fod ein cynllun ni yn *fully funded* ac nid oes dim *liability* ar y trethdalwyr, pam byddem ni'n gwario hyd at £0.5 miliwn i newid y cynllun i gynllun sy'n costio mwy? Felly, rydym ni wedi gofyn i gael eithriad o'r newid yma. O ran staff y llyfrgell, maen nhw wedi talu eu harian nhw i mewn i'r cynllun i gael gwared ar y diffyg a oedd yn y cynllun. Mae'n anodd iawn esbonio iddyn nhw wedyn, 'Rydym ni'n mynd i newid y cynllun i rywbeth sy'n mynd i gostio mwy i ni ei redeg a byddai'n llai atyniadol i'r staff'.

[252] **Aled Roberts:** Ac o ran y cynllun diswyddo gwirfoddol, a ydych chi'n gweithredu cynllun gwasanaeth sifil, neu a oes gennych chi gynllun ar wahân? Roeddwn i'n synnu braidd

What has happened since then is that we have had a directive from the Welsh Government to change the pension scheme to be more sustainable according to the Hutton rules. We've gone back to the Government and said, 'Well, we've made the changes over the years, and our scheme is 'fully funded'; there is no financial problem'. If we were to implement some of the changes that they have suggested to us, it would actually increase the cost to us of running this scheme by 2 per cent. So, we don't see a case for changing the scheme—it would cost up to £0.5 million in legal costs and actuary fees for us to change the scheme. Therefore, we have seen, well, given that our scheme is fully funded and that there's no liability to taxpayers, why would we spend £0.5 million to change the scheme to a scheme that would cost more? So, we've asked to be exempted from this change. For the library staff, they've paid their money into this scheme to get rid of the deficit that was in the scheme. It would be very difficult to explain to them then, 'We're going to change the scheme to something that is going to cost more to us to run and will be less attractive to staff'.

**Aled Roberts:** And in terms of the voluntary severance programme, are you operating a civil service scheme, or do you have a separate scheme? I was somewhat surprised when you

pan oeddech chi'n sôn am y ffigwr yr ydych wedi ei wario ar gyfer 30 o staff. Mae'n swnio fel bod eich taliadau diswyddo gwirfoddol chi'n llawer iawn uwch na'r hyn sy'n arferol yn y sector cyhoeddus.

[253] **Mr Michael:** Mae'r taliadau yn uwch, ond rydym ni'n defnyddio hen system y gwasanaeth sifil sy'n mynd yn ôl flynyddoedd maith. Rydym ni'n ymwybodol bod y cynllun yn un gostus iawn. Ar gyfartaledd, rwy'n meddwl bod y gost yn cyfateb i tua dwy flynedd o gyflog. Pan ych chi'n tynnu allan wedyn yr *overheads* fel yswiriant gwladol a phensiwn, rydym yn cael ad-daliad o fewn jest o dan 18 mis ar y diswyddiadau sydd wedi cael eu gweithredu rwan. Rydym wedi newid y cynllun rywfaint yn ystod y flwyddyn ddiwethaf, gyda phobl sy'n dod yn nes at yr oed ymddeol. Rydym wedi newid y cynllun: unwaith maen nhw'n mynd heibio'r oedran 57, maen nhw'n colli mis o *redundancy* am bob mis maen nhw'n gweithio. Felly, erbyn iddyn nhw gyrraedd 60 oed, byddan nhw'n cael chwe mis o gyflog fel tâl diswyddo. So, rym ni wedi newid rywfaint ar y cynllun, ond mae'r cynllun yn un drud.

[254] **Aled Roberts:** Pam na wnaethoch chi newid hynny cyn i chi fynd ati i ddiswyddo 30? Mae'n swnio fel bod o'n reit gyffyrddus i'r rhai hynny sy'n gadael, i wneud yn sicr nad oeddent yn newid y cynllun cyn iddyn nhw fynd.

were discussing the figure that you've spent on 30 members of staff. It sounds like your voluntary severance payments are much higher than is normal in the public sector.

**Mr Michael:** The payments are higher, but we are using an old system of the civil service that goes back many years. We are aware that the scheme is very expensive. On average, I think the cost corresponds to about two years of pay. When you take out then the overheads such as national insurance and pension, we have a repayment within just under 18 months on the redundancies that have been implemented now. We have changed the scheme somewhat over the last year, with people who are approaching retirement age. We have changed the scheme so that once they're over 57, they lose a month of redundancy for every month that they work. So, by the time they reach 60 years of age, they'll get six months of redundancy pay. So, we've changed the scheme somewhat, but the scheme is an expensive one.

**Aled Roberts:** Why did you not change that before you went ahead to make 30 redundant? It sounds as if it was quite comfortable for the staff who were leaving, that the scheme was not changed before they left.

[255] **Mr Michael:** Mae'n rhywbeth byddai'n rhaid i ni ei negodi gyda'r undebau. **Mr Michael:** That's something that we would have to negotiate with the unions.

[256] **Aled Roberts:** Ond ni wnaethoch chi ei godi fo. **Aled Roberts:** But you didn't raise it.

[257] **Mr Michael:** Rŷm ni wedi ei godi fo dros y blynyddoedd fel rhywbeth, ond nid ydym wedi diswyddo staff yn wirfoddol dros y blynyddoedd. Felly, nid oedd yn rhywbeth roeddem wedi'i ddefnyddio erioed. Mae'r cynllun—. Nid yw yr un cynllun a'r gwasanaeth sifil, ond mae'n debyg, a'r taliad mwyaf o dan y cynllun fyddai hyd at 36 mis o gyflog. Ond, ar gyfartaledd, rydym yn talu allan tua 24 mis, sydd yn rhywbeth cyfatebol i gynllun y gwasanaeth sifil. **Mr Michael:** We have raised it over the years as an issue, but we haven't made any staff redundant voluntarily over the years. So, it wasn't something that we had ever used. The scheme—. It is not the same scheme as the civil service, but it's similar, and the biggest payment under the scheme would be up to 36 months of pay. But, on average, we pay out about 24 months, which corresponds to the civil service scheme.

[258] **Aled Roberts:** Eich cynllun eich hun ydy o, felly. **Aled Roberts:** But this is your own scheme, is it?

[259] **Mr Michael:** Mae gan staff y llyfrgell delerau gwahanol i'r gwasanaeth sifil; nid ydynt yn weision sifil ac nid ydynt ar yr un telerau cyflog, pensiwn na diswyddo. Rydym ar wahân. **Mr Michael:** The library staff have different conditions to the civil service; they're not civil servants and they're not on the same pay, pension and redundancy arrangements. We're separate.

[260] **Jenny Rathbone:** How sustainable is it to have a pension policy where people are retiring at 60? You're going to be paying out in pensions more than the amount of years that people have worked in many cases.

[261] **Mr Michael:** We've looked at the pension scheme over the years and assessed the options, and actually changing the retirement age doesn't make that much difference, because, if people get to 60, they might have worked for 20 years and they get a pension based on 20 years of service. If their retirement age is 65, they get a bigger pension because they've worked 25

years perhaps, so they get a bigger pension for a shorter period. So, we have looked at this and it doesn't actually make an awful lot of difference to the costs of running the scheme, but it is an option.

[262] **Jenny Rathbone:** As the rest of the world is working to 65 or 66 in many cases, I think it'll look rather strange to people if people are able to retire at 60 in a job that is not digging the roads.

[263] **Mr Michael:** They can retire at 60, but a lot of people choose to work on past 60. It actually gives us more flexibility because, at a time when we need to lose staff, if people want to retire, that actually frees up some jobs in the workforce and enables us to try and keep—. Rather than making people compulsorily redundant, we'd rather see them retire and create the vacancy then. But it doesn't actually affect the costs an awful lot if you move the retirement date from 60 to 65. With the redundancy, because we've tapered it now from 60, it's actually saving us money, because if the retirement age was 65, we wouldn't be starting that redundancy tapering until they were 63.

[264] **Darren Millar:** But you'll appreciate that it looks as though you've got redundancy arrangements and retirement arrangements like Greece. [*Laughter.*] They look extraordinary even by public sector standards, and as Aled Roberts alluded to, the reports that we've received from the Wales Audit Office on severance and departure payments show that you're an outlier by a significant margin in terms of the scale and size of the average costs of each departure in your organisation—the highest across the whole of the public sector in Wales.

[265] **Mr Michael:** I think that the study was done by the Wales Audit Office, and I think it was the museum that was the outlier, not us. I think the average payment—

[266] **Darren Millar:** The museum is the outlier rather, but you're not far behind though; you're second in place.

[267] **Mr Michael:** Our average payment is around about £50,000.

[268] **Darren Millar:** Well, in the year that we are considering here, it was over £66,500.

[269] **Mr Michael:** Yes.

[270] **Darren Millar:** Which is enormous.

[271] **Mr Michael:** In the £600,000 that went, there was one big payment. If you look at the next tranche, I think it's 22 people go at a cost of £847,000, so that's somewhere around £45,000. So, it is distorted by one big payment. There's no denying that our redundancy arrangements are expensive and generous, but coming back to our pension arrangements, that's a fully funded pension scheme; I don't think there's many of those in the country, and there is not going to be a liability on the library or the taxpayer. We've sorted that out over a long period of time. It's taken well over a decade to turn it around from when the funding level was 65 per cent to be 100 per cent funded now. That's an achievement, and I think it's something that we should be recognised for. You know, there are not many people who have actually got to that position.

10:00

[272] **Darren Millar:** Just you and Greece [*Laughter.*] Jocelyn Davies.

[273] **Jocelyn Davies:** What I wanted to ask, I mean, obviously, you want to lose staff in order to cut costs, but some of the work that's carried out by some of your staff is highly specialist. So, how are you ensuring that that continues after somebody's gone? I read a report in the paper, with one of your staff saying that there is a danger that some of the collection will fall apart if it's not conserved properly. So, how are you ensuring that the staff you have that remain are fully trained up in order to carry out that very specialist work?

[274] **Ms Jones:** When we started looking at applying the voluntary redundancy scheme, we actually identified some areas that would be protected. So, conservation, digitisation, IT and systems were specifically areas that we would protect.

[275] **Jocelyn Davies:** What do you mean by 'protect'? So, you didn't offer redundancy to those people.

[276] **Ms Jones:** Yes.

[277] **Jocelyn Davies:** I see.

[278] **Ms Jones:** So that we could then invest in the staff that remained and

actually appoint traineeships, apprenticeships and so on, and we actually undertook some succession planning.

[279] **Jocelyn Davies:** I see. Okay.

[280] **Ms Jones:** So, it takes something like 10 years for a conservator to become fully qualified and able to undertake his or her duties.

[281] **Jocelyn Davies:** So, this was considered when you were working out your—

[282] **Ms Jones:** Absolutely.

[283] **Jocelyn Davies:** Right, okay, thank you. Just for reassurance.

[284] **Darren Millar:** Are there any further questions from Members? No; I can see that there aren't. So, if I can just take the opportunity to thank you, David Michael, Avril Jones and Colin John for your attendance today. You'll be sent a copy of the transcript of today's proceedings, and the clerks will also be in touch in relation to additional information, which you've said that you will send on to us during the course of the questioning. In addition to that, if there's any further information you think needs to be shared with us prior to us drawing up our conclusions and report, then we'd appreciate that. But, thank you very much indeed.

[285] **Mr Michael:** Thank you, Chair.

[286] **Jocelyn Davies:** I think the plans of the taskforce, with the recommendations—. A sort of timeline for that, I think, would be useful.

[287] **Darren Millar:** Yes. I've got a note on the PWC report, a full copy of that and the timetable for implementation.

[288] **Jocelyn Davies:** Thank you.

10:03

**Craffu ar Gyfrifon 2014–15: Amgueddfa Cymru**  
**Scrutiny of Accounts 2014 –15: National Museum Wales**

[289] **Darren Millar:** Okay. We'll move on to item 4 on our agenda, then—

scrutiny of accounts 2014–15. Our witnesses this time are from the National Museum Wales and I'd like to welcome, on behalf of the committee, David Anderson, the director general at the national museum, and Neil Wicks, director of finance and corporate resources, to the table.

[290] This session is part of an ongoing piece of work that the committee decided to undertake a few years ago, looking at those organisations that receive significant sums of public money and ensuring that the taxpayers get best value for money from that investment that is being made. We've obviously received a copy of the annual accounts from your organisation and a briefing from the Wales Audit Office on them. Just in starting the questions, can you tell us how taxpayers can be sure that for every pound they spend, they're getting a good return from their money that is given to the National Museum Wales?

[291] **Mr Anderson:** Yes. We have a number of measures of success or—I hope not—failure. We both benchmark ourselves against other national museums and also identify qualitative and quantitative measures of success, and, obviously, visitor numbers is one of those. So, it goes from the really hard data around finances and numbers of people who visit, through to evaluations of education programmes and very qualitative work.

[292] **Darren Millar:** You refer in your annual report to some of the performance indicators—the quantitative data, if you like—on page 4 of your report, our page 72. It seems to me that you're not stretching yourself with your targets, are you? When you look at the previous year's number of visitors and some of the other key indicators, you are setting very low targets. You're not looking to stretch yourself or increase any numbers at all. In fact, all of them are set below the previous year.

[293] **Mr Anderson:** I think one has to bear in mind that, in real terms, our budget has declined by over 25 per cent since 2010–11. So, what we're doing is working very hard against a smaller income base to continue to sustain our visitor numbers and our services.

[294] **Darren Millar:** So, you expect, even though that your doors are open the same number of days each year, the number of visitors to go down, do you?

[295] **Mr Anderson:** We don't necessarily expect them to go down, but, for example, with the St Fagans project, as you probably are very well aware, we

have knocked down a substantial amount of the interior of the main building. So, all of the visits one might have had to that part of the site we're not getting at the moment. There is disruption on the site as well. So, we're having to work very hard, actually, to sustain our visitor numbers. I would say that, in July and August this year, which isn't, of course, in the last year's financial report, we had the highest number of visits ever to the National Museum Cardiff in Cathays Park.

[296] **Darren Millar:** Yes, which is obviously very encouraging, but I want to know why you're setting such a low bar for yourselves to get over in terms of the annual targets each year.

[297] **Mr Anderson:** I personally feel they're not low bars, really. I think that on the resource side and also because one of our major sites has got a substantial part of its provision closed.

[298] **Darren Millar:** Well it's not just the visitor numbers; it's every measure that you have in that chart. The annual targets are lower than the actual figures that were achieved in the previous year.

[299] **Mr Anderson:** Yes, I think that we did discuss the targets with the Welsh Government—and they do challenge us as well on those targets—but they were the targets that we agreed when we took into account the factors that were operating around us. We don't believe that we're setting unchallenging targets. I think that we are, however, challenging our staff to beat them, and I think it is a positive that we are managing to do that in many areas.

[300] **Darren Millar:** It seems extraordinary to me that they are such a low bar for you to achieve. I would have thought that you would have hoped to aim for at least an equal number of visitors and venues to which loans are being made et cetera over each year. It seems to me that some of these figures are extraordinarily low and that you ought to be stretching yourself a little bit more as an organisation.

[301] **Mr Anderson:** I think I would say that, as well, you've got just over half a dozen targets on that particular page—page 4. There are very many other targets that we've got. For example, we've got targets around the number of volunteers that we involve in our programmes. We are magnificently, I would say, overachieving at St Fagans in getting volunteers involved, working with groups like The Wallich, Drugaid Wales, Diverse Cymru and so on. So, I think,

if you like, some of these headline indicators don't really portray the work on the ground with communities and our work around child poverty. We are Wales's leading provider of services in these areas, and we're leading on the research and evaluation work as well. So, there's a huge range of areas in which the museum actually is doing, I think, really far beyond what is indicated by these targets. We spend each year somewhere in the region of £2 million or £2.5 million on education services. It comes out of the culture budget, but actually it's very directly working with schools, and we've been increasing our targets and increasing our achievement on the work with schools on informal learning, community groups and other areas. So, I feel that, in some ways, it should be the whole of our achievement and not just these figures that you refer to—

[302] **Darren Millar:** I only refer to them because they're the ones that you refer to in your annual report.

[303] **Mr Anderson:** Indeed. Of course.

[304] **Darren Millar:** I mean, perhaps if you outlined some of the others in a little bit more detail it might be easier to give you more praise perhaps on these issues.

[305] **Mr Anderson:** I take your point.

[306] **Darren Millar:** Can you just tell me? Obviously, one of the issues, which you do note as an ongoing concern, really, for the organisation, is the continued financial pressure that the reduction in Welsh Government grant in real terms has been causing for the organisation over a period of time. I would have hoped that you would have been looking elsewhere for other revenue streams that you could develop. You refer to some success in bringing in resources from elsewhere in the annual report. Do you have any specific targets in relation to that? I can see Mr Wicks nodding away. Can you tell us what they are and what you're doing to expand that?

[307] **Mr Anderson:** Maybe I could introduce an answer and then Mr Wicks could follow up.

[308] **Darren Millar:** Of course.

[309] **Mr Anderson:** I think that one of our major areas for income generation at the moment is the St Fagans project. We've got just short of £3

million that we're trying to raise from sponsorship and fundraising, over and above the money from Welsh Government and the Heritage Lottery Fund. We've managed—well, last year, we got just short of £2 million from additional sources; we're about £500,000 short of our target for St Fagans. So, we're 97 per cent, 98 per cent there. So, that's been a major area of fundraising.

[310] Enterprises have significantly overachieved targets of anything they've achieved before, in the last year. So, therefore, that's our sales in the shop, and other earned income, if you like, too. We're setting very challenging targets for the curatorial departments, for research income, and the learning team, from income from other areas of courses and study days as well. So, virtually across the whole organisation now, there are increased targets—they are challenging ones, significantly higher than they were in the past.

[311] **Darren Millar:** Okay. Mr Wicks, do you want to add anything?

[312] **Mr Wicks:** Yes. I'd like to add that, in terms of our income overall, we've always generated about £1 million, just from grants that come from other bodies to carry out work. What we've done over the last two years is to actually set specific targets for research income, which is net income, not simply turnover. And, for the first time, we set targets for revenue fundraising. So, by 2017–18, from a zero base, we anticipate that that will be £0.5 million, or more. Equally, with net research income, we currently have a turnover of about £1.2 million, but, in terms of net, it's less than £100,000. So, we're moving now to a target of £400,000 a year.

[313] And, equally, over the last two years, I've looked at other areas of our work. If you were charging for services, these clearly have to be value-added services, because we remain committed to free entry. But those could be for curatorial expertise in a particular discipline, and, equally, we attract funding, or grants, to look at specific areas, be it the environment, right the way through to added value for learning. So, I think we are taking a more holistic approach to income generation, but I think it would be very fair to say we have started from quite a low base in terms of the organisation. But, by 2018–19, we will have trebled that income—net income—base to £1.4 million.

[314] **Darren Millar:** Can you just give me a little bit more information? You seem to suggest that you might want to charge for more services. Would those be charges on the visitors to the museums—not at the front door, but

perhaps for specialist exhibitions, or things like that?

[315] **Mr Anderson:** Yes, absolutely. And—

[316] **Darren Millar:** Wouldn't that undermine the Welsh Government's policy on admission?

[317] **Mr Anderson:** I don't think so. I've spent my whole career promoting inclusion and diversity, and overcoming the barriers that many people face in using cultural institutions. So, you know, my heart and soul is in this. My philosophy for this is that we should use opportunities for earning income where we can, and then try to apply that, to be able to do more work, and be able to extend our services for the groups that we're targeting, who are under-represented as visitors—geographically, and in other ways.

[318] One part of this is that we're very clear that income generation now is the responsibility of all staff at the museum, and not just the development team, and not just the enterprises team, but every member of staff. So, it's curators, educators, ourselves—the senior team—as well. But the key thing is that we stick with our core purpose, and our new vision is that we should inspire people and change lives. And both those two elements are crucial in this. I fundamentally believe that museums have an ethical responsibility to their public—in our case, the people of Wales—and our major, major task is to make a difference to Wales, in the positive, whether it's economic, environmental, educational, health and wellbeing, creative industries. So, all of our work is directed to that, to achieving that.

[319] So, going back to the particular question, yes, we would charge for admission for some exhibitions. We're about to experiment with a charge for the Treasures—Adventures in Archaeology exhibition, which will open in January at Cathays park. It will have the crystal skull and the hat, coat and whip from the *Indiana Jones* movies in it. It'll have a mummy, it'll have an allegedly cursed ring, which was given to Rider Haggard and inspired *King Solomon's Mines*, and many other things that we think will be very attractive to the public. So, we will make a charge for that exhibition, with concessions.

[320] **Darren Millar:** But, just to be clear on this, that charge—the revenue from that charge—will be reinvested specifically for designated purposes by the National Museum? I suppose the point I want to get to is you're not actually just going to replace income that you might be losing in the form of grant aid from the Welsh Government through the introduction of charges.

10:15

[321] **Mr Anderson:** No. When we put our budget together, we look at all our possible sources of income, so, if you like, it's a corporate income pot there. Then we apply—and I would say that we apply as strongly as we possibly can, and are applying more—in investing in the work to try and tackle poverty or the impacts of poverty on people and the other areas that are social priorities.

[322] **Darren Millar:** But you're not specifically going to ring-fence?

[323] **Mr Anderson:** We don't do ring-fencing as a principle across any of our work.

[324] **Darren Millar:** Okay. Mohammad Asghar, you want to come in.

[325] **Mohammad Asghar:** Thank you very much, Chair. Just looking at your balance of consolidated financial activities for 31 March 2015, you're showing income that actually is very slightly reduced in your column. My page is page 105.

[326] **Mr Anderson:** I beg your pardon; which page was that, sorry?

[327] **Mohammad Asghar:** My page is 105; it's the consolidated statement of financial activities for the year ending—

[328] **Darren Millar:** It's your page 37.

[329] **Mohammad Asghar:** You can see the total income in resources, which is on the right-hand side, for 2014–15 and 2013–14—on the right-hand side. So, very slightly less income. But, for one area, which is the resources expenditure, you put the cost of charitable activities under there and the last is museum operations, which has been increased by £2.5 million nearly. Your income has gone down and you're increasing your expenditure by £2.5 million for museum operations. Would you explore that? I can't see anywhere—

[330] **Darren Millar:** It's page 35.

[331] **Mohammad Ashgar:** Sorry. Have you found my—? All right; thank you.

[332] **Mr Wicks:** First of all on the income, the majority of our income is received from the Welsh Government—over 70-odd per cent. We have had reductions in our grant in aid over the last few years. Whilst we are making up some ground on income generation, the ground we're making up on income generation is not being done as quickly as the amount of reductions. So, overall, our income did go down during that year. However, our income isn't always stable because we do receive income, particularly from grants, donations and trusts, which, of course, is very difficult to plan for, particularly a legacy, for example, because you don't know when they'll come.

[333] In terms of the operations, these operations are an amalgam of costs, so they also include some expenditure on capital items and one-off costs, for example voluntary severance, which would be included within those operations costs.

[334] **Mohammad Asghar:** So, you're putting capital expenditure in this cost. It should be on the balance sheet, really.

[335] **Mr Wicks:** The balance sheet follows after this. The format for charitable accounts is a Government format in the sense that's it's a statement of recommended practice, and as a charity we have to follow that format, which is all of our resources that have been expended during that year or received, because it is on an accruals basis. So, the format of these accounts, as it were, is dictated to the museum—it is not a format that we prescribe. So, in terms of the expenditure, it is the totality of that expenditure within that year on an accruals basis.

[336] **Darren Millar:** Sorry, can you just clarify this? So, the £16.5 million on the museum operations, which has increased, obviously, on the previous period, you suggested that that includes capital expenditure. It doesn't, does it? It's a revenue—. These are your revenue figures.

[337] **Mr Wicks:** Sorry; in terms of—. These expenditures would include—okay, yes—one-off expenditures. So, for example, where we have committed museum expenditure to the St Fagans project, which is a capital project, it has come from our previous revenue reserves, in which case, yes, in that case, that's absolutely right. One-off-costs are, for example, for voluntary severance, which are later in the accounts, which were nearly £1 million, but also would be within the operations.

[338] **Darren Millar:** Okay. So, I can understand including severance money, but the capital expenditure on your St Fagans project is capital expenditure, isn't it? It wouldn't appear in there.

[339] **Mr Wicks:** It's capitalised, but it has come from our revenue reserves, which we previously held.

[340] **Darren Millar:** I understand that, but you'd be transferring cash in and out, but it's not going to affect your income and expended resources from a revenue point of view, is it?

[341] **Mr Wicks:** The revenue expenditure is actually around about £22 million during the year, so it does include the items of capital that we have expended during the year.

[342] **Darren Millar:** So, tell me, can you provide us, then, as a committee, with a note of a breakdown of the £16.5 million—

[343] **Mr Wicks:** Yes, by all means.

[344] **Darren Millar:** —and a breakdown of the previous years, just to give us some comfort on that?

[345] **Mr Wicks:** Certainly.

[346] **Darren Millar:** Jocelyn Davies.

[347] **Jocelyn Davies:** Thank you. You're not going to be too surprised if I ask you about staffing and the early departures and so on. Just for clarification, what percentage of your budget accounts for salaries and staff—just as a clarification?

[348] **Mr Wicks:** Around about 78 per cent.

[349] **Jocelyn Davies:** Seventy-eight per cent. Right.

[350] **Mr Wicks:** Previously, it's been around about 80 per cent.

[351] **Jocelyn Davies:** Right, okay. Thank you. You would have seen, of course, the Wales Audit Office report, 'Managing early departures across

Welsh public bodies', which clearly shows you as—. Well, I know the Chair said that the library was an outlier, but this is a further outlier, if that's the right way to describe it, in payments made for early departures. Your early departures payments are very generous, the severance scheme that you had, and well above what anybody else in the public sector, I think apart from the civil service—no, it was outside the civil service, actually—

[352] **Darren Millar:** It was almost double the civil service's scheme.

[353] **Jocelyn Davies:** —would expect. So, perhaps you'd like to explain the strategy in relation to that. Then, perhaps, I've got one or two more questions in relation to other staff that you've got who are still with you. So, can you explain your strategy in offering such a generous early departure payment?

[354] **Mr Anderson:** Okay. I think there are a number of arrangements and systems in the museum that have historically been there for some time. We have identified this as a problem for the organisation already. We realised that we were an outlier and that we needed to change this. So, at the point at which this was identified by the Wales Audit Office, we already had plans in place to tackle this. We have since made those changes. We fully acknowledge that it was an outlier, fully acknowledge that it was out of step with the rest of the Welsh public sector. We now have a process in place to change that. We will be going to consultation with our staff on the new severance scheme within weeks. We should be back in line at that point.

[355] **Jocelyn Davies:** Okay, but you can't spend money twice and you can't get rid of somebody twice, so these people have already gone and they've already had the payments. So, can you explain to me why it was an outlier? I understand what you're saying that, going forward, you're making changes, but can you explain to us why it was so generous?

[356] **Mr Anderson:** Yes. I have to say that the introduction of that scheme predated my time and Neil's time there as well, so the reason why it came into existence, I have to be honest and say I'm not sure—

[357] **Jocelyn Davies:** You don't know. But, obviously, on the change programme, an important part of the programme was your voluntary redundancy scheme. So, when did you know that it was way more generous than other schemes in Wales? Did the audit office tell you that or did you know that anyway?

[358] **Mr Anderson:** We knew that anyway.

[359] **Jocelyn Davies:** You knew it anyway, and you decided, 'This is going to be an important part of what we have to do', but you didn't want to make changes before you got rid of people.

[360] **Mr Anderson:** I think that one of the factors here was that the reductions in our budgets meant that we had to act very, very quickly to make savings—

[361] **Jocelyn Davies:** So, this wasn't something that—. It wasn't a focus for attention, the generosity of this, and then you were forced to use that scheme because it was the one you had in existence, even though it was way different to the rest of the public sector in Wales.

[362] **Mr Anderson:** I think we felt that we could not wait for the long process of consultation and change, which, clearly—

[363] **Jocelyn Davies:** You were forced to use the scheme you had.

[364] **Mr Anderson:** We were forced to use the scheme we had in order to make the level of savings that we had to make, and we had to do so quickly as well, but we did realise there was an issue on this and, as soon as we could, we worked on that as well.

[365] **Mr Wicks:** There was an immediacy to the issues. We'd embarked on, if you will, ten-year financial planning, which clearly means projections—scenarios based on assumptions. What that was already showing us was that our incoming resources were not sufficient to meet our expenditure. Hence why we've been using revenue reserves to do that. As part of the change programme, we signalled early through the consultation in 2013 that we would be looking at the pension scheme, the severance scheme and, also, as part of the change programme, a partial restructuring, which was the first part we completed. Unfortunately, as part of that restructuring there were fewer jobs than within our structure. In terms of the severance scheme, we had an immediacy in terms of the requirement to make savings to balance our budget against the time that it was going to take to change the severance scheme. So, we did run the two in parallel. As probably all of this committee is aware, those consultations and negotiations have been running for a considerable time.

[366] With the changes, we have acted to the parts that we're able to. So, approximately 50 per cent of that overall cost is actually pension strain costs. We have now taken steps to eliminate that pension strain cost going forward, and that action has already been taken. To be able to change the scheme, again as the committee will be aware, is part of the framework agreement. We have tried to do this through collective agreement with the trade unions. We have reached agreement with one trade union; the other trade union rejected it by ballot in the last three weeks. So, we will now move to individual consultation to make the changes to the scheme, which will bring it broadly in line with most other big public sector schemes in Wales, including the civil service.

[367] **Jocelyn Davies:** Okay. So, you've moved on to the current problems that we had even though I was, at that point—. It doesn't matter because it was time to move on to that, really. You can imagine how it looks to people on the outside: that you've given very generous pay packages to senior managers to leave—way more generous than the rest of the public sector—and now the lowest-paid staff facing pay cuts. So, how do you intend to redeem your reputation amongst the public and others?

[368] **Mr Anderson:** I would feel that the scale of cuts that has been across the whole of the UK is quite unprecedented, really; at least in my professional experience. I think all of us are into a new territory. I mean, this is a storm. This one is not a mild blow at all. So, I think we're all having to adjust to the realities of the situation. I mean, the museum wasn't really making any—. Well, there were no compulsory redundancies, and we've managed to avoid those as well so far. There were really very—

[369] **Jocelyn Davies:** Well, of course, because you had a very generous severance scheme. So, of course you were able to avoid that.

[370] **Mr Anderson:** But we also made very, very few people voluntarily redundant as well. I mean, really, those schemes were minimally used until very recently; and now, suddenly, they are a major part of the life of this organisation—I'm sure many others as well. So, you know, it's not to say that the scheme shouldn't have been changed earlier, but we're changing as quickly as we can now.

[371] **Jocelyn Davies:** Yes. We can't turn the clock back, can we?

[372] **Mr Anderson:** I think the other thing too is that I would hope that what the Welsh Government, and also the public in Wales, would see is that we, as the management, are identifying a wide range of different issues where we are outliers, where we need to update or make changes, and where we want to improve the service that we actually give to the people of Wales, and to focus on those areas that really make a difference in people's lives as well. It comes from a commitment to supporting those who need support—supporting the education programmes. In order to do that, we're actually re-engineering the whole organisation's work and re-focusing it. As part of that, we are having to make the savings, but we're trying to make them in ways that will preserve our services as best we can. There have been no redundancies among the lower paid group of staff. In the first wave of the change programme, they were not, in that way, affected at all by the changes, but we always did say that we were going to have to make savings on the front-of-house area as well, because it's more than half our staff.

[373] **Jocelyn Davies:** Yes; of course. I think that you'd accept that staff morale, as well as reputational damage, is low because—so we're told—in terms of staff confidence in the directors this time last year, just 14 per cent of your staff felt that they had confidence in the directors' decisions. Has that improved in the last year?

[374] **Mr Anderson:** Well, we will do another staff survey. One of the principles we've been operating on is that we have to be transparent to our staff, and also to the public. We chose to do a staff survey at the point we knew would have the lowest level of staff confidence, really. We had already gone most of the way, but not entirely, through the first wave of the change programme, and that was affecting the curatorial staff, education staff and many others. We had already announced that we were going to be reviewing the front-of-house operations and looking at the severance scheme, the pension scheme and the other areas, too. So, that group of staff—the front-of-house staff—knew that there would be changes coming up as well. So, we chose, in some ways, the worst, but we believed the most important point to do a staff survey.

10:30

[375] Anecdotally, I'd have confidence that many of the staff would feel better about the museum's leadership now than they did a year ago. We will run another survey, but we're being transparent about this and we're not hiding anything; we're putting everything on the table and in a way, the

scrutiny you're giving us is part of that process.

[376] **Jocelyn Davies:** So, you would fully expect that next time you carry out the survey—. When do you intend doing it?

[377] **Mr Anderson:** In about another year's time, I think is the plan.

[378] **Jocelyn Davies:** Okay. So, in two years' time. Well, okay. It would be very disappointing if it went down from 14 per cent, I have to say.

[379] **Mr Anderson:** I would be disappointed, as well, and I would hope it would be substantially better than that.

[380] **Jocelyn Davies:** Yes. I hope that that is absolutely rock bottom for you. I wouldn't carry one out right at the minute, mind, if I were you. You didn't answer my question in terms of your reputational damage; that you are seen as an organisation that looked after senior managers and gave them very generous severance packages and now you're taking pay off your cleaners. In terms of the public, how are you going to redeem yourselves?

[381] **Mr Anderson:** The first thing is that we're changing the premium payment scheme, because it has to be changed. It's not even fair between the staff; dependent upon which shift pattern you're on and which rota you're on, you get different pay. There are altogether 12 variants of our rota schemes operating across our seven sites. So, there is inequality between staff at the moment. There are staff who work at weekends who don't get paid, there are other staff who do. Even among the lowest paid—the bulk of them do weekend working, nevertheless, there is about a quarter of them who don't.

[382] What we're trying to do at the moment is to lift the basic pay of the lowest paid staff as basic pay, not on reliance on weekend working. We're offering 6 per cent over and above the 4 per cent that we've already given in the last few years to that group of staff alone. So, they will have had a 10 per cent basic pay rise, and I think very few staff in the public sector or probably the private sector in Wales will have had a 10 per cent pay rise over a few years.

[383] So, what we're trying to do is to consolidate as much as we can afford to do into basic pay. We're also giving a compensatory allowance of twice the yearly premium payments that each of the staff affected will have. So that, on

average, is another £3,600 per member of staff. We're protecting the pensions for five years. We're also guaranteeing that the very lowest paid group of staff will not lose out on the process, and we're introducing the living wage.

[384] We are very committed to avoiding outsourcing if we humanly can. Now, outsourcing has been widely used in the national museums across the rest of the UK; it's actually been used quite extensively in Wales, as well. We want our front of house staff—our cleaners and others—to stay fully within the family of the museum, and I regard them as as valuable a group of staff as any other staff, and not to outsource their work and to try to give them as much of a basic pay rise as we can under very difficult circumstances.

[385] As I say, this is a financial storm that's hitting the public sector. That we should be offering a 10 per cent pay rise to our lowest paid staff in the middle of that storm, I think, is a statement of commitment to them as a group of staff. I can acknowledge that they will see that other staff have been affected in different ways and we've made our savings in other areas by reducing the number of directors, for example. We've not been immune to those changes; the workload of each director—Neil and others—has increased substantially in the last few years.

[386] But in all this, what we're trying to do is to shape and engineer the organisation, so that it will deliver on poverty; it will deliver on education; it will deliver on inclusion; health and wellbeing; improve the economy and revive and develop St Fagans to become what we believe will be one of the great national history museums in the world, as well. We're all very proud of it already. I promise there will be even more to be proud of in two years' time when it fully opens. So, we are investing in the future for Wales, investing for the future of the museum and really trying to do our best for the lowest paid as well.

[387] **Darren Millar:** If I could just remind everybody we're up against the clock. If you can be concise in your answers that would really help us.

[388] **Mr Anderson:** Okay.

[389] **Darren Millar:** Julie Morgan.

[390] **Julie Morgan:** To achieve all those things, you've got to take your staff with you. I declare an interest as the chair of the PCS group here in the

Assembly and certainly can bear witness to the feelings of frustration amongst the lower paid front of house staff and others. What stage are you now at over the proposals to reduce weekend pay?

[391] **Mr Anderson:** At ACAS last week, we reaffirmed, really, that the offer I've just described is our best offer that we can make in the present financial circumstances, and the PCS have said that they will consider and consult their members on whether to conduct a ballot. Then, if they do decide to do so, of course, there will be another period for the ballot to be conducted. If they come back to us and say that they won't conduct a ballot, then in that case we will proceed to individual consultation with the affected staff.

[392] **Julie Morgan:** Right. So things are in abeyance at the moment while—

[393] **Mr Anderson:** Yes. In that sense, we're waiting to hear. We have had to make clear to PCS that the offer that's on the table is the best one we can make through the negotiating process. If that is rejected, we go back to the offer that we had before the negotiations started, and that's what we'll be consulting members on.

[394] **Julie Morgan:** Well, I don't want to prejudice anything that's happening at the moment in terms of negotiations. What effort are you going to make to re-engage with the staff now, who've been through a very difficult period?

[395] **Mr Anderson:** I think the first thing I should say is that we do take seriously the results of the staff survey, and we're not dismissing that at all. I think we as a senior team need to do more to be visible. That was one of the things they said—that they needed to see directors more around the sites and around the departments, and we're putting measures in place to do that. We're establishing a staff forum as well, which I will chair, which will be quite separate from the trade union forum that we have already, and also from the ordinary management processes. So, that'll be different representatives at different levels of the organisation looking at the issues that are of primary concern for staff as well. We're going to introduce new management training as well across the organisation. That was something that came back in the staff survey. I have to say also that the fact that we've now got a vision in place that I think the great majority of staff are very much behind, about inspiring people and changing lives—I think that that in itself also gives us a very clear focus moving forward, and will help to keep us together as a staff moving into the future.

[396] **Mr Wicks:** Chair, if I may, in addition to that: the staff survey has been alluded to, and it is public information; it was fully shared with all of our staff, but as part of that, and the results that were referred to, we've also brought in independent facilitators to work with staff and focus groups. So clearly, as a management team, we have an action plan in place to take forward both the staff survey and some of the issues you alluded to. But equally, at the same time, staff are able to input into that through an independent facilitator, which we are working with. Hence why the next survey will be in a year—because otherwise we won't have enough time to carry out any of those actions.

[397] The other one in the intervening period that I think is quite key is that we have introduced a new human resource strategy, and as part of that we will be developing a training and development strategy, which will encompass all staff. By next financial year, we'll have doubled our investment in staff training going forward on an annual basis, and as part of that we will be developing a leadership and management programme, recognising some of the issues from that.

[398] **Julie Morgan:** One of the things that the staff survey mentioned was that the management team should make more contact with people—in front of house, say. Is that something that doesn't happen at the moment?

[399] **Mr Anderson:** I wouldn't say that doesn't happen. I think it does. In fact, speaking from experience, having worked in other museums before, already it's more than I saw when I was working at the Victoria and Albert Museum, for example. I think part of this is that the big difference is the massive financial challenge and changes. We are putting through in two or three years changes that our colleagues at the Imperial War Museum said took them 10 years to get through. Without in any way minimising the impact on staff, I think one has to recognise the particular circumstances of this as well. So, I would say that we will really be focusing on doing more of that, and I think, partly because we're quite a distributed national museum as well, we need to be making more effort than perhaps if we were a single-site museum. I wouldn't like you to have the impression that we don't do these things already. I've spent a day working in the kitchens at the slate museum, for example, clearing the tables, just so that I saw the work, if you like, from the point of view of the staff who are working in the catering team there. I've cleaned the toilets at Swansea. There are all sorts of things suggested by staff as being good experience for me, as you can imagine—

[400] **Jocelyn Davies:** They obviously hold you in very high esteem.

[401] **Mr Anderson:** Well, I have to say that I was a very good kitchen porter. I'd done a year of it when I was a student. So, I think we need to do more of that. I think we need to do more than we would, perhaps, in normal circumstances, put it that way, as well.

[402] **Julie Morgan:** Yes, I think there's work to be done.

[403] **Darren Millar:** Mike Hedges.

[404] **Mike Hedges:** Three quick questions. You've shown £1.5 million in your accounts for unrestricted private funds. Can they be used for capital and revenue?

[405] **Mr Wicks:** In terms of the private funds, the answer, generally, is 'yes'. If they're unrestricted, it's definitely a 'yes'. The majority of our private funds do tend to be restricted; it tends to be for art purchases. So, for example, we have a fund for oil paintings pre-1800. A lot of our private funds at the moment have come from fundraising, trusts and donations for the St Fagans project, so a significant proportion of it at the moment is being held pending the redevelopment of the St Fagans site. But the particular one you picked out, the answer is 'yes'.

[406] **Mike Hedges:** You talked about the living wage. There's been a big confusion over the living wage, because the minimum wage has been rebranded as a living wage at Westminster. Do you mean the living wage as set by the Living Wage Foundation?

[407] **Mr Wicks:** Yes, we do.

[408] **Mr Anderson:** Yes, we do. Absolutely, yes. We put that on the table as an offer long before George Osborne made any comments at Westminster.

[409] **Mike Hedges:** The last question is—and this is something that always annoys accountants, because I always follow cash and accountants don't like that, particularly. The net cash held has gone up from £4.1 million to £6.1 million, why is it so high and why has it gone up?

[410] **Mr Wicks:** The simple reason it's gone up is the St Fagans project, very broadly. We, as you can imagine, through fundraising—. We have to do the

fundraising before we actually embark on the work and, equally, we have drawn down money from the Heritage Lottery Fund and the Welsh Government. So, the majority of the increase is related to the St Fagans project.

[411] **Mike Hedges:** And the size of it?

[412] **Mr Wicks:** In terms of—.

[413] **Mike Hedges:** The £6.1 million—do you think it's high?

[414] **Mr Wicks:** I see. Normally, we are restricted to 2 per cent by the framework agreement, and, in fact these are HM Treasury rules. We try to stay within that, but in the last two years, we have had to apply to have an extension to that 2 per cent. So, normally, we would be within 2 per cent. Do I think it's high? I don't, actually, and I wish that the rules were relaxed slightly, because in the times we're in, one of the things that would be useful for us would be to actually hold larger reserves, so where we are able to build them up, particularly for revenue, we are able to hold them going forward, either to smooth the effect of cuts or, actually, to have money to invest in particular projects or areas, because the carry-forward rules are quite tight.

[415] **Darren Millar:** Aled Roberts.

[416] **Aled Roberts:** Fel roeddwn i'n cwstiynu'r llyfrgell genedlaethol ynghylch y ffordd yr oedden nhw wedi caffael gwasanaethau cyfreithiol, fe ddywedwyd mai defnyddio partneriaeth efo chi i gaffael y gwasanaethau hynny wnaethon nhw, ond eu bod nhw'n bwriadu symud at y fframwaith cenedlaethol ar gyfer gwasanaethau arbenigol o hyn ymlaen. A ydy hynny'n fwiad gennych chi hefyd? A oes gennych chi unrhyw fath o bryderon ynghylch y ffordd mae buddiannau—. Rwy'n darllen bod gennych chi gofrestr o fuddiannau

**Aled Roberts:** As I was asking the national library about their method of procuring legal services, they said that they worked in partnership with you to procure those services, but that they were intending to move to the national framework for specialist services from now on. Is this your intention also? Do you have any kind of concerns regarding the way that interests—. I read that you have a register of interests, but the PricewaterhouseCoopers report on the national library stated that there were concerns about the way that interests were made within meetings.

ond mi oedd adroddiad PricewaterhouseCoopers ar y llyfrgell genedlaethol yn dweud bod yna bryderon ynghylch y ffordd roedd buddiannau yn cael eu gwneud o fewn cyfarfodydd. Felly, a oes gennych chi unrhyw adolygiad yn dilyn adroddiad PwC? Nid wyf yn siŵr iawn os ydy'ch systemau chi yn debyg i rai'r llyfrgell.

So, do you have any review in train following the PwC report? I'm not entirely sure whether your systems are similar to those of the library.

[417] **Mr Wicks:** Diolch yn fawr. With regard to procurement, yes, it was a joint procurement, several years ago, and that agreement with Geldards as it currently sits either is coming to an end this month or next month. Similarly to the national library, we will be moving forward to use the agreement as laid out by the National Procurement Service, which actually offers a choice of legal advisers that you can go to. I think it will depend on the service we're procuring. We have quite a diverse operation, both from employment law, if you were, and contract law, which is quite important to us, for example, recently, with the St Fagans project, right the way through to other issues that don't always arise, or there's something that we don't normally deal with. So, yes, we will be using the National Procurement Service going forward, and, as you're probably aware, that framework does include Geldards and, for certain services, we envisage that we probably will continue to use them. But, for each one at a time, we will take a view as to which offers us the best value from that framework.

[418] With regard to the register of interests, we do, as you quite rightly said, hold a register of interests, which we review annually through the board of trustees and, in terms of its maintenance, it is part of our governance function to do so.

10:45

[419] Whether we have similar procedures to the library, I don't know. We're two separate organisations. I would imagine that they would be similar in terms of their effect, but I don't know if they are the same. Have we set up a review in light of the PricewaterhouseCoopers report? Not at this stage, but there's no reason why we couldn't do so.

[420] **Aled Roberts:** Rwy'n nodi bod **Aled Roberts:** I note that a number of

nifer o unigolion mewn sefyllfa, hwyrach, lle mae'n bosib bod yna wrthdaro rhwng eu safbwynt ar y bwrdd a hefyd eu statws proffesiynol nhw. Un o'r pethau oedd yn fy synnu i wrth ystyried adroddiad PricewaterhouseCoopers oedd y ffaith fod unigolion, hyd yn oed os oedd eu perthynas nhw â chwmni cyfreithiol yn hysbys i bawb felly, yn dal i roi cyngor i'r corff—cyngor cyfreithiol, felly—sydd braidd yn annisgwyl. A buasai'r sefyllfa yna yn digwydd efo chi?

individuals are in a situation where it is possible that there might be conflict in terms of their position on the board and also their professional status. One of the things that surprised me in considering the PricewaterhouseCoopers report was the fact that individuals, even if their relationship with a legal firm was known to everyone, were still able to give advice to the body—legal advice, that is—which is quite surprising. Would that situation arise with you?

[421] **Mr Wicks:** There is nobody on our board of trustees who is connected to Geldards, and previously—I can't speak for longer than five years ago, but certainly in the last five years that has not been the case. All our advice is received independently from Geldards and is actually commissioned by the officers, the paid employees of the organisation, not by the board.

[422] **Aled Roberts:** Ond, o ran y gofrestr, roedd yna aelod o'ch pwyllgor archwilio chi oedd yn aelod, neu'n is-gadeirydd, o Geldards. Felly, rydych chi'n dweud bod fo neu hi jest mewn sefyllfa broffesiynol, ac nid oeddech chi'n dibynnu ar unrhyw gyngor cyfreithiol gan y person yna, na unrhyw berson arall a fuasai mewn sefyllfa debyg ar y bwrdd.

**Aled Roberts:** But, in terms of the register, there was a member of your audit committee who was a member, or a vice-chair, of Geldards. So, you're saying that he or she was just in a professional capacity, and that you weren't depending upon any legal advice from that person or from any other person on the board who would be in a similar position.

[423] **Mr Wicks:** Mi oedd ar y pwyllgor archwilio. Mi oedd y person yn annibynnol ar y pwyllgor yno. Ni fyddai'r pwyllgor archwilio yn gofyn i unrhyw fath o gyfreithiwr am gyngor; byddai'n dod trwy swyddogion yr asiantaeth.

**Mr Wicks:** There was on the audit committee. The person was independent on that committee. The audit committee would not ask any kind of lawyer for advice; it would come through the officials of the agency.

[424] **Aled Roberts:** Digon teg.

**Aled Roberts:** Fair enough.

[425] **Mr Wicks:** Nid wyf yn gwybod os yw'r unigolyn wedi bod yn gyfrifol am ryw fath o gyngor, ond nid wyf yn meddwl felly.

**Mr Wicks:** I don't know whether the individual has been responsible for providing any advice, but I don't think so.

[426] **Aled Roberts:** Nid wyf yn poeni am yr unigolyn, rwy'n poeni am eich strwythurau chi, ac rydych chi'n dweud nad yw hynny'n drefn arferol gennyh chi, felly.

**Aled Roberts:** I'm not concerned about the individual, I'm worried about your structures, and you're saying that that isn't normal practice for you, therefore.

[427] **Mr Wicks:** Ie. Yn ein strwythur ni, fel arfer, dim ond pump o bobl sy'n gallu mynd at—fel y bydd yn digwydd heddiw—Geldards i ofyn am gyngor. Felly, mae yna broses i 'approve-o' beth sy'n mynd atyn nhw.

**Mr Wicks:** Yes. In our structure, usually, only five people can go—as today—to Geldards to ask for advice. So, there is a process to approve what goes to them.

[428] **Aled Roberts:** Océ. Diolch.

**Aled Roberts:** Okay. Thank you.

[429] **Darren Millar:** Jenny Rathbone.

[430] **Jenny Rathbone:** Thank you for your sustainability report. You've made some progress on obtaining renewables in some of your museums—solar panels at Big Pit National Coal Museum and the National Collection Centre, and combined heat and power at the National Museum Cardiff. Have you got any further plans for that?

[431] **Mr Wicks:** We've recently had an invest-to-save loan from the Welsh Government, where we will be—. It's quite a, I wouldn't say a novel project, but perhaps unique, in a sense, because of the museum. We will be re-lamping all of the galleries at Cathays park with—and I'm not an energy expert—low-energy lights, basically, to replace the existing lighting. Although that sounds quite small, for us, that is quite a significant undertaking due to the size of the galleries and programming it. So, we're talking quite a few hundred thousand pounds to do that. So, that's another project that is in the pipeline, and we have received the invest-to-save funding to do that.

[432] Equally, we are looking at other schemes, potentially, into the future around combined heat and power units for two of the sites; the other sites are too small. So, we have reviewed all of our sites, but the potential, really, is perhaps at the National Waterfront Museum in Swansea and also in St Fagans National History Museum, where, due to the redevelopment at the moment, our electricity consumption has actually decreased. The other one we're looking at potentially is the potential for district heating systems, particularly with the two local authorities of Cardiff and Swansea. If those district heating systems, for whatever reason, were either not built apart or they don't come off, then we will go back to looking at CHP.

[433] We have looked at and introduced smaller projects, for example voltage optimisation. They're small, but they do contribute. The other areas we've looked at are the redevelopment project in St Fagans. We are building a new building in the grounds—at the moment, its working name is 'Gweithdy'. That will have BREEAM excellent criteria, so, therefore, it will incorporate a lot of those initiatives. I think, overall, as you will see, the numbers have gone down. There have been spikes—in terms of the water is an obvious one. Like everyone else, including Dŵr Cymru, we do face water leakages, and tracing them on an old site is not always easy.

[434] I think, going forward, we will need to think about other areas, in terms of our usage, to be able to identify which of those may be suitable for invest-to-save. We have looked at other types of loans—Salix and the Carbon Trust—but the payback periods are beyond what, generally, they're prepared to give loans for, hence why we went to invest to save.

[435] **Jenny Rathbone:** On the Waterfront, I see you have made considerable reductions in identifying leaks, and that's obviously reduced your consumption. Nevertheless, the amount of money you're paying to Dŵr Cymru has gone up, by £5,000, even though you're using, you know, 5,000 cu m less, or whatever.

[436] **Mr Wicks:** That's correct.

[437] **Jenny Rathbone:** That is rather a gloomy scenario—you do your best, and then the bill goes up.

[438] **Mr Wicks:** Yes. The same is true of electricity and gas, of course. But what this doesn't show—. In a way, the direct measure really needs to be against the 2010–11 base, in terms of consumption. Because, clearly, over

that time, for electricity, gas and water, the actual price per unit has risen considerably. So, in terms of money, we're probably doing a lot better, because what this doesn't show—and the format, again, is prescribed—is that the base has gone down considerably, so, if the prices were measured at that point, we would have saved a considerable amount. So, what you're really talking about is the inflationary increases of the utilities, and, clearly, we are in the area where we have to take water from Dŵr Cymru.

[439] **Jenny Rathbone:** Okay. Thank you.

[440] **Darren Millar:** Just a few final questions, if I may. We heard from the National Library that there were issues around the prohibition of them being able to take out commercial insurance in relation to their activities. Is that an issue that you recognise? Have you petitioned the Welsh Government, in the same way that they have in the past, over wanting to have a clear understanding of what is your responsibility as an organisation, versus the Welsh Government's responsibility, and, potentially, whether commercial insurance might offer you a better deal?

[441] **Mr Wicks:** I personally wouldn't have used the word 'prohibition'. I think it's very fair to say that it is set out in the framework agreement, and I suppose it stems from Acts in the very old days of Crown immunity. We perhaps are in a slightly different position. We have a similar, or almost the same, framework agreement. We do take out commercial insurance, but it's on a risk basis. So, for example, for the St Fagans project, which you're probably all familiar with, we have insurance for the new building, which is Gweithdy, and that's on a risks basis to the contractor. Insurance on the main building, which is being partly demolished, is on a joint basis, between ourselves and the contractors, Kier. Both are taken out on a commercial basis, with a commercial company. So, we do take out commercial insurance, and it just depends on what the contract is, or what we're trying to insure against.

[442] **Darren Millar:** So, just to clarify, do you have to get permission from the Welsh Government to do that?

[443] **Mr Wicks:** I suppose the answer is 'yes' to that—we always inform and discuss each one with them at the particular time.

[444] But the other example I could give to you is that the contract at St Fagans is around about £18 million; they will only insure to the contract

value. Now, whilst that is in either a new building, or, for example, the St Fagans main building, there's no collections in them—they've been cleared. The point I'm really making is that, if you go to Cathays park, and we were patching up the roof—and those who have been there will understand why 'patching' is probably the operative word—that could be £25,000 or £50,000. The paintings sitting underneath are hundreds and millions. So, taking commercial insurance only means to the contract value. The contractors—it would not be in their commercial interest to take an insurance policy for, say, £400 million when they're doing a job for perhaps £25,000. So, there remains the dilemma of—. We do take insurance for works and we do that quite commonly, because of the nature of our buildings, but, if we refer to the fire in the library, it wouldn't have covered that eventuality. And, certainly, for us, the bigger problem is against the value of the collections, which may be still in that building, and, particularly in this case, to do with art.

[445] To give you the other example to do with the Government indemnity scheme that exists in Wales, there is a cap or a ceiling to that, and we have one—certainly a few, and this particularly refers to loans. We are currently paying, for one painting, £5,000 a year in insurance—for a painting perhaps £20 million or £25 million in value. If every time we had works to the building, we had to do that for every single painting we own, this would become a very, very expensive hobby, and a lot of the grant in aid would be chewed up by paying insurance policies because we have works on a regular basis in the museum, whether that's to do with the galleries, the roof or whatever it may be. So, we do use it, but we are unable, or probably commercially not viable, to have an all-risks policy.

[446] **Darren Millar:** You can insure against what's replaceable, can't you, but some of these pieces of work are irreplaceable.

[447] **Mr Wicks:** Yes.

[448] **Darren Millar:** Just a question on the budget settlements that you've had from the Welsh Government: there was an in-year change to your budget, wasn't there, during the financial year reflected in these reports? You had a reduction of £200,000. When were you informed of that, and what impact did it have on you as an organisation in terms of your planning?

[449] **Mr Wicks:** We were informed quite early on in the year and I believe that we have a good relationship with the museums, archives and libraries

division. On the impact on the planning, I think we were informed just before the start of the year end, because I did report it to committee in February, so it must have been before the start of the year. But, really, it's the planning going forward that's the key, and the stability or even having indicative budgets going forward. We're trying to now plan, certainly in the longer term, over 10 years, but we've got to plan over five, particularly because of the developments—our exhibitions plan is up to 2018—so we need the stability of knowing what our budget is going forward. And on the very point raised about cash reserves, we may have to commit some of those, and, indeed, over the last three years, we already have, because, I suppose, expenditure was greater than resources. But we'd planned for that. Without having that planning, it is quite difficult.

[450] In terms of the £200,000, we're able to mitigate the impact because we had a one-off rates rebate of £140,000, and we literally used that rates rebate to pay back the £200,000. Again, I wouldn't call it income generation, but we do look against VAT and things like rates, but, obviously, once you've claimed the rates back once, unfortunately, you aren't able to do it again. In terms of the budget, having that stability is quite key. I think where we have one-off additional funding—so, for example, the Government has assisted with the refurbishment of the galleries—it's a slightly different issue than the standard revenue funding. So, some stability would be very helpful.

[451] **Darren Millar:** Okay. I'm afraid the clock has beaten us, but can I take this opportunity to thank you, David Anderson and Neil Wicks, for the evidence that you've given us today? You'll receive a copy of the transcript of today's proceedings from the clerks, and, if there are any factual inaccuracies in there, please do let us know. In addition to that, if there is any further information that you want to send the committee for us to consider, then we'd appreciate that too, but thank you very much indeed.

[452] **Mr Wicks:** Thank you.

[453] **Mr Anderson:** Thank you.

10:59

**Cynnig o dan Reol Sefydlog 17.42 i Benderfynu Gwahardd y Cyhoedd  
o'r Cyfarfod**

**Motion under Standing Order 17.42 to Resolve to Exclude the Public  
from the Meeting**

*Cynnig:*

*Motion:*

*bod y pwyllgor yn penderfynu that the committee resolves to  
gwahardd y cyhoedd o weddill y exclude the public from the  
cyfarfod yn unol â Rheol Sefydlog remainder of the meeting in  
17.42(vi).*

*accordance with Standing Order  
17.42(vi).*

*Cynigiwyd y cynnig.*

*Motion moved.*

[454] **Darren Millar:** I will now move on to item 5—motion under Standing Order 17.42 to resolve to exclude the public from the remainder of our meeting. Does any Member object? There are no objections, so we'll go swiftly into private session.

*Derbyniwyd y cynnig.*

*Motion agreed.*

*Daeth rhan gyhoeddus y cyfarfod i ben am 10:59.*

*The public part of the meeting ended at 10:59.*