

# *The National Library of Wales* Independent external review

July 2015

FINAL

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# *Executive summary*

## *Background*

At its meeting on 13 March 2015 the Board of Trustees of the National Library of Wales (the Library) agreed to commission an independent external review in relation to the implementation of the Library's disciplinary policy which led to an Employment Tribunal hearing and to the unfair dismissal of two members of staff.

The purpose of the review was to critically assess the processes and decisions made by staff and Library representatives that led to the tribunal judgement which found in favour of both claimants. Specifically, the objectives of the review were to:

- Evaluate the verdict and opinion of the Tribunal giving specific regard to (1) the procedures of the Library and (2) the conduct of its paid officers.
- Assess the Library's investigations and the application and interpretation of its disciplinary policy by the HR function and the Chief Executive and Librarian.
- Examine the advice the Library received from its legal advisors in the light of the Employment Judge's comment and opinion.
- Make recommendation(s) on any issue(s) where the Library, as an employer, needs to review its current disciplinary policy and/or procedures.
- Assess the adequacy of the Library's internal audit performance and arrangements.
- Assess the adequacy of management skills and competencies in dealing with such matters.
- Critically assess the Library's performance management and staff appraisal procedures.

PricewaterhouseCoopers were appointed to undertake the review and this report sets out our findings. The Board of Trustees also appointed a working group to coordinate and facilitate the proposed review. Our methodology is described in Appendix 3.

## *Key findings*

Our review has identified that the disciplinary process and the subsequent claims and Employment Tribunal could have been handled more effectively. There are matters identified in the review that relate to the governance and culture of the Library which, unless addressed, may inhibit the Library's ability to move forward.

### *The Library's policies and procedures did not facilitate the effective handling of the issues identified*

The lack of up to date and clear policies and procedures was a contributory factor in the handling of the issues identified in respect of the two employees by the Library.

The Library's disciplinary policy and procedure is unclear in a number of ways. It does not provide a clear distinction between the processes to manage disciplinary issues relating to members of the senior management team and those relating to other members of staff. Consequently, in the case of the two employees, elements of the disciplinary policy relating to senior management were combined with elements relating to other staff. This mixed approach caused confusion particularly for the two employees and exposed the Library to challenge. It would have been preferable if this lack of clarity had been acknowledged and the approach that was adopted and the rationale for this clearly explained to the employees. This was not always the case.

The role of the disciplinary panel needs to be defined. The lack of clarity created significant difficulties and tensions in the process.

The Disciplinary Policy does not explicitly highlight the areas where the ACAS Code of Practice - Disciplinary and Grievance Procedures and the ACAS guide for Discipline and Grievances at work applies and how these should be considered during the process.

The Library does not have an up to date Fraud Policy. The Library has an Anti-Bribery policy and the Library's Financial Regulations outline the process to be undertaken where irregularities concerning cash, stores or other property of the Library has occurred or is thought to have occurred. However, there is no clear process to be followed where potential fraud is suspected.

Where staff members and management had concerns regarding the processes and actions being followed, they did not use the Library's whistleblowing policy to express their concerns. In fact, there has been no whistleblowing activity at the Library in the past five years. The use of the whistleblowing policy to express concerns may have resulted in further challenge to the actions being pursued.

The Library's policy was developed in November 2010 and was due to be updated in November 2013. This update did not happen. The current policy has not been updated to reflect legislative changes. We understand that the Library's whistleblowing policy is in the process of being revised.

### *Management skills and competencies need to be further developed*

The Library is not yet governed and managed in a way that represents consistent application of best practice. The Library is a proud and cultural institution, which now needs to move forward in order to address the challenges it is facing. There is recognition amongst the Executive Team and the Board of Trustees about the necessary direction of travel as set out in its *'Knowledge for all'* 2014-17 strategic plan, but our review has found that the Library needs to develop the management skills and competencies of its staff to ensure that it is able to deliver its plans for the future.

Our review found that consideration and assessment of alternative options available at each stage and the associated risks did not always take place. The senior management team was not always collectively consulted or engaged in this debate.

The normal Internal Audit reporting and de-brief process was not followed. The draft Internal Audit report could have been handled in a way that would have enabled quicker implementation of recommendations.

Given that the findings of the Internal Audit review were considered so significant to warrant an investigation and disciplinary process, it is concerning that the high risk recommendations were not addressed promptly in the best interests of the Library.

Advice was sought throughout the process from Geldards, the Library's legal advisors. However, the Chief Executive did not consult and seek advice from his management team and/or the Board of Trustees before taking key decisions.

The Chief Executive took a number of decisions and actions that left the Library open to challenge. These included:

- The suspension of the two employees shortly before the disciplinary panel and the way in which the suspension was communicated to them. Whilst the reasoning to suspend the two individuals after the disciplinary hearing was to apparently allow them time to prepare for the disciplinary panel, this was not conveyed in the letter to the individuals. Also, one of the employees was already absent from the Library on sick leave. The Chief Executive recognises that in hindsight, a leave of absence may have been more appropriate.
- There was no robust written identification and risk assessment of the range of sanctions which could be implemented following the decision of the disciplinary panel not to find in favour of a case for gross misconduct.
- Although the Chief Executive was confident that the Library had a strong case, there was also a lack of serious consideration and consultation on the potential options to settle the claim and to make counter offers to the individuals prior to the Employment Tribunal.
- There was a lack of a robust assessment of the risks and benefits of decisions and options in the best interests of the Library. Although some verbal updates were provided by the Chief Executive, there were no formal reports in private to the Board in between the Employment Tribunal claim and the Employment Tribunal judgement.

- The sole legal advice provided to the Library was through Geldards and, after the disciplinary investigation was complete, predominately one representative from Geldards. No separate legal advisor was consulted or appointed to represent the Library at the Employment Tribunal.

## *Performance management and staff appraisal processes are not being robustly and consistently applied to drive improvement*

The quality and rigour of implementing the performance appraisal process has been inconsistent. Whilst the performance management system is good, it is not being used effectively throughout the organisation to address poor performance and development needs. The quality assessments undertaken by HR of performance appraisals need to be more robust.

It is evident from our review that concerns regarding performance of certain individuals have not been captured on the Library's performance management system or on individuals' personnel records. Action has not been taken to address these concerns.

The Library's performance standards procedure does not reflect the significant changes the Library has made to its performance management and staff appraisal arrangements. This procedure is not being used effectively to address concerns about performance.

## *The culture needs to change in order for the Library to move forward*

The Library is a close-knit organisation. Whilst a close knit culture can create benefits, it is affecting its ability to implement a robust performance management culture. We understand that a number of concerns have been expressed about some behavioural matters but we could find no evidence of recording of these by HR or appropriate follow-up action being taken.

The existing culture at the Library should be considered carefully to see whether it supports the continued sustainability of the Library. The culture is driven by the tone at the top of the organisation and our review of the disciplinary process has found there was a lack of consultation of the Executive Team, formerly the Senior Management Team. The team was not encouraged to come together and consider the issues in a collective way.

## *The way forward*

There is a determination amongst Trustees of the Board and Executive Team to ensure that the Library learns lessons from the disciplinary process that led to the judgement of unfair dismissal of two members of staff. They are keen to ensure that the governance arrangements are being improved. In response to this report the Library is developing an action plan to address the recommendations. It is positive that the Library is taking a proactive approach to do this. It must ensure that effective mechanisms and resource are put in place to facilitate the monitoring and implementation of this action plan. Developing the improvements as recommended will require effort and commitment from all Trustees and staff.

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# Findings

## *The Library's policies and procedures did not facilitate the effective handling of the issues identified*

### *The Disciplinary Policy and Procedure is unclear and does not sufficiently reflect the principles of the ACAS Code of Practice and guidance*

The Library's disciplinary policy and procedure is unclear in a number of ways. It does not provide a clear distinction between the processes to manage disciplinary issues relating to members of the senior management team and those relating to other members of staff. Consequently, in the case of the two employees, elements of the disciplinary policy relating to senior management were combined with elements relating to other staff. For example, a disciplinary hearing was held. This is not specifically identified as an option in relation to senior management, but it is identified within the disciplinary policy as part of the process for other members of staff.

The wording of the policy is open to interpretation. This is particularly evident in the Chief Executive's decision to hold a disciplinary hearing rather than to make a decision based on an assessment of the findings of the investigation report, and then to also convene a disciplinary panel. Although we understand the Chief Executive's reasoning to hold a disciplinary hearing was to enable the employees with another opportunity to argue their case, this mixed approach caused confusion particularly for the two employees and exposed the Library to challenge. Arguably, it also duplicated the disciplinary investigation process, which had already given the employees the opportunity to argue their case. It would have been preferable if the lack of clarity in the disciplinary policy had been acknowledged and the approach that was adopted and the rationale for this clearly explained to the employees. This was not always the case.

The paragraphs (paragraph 5.5) relating to Senior Management Team members do not mention disciplinary hearing, but the disciplinary policy does include a separate section (paragraph 5.2) explicitly about disciplinary hearing. It is not evident if paragraph 5.2 can be applied to both senior management and other members of staff. The options and process to be followed by the Designated Officer, which in the case of disciplinary matters relating to a member of the senior management team would be the Librarian/Chief Executive, need to be clearly set out. It would be helpful if the Disciplinary Policy included separate flow diagrams showing the process for senior management and other members of staff.

The Disciplinary Policy states that when a potential disciplinary matter arises regarding a member of the Senior Management Team, another member of the Senior Management Team will act as Investigating Officer. Given the small size of the Senior Management Team and the sense of community of the organisation, this is quite restrictive and raises issues of capacity and independence. This was a particular issue with the disciplinary investigations of the two members of staff. The disciplinary investigations were carried out by the Director of Collections, who is responsible for the largest department in the Library and who had worked with the Director of Public Services for a long time.

The advice provided by Geldards suggested alternative options as to who the investigating officer could be in this case. They questioned whether another member of Senior Management Team should undertake the investigation. There had also been discussions between the Chief Executive and Geldards about the capacity and skill set of the Director of Collections to undertake the investigation. Any departure from the Disciplinary Policy to use someone outside of the SMT to undertake the investigation would have required discussion with and potentially agreement with the two employees. Neither the Director of Collections or the Secretary and Head of Governance were aware of the legal advice provided to the Library which included matters relating to the appointment of an investigating officer until the investigations were well underway.

The disciplinary investigations undertaken by the Director of Collections were comprehensive and thorough. However, they took two months to complete. The Director of Collections undertook the investigations on top of her normal roles and responsibilities. A disciplinary investigation should be processed as swiftly and effectively as possible. We suggest, therefore, that the Disciplinary Policy should be amended to allow for other people to undertake the investigation where they relate to members of the senior management team. This would also minimise the challenge of independence and facilitate an investigation to be undertaken without unreasonable delay.

Moreover, the disciplinary process does not specify the terms of reference and conduct of the disciplinary panel. The lack of clarity about the role and powers of the disciplinary panel created significant difficulties and tensions in the process.

Effectively, the primary purpose of the disciplinary panel is to determine if dismissal is appropriate. This is in line with the role of the dismissal panel outlined in paragraph 5.3.4 of the disciplinary policy, which relates to other members of staff. The title of disciplinary panel is, therefore, misleading (and in the case of other staff, the panel is referred to as a dismissal panel). Whilst the disciplinary policy sets out a range of possible actions or sanctions that can be considered in a disciplinary case, it is not clear who or which body has the power to make the decision about sanctions. The role, remit and conduct of the disciplinary panel should be set out clearly in the Disciplinary Policy.

The Disciplinary Policy rightly makes reference to Employment legislation and the expectation of employers to comply with the ACAS Statutory Code of Practice on disciplinary and grievance. However, the policy does not explicitly highlight the areas where the Code of Practice and ACAS guidance applies and how these should be considered during the process. For instance, the disciplinary policy identifies that demotion is a possible sanction. However, it does not explain that the Library does not have a unilateral power to demote and that in line with case law, customer practice and the ACAS guidance on discipline and grievances at work sanctions, such as demotion *'may only be applied if allowed for in the employee's contract or with the employee's agreement'*. The disciplinary policy needs to be reviewed and updated to reflect case law and the principles set out in the ACAS code and guidance, particularly with regard to the appropriateness of sanctions and the factors that need to be considered in implementing these sanctions.

It is encouraging that the Library has already started to review its disciplinary policy.

### *The Library does not have an up-to-date and agreed Fraud Policy*

The Library does not have an up to date Fraud Policy. It has an Anti-Bribery policy and the Library's Financial Regulations outline the process to be undertaken where irregularities concerning cash, stores or other property of the Library has occurred or is thought to have occurred. However, it is good practice for an organisation to have a specific Fraud Policy and Procedure.

A specific fraud policy would facilitate the development of controls that will aid in the detection and prevention of fraud against the Library. It would also provide clear guidelines and assign responsibility for the development of controls and conduct of investigations, including investigating responsibilities, confidentiality, authorisation for investigating suspected fraud, reporting arrangements and termination.

### *The Library's current whistleblowing policy does not reflect the most recent legislative changes and is not being used by staff*

The Library's current whistle blowing policy does not address recent changes in legislation. The Public Interest Disclosure Act 1998 (PIDA) is the key piece of whistleblowing legislation. This has been amended by other legislation, including the Enterprise and Regulatory Reform Act 2013. As an example, the Library's policy still makes reference to disclosures in good faith rather than disclosures in the public interest. The Library's policy was developed in November 2010 and was due to be updated in November 2013. This update did not happen. We understand that the Library's whistleblowing policy is now in the process of being revised.

The importance of having effective whistleblowing arrangements has been underlined through a number of notable events in the past few years, including the NHS Mid Staffordshire inquiry.



There has been no whistleblowing activity at the Library in the past five years. We are aware that concerns did exist regarding the way in which the disciplinary case was being handled however these concerns were not expressed using whistleblowing procedures.

The Library's whistle-blowing policy is available on the Library's intranet. New members of staff are made aware of the existence of the policy as part of the induction process. Nothing has been done to raise awareness of the existence of the policy with other members of staff.

### *The Library's performance standards procedure needs to be revised and there needs to be a greater distinction between this and the disciplinary policy*

The Library has a performance standards procedure which was developed in October 2008. The Library has made significant changes to its performance management arrangements since this procedure was written, including implementing a competency based on-line performance management system. The procedure does not reflect these arrangements. We have been informed that the procedure will be reviewed during 2015/16.

It is positive that the Library has a performance standards procedure in which it sets out the commitment and responsibilities of staff to deliver high standards of performance. However, the review has highlighted that this procedure is not being used effectively to address concerns about performance. The review has also highlighted the need to reinforce the role and importance of this procedure and how it relates and indeed, differs from the Library's disciplinary policy.

### *Management skills and competencies need to be further developed*

The passion and commitment of the staff at the Library has been highlighted by many of the people interviewed as part of the review. However, the view has also been expressed that there is a need to develop the broader management skills of staff in order to help drive the future of the Library. Our review of the process and events that led to the unfair dismissal of two staff supports this view. We understand the Library is putting in place plans to improve the management skills of its staff and to provide opportunities to more junior members of staff to gain experience relevant to a management role. The Library would benefit from identifying the most significant areas and to make this training mandatory. This would help to set out the expectations of managers in line with the competencies already developed. The completion and impact of this training should be monitored as part of the Library's performance management procedure. Our review has also identified the need to further develop the management skills and competencies of some members of the Executive team.

It is evident that the Library is not yet governed and managed in a way that represents consistent application of best practice. The Library is a proud and cultural institution, which now needs to move forward in order to address the challenges it is facing. There is recognition amongst the Executive Team and the Board of Trustees about the necessary direction of travel, but our review has found that the Library needs to develop the management skills and competencies of its staff to ensure that it is able to deliver its plans for the future. The review found that consideration and assessment of alternative options available at each stage and the associated risks did not always take place. The senior management team was not always collectively consulted or engaged in this debate. Advice offered was not always appropriately considered or acted upon. The review found a number of instances where leadership did not consult other members of senior management before taking decisions. For example, in relation to decisions to undertake a disciplinary hearing and disciplinary panel. The risks to the organisation were not always robustly assessed.

Our review suggests that the whole issue following the receipt of the draft Internal Audit report could have been handled differently to help avoid confusion and enable earlier implementation of recommendations and formal reporting to Audit Committee. Following concerns about the lack of controls in the authorisation of an invoice which upon investigation related to a scam involving the Blue Line police magazine, the Acting Accounting Officer requested that Internal Audit undertake a review of procurement in the marketing department. The review was requested as part of the 2013-14 Internal Audit Plan. However, the contract with Internal Audit had finished at the end of 2012-13 and the internal auditors for the period of 2013-14 had not been appointed.



Although a standard system based audit focusing on controls and compliance with these controls was undertaken by Internal Audit, the timing and circumstances of the commissioning of the review suggests there was a sense of urgency.

Following the concerns identified by Internal Audit in their first draft report, the Acting Accounting Officer was concerned that fraudulent activity may have taken place. He rightly requested Internal Audit to undertake additional checks. This is consistent with the Library's Financial Regulations which state '*whenever any matter arises which involves, or is thought to involve, irregularities concerning cash, stores or other property of the Library....the Director of Corporate Services ...shall take such steps as he considers necessary by way of investigation and report, and is most likely to call upon the services of the Internal Auditors.*'

The Acting Accounting Officer's actions on receipt of the first draft internal audit report were akin to a preliminary fraud investigation. However, the Library does not have an up-to-date Fraud Policy which sets out the procedures that would be followed for such an investigation. The additional work undertaken by Internal Audit was not outlined in the final internal audit report.

A fact finding investigation was commenced in July 2013 following discussion of the draft Internal Audit report with the Audit Committee on 8 July 2013. There was a significant time lapse between the receipt of the draft internal audit report in early May to the fact finding investigation meetings in July 2013. It was not until the fact finding investigation commenced did the two employees see the draft version of the internal audit report that existed at that time.

The Internal Audit report contained a number of findings and recommendations that did not relate specifically to the conduct of the two employees. Once the fact finding investigation had been concluded, the Internal Audit recommendations that did not relate to conduct matters could have been concluded, actioned and reported to Audit Committee.

The implementation date of the seven high risk recommendations identified in the final Internal Audit Report varied from between January to April 2014; just under a year after the first draft Internal Audit report was shared with the Acting Accounting Officer. If these findings were so significant to warrant an investigation and disciplinary process, it is surprising that they are not addressed much earlier in the best interests of the Library.

The final Internal Audit report dated 30 January 2014 was not actually reported to the Audit Committee until April 2015.

The current Chief Executive took up his post in August 2013, having previously served on the Board as a Trustee and more recently, Vice-President. It was during his first week in post that he had to address the concerns raised about two members of staff, one of whom was a member of his senior management team. It was the Chief Executive's first role as a Chief Executive. Whilst he had experience of being involved with disciplinary investigations in his previous employment including those that had been taken to an Employment Tribunal, the Chief Executive took a number of decisions and actions that left the Library open to challenge.

Although advice was often sought from Geldards, the Chief Executive did not maximise the skills and experience of his own team and did not consult and seek their advice or the advice of his Trustees before taking key decisions, specifically after the disciplinary investigation. For example, the Library's Secretary and Head of Governance, who is a chartered and qualified HR practitioner, advised the Chief Executive about the legal necessity to obtain mutual agreement of a demotion in keeping with ACAS guidance and current employment law. We understand that the Chief Executive discussed this with Geldards but it was advised that the sanctions of the Disciplinary Procedure were 'allowed for' in the Library's contract of employment. The Employment Tribunal judge, however, disagreed with this.

There were no formal reports to the Board of Trustees and to the Executive Team about the Employment Tribunal, the risks associated with this and the options to settle the case.

Although the Library's disciplinary policy is not clear, the Chief Executive did not clearly document and communicate his rationale for making the decisions that he did. This is notable in his decision to hold a

disciplinary hearing. The Chief Executive's interpretation of the Disciplinary Policy was that it was within his powers to hold a disciplinary hearing.

In addition, the decision to suspend the two individuals after the disciplinary hearing was to apparently allow the individuals time to prepare for the disciplinary panel. This reasoning was not conveyed in the letter to the individuals. The Chief Executive recognises that in hindsight, a leave of absence may have been more appropriate. The ACAS code underlines that a suspension should be as brief as possible and be kept under review. The Library's Disciplinary Policy also states that suspension should be kept under review. A letter to the individuals' solicitors in December 2013 highlighted that although there had been delays in arranging the meetings of the disciplinary panel, it remained the view of the Library that the suspension should continue as it was felt that the individuals' ability to work normally would be impacted.

Following the disciplinary hearing, the Chief Executive took the decision to refer the issue to a disciplinary panel because he felt that dismissal of the two individuals was appropriate. We have already highlighted that the Library's disciplinary policy does not specify the role, remit and conduct of this panel. The letters to the individuals outline that a disciplinary panel is being convened because the Chief Executive was of the view that dismissal may be appropriate. However, the letter did not mention specifically that he felt there were potential allegations of gross misconduct. This was mentioned explicitly for the first time during his verbal presentation to the disciplinary panel.

The Chief Executive's verbal presentation to the disciplinary panel was brief. Our understanding is that panel members felt that he did not present a comprehensive case or go through the allegations in detail to explain why these represented gross misconduct. An allegation of gross misconduct is very serious and the reasons for this should be identified clearly to all parties including the individuals against whom the allegations are made. This was not the case.

There was no robust written identification and assessment of the sanctions provided to the disciplinary panel. It is unclear why final written warnings were not considered to be sufficient. There was a lack of full consideration of the potential severity of this sanction and the option to couple this with performance management procedures was also not considered fully.

There was also a lack of serious consideration to settle the claim and to make counter offers to the individuals prior to the Employment Tribunal. Although it was considered that the Library had a strong case, no risk and cost benefit analysis was undertaken, for example to consider the reputational risks to the organisation.

It would have been expected that the Library would have needed to obtain the approval of Welsh Government before an offer to settle could be put forward. However, whilst there was initial discussion with Welsh Government about the case and the Library was advised that discussing a possible settlement with the Trade Union representative would be pragmatic, there was no formal consultation with Welsh Government about settling the case until after the Employment Tribunal judgement.

### ***The Library's performance management and staff appraisal processes are not being robustly and consistently applied to drive improvement***

It is evident from our review that concerns regarding performance of certain individuals have not been captured on the Library's performance management system or on individuals' personnel records. Action has not been taken to address these concerns. It is also evident that the performance appraisal process was not completed properly for everyone last year. This was primarily as a result of the fire, restructuring and the involvement of senior management in the disciplinary process of the two former members of staff. We have been reassured that the process is now being re-established.

Overall, this suggests that the Library is unable to deal with concerns about performance effectively. There are greater expectations from the Welsh Government about the role of the Library and it has set challenging targets for the Library to meet. Developing a robust performance management culture will be key to do this

successfully. Trustees and management need to be prepared and able to hold difficult conversations with staff when necessary. Training and development needs also need to be discussed, identified and addressed. The disciplinary process relating to the two former members of staff highlighted the importance of doing this.

The Library implemented a competency based framework in 2012 and a software package, *TalentLab*, has also been introduced. This electronic system does facilitate tracking and monitoring the completion of performance appraisals and identification of training needs. Six monthly performance reviews are built into the system and reminders are issued to managers to undertake these reviews. Reports identifying those staff that have not completed their performance appraisals are submitted to Senior Management Team.

Training on competencies, target setting and *TalentLab* has been provided to staff. The Human Resources team has undertaken spot checks and reviewed a sample of appraisals to determine how staff are coping with the system. We understand this review did also include checks to see if issues previously brought to the attention of the HR team had been recorded through the appraisal process. Despite this, the common view expressed to us during our fieldwork was that the quality and robustness of implementation of the performance appraisal process has been mixed. The quality assessments undertaken by HR need to be more robust. Lessons learnt and areas for improvement as well as good practice need to be shared in order to ensure the system is actually having an impact to drive improvement. We understand that plans are being developed to provide additional training to managers and to target and tailor training in order to harness talent in the organisation as a means of succession planning.

We recognise that the capacity of the HR team has been significantly reduced in the past 18 months. HR expertise is brought in through an external consultant and legal advisors as and when required. We understand that strategic aspects of HR are now falling within the remit of the Secretary and Head of Governance.

## ***The culture needs to change in order for the Library to move forward***

The Library is a small, friendly organisation. The close-knit sense of community at the Library is affecting its ability to implement a robust performance management culture. The performance management and staff appraisal system in place at the Library is good but it is not being used effectively for all members of staff, thereby undermining the whole purpose of the system. Difficult conversations about poor performance and development needs are not readily taking place.

It is imperative that steps are taken to develop a culture where honest conversations about performance are encouraged and managers are equipped and supported to address poor performance and to promote good performance. Such a performance management culture is vital to enable the organisation to meet the targets set by the Board of Trustees and the Welsh Government. We understand that a programme of training is being put in place but senior management need to set the tone from the top and to lead by example, applying the performance appraisal system rigorously and consistently.

Our review has found that the culture at the organisation is not currently appropriate to meet the challenges and changes facing the Library. The culture is driven by the tone at the top of the organisation but our review of the disciplinary process has shown that the Executive Team was not collectively engaged in the process.

Throughout our review, concerns have been expressed about governance, behaviour, decisions and performance. Members of staff have expressed concerns about behavioural matters which have not been properly recorded by HR and appropriate action has not been taken to address these issues. Moreover, given the number of concerns expressed, it is surprising that no one has sought to whistle blow. The Library's whistleblowing policy is currently out of date and is not well advertised throughout the organisation to facilitate whistleblowing. Although the Library is clearly a proud and close organisation, a culture of openness does not exist.

## *There are weaknesses in key aspects of the governance of the organisation*

The Library's governance arrangements are primarily set out in its supplemental Royal Charter in 2006. The Charter makes references to the role of the Officers and Board of the Library together with membership and the powers of the Library. This is supplemented by a Corporate Governance Framework approved by the Board in September 2013, which provides greater definition of the role of the Officers, President, Vice-President and Treasurer. A generic role description of Board members is also in place.

## *Declarations of interest are not clearly articulated in minutes of Board meetings*

Trustees are required to sign a declaration of interest at the beginning of each year and to declare any interests at the start of Board and Audit Committee meetings where relevant to items on the agenda. Whilst incidences where Board members have declared an interest have been noted in the minutes of the meeting, the nature of the interest is not always specified. The term 'the usual interest' is often given. Individuals outside the Library may not know what this interest is. In order to improve transparency and to minimise any risk of challenge, it would be good practice to actually specify the nature of the interest in the minutes of the meeting. In addition, for all declared interests, there should be a documented risk assessment and mitigation plan in place to ensure that interests are handled effectively.

The effectiveness of the Board is in part dependent upon the good will of members of the Board, their skills and experiences. The existence of conflicts of interest can also impact upon this. Many of the key issues facing the Library over the past two years, such as the fire and the disciplinary process, have required a significant amount of external legal advice, which has been provided by Geldards. One of the Board of Trustees is a partner at Geldards. The Board has not considered its skill mix at a time when having additional legal insight and expertise may have been helpful. The Board should regularly assess the skills of the Board as new issues arise to determine if additional or particular expertise is required. We understand that the Board has now implemented an appraisal process for the Board and that the last interviews for Board members took the skills mix of the Board into account.

## *The principles of risk management are not embedded in the organisation*

The Library has a risk register and an Internal Review of the governance of the organisation found that this was regularly reviewed by the Audit Committee. The Library's risk registers dated 31 May 2014 and 31 March 2015 include the Employment Tribunal as a reputational risk. However, given the events which led to the Employment Tribunal judgement, it is questionable whether risk management is truly embedded in the organisation. Our review found that there was a lack of a robust assessment of the risks and benefits of decisions and options in the best interests of the Library. Although some verbal updates were provided by the Chief Executive, there were no formal reports to the Board in between the Employment Tribunal claim and the Employment Tribunal judgement.

## *The Library may have benefitted from seeking additional legal advice as a means of bringing in greater independence and a new perspective to the disciplinary process*

Geldards are the Library's advisors. They were successfully re-appointed through an open and joint procurement exercise with the National Museum in 2011. Advice was sought from them by the Acting Accounting Officer upon receipt of the draft internal audit report and then subsequently throughout the process. The Chief Executive in particular was heavily dependent upon their advice.

After the disciplinary investigation, a decision was taken to change the person representing Geldards in the process, in order to effect a separation between the investigative stage and the disciplinary stage. Legal advice to the Library about the disciplinary hearing, disciplinary panel, appeal panel and employment tribunal was subsequently provided by a Geldards partner. The Library was represented at the Employment Tribunal by this

same partner from Geldards. We have been advised that the prospect of the Library being represented at the Employment Tribunal by external counsel was raised with the Library by Geldards but the Chief Executive and Librarian considered it appropriate to continue with representation by the same Geldards partner; a very experienced tribunal advocate. No additional independent legal advice or challenge was sought to consider the merits of the case prior to the Employment Tribunal. The opportunity to have a fresh pair of eyes and to bring in an element of independence at this point in the process was not considered fully.

The merits letter provided by Geldards to the Chief Executive about the risks and likelihood of success at the Employment Tribunal was consistent with the approach they had taken throughout the process. Individuals who gave evidence on behalf of the Library at the Employment Tribunal felt they were well-briefed by Geldards.

The Employment Tribunal judge took a different view than some of the legal advice offered to the Library. One example is that although the sanction of demotion is an option contained within the disciplinary policy, there is no clear contractual power to demote. Demotion is generally offered as an alternative to dismissal but case law has highlighted that mutual agreement is necessary in order for this to be considered. This is also reflected in the ACAS guidance on Discipline and Grievances at work. This point was also raised during the disciplinary process in communications to the Chief Executive and Librarian from the Secretary and Head of Governance .

### *The arrangements for internal audit could be strengthened further*

RSM Tenon, now Baker Tilly, are the internal auditors at the Library. They were recently reappointed as the internal auditors with effect from April 2013 through a joint tender with the National Museum.

An internal audit review of procurement by the marketing section was requested by the Acting Accounting Officer at the Library following concerns about the authorisation of an invoice for an advertisement in the Blue Light police magazine and an apparent lack of awareness of controls.

After undertaking their initial work and producing their first draft report, Internal Audit was asked to undertake further investigatory work due to concerns about potential fraudulent activity relating to the award of a contract within the Marketing section. This additional work performed, which included employment checks and relationship checks with the entity that were awarded the contract, was not documented within the final version of the Internal Audit report. We would have expected all Internal Audit work to be reported in the reports that were produced, even where the work resulted from a change to the original scope.

The changes between the versions of the draft report were significant. The second draft of the Internal Audit included a recommendation for consideration of disciplinary action for breach of financial regulations. In our view, it is unusual for Internal Audit to recommend such action within an Internal Audit report. A verbal update of the findings of the draft Internal Audit report was provided to a closed session of the Audit Committee by Internal Audit in early July 2013. This was prior to the draft report being shared with the two employees and which had not accounted for any comments those employees may have had on the factual accuracy of the draft report. From a wider governance perspective, the Library has not set any formal key performance indicators (KPI) to formally monitor the performance of Internal Audit. Such KPIs could include matters such as: prompt agreement of terms of reference; percentage of audits with an exit meeting; percentage of recommendations agreed; draft reports issued promptly; attendance at audit committee; and average individual satisfaction score from audit sponsors. However, there is an Internal Audit Charter in place which sets out a series of standards. In 2012-13, Internal Audit reviewed its processes to ensure that they conform to the Public Sector Internal Audit Standards in anticipation of these standards being introduced in 2013-14. The next effectiveness review is due to be undertaken in 2016.

As part of a restructuring exercise, plans are underway for all Internal Audit communications and Internal Audit reports to now go through the Secretary and Head of Governance rather than the Director of Corporate Services. We consider that this is appropriate.



# Recommendations

To assist the Library in making the required improvements as a result of our findings, we have set out some recommendations in the table below. We understand that the Library intends to prepare a statement of action that it proposes to take as a result of this report, and its proposed timetable for taking that action.

We recommend that the Library:

R1	Reviews and improves its Disciplinary Policy and procedure to: <ul style="list-style-type: none"> <li>Clearly set out the processes that should be followed for matters relating to senior management.</li> <li>Outline the remit, conduct and powers of the disciplinary panel.</li> <li>Ensure that its processes and sanctions are in accordance with principles of the ACAS Code of Practice and guidance on discipline and grievances at work.</li> <li>Incorporate the ability for a wider range of people to undertake disciplinary investigations relating to senior management.</li> <li>Specify the need for allegations to be clearly articulated within all correspondence to individuals. The outcome of decisions should also be articulated with explanations as to which allegations are being upheld and which are not.</li> </ul>
R2	Develops an up-to-date Fraud Policy. This should be available to all members of staff.
R3	Updates its whistleblowing policy to reflect changes in legislation. The Library should also take steps to raise awareness of the existence of this policy.
R4	Updates its performance standards procedure to accurately reflect its current staff appraisal process. The Library should also remind staff of the existence and significance of this procedure.
R5	Reminds staff of the importance and benefit of using the Library's staff appraisal process and to formally document areas of development. Additional training should also be provided to equip staff with the necessary skills and confidence to hold difficult discussions.
R6	Records clearly the nature of a declared interest in the minutes of Board and Audit Committee meetings. A risk assessment of these interests should also be undertaken in order to consider how these interests can be managed and mitigated in practice.
R7	Ensures that procedures relating to the performance appraisal of the Chief Executive are in line with those of other members of staff.
R8	Reviews the capacity of the HR function to ensure that it is appropriate to meet the future direction and challenges upon the organisation.
R9	Considers how it can strengthen the effectiveness between the Board of Trustees and senior management. A formal Board and senior management development programme should be implemented to improve the governance of the organisation.
R10	Puts in place arrangements and performance indicators to monitor the performance of Internal Audit.
R11	Develops a core programme of training and development for its managers. This should include specific training on procurement and governance. Important areas of training should be made mandatory.

# Appendix 1: Timeline of events

Date	03/13	05/13	07/13	07/13 - 09/13	09/13 – 11/13	11/13	01/14	02/14	08/14 & 10/14
<b>Event</b>	Initial concerns	IA Report	Audit Committee	Fact Finding Investigation	Disciplinary Investigation	Disciplinary Hearing	Disciplinary Panel	Appeal Panel	Employment Tribunal
<b>NLW</b>	AAO	AAO	AAO	AAO	DCS HR Adv	CE&L HR Adv	CE&L HR Adv DP	CE&L HR Adv AP	CE&L HR Adv DP (C) AP (C)
<b>External advisor</b>	IA	IA	IA	FHHR LA: Dir IA	LA: Dir	LA: Ptr	LA: Ptr	LA: Ptr	LA: Ptr
<b>Claimants</b>				Claimants	Claimants TU	Claimants TU	Claimants TU	Claimants TU	Claimants TU Counsel
<b>Key:</b>									
AAO	Acting Accounting Officer			IA	Internal Audit				
DCS	Director of Collection Services			FHHR	Former Head of HR				
HR Adv	HR Advisor			LA Dir	Legal Advisors - Director				
CE&L	Chief Executive and Librarian			LA Ptr	Legal Advisors - Partner				
DP	Disciplinary Panel Members			TU	Trade Union Representative				
AP	Appeal Panel Members			Claimants	The two former members of staff/claimants				
DP (C)	Disciplinary Panel Chair			Counsel	Claimants' representative at the Employment Tribunal				
AP (C)	Appeal Panel Chair								



# Appendix 2: Detailed timeline of events

## Draft internal audit report

- An Internal Audit (IA) review was requested by the Acting Accounting Officer at the Library, at the start of April 2013 to be incorporated into the 2013/14 IA Plan following concerns about the authorisation of an invoice for an advertisement in the Blue Light police magazine scam and an apparent lack of controls. IA were asked to undertake the review as soon as possible despite the fact that the IA Plan had not yet been approved by the Audit Committee. The 2013/14 IA plan was not approved until October 2013 due to delays in the IA appointment process which involved a joint tender arrangement with the National Museum. The 2013/14 IA plan was being drafted at the time the IA review was requested.
- The terms of reference, detailing the scope of the review, was approved by the Acting Accounting Officer on 23 April 2013. The objective of the review was to evaluate the Marketing section's process for procuring goods and services ensuring that there is appropriate risk management and control within the system and the extent to which controls have been applied. Although a standard system based audit focusing on controls and compliance with these controls was undertaken by Internal Audit, the timing and circumstances of the commissioning of the review suggests there was a sense of urgency. The review was requested as part of the 2013-14 Internal Audit Plan. However, their contract had finished at the end of 2012-13 and the internal auditors for the period of 2013-14 had not been appointed.
- The fieldwork was performed during the week commencing 6 May 2013. IA held a debrief meeting on 10 May 2013 with the Assistant Accountant at the Library in the absence of the Acting Accounting Officer that day. The Assistant Accountant provided a summary of the findings to the Acting Accounting Officer on the same day.
- The draft IA report was issued to the Acting Accounting Officer on 23 May 2013. IA had identified a number of significant concerns which they also shared verbally with the Chair of the Audit Committee.
- The Acting Accounting Officer felt it was quickly apparent that serious issues had been identified which warranted further action. It was his view that no report had been received previously in the Library which was so critical.
- In his role as Acting Accounting Officer, he asked IA to undertake further investigatory work due to concerns about potential fraudulent activity relating to the award of a contract within the Marketing section. This additional work performed, for example, employment checks and relationship checks with the entity that were awarded the contract, was not documented within the final version of IA report.
- The changes between versions of the report were significant. We note that the second draft of the IA report included a recommendation for management to consider disciplinary action. It is unusual for IA to recommend such action within an IA report
- The receipt of the first draft internal audit could have triggered a preliminary fraud investigation but the Library's policies and procedures on such an investigation are unclear. There is also a lack of an up to date Fraud Policy.
- A verbal update of the findings of the draft Internal Audit report was provided to a closed session of the Audit Committee by Internal Audit on 8 July 2013. This was prior to the draft report being shared with the two employees and which had not accounted for any comments those employees may have had on the factual accuracy of the draft report.
- The IA report was not finalised until January 2014, despite the factual accuracy of the findings being agreed as part of the fact finding investigation below in July 2013. The final version of the IA report did not reflect all of the additional work which IA had undertaken.
- The Internal Audit report contained a number of findings and recommendations that did not relate specifically to the conduct of the two employees. Once the fact finding investigation had been concluded, the Internal Audit recommendations that did not relate to conduct matters could have been concluded, actioned and reported to Audit Committee.
- The final report was subsequently not presented to the Audit Committee for approval until April 2015, nearly two years after the fieldwork was undertaken. The IA report should have been finalised much earlier.

## Fact finding investigation

- At an extraordinary closed session of its meeting on 8 July 2013, Internal Audit provided a verbal briefing on the findings of their internal audit review. The Audit Committee members agreed to observe the arm's length principle whilst the Acting Accounting Officer, and those assisting him, investigated the matter further and considered the implications of the report's contents.
- The IA report was to be viewed as a working document; a starting point to be discussed with the individuals involved to enable them to comment and correct / clarify the findings identified. There were a number of areas within it which needed to be understood and clarified through a fact finding process.
- The purpose of the investigation was to determine
  - What, if any, issues raised in the draft internal audit report require further action
  - If further action was required, whether these were to be addressed on an informal or formal basis; and
  - If so, whether the Library's Disciplinary Policy and Procedure and/or the Performance Standards Procedure should be used.
- The disciplinary route would be followed if negligent performance of duties was suspected, which the Library's disciplinary policy provided for. The final draft IA report, along with the fact finding investigation report would act as a basis for determining any disciplinary allegations and form the scope and terms of reference for a disciplinary investigation.
- The Acting Accounting Officer was right to confirm the facts with the individuals but there could have been a distinction made following the fact finding investigation (FFI) between the issues in the internal audit report that could be finalised and reported as part of a normal internal audit clearance and reporting process and those issues that were subject to further disciplinary action.
- The FFI exercise was undertaken by the Acting Accounting Officer, assisted by the external HR consultant (formerly the Head of HR at the Library) and IA. Alternative options as to who should undertake the FFI were suggested by Geldards and should have been considered more explicitly. There was a perceived conflict of interest with the Acting Accounting Officer undertaking the FFI given that the first draft of the IA report included findings relating to a department within his remit. IA could have been commissioned to do this investigation or alternatively the Library's Secretary and Head of Governance could have carried out the investigation.
- At this time, the Library no longer had a Head of HR and appropriate HR resource. The Library's Head of HR role had not been replaced and the Library commissioned external HR advice from consultants as and when needed. Having HR representation in the FFI was appropriate but the formality of the process was not portrayed to the individuals until the start of the fact finding investigation meetings. Although the fact finding investigation did not form part of the Library's Disciplinary Procedure, the option for the individuals to have representation should have been offered given the severity of the concerns raised in the IA report. We have been advised that a request for representation by the individuals would have been granted.
- The FFI was a key point at which a decision to suspend was considered. The Disciplinary Policy states that an employee may be suspended on full pay whilst an alleged offence is investigated. However, it was deemed that the grounds for suspension under the Disciplinary Policy were largely not met in this case:
  - neither IA nor the Acting Accounting Officer felt that any investigation would be inhibited by the presence in work;
  - there was no doubt at that time that the two individuals would be able or willing to work normally;
  - there were no criminal proceedings; and
  - their presence was unlikely to be unacceptable to others.
- Having said that, it is positive that actions had been put in place to mitigate further alleged misconduct with the individuals' agreement, that is removal of invoice authorisation and involvement relating to the Elfen contract.
- Interviews were held with the two individuals during July 2013, the notes of which were reviewed and confirmed as factually accurate by each involved. Furthermore, on 1 August 2013, IA issued an amended version of the draft audit report, dated 25 July 2013, which incorporated the facts provided during these interviews. Although the two individuals provided comments on the report and corrected and clarified

areas within it, they agreed that the content and findings included within the report were accurate on the whole.

- The fact finding investigation report was handed over by the Acting Accounting Officer to the new Chief Executive and Librarian in September 2013 with the recommendation that formal disciplinary investigation should be instigated. It makes clear that the performance standards procedure should not be used to deal with performance issues that are due to negligent performance of duties. The performance standards procedure further states that these and other actions against the rules of the Library should be considered to be conduct issues and dealt with under the Disciplinary Procedure.

## *Disciplinary investigation*

- The Chief Executive and Librarian read the fact finding investigation report and concluded that the circumstances merited a further disciplinary investigation in line with the Library's Disciplinary Policy. The terms of reference for the disciplinary investigation were the allegations listed within the FFI report.
- The Disciplinary policy states that another member of the Senior Management Team should undertake the investigation. The disciplinary investigation was carried out by the remaining member of the Senior Management team, the Director of Collection Services. The Director of Corporate Services had been involved in the Fact Finding Investigation when he was the Acting Accounting Officer. The Director of Public Services was one of the two individuals being investigated and the Chief Executive and Librarian would need to be the Designated Officer should the disciplinary process require further action. Geldards raised questions about the capacity of another member of Senior Management team to undertake the investigation. There would be a need to balance her role as a Director of the largest department within the Library with the role as an Investigating Officer where disciplinary investigations are by their nature time consuming.
- Geldards suggested alternative options, including external third parties, and questioned whether another member of the Senior Management team should undertake the investigation and whether they would have the appropriate skill set to undertake this task. The Director of Collections was not made aware of this legal advice note until the disciplinary investigations were well underway. The disciplinary policy should be changed to allow for other people to undertake the investigation.
- We understand from the Chief Executive that the primary driver behind his decision to appoint the Director of Collection Services as the Investigating Officer was her professionalism to undertake the investigations. Any departure from the Disciplinary Policy to use someone outside of the Senior Management Team to undertake the investigation would have required discussion with and potentially agreement with the two employees. The disciplinary investigations took too long although they were comprehensive and thorough. It took two months to complete the processes. The reasons for the delay included additional interviews that were needed, obtaining additional information and evidence, and the Investigating Officer undertaking the review on top of her normal roles and responsibilities.
- The disciplinary investigation reports concluded that there is a case to answer and that, in both cases, formal disciplinary action should be taken in line with the Library's Disciplinary Policy for all the allegations apart from the failure to implement an appropriate marketing strategy for the Library.

## *Disciplinary hearing*

- The disciplinary investigation reports were given to the Chief Executive and Librarian.
- The next stage of the disciplinary process for other members of staff, following the disciplinary investigation, is a disciplinary hearing and, in the case of gross misconduct, a dismissal panel consisting of two members of the Senior Management team and one member of Band 6. For Senior Management team members, the Chief Executive and Librarian is the Designated Officer in the disciplinary investigation and may invoke disciplinary punishment up to and including a final written warning and will refer the matter to a Disciplinary Panel, if he feels dismissal could be appropriate.
- The disciplinary policy does not provide a clear distinction between the treatment of Senior Management team and other members of staff in terms of the processes that need to be undertaken.
- The Chief Executive and Librarian followed a mixed approach and did not clearly document and communicate his rationale for undertaking a disciplinary hearing.
- The Chief Executive and Librarian should have made a decision based on the disciplinary investigation report to either issue the highest sanction in his power, a final written warning, or to convene a disciplinary panel to consider dismissal.

- The reasoning behind the decision to hold a disciplinary hearing was to give the individuals a second opportunity to answer the allegations. However, this duplicated the disciplinary investigation.
- The Chief Executive and Librarian felt that, on the basis of the individuals' admissions in relation to the allegations, there was a case to support gross misconduct and decides to refer the decision to the disciplinary panel to consider dismissal.
- The outcome of the disciplinary hearing should have been made clearer to the individuals in terms of the allegations being upheld. It is not clear on what basis gross misconduct and dismissal were being considered.

## *Disciplinary Panel*

- At this point, the Chief Executive took the decision to suspend the individuals. The reasoning was apparently to allow them time to prepare for the disciplinary panel. However, this was not conveyed in the letter to the individuals. The letter notifying the individuals of the decision to refer the case to the disciplinary panel explained that suspension was on the basis that, because dismissal could be an appropriate sanction, this could impact on their ability to work normally. This is one of the circumstances for suspension listed in the disciplinary policy. A leave of absence was not considered.
- The disciplinary panel was rescheduled following repeated requests by the individuals' representative to hold the panel meeting at a date which allowed the individuals to have a member from their union present to represent their interests. There was also difficulties in arranging times convenient to all parties as many lived away from Aberystwyth.
- The disciplinary process does not specify the terms of reference and conduct of the disciplinary panel. Consequently, its remit is open to challenge.
- The disciplinary panel ultimately is a dismissal panel akin to that referred to in the disciplinary policy for non-SMT members and as explained above.
- There was a brief verbal statement by the Chief Executive and Librarian. Our understanding is that the Panel members felt he did not present a comprehensive case or go through the allegations in detail to explain why these represented gross misconduct.
- The disciplinary panel did not agree that it was a case of gross misconduct and therefore dismissal was not appropriate. They did, however, feel that the allegations were of a very serious nature and final written warnings were not considered sufficient. The Panel did not refer the decision back to the Chief Executive. In the absence of clear terms of reference, the Panel took the decision about the sanctions to be employed themselves in light of the HR and legal advice available to them
- The Panel found that demotion of one grade was the appropriate sanction. This is an option within the disciplinary policy but there is no clear contractual power to demote. Demotion is generally offered as an alternative to dismissal but case law has highlighted that mutual agreement is advised in order for this to be considered. The ACAS guidance on Discipline and grievances at work also outlines when discussing sanctions such as demotion, loss of seniority and loss of increment that 'These sanctions may only be applied if allowed for in the employee's contract or with the employee's agreement.' This was flagged by the Head of Governance to the Chief Executive and Librarian and HR advisor. That the Panel had the authority to reach this conclusion is uncertain, given the absence of terms of reference and remit in the disciplinary process.
- It is unclear why final written warnings were not considered to be sufficient sanctions. There was a lack of appreciation of the severity of this sanction with an option to include performance management actions. This is also consistent with the ACAS guidance.
- Due to the fact that the role of the disciplinary panel is silent within the disciplinary policy, it is not clear if the disciplinary panel has the remit to make the decisions regarding sanctions. This blurred the role of the Board members who therefore got involved in decisions that related to the management of the Library. If they did not agree with the proposal presented to them then the case could be returned to the Chief Executive and Librarian to reconsider. We have been informed that this was not the advice given to the panel at the time.
- We understand there was lengthy discussion about the various possible sanctions. However, there was no robust written identification and assessment of the sanctions available which were listed in the disciplinary policy. Furthermore, there was no clear documented rationale for the level of demotion considered.
- There are inconsistent references to disciplinary hearing both within the title of the disciplinary panel meeting notes and the letters provided to the individuals following the disciplinary panel.

- Similar to the disciplinary hearing letter, the outcome of the disciplinary panel in terms of which allegations were upheld is not explicit. It is not clear on what basis a verdict of serious misconduct had been reached.

## **Appeal Panel**

- The terms of reference of the appeals panel were based on the grounds of appeal lodged by the individuals' Trade Union representative.
- It was clear that the Appeal Panel could not re-run the disciplinary hearing or the disciplinary panel but had to focus on the grounds of appeal.
- The only outcomes available to the Appeal Panel were either to affirm the disciplinary panel's decision or to reject it. In the latter case, the penalty proposed by the disciplinary panel could be reduced or set aside, but not increased.
- The Appeal Panel considered the gravity of the allegations. They took into account the findings of the 2005 IA procurement report.
- The Appeal Panel, having considered the arguments offered at the hearing and following professional advice, did not accept that the disciplinary process had been inappropriately applied or that it was fundamentally flawed.
- The Appeal Panel found that the level of demotion was harsh and the positions offered appeared to be less appropriate to the individuals' skills and experience. The Appeal Panel, therefore, requested management to find more suitable posts and also offer a degree of salary protection.
- The Appeal Panel was not advised of the risks of demotion given the lack of mutual agreement. No reference was made to the ACAS Code of Practice or ACAS guidance.

## **Employment Tribunal**

- The whole process was managed, arranged and coordinated by the Chief Executive and Geldards.
- There were no formal reports to either the Board or SMT about the Employment Tribunal and the associated risks. We understand that only verbal updates on the matter were provided. The Chief Executive and Librarian took all the decisions alone in consultation with the legal advisors.
- The individuals, who represented the Library at the Employment Tribunal, felt that they were well-briefed and prepared for the hearing. The Chairs of the two main decision-making panels: the disciplinary panel and appeal panel were called to give evidence as witnesses. The Chief Executive was also called to give evidence given his extensive role in the process. However, it is not clear why certain members of the senior management team who had been involved in the disciplinary process were not requested as witnesses for the Library.
- The merits letter prepared by Geldards to the Chief Executive and Librarian is consistent with the approach they had taken and advice given throughout the disciplinary process.
- The Library was represented by the same individual from Geldards at the Employment Tribunal. We have been advised that the prospect of the Library being represented at the hearing by external counsel was raised by Geldards with the Chief Executive but it was considered appropriate to continue with representation by the same Geldards partner; a very experienced tribunal advocate. The opportunity to have a fresh pair of eyes and to introduce an element of independence was not considered fully.
- The Employment Tribunal judge's ruling took a different view than the legal advice offered to the Library. This led Geldards to conclude that even if an appeal had been successful on the technical aspects, it would not have led to a successful outcome overall given the strength of the judgment against the Library. Geldards advised not to appeal the decision given that the Judge had also decided against the Library in relation to the underlying assessment of fairness.
- There was a lack of serious consideration to settle the claim and to make counter offers to the individuals out of court before the Employment Tribunal took place. No risk and cost benefit analysis was undertaken, for example consideration of the reputational damage that is associated with losing a high profile case.
- It would have been expected that the Library would have needed to obtain the approval of Welsh Government before an offer to settle could be put forward. However, whilst there was initial discussion with Welsh Government about the case and the Library was advised that discussing a possible settlement with the Trade Union representative would be pragmatic, there was no formal consultation with Welsh Government about settling the case until after the Employment Tribunal judgement.



# Appendix 3: Methodology

Our approach to the review has been as follows:

- Project initiation – immediate set up, getting to know the Library team, and set up of project management and governance arrangements.
- Team mobilisation – a workshop between PwC and the Library teams to finalise the approach to be adopted.
- Data gathering and analysis – to create evidence base for our recommendations. This will include evaluating the documentary evidence from the Tribunal verdict and opinion, from the internal Library investigations and disciplinary processes and from the legal advice received by the Library.
- Interview and challenge – to gain further insight and challenge the emerging findings from the data gathering and analysis to assess the adequacy of governance and other arrangements and to formulate recommendations for the future. Key stakeholders from within the Library will be interviewed as part of this phase.
- Drawing initial conclusions – we will draw conclusions from the evidence to make recommendations for change. We will present these initial conclusions at a workshop with key stakeholders from the Library.
- Refinement – following feedback from key stakeholders we will work with the Library team to refine our recommendations.
- Presentation of final report – a final suite of findings and recommendations will be presented to Library at the end of our programme of work.

We also provided all Board Members with the opportunity to share any information or views relevant to the scope of the review.

## Interviews

The following is a list of interviews held as part of the review:

Chief Executive and Librarian
Director of Collection Services
Director of Corporate Services
President of the Board of Trustees/Chair of Appeals Panel
Internal Audit
Legal representatives
HR advisor
Former Head of HR
Chair of Disciplinary Panel
The Trade Union Representative and the two former members of staff/claimants
Chair of the Audit Committee
External Audit*
The two other members of the Disciplinary Panel*

\* Additional interviews held at the request of the Library.



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## PWC Independent External Review – Action Plan and Progress Template as at 24 September 2015

Recommendations for improvement	Responsible Officer	SRO	Draft/Pilot Date	Delivery date	Work programme	Progress	Status
<p>R1 Reviews and improves its Disciplinary Policy and procedure to:</p> <ul style="list-style-type: none"> <li>Clearly set out the processes that should be followed for matters relating to senior management.</li> <li>Outline the remit, conduct and powers of the Disciplinary Panel.</li> <li>Ensure that its processes and sanctions are in accordance with principles of the ACAS Code of Practice and guidance on discipline and grievances at work.</li> <li>Incorporate the ability for a wider range people to undertake disciplinary investigations relating to senior management.</li> <li>Specify the need for allegations to be clearly articulated within all correspondence to individuals. The outcome of decisions should also be articulated with explanations as to which allegations are being upheld and which are not.</li> </ul>	Pedr ap Llwyd Secretary and Head of Governance	Annwen Isaac HR Advisor ET	06.08.15 2 <sup>nd</sup> 27.08.15 Released to Unions on 4/10	Sept 2015	<p>Update current policy and benchmark against other institutions.</p> <p>Consult with ACAS officers during its revision.</p> <p>Seek Executive Team and Union approval.</p> <p>Ensure policy is in place and sign off by Board of Trustees.</p> <p>Staff awareness exercise.</p> <p>Consult and seek comments for Executive Team</p>	<p>Draft of updated policy currently being completed and to be considered by the Takforce on 6 August 2015.</p> <p>ACAS officers have endorsed the policy.</p>	Draft policy produced & consulting with Unions and staff
R2 Develops an up-to-date Fraud Policy and made available to all members of staff.	Pedr ap Llwyd Secretary and Head of Governnace	Pedr ap Llwyd ET	06.08.15 2 <sup>nd</sup> draft 27.08.15 Released to Unions on 4/10	Sept 2015	<p>Creation of new policy.</p> <p>Benchmark exercise.</p> <p>Consult with Executive Team and Unions.</p> <p>Seek Audit Committee and Board approval.</p> <p>Staff awareness exercise.</p> <p>Consult and seek comments for Eexecutive Team</p>	ACAS officers have endorsed the policy	Draft policy produced & consulting with Unions and staff
R3 Updates its whistleblowing policy to reflect changes in legislation. The Library should also take steps to raise awareness of the existence of this policy.	Pedr ap Llwyd Secretary and Head of Governance	Pedr ap Llwyd ET	06.08.15 2 <sup>nd</sup> draft 27.08.15 Released to Unions on 4/10	Sept 2015	<p>Update current policy and benchmark against other institutions.</p> <p>Consult with ACAS officers during its revision.</p> <p>Seek Executive Team and Union approval.</p>	Draft of updated policy currently being completed and to be considered by the Takforce on 6 August 2015	Draft policy produced & consulting with Unions and staff

					<p>Ensure policy is in place and sign off by Board of Trustees.</p> <p>Staff awareness exercise.</p> <p>Consult and seek comments for Executive Team</p>		
R4 Update the Library's performance standards procedure to accurately reflect its current staff appraisal process. The Library should also remind staff of the existence and significance of this procedure.	Pedr ap Llwyd Secretary and Head of Governance	Annwen Isaac HR Advisor ET	1 <sup>st</sup> draft 27.08.15 Released to Unions on 4/10	Sept 15	<p>Draft of updated performance standards procedure in progress.</p> <p>Seek the objective views of external advisor as to the appropriateness of the procedure.</p> <p>Consult and seek comments for Executive Team</p>	Draft of updated procedure presented to Task Force on 27 August 2015	Draft policy produced & consulting with Unions and staff
R5 Remind staff of the importance and benefit of using the Library's staff appraisal process and to formerly document areas of development. Additional training should also be provided to equip staff with the necessary skills and confidence to hold difficult decisions.	David Michael, head of Corporate resources Directorate	Annwen Isaac HR Advisor ET	01.07.15	01.10.15	Additional staff training including the production of guidelines has been delivered to all staff during July 2015.	The 2014-15 staff appraisal procedure is currently being implemented	Completed
R6 Records clearly the nature of a declared interest in the minutes of Board and Audit Committee meetings.	Pedr ap Llwyd Secretary and Head of Governance		01.08.15	July 2015	Inclusion of declared interest in the minutes of each meeting.	Board and Audit minutes now include the nature of declared interest	Completed
R7 Ensures that procedures relating to the performance appraisal of the Chief Executive are followed and documented appropriately in line with the requirement for other members of staff.	Annwen Isaac HR Advisor	Pedr ap Llwyd	1 <sup>st</sup> draft 27.08.15 Released to the Unions	01.09.15	HR to work closely with the Board Officers to ensure conformity.	Draft presented to Task Force on 27.08.15	Completed
R8 Reviews the capacity of the HR function to ensure that it is appropriate to meet the future direction and challenges upon the organisation.	David Michael Head of Corporate Resources	Annwen Isaac Pedr ap Llwyd	01.09.15	06.11.15	Develop recommendations for the Taskforce and Board to consider having paid due consideration to: (1) capacity and capability of	Discussion paper presented to Task Force on 10 July for full discussion on 27 August.  The Library is currently holding	Under review

	Directorate				the current arrangements; (2) role of Secretary and Head of Governance; (3) appointment of head of HR post; (4) use of external advisors; (5) partnership/sharing resources with other public bodies	discussion with external service providers.  The Secretary and Head of Governance, who is a qualified HR practitioner, will provide support to the HR unit.	
R9 Considers how it can strengthen the effectiveness of the Board of Trustees and develop more constructive relationships with Senior management. A formal Board and Senior Management development programme should be implemented to move effective governance forward at the top of the organisation.	Pedr ap Llwyd Secretary and Head of Governance	BofT ET	Discussion Paper presented to Task Force on 27/8	06.11.15	Board Effectiveness Review conducted in February 2015 identified areas for improvement.  Develop action plan that will address this specific recommendation and the main issues identified in the recent effectiveness Review.	Discussion paper presented to the Task Force on 27 August.	Ongoing
R10 Puts in place arrangements and performance indicators to monitor the performance of Internal Audit. A self- effectiveness review also needs to be undertaken by 2018 in accordance with the Public Sector Internal Audit Standards.	Chair of Audit Committee Pedr ap Llwyd Secretary and Head of Governance	DM ET	1 <sup>st</sup> draft 27.8.15	06.11.15	Audit Committee to agree Pls with Baker Tilley.  Revision of Audit Committee's TOR to particularly reflect this recommendation	To be agreed finally by the Audit and Risk Committee together with a revised TOR for the Committee.	Draft Framework produced & to be agreed with Audit and Risk Committee on 2 October 2015.
R11 Develops a core programme of training and development for its managers. This should include specific training on procurement and governance. Important areas of training should be made mandatory.	David Michael, Head of Directorate	Annwen isaac ET		06.11.15	This recommendation was identified prior to pwc's review and a programme is currently being delivered.		Programme agreed and external providers will be appointed before end of October 2015.

Progression of Recommendations – Timeline and Targets

		Target 1 ↓	Target 2 ↓	Target 3 ↓	Target 4 ↓
R1	1 <sup>st</sup> draft presented following 1st Task Force	2 <sup>nd</sup> draft presented to 2 <sup>nd</sup> Task Force	Consulting with Unions/inform staff		
R2	1st draft presented following 1st Task Force	2nd draft presented to 2nd Task Force	Consulting with Unions/inform staff		
R3	1st draft presented following 1st Task Force	2nd draft presented to 2nd Task Force	Consulting with Unions/inform staff		
R4	Not commenced	1 <sup>st</sup> draft and evidence presented to 2 <sup>nd</sup> Task Force	Consulting with Unions/inform staff		
R5	Completed				
R6	Completed				
R7	Completed				
R8	Discussion paper presented to 1 <sup>st</sup> Task Force	Discussion continues	Consulting with Board		
R9	Not commenced	Discussion paper presented to 2 <sup>nd</sup> Task Force	Discussion paper and recommendations produced		
R10	Not commenced	Draft Framework presented to 2 <sup>nd</sup> Task Force	Framework and new TOR to be presented to Audit and Risk Committee on 2/10		
R11	Completed				

Key: Target 1 = 1<sup>st</sup> Task Force Meeting (July 2015); Target 2 = 2<sup>nd</sup> Task Force Meeting (27 August 2015); Target 3 = Board Meeting (18 September); Target 4 = Board Meeting (7 November 2015) – when all the Recommendations will have been implemented.

## Notes

<b>Recommendation 1</b>	The Task Force has reviewed and improved the Library's Disciplinary Policy and Procedure a draft copy was released to the Unions for consultation on 4 September 2015. It was also placed on the Library's intranet for all staff to see and comment upon on 7 September. During the drafting of the policy and procedure advice and guidance was sought from Gill Mason of ACAS in order to ensure that its processes and sanctions are in accordance with principles of her organisation's Code of Practice and guidance on discipline and grievance at work. It was the aim of the Task Force to produce a new Policy which clearly sets out the processes that should be followed for matters relating to senior management and which also outlines the remit, conduct and powers of the Dismissal Panel, two aspects of the previous policy that were criticised by <i>pwc</i> .
<b>Recommendation 2</b>	The Task Force has developed an up-to-date Fraud Policy which will be made available to all members of staff. The policy was released to the Unions for consultation on 4 September 2015 and will soon be placed on the Library's intranet, when translated, for all staff to see and provide comments.
<b>Recommendation 3</b>	The Task Force has developed a whistleblowing policy to reflect changes in legislation. Again, the policy was released to the Unions for consultation on 4 September 2015 and will soon be placed on the Library's intranet, when translated, for all staff to see and provide comments. The Library will take steps to raise awareness of the existence of the policy when it is formally adopted.
<b>Recommendation 4</b>	The Task Force has developed a Capability and Poor Performance Policy and Procedure document for all staff as a means of updating the Library's performance standards procedure to accurately reflect our current staff appraisal process. Provision for dealing with poor performance and capability amongst Executive Team members including the Chief Executive and Librarian has been included within the document.
<b>Recommendation 5</b>	Training and guidelines have been provided to staff in relation to the annual appraisal process which is currently under way.
<b>Recommendation 6</b>	The nature of a declared interest is now recorded clearly in the minutes of Board and Audit Committee.
<b>Recommendation 7</b>	The Task Force has documented the procedures relating to the performance appraisal of the Chief Executive and Librarian. They are also in line with the requirement for other members of staff. To ensure that these procedures are followed, the Library's HR Unit will provide assistance and support to the President when CEO appraisal processes are due to take place in the future.
<b>Recommendation 8</b>	The Task Force has reviewed the capacity of the HR function to ensure that it is appropriate to meet the future direction and challenges upon the organisation. In light of current and future financial pressures, the reduction in staff numbers and the additional support provided to HR by the Secretary and Head of Governance, it was difficult to produce a case for appointing a HR Manager at the expense of other parts of the business. However, the Executive Team will provide a further paper with recommendations that would ensure that the HR function has sufficient support and resources (internal and external) to fulfil its role within the Library.
<b>Recommendation 9</b>	A discussion paper has been prepared by the Secretary and Head of Governance in relation to strengthening the effectiveness of the Board of Trustees and develop a more constructive relationship with senior management. The paper also considered the adoption of a development programme to move effective governance forward at the top of the organisation. Time restriction had prevented the Task Force from discussing this paper.
<b>Recommendation 10</b>	The Task Force had developed a Framework and performance indicators to monitor the performance of Internal Audit. A The Audit and Risk Committee which meets on 2 October will consider whether these arrangements address <i>pwc</i> 's concerns sufficiently. The Task Force has also reviewed the Audit and Risk Committee's TOR, and again, this will be considered by members of the Committee at the next meeting.
<b>Recommendation 11</b>	A core programme of training and development has been developed for managers which includes specific training on procurement and training. The delivery of the programme is underway by the HR Unit.



**Public Accounts Committee**  
**Scrutiny of Accounts 2014–15: National Library of Wales**  
**Additional Information**

Following the Committee meeting held on 22 September, the National Library of Wales have sent in the following information regarding Geldards LLP:

1. Huw Williams, who's a Partner at Geldards LLP (<http://www.geldards.co.uk/huw-williams.aspx>) was appointed to the Library's Board of Trustees on 1 April 2010 for an initial period of 4 years and was reappointed on 1 April 2014 for a further (and final) period of 4 years.
2. In submitting his application on 17 November 2009 Huw Williams made the necessary declaration of interest and stated clearly that he was a Partner at Geldards who were solicitors to the Library and the Museum, where he was already a Trustee. A copy of this declaration is held on file.
3. Huw Williams is a Welsh Government appointee – a Ministerial appointment. Therefore, the "appointments" panel was in fact a nominations panel which would have had to sought Ministerial approval before the appointment could be confirmed.
4. Geldards LLP were last appointed as legal advisers to the Library (and as far as I'm aware, to the Museum as well) for a period of three years commencing on 1 September 2011 with an option to extend by one year by agreement. Their contract expired on 31 August 2015 from which point the National Procurement Framework will be used. However there are a number of legal cases that are still ongoing and they will continue to be handled by Geldards until their conclusion.

The ongoing legal cases are:

1. litigation relating to the fire
2. ITV archive
3. porters terms and conditions



4. employment issues relating to the Directors
5. personal injury claim from member of staff (legal papers issued)
6. personal injury claim from member of public.

September 2015

NFW Redundancies dates and amounts

Name	Leaving Date	Redn (£)	Annual Salary (£)	Monthly Salary	Monthly Recovery Rate	
	27/03/2015	30,447	9,808	817.33	37.25	19616 FTE
	31/03/2015	19,120	19,616	1,634.67	11.70	
	31/03/2015	53,498	51,386	4,282.17	12.49	15613.50 Compensation
	10/04/2015	23,868	11,770	980.83	24.33	19616 FTE
	17/04/2015	73,655	25,111	2,092.58	35.20	
	17/04/2015	10,154	19,616	1,634.67	6.21	
	30/04/2015	32,158	12,556	1,046.33	30.73	25111 FTE
	30/04/2015	10,157	19,616	1,634.67	6.21	
	08/05/2015	60,958	19,616	1,634.67	37.29	
	31/05/2015	70,994	25,111	2,092.58	33.93	
	31/05/2015	19,017	38,208	3,184.00	5.97	
	30/06/2015	7,923	15,800	1,316.67	6.02	
	30/06/2015	92,890	29,849	2,487.42	37.34	
	30/06/2015	7,923	7,900	658.33	12.03	15800 FTE
	30/06/2015	77,960	25,111	2,092.58	37.26	
	30/06/2015	26,048	25,111	2,092.58	12.45	
	30/06/2015	10,174	19,616	1,634.67	6.22	
	30/06/2015	38,030	12,640	1,053.33	36.10	15800 FTE
	30/06/2015	40,417	15,800	1,316.67	30.70	
	30/06/2015	17,688	25,111	2,092.58	8.45	
	31/07/2015	61,878	25,111	2,092.58	29.57	
	31/10/2015	53,546	25,111	2,092.58	25.59	
	31/03/2015		55,876			
		<b>788,936</b>	<b>506,026</b>			
				-		
	17/10/2014	92,258	29,553	2,462.75	37.46	
	30/09/2014	77,756	24,862	2,071.83	37.53	
	31/10/2014	159,118	50,877	4,239.75	37.53	
	31/10/2014	50,938	24,862	2,071.83	24.59	
	10/10/2014	58,518	24,862	2,071.83	28.24	
	10/10/2014	71,081	24,862	2,071.83	34.31	
	30/09/2014	40,375	19,422	1,618.50	24.95	
	18/08/2014	44,202	29,553	2,462.75	17.95	
	12/09/2014	7,314	14,803	1,233.58	5.93	
		<b>601,560</b>	<b>243,656</b>			
		1,390,496				
		31				
		44,855				

# THE NATIONAL LIBRARY OF WALES: FRAMEWORK DOCUMENT

## Introduction

1. This Framework Document has been drawn up by CyMAL: Museums Archives and Libraries Wales (CyMAL) in consultation with the National Library of Wales (the Library). It sets out the broad framework within which the Library operates and details the terms and conditions under which the Welsh Ministers provide grant-in-aid to the Library. It does not cover the Library's private funds.

A comprehensive overview of public financial management arrangements in Wales is provided by *Managing Welsh Public Money*. Payment of grant-in-aid is conditional upon the satisfactory performance by the Library of all its obligations as set out in this document and such other conditions and requirements as the Welsh Ministers may, in accordance with section 70 (2) of the Government of Wales Act 2006, from time to time impose. The document shall be reviewed from time to time by the Welsh Government and the Library jointly but at no less than five yearly intervals. Copies of the document together with any subsequent amendments have been placed in the Library of the National Assembly for Wales (the National Assembly) and made available to members of the public via the National Library of Wales' website. The document has been signed and dated by CyMAL and the Library.

2. The Welsh Government and its WGSBs have agreed the following Principles to govern relations between them:

### **Governing Principles defining relations between Welsh Government Sponsored Bodies and the Welsh Government**

#### **Joint mission and purpose**

1. **Delivering for Wales.** WGSBs play a key role in the governance of Wales and meeting the aspirations of Welsh citizens. From the perspective of the Welsh Government, the primary role of a WGSB is to fulfil its statutory responsibilities and to meet objectives established by the Welsh Ministers using funds voted by the National Assembly of Wales. This relationship is conducted through a sponsorship arrangement managed on behalf of Ministers by the Welsh Government. WGSBs have diverse organisational forms, including charities and quasi-judicial bodies and can cover different jurisdictions beyond Wales. Whilst respecting this diversity, Ministers look to WGSBs primarily to deliver important functions and services for the people of Wales on their behalf.

- 2. Outcome focus and WGSB performance.** Within the constraints set by statute and Ministerial commitments, WGSB objectives will as far as possible be specified in terms of outcomes that are clear, relevant and challenging. To promote innovation and efficiency, WGSBs shall be given as much flexibility as possible in how these outcomes are achieved. Individual remit letters should be no more prescriptive than the WGSBs responsibilities require. However, the performance framework should assess the contribution of the WGSB in achieving outcomes.

### **Relationships between the Welsh Government and WGSBs**

- 3. Relationships defined by trust and risk.** The relationship between the Welsh Government and WGSBs should be based on trust and mutual respect, with a proportionate approach to risk. Where there is evidence of poor performance or weak governance, the Welsh Government will adopt a more prescriptive 'hands-on' approach to the relationship. The Welsh Government will ensure that its sponsorship functions perform effectively and meet the expectations set out in these principles.
- 4. Effective collaboration.** WGSBs are highly valued for their expertise and experience. WGSBs, the Welsh Government and the wider public sector recognise the importance of working together and building 'Team Wales', seeking opportunities for broader and deeper collaboration in policy development supporting each other and celebrating success. Opportunities to save money, identify efficiencies and improve effectiveness should be pursued energetically and jointly.
- 5. Effective communication.** WGSBs and the Welsh Government form an extended family and undertake to maintain a consistent, respectful and collegiate approach to dealing with each other in public and private. All parties undertake to strive for effective communication, to be as open as possible, to share information on a 'no surprises' basis and to manage contentious matters through dialogue and negotiation.

### **Governance and accountability**

- 6. WGSB chair and board.** The chairs of WGSBs are important figures in Welsh public life and will be appointed in accordance with the Code of Practice for Ministerial Appointments to Public Bodies. WGSB boards are accountable to Ministers for achieving the defined objectives, ensuring high quality corporate governance and for oversight of the WGSB executive, including the Chief Executive.

- 7. Primary role of the board in WGSB oversight.** Governance and the internal control regime should be a matter primarily for the WGSB board. The Welsh Government will rely on the board, internal audit and Wales Audit Office for assurance. The sponsorship role should focus on accounting for delivery of objectives and the management of relationships between the WGSB and the Welsh Government. Clear roles and expectations for Ministers, chairs, boards, executives, accounting officers, sponsorship divisions and auditors should be set out in the Framework Document.
- 8. Performance management.** Whilst we expect the norm to be good performance, effective governance and a respectful relationship, our approach must be capable of an effective response to poor performance or other problems. Where there is evidence of poor performance in relation to objectives, management of funds, board effectiveness or other aspects of governance, the Welsh Government has both the right and responsibility to become more involved and more prescriptive. Performance management will be risk-based, relying on evidence of robust internal control to support a lighter touch or alternatively to apply a stronger grip where risks are managed less satisfactorily.
- 9. Delegation.** Welsh Government and WGSB accounting officers remain jointly accountable for public funds spent through WGSB sponsorship. However, the routine sponsorship management regime should be only as prescriptive as necessary to be assured that public funds are managed correctly and that outcomes are being achieved cost-effectively. Financial responsibility will be delegated to the extent possible, consistent with Welsh Ministers and accounting officer responsibilities.
- 10. Responding to change.** In a changing world and with changing ministerial priorities, it may be necessary to reshape the functions and methods of service delivery of WGSBs or, where more appropriate, to review the continued relevance of their objects and constitutional arrangements. The Welsh Government may from time to time conduct in-depth organisational or thematic reviews to ensure that its WGSBs remain fit for purpose and to make proposals for reform.

3. In addition, the Library must ensure that, in carrying out its functions, it does so in a way that is consistent with the Welsh Government's Citizen-Centred Governance Principles which incorporate the Seven Principles of Public Life set out by the Committee on Standards in Public Life (the Nolan Committee):

- putting the Citizen First;
- knowing Who does What and Why;
- engaging with Others;
- living Public Service Values;
- fostering Innovative Delivery;
- being a Learning Organisation; and
- achieving Value for Money.

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## **1. Purpose of the National Library of Wales (the Library)**

- 1.1 The Library was established under the Royal Charter of 1907 with supplemental Royal Charters in 1911, 1978, 1988 and 2006 (the Charter). As a public body, it fulfils important responsibilities set within the context of the Welsh Government's strategic aims. Its main purpose is to collect, preserve and give access to all kinds and forms of recorded knowledge, especially relating to Wales and other Celtic peoples, for the benefit of the public, including those engaged in research and learning.
- 1.2 Its statutory objects are set out in the Charter. Its overall aims are set out in its strategy and annual operational plan.

## **2. Governance and Accountability**

### **2.1 Legal Origins of Powers and Duties**

- 2.1.1 The Library's powers and duties are set out in the Royal Charter. The Library is also a Registered Charity regulated by the Charity Commission.

### **2.2 Roles and Responsibilities**

#### ***Ministerial Responsibility***

- 2.2.1 The First Minister has allocated responsibility for the oversight of the Library to the Minister for Housing, Regeneration and Heritage (the Minister). The Minister generally exercises functions of the Welsh Ministers in relation to the Library. The Minister sets the policy framework for the Library and is accountable to the National Assembly for its activities. The Minister shall meet with the President and Librarian twice a year to review performance and discuss current and future activities.

#### ***Accountabilities and Responsibilities of the Principal Accounting Officer***

- 2.2.2 The Principal Accounting Officer for the Welsh Ministers is the Permanent Secretary to the Welsh Government. He/she has responsibilities specified by HM Treasury and is accountable to the National Assembly (through the National Assembly's Public Accounts Committee) and to the UK Parliament (through the House of Commons Committee on Public Accounts) for:
  - the regularity and propriety of the Welsh Government's finances;
  - the keeping of proper accounts of the Welsh Ministers; and
  - the effective and efficient use of resources including the grant-in-aid voted to the Library under the Welsh Government's Annual Budget Motion.
- 2.2.3 The Principal Accounting Officer is also responsible for ensuring that the financial and other management controls applied across the Welsh

Government are appropriate and sufficient to safeguard public funds. He/she is assisted in these duties by the Director General for Sustainable Futures whom he/she has designated as an Additional Accounting Officer (AAO) and to whom he/she has delegated responsibility for the Library.

### ***Sponsor Department's Additional Accounting Officer's Accountabilities and Responsibilities***

2.2.4 The Director General for Sustainable Futures is the sponsor department's AAO. He/she is responsible to the Minister and the National Assembly for ensuring that financial and other management controls applied by the Library conform with the requirements of both propriety and good financial management. Accordingly, the AAO is responsible for ensuring that an adequate statement of the financial relationship between the Welsh Ministers and the Library is in place and is reviewed regularly; and for the quality of the Welsh Government's relationship with the Library.

2.2.5 The AAO is accountable to the National Assembly for the grant-in-aid awarded to the Library and for advising the Minister:

- on an appropriate framework of objectives and targets for the Library in the light of the department's wider strategic aims and key delivery and performance indicators.
- on an appropriate budget for the Library in the light of the sponsor department's overall spending priorities; and
- on how well the Library is achieving its strategic objectives within the policy and resources framework determined by the Minister and whether it is delivering value for money.

2.2.6 The AAO is also responsible for ensuring arrangements are in place to:

- monitor the Library's activities and its financial position through regular meetings and returns;
- address significant problems within the Library, making such interventions as are judged necessary;
- periodically carry out an assessment of the risks both to the department and the Library's objectives and activities;
- inform the Library of relevant government policy in a timely manner;
- bring to the attention of the Library's full board any concerns about the activities of the Library, requiring explanations and assurances that remedial action will be taken; and
- unless covered by the Charter designate the Librarian of the Library as its Accounting Officer.

2.2.7 The AAO has delegated responsibility for the day to day management of relations with the Library to the Director of CyMAL, the sponsor department within the Welsh Government

## ***Sponsor Department***

2.2.8 CyMAL is the primary contact for the Library. They are the main source of advice to the Minister on the discharge of his/her responsibilities in respect of the Library. They also support the sponsor department's AAO on his/her responsibilities towards the Library. Officials of the sponsor department will liaise regularly with WGSB officials to review the Library's financial performance against plans and the achievement against targets. The sponsor department will also take the opportunity to inform and explain wider policy developments that might impact on the Library. Further information about the sponsor department's responsibilities can be found at Annex 1.

## ***Accountabilities and Responsibilities of the Librarian as WGSB Accounting Officer***

### *General*

2.2.9 The specific responsibilities of a WGSB Accounting Officer are set out in the Welsh Assembly Government's Memorandum "The Responsibilities of an Assembly Government Sponsored Body (AGSB) Accounting Officer". As accounting officer the Librarian is personally responsible for the proper stewardship of the public funds for which he or she has charge; for the day-to-day operations and management of the Library; and for ensuring compliance with the requirements of Managing Welsh Public Money. The Librarian may be assisted in the exercise of his or her role by employees of the Library. The Librarian may also delegate the day-to-day administration of these responsibilities to those employees but remains responsible and accountable under this document.

### *Accountabilities to the National Assembly*

2.2.10 The WGSB AO is accountable to the National Assembly for the following:

- signing the accounts and ensuring that proper records are kept relating to the accounts;
- ensuring that the accounts are prepared and presented in accordance with any directions issued from the Welsh Ministers;
- signing a statement of Accounting Officer's responsibilities for inclusion in the annual report and accounts;
- signing a Statement on Internal Control for inclusion in the Annual Report and Accounts;
- giving evidence, including attending hearings, on matters relating to the Library which arise before the National Assembly's Public Accounts Committee, other committees of the National Assembly, the House of Commons Committee on Public Accounts or other Parliamentary Committees, to account for the Library's stewardship of public resources; and

- acting upon any recommendations of those committees that have been accepted by the Welsh Government.

#### *Accountability to the Sponsor Department*

2.2.11 The WGSB AO is accountable to the sponsor department for the following:

- establishing, in agreement with the sponsor department, the Library's corporate and operational plans;
- informing the sponsor department of progress in helping to achieve the department's policy objectives and demonstrating how resources are being used to achieve those objectives;
- ensuring that timely forecasts and monitoring information on performance and finance are provided to the sponsor department; that the sponsor department is notified promptly if overspends or under spends are likely and that corrective action is taken;
- ensuring that significant problems are notified to the sponsor department as quickly as possible; and
- providing the sponsor department with such information about its performance and expenditure as the sponsor department may reasonably require.

#### *Responsibilities in respect of the Library's Board of Trustees*

2.2.12 He/she is also responsible for:

- advising the Board on the discharge of its responsibilities as set out in this document, relevant legislation, the Minister's annual Remit letter or other communication; and any other guidance that may issue from time to time;
- advising the Board on the Library's performance against its aims and objectives;
- ensuring that financial considerations are taken fully into account by the Board at all stages in reaching and executing its decisions and that suitable financial appraisal techniques are followed;
- ensuring that a system of risk management is maintained to inform decisions on financial and operational planning and to assist in achieving objectives and targets;
- ensuring that robust internal management and financial controls are introduced, maintained and reviewed regularly - including measures to protect against fraud and theft (such measures to incorporate a comprehensive system of internal delegated authorities); establishing procedures for handling complaints about the Library; and developing and maintaining appropriate personnel management policies, all of which shall be readily available to all staff; and

- taking action as appropriate in accordance with the terms of the accounting officer's memorandum if the Board or its President is contemplating a course of action involving a transaction which the Librarian considers would infringe the requirements of propriety or regularity, or does not represent prudent or economical administration, or, efficiency or effectiveness, questionable feasibility or is unethical.

### ***The Librarian's role as Consolidation Officer***

2.2.13 The Librarian is designated by HM Treasury as the Library's Consolidation Officer for the purposes of Whole of Government Accounts and must comply with the requirements of the Consolidation Officer Memorandum.

### ***The Library's Board of Trustees***

2.2.14 The arrangements for the appointment of the President, Vice President, Treasurer and Board members are set out in the Charter. 8 Board members, including the President and Vice President, are appointed by the Welsh Ministers after consultation with the Library. Such appointments are made in accordance with the Commissioner of public appointments' code of practice. <https://www.publicappointmentscommissioner.org/web-app/plugins/spaw2/uploads/files/Code%20of%20Practice%20August%202005.pdf>

### ***Collective Responsibilities***

2.2.15 The responsibilities of the Library's Trustees, as set out in this document, must be carried out with due regard to Charity Commission guidance (currently in the form of the publication RR7 'The Independence of Charities from the State').

2.2.16 The role of the Board is to:

- provide effective leadership; defining and developing strategic direction and setting challenging objectives;
- promote high standards of public finance, upholding the principles of regularity, propriety and value for money;
- ensure that the Library's activities are conducted efficiently and effectively; and
- monitor performance to ensure that the Library fully meets its aims, objectives and performance targets.

2.2.17 To do this, the Board must ensure that effective arrangements are in place to provide assurance on risk management, governance and internal control. It must establish an Audit Committee chaired by a Board member with a proper understanding of audit processes (but not the President or Treasurer) to provide it with independent advice. The Board is expected to assure itself of the effectiveness of the internal control and risk management systems.

2.2.18 The personal responsibility of the Librarian as Accounting Officer to ensure regularity, propriety and value for money in no way detracts from that of

members of the Board, who each have a duty to act in a way that promotes high standards of public finance and for ensuring that the Library's activities are conducted in an efficient and effective manner. They must not give the Librarian instructions which conflict with his/her duties as the Library's Accounting Officer.

2.2.19 In particular the Board is responsible for:

- establishing and taking forward the strategic aims and objectives of the Library consistent with its overall purpose and within the policy and resources framework determined by the Minister;
- ensuring that the Minister is kept informed fully of any changes that are likely to impact on the strategic direction of the Library or on the attainability of its targets, and of steps needed to deal with such changes;
- ensuring compliance with any statutory or administrative requirements in respect of the use of public funds; that the Board operates within the limits of its statutory authority or the terms of its governing instrument (as applicable) and any delegated authority agreed with the sponsor department, and in accordance with any other conditions relating to the use of public funds; and that, in reaching decisions, it takes into account guidance issued by the Welsh Government;
- ensuring that it receives and reviews regularly, financial information concerning the management of the Library; that it is informed in a timely manner about any concerns as to the activities of the Library; and that, where applicable, it provides positive assurance to the Minister via the sponsor department that appropriate remedial action has been taken to address any such concerns;
- demonstrating high standards of corporate governance at all times, including by using the audit committee to help the Board to address key financial and other risks; and
- appointing a Librarian in consultation with the Minister

2.2.20 The Board may, to the extent permitted by the Charter, delegate to staff responsibility for the administration of day-to-day management issues but it remains ultimately responsible and accountable for all those matters. The Library must maintain a list of matters which are reserved for decision by its Board as well as a scheme of delegation approved by the Board.

#### *The President's Personal Responsibilities*

2.2.21 The President's duties are set out in the Royal Charter and in the Terms and Conditions of Appointment. Communications between the Library Board and the Minister shall, in the normal course of business, be conducted through the President. The President shall ensure that other Board members are kept informed of all such communications. He or she is responsible for ensuring that the Board's policies and actions support the Minister's wider strategic policies and that its affairs are conducted with probity. Where

appropriate these policies and actions must be communicated and disseminated throughout the WGSB.

2.2.22 The Library's Royal Charter establishes the office of Vice-President with the ability to discharge the functions of the President during any vacancy in office, absence or illness.

2.2.23 The President has a particular leadership responsibility regarding:

- formulating the Library's strategies;
- ensuring that the Board, in reaching decisions, takes proper account of statutory and financial management requirements and all relevant guidance including guidance provided by the Welsh Ministers;
- promoting the economic, efficient and effective use of staff and other resources;
- ensuring high standards of regularity and propriety; and
- representing the views of the Board to the public.

2.2.24 The President must also:

- ensure that all Board members are briefed fully on the terms of their appointment and on their duties, rights and responsibilities;
- ensure that he or she, together with other Board members, receive appropriate training, including on the financial management and reporting requirements of public sector bodies and on the differences that might exist between private and public sector practice;
- ensure that the Board has a balance of skills appropriate to directing the Library's business, and advise the Minister, in instances where appointments are to be made by him or her, on the needs of the Library when Board vacancies arise;
- assess the performance of individual Board members in accordance with the arrangements agreed with the sponsor department;
- ensure that a Code of Practice for Board Members is in place consistent with the Welsh Government model Code.

#### *Individual Board Members' Responsibilities*

2.2.25 In undertaking their duties and responsibilities Board members shall:

- comply at all times with the Library's Code of Practice for Board Members, and with the rules relating to the use of public funds and conflicts of interest;
- not misuse information gained in the course of their public service for personal gain or political profit, nor seek to use the opportunity of public service to promote their private interests or those of persons or organisations with whom they have a relationship;

- comply with the Library's rules on the acceptance of gifts and hospitality, and of business appointments; and
- act always in good faith and in the best interests of the Library.

## **2.3 Accounting Arrangements and Audit**

### ***Annual Report and Accounts***

2.3.1 The statutory accounting and reporting requirements are set out in the Charter.

#### *Statutory Accounts*

2.3.2 Each financial year the Library must prepare accounts in accordance with the Accounts Direction issued by the Welsh Ministers, Section 9 (4) of the Museums and Galleries Act 1992 and the Charities SORP 2005. As soon as the audit of the accounts is complete, the Library shall submit to the Auditor General for Wales (AGW) the signed accounts together with a letter of representation. Two copies of the signed accounts shall also be forwarded to the sponsor department. The AGW shall lay the audited accounts before the National Assembly.

#### *Annual Report*

2.3.3 As soon as possible after the end of each financial year, the Library shall publish a report of its activities to permit the National Assembly, other clients and the public to judge its success in meeting its targets. The precise format of the published annual report will be discussed with the sponsor department.

2.3.4 The Annual Report must be submitted to the Minister prior to its formal publication. A draft of the report shall be submitted to the sponsor department at least ten working days before printing.

2.3.5 The annual report must:

- outline the Library's main activities and performance during the previous financial year;
- report on performance against key performance indicators and other deliverables and outline progress that has been made in taking account of the Welsh Government's cross-cutting themes;
- report on the activities of any corporate bodies under its control; and
- include either a summary of the Library's audited accounts or publish the full audited accounts within a single document.

2.3.6 A copy of the Annual Report must be laid before the National Assembly, after the accounts have been audited. The Report may not be published until after it has been laid before the National Assembly.



2.3.7 The Library shall liaise with the AGW and the sponsor department regarding the precise timetable for publication and laying of the Annual Report and the accounts.

### ***Audit Committee***

2.3.8 The Library must establish an Audit Committee to advise its Accounting Officer on the adequacy of arrangements within the Library for internal audit, external audit and corporate governance matters. The Library shall share with their sponsor department copies of the minutes of their Audit Committee meetings. The sponsor department also has a right to attend any meeting of the Audit Committee if circumstances require it.

### ***Internal Audit***

2.3.9 The Library must:

- establish and maintain arrangements for internal audit in accordance with the objectives, standards and practices described in HM Treasury's Government Internal Audit Standards;  
[http://www.hm-treasury.gov.uk/d/internalaudit\\_300409.pdf](http://www.hm-treasury.gov.uk/d/internalaudit_300409.pdf)
- if the function is provided in-house ensure that arrangements are made for external quality reviews of its internal audit at least once every five years and in accordance with Government Internal Audit Standards. The Welsh Government shall consider whether it can rely on these reviews to provide assurance on the quality of the Library's internal audit;
- each year, following approval by the Library's Accounting Officer and its Audit Committee, submit to the sponsor team the audit strategy, periodic audit plans and annual audit report, including the Head of the Internal Audit Service's opinion on risk management, control and governance; and
- notify the sponsor department as soon as possible of any changes to the terms of reference of its Internal Audit arrangements and/or its Audit Committee.

2.3.10 The Welsh Government shall:

- assess the effectiveness of the Library's internal audit arrangements by scrutiny of their plans for future activity, reports on past activity and its annual assurance report (as prepared by the Library's Head of the Internal Audit Service); and
- have a right of access to all documents prepared by the Library's internal auditor, including where the service is contracted out.

### ***External Audit***

2.3.11 The AGW is the Library's statutory external auditor under Section 9 (8) of the Museums and Galleries Act 1992.

- 2.3.12 In the light of new provisions contained in the Companies Act 2006 concerning the audit of public sector entities arrangements for the audit of any subsidiary companies established by WGSBs are currently under review.
- 2.3.13 The AGW shall send a copy of its final Additional Assurance Report and Management letter to the Additional Accounting Officer of the sponsor department. Under section 145 of the Government of Wales Act 1998 the AGW may carry out examinations into the economy, efficiency and effectiveness with which the Library has used its resources in discharging its functions. Under section 145A, the AGW may undertake studies designed to enable him or her to make recommendations for improving economy, efficiency and effectiveness in the discharge of functions of bodies, and other studies relating to the provision of services. For the purposes of these examinations, as well as the statutory financial audit, the AGW has a statutory right of access to documents. The Comptroller and Auditor General shall also have rights of access by virtue of section 136 of the Government of Wales Act 2006. In addition, the Library shall provide, in conditions to grants and contracts, for the AGW to exercise such access to documents held by grant recipients and contractors and sub-contractors as may be required for these examinations; and shall use its best endeavours to secure access for the AGW to any other documents required by the AGW which are held by other bodies.

### ***Sponsor Department's Right of Access***

- 2.3.14 Should the need arise the sponsor department has a right of access to all the Library's records and personnel for monitoring purposes including, for example, sponsorship audits and operational investigations.

## **3. Management Arrangements**

### **3.1 General**

- 3.1.1 Unless otherwise agreed in writing by the sponsor department the Library shall at all times follow the principles, rules, guidance and advice in Managing Welsh Public Money and this document, referring any difficulties or potential bids for exceptions to the sponsor department in the first instance. A list of the guidance and instructions with which the Library must comply is at annex 2.
- 3.1.2 The Library must ensure always that its relationship with the Welsh Government is recognised appropriately through the use of the Welsh Government's sponsor brand mark.
- 3.1.3 In pursuit of its aims the Library shall work closely with other organisations in Wales including the private sector, local authorities and the voluntary sector reflecting the commitments in the Welsh Ministers' partnership agreements with the voluntary, business and local government sectors.

## **3.2 Library Staff**

### ***Recruitment, retention and management of staff***

3.2.1 Within the arrangements approved by the Minister the Library is responsible for the recruitment, retention and motivation of staff subject to the following general requirements:

- in the recruitment, management and advancement of staff the Library will follow the principles and behaviours set out in Chapter 4 of Managing Welsh Public Money;
- the Library may determine its own structure with the exception of:
  - the creation or re-grading of any senior management post that reports directly to the Librarian;
  - any proposal to create a new post at, or to re-grade a post to, a level which is not already represented in the staff structure; or
  - any proposal to re-grade all posts at a particular grade.
- the Library may vary the total number of staff employed to reflect changes in the scale of its operations or functions. The associated pay and related costs must be adjusted accordingly and reflected within the Management Running Cost total unless otherwise notified to the sponsor department;
- subject to its delegated levels of authority, the Library must ensure that the creation of any additional posts does not incur forward commitments which shall exceed its ability to pay for them;
- staff management and development policies are in place which include arrangements for appraising the performance of staff and encouraging staff to acquire appropriate professional, management and other expertise;
- the Library will adopt a Code of Conduct for its staff;
- appropriate grievance and disciplinary procedures are established;
- appropriate arrangements are in place to deal properly with any staff concerns about improper conduct;
- proper consultation with staff takes place on matters affecting them.

### ***Pay and Conditions of Service***

3.2.2 All staff of the Library shall be subject to overall levels of remuneration and terms and conditions of service (including superannuation) as have been approved by the Minister. Any changes to those terms and conditions, including levels of remuneration, must be authorised by the Minister.

3.2.3 The Library has no delegated powers to amend its overall terms and conditions. However, the Library may vary individual contracts of employment without recourse to the Minister provided that any changes are

within the overall framework of the terms and conditions approved by the Minister.

- 3.2.4 Terms and conditions for staff of the Library are set out in its staffing documentation. Copies of this information must be provided to the sponsor department on request, and when substantially amended.

### ***Pay Remits***

- 3.2.5 The Library shall present to the sponsor department a detailed case for its annual pay remit for pay negotiations. The pay remit shall be in the format specified annually by the Welsh Government and must reflect the needs of the organisation for changes in pay, grading and other terms and conditions of service. The proposals must be fully costed and shown to be affordable in the year in question and subsequent years. The Library is expected to operate a system of pay that provides all staff with equal opportunity for progression.
- 3.2.6 The sponsor department must be satisfied that all pay arrangements have been subject to an equal pay audit and, in addition, will require evidence from time to time that there has been independent quality assurance that meets this requirement.

### ***Staff Benefits and Non-Pay Rewards***

- 3.2.7 In considering gifts or non-pay rewards to staff or board members the Library must take a view on whether such a course of action represents an appropriate use of public money. In devising staff benefits or non-pay reward schemes Library must pay attention to HM Treasury's "Regularity, Propriety and Value for Money".

### ***Pensions***

- 3.2.8 Staff of the Library shall be eligible to belong to the Library's own approved occupational pension scheme. Alternatively, they may opt out in favour of a State Second Pension or a personal pension scheme. Any proposal by the Library to move from the existing pension arrangements requires written approval in advance from the sponsor team.

### ***Redundancy, Severance and Compensation***

- 3.2.9 Any redundancy payments or payments of other compensation for loss of office must be made in accordance with a scheme approved by the sponsor department. Any proposals to make payments outside of an approved scheme require prior written approval from the sponsor department. Proposals on severance must comply with the rules set out in Chapter 4 of *Managing Welsh Public Money*.

### **3.3 Planning Framework**

#### ***Budget Planning***

- 3.3.1 The Welsh Government's budget planning arrangements are governed by the requirements of the Government of Wales Act 2006 and the Standing Orders of the National Assembly.
- 3.3.2 The Library shall co-operate with the sponsor department in providing the necessary assistance and information to the Welsh Government to take forward its budget planning decisions.
- 3.3.3 The Minister will confirm the amount of funding to be provided to the Library and any other relevant budgets as soon as possible, and normally no later than one month, after the final budget has been agreed by the National Assembly.

#### ***Business Planning***

##### *Remit Letters*

- 3.3.4 The Minister shall, by the end of the November before the financial year to which it relates, discuss with the Library a draft remit letter setting out the Government's policy aims and areas for key performance indicators. The final remit letter will be issued as soon as possible, and normally no later than one month, after the National Assembly has approved the final budget and shall include the voted grant-in-aid figure and related budgetary control totals.

##### *Corporate Plans*

- 3.3.5 The Library will produce a Corporate Plan or Strategy on a regular 3 to 4 year cycle. The Strategy should be developed reflecting the aims and objectives as set out in the Library's Charter, and within the general and specific framework set out by the Welsh Government, reflecting the Welsh Government's strategic agenda. The sponsor department shall be consulted on the issues to be addressed in the Strategy.

##### *Operational Plans*

- 3.3.6 The Library shall prepare an annual operational plan setting out the level of service to be achieved in key areas and the performance and output information that shall be collected to monitor progress. The operational plan will be informed by the Minister's remit letter, the Welsh Government's strategic agenda and the Library's Strategy, and Charter objectives. It is for the Board to determine the precise content of their plan, in consultation with the sponsor department.

### *Approval of Plans*

- 3.3.7 The timetable for the preparation and submission of the corporate and operational plans shall be agreed with the sponsor department. Both the corporate and operational plans will be approved by the Minister and made available to the public.

### **3.4 Performance Management**

- 3.4.1 The Library shall operate management, information and accounting systems that enable it to review in a timely and effective manner its financial and non-financial performance against the targets set out in the corporate and operational plans. It shall inform the sponsor department of any changes that make achievement of objectives more or less difficult.
- 3.4.2 Each quarter, the Library shall provide a report to the sponsor department which sets out the progress towards meeting the key targets set out in the operational plan. The report must also include details of actual expenditure for the year to date against the approved budgets together with forecast expenditure figures for the year and explanations of any significant differences and issues. Wherever possible the reporting format will be consistent with the Library's arrangements for reporting to its Board.
- 3.4.3 The Library and the sponsor department shall meet once a quarter to discuss these progress reports. The President and Librarian will also meet the Minister twice a year to discuss progress.

### ***Exception Reporting***

- 3.4.4 The Library must notify the sponsor department as soon as it becomes apparent that:
- the full-year expenditure is likely to exceed its approved provision; or
  - it is likely to under spend by more than the equivalent of 3 per cent of its total grant-in-aid.
- 3.4.5 It shall also provide:
- an annual report of losses written-off and special payments made or sanctioned during the previous twelve months;
  - an annual report outlining all cases of fraud and theft to which it has been exposed.

### **3.5 Periodic Review**

3.5.1 As part of the programme of reviews of Welsh Government Sponsored Bodies for which it is responsible, the Welsh Government may conduct a review of the Library from time to time.

### **3.6 Subsidiary Companies and Joint Ventures**

3.6.1 The Library shall not establish subsidiary companies or joint ventures which involve setting up special purpose vehicles – such as companies, partnerships or any other structure with legal identity and liability – without securing the prior written approval of the sponsor department.

3.6.2 Any subsidiary company or joint venture controlled or owned by the Library shall be consolidated with it, as required by accounting standards and, unless agreed otherwise by the sponsor department, shall be subject to the controls and requirements set out in this document, and to any such other further provisions set out in pertinent guidance and instructions.

## **4. Financial Responsibilities**

### **4.1 Expenditure**

4.1.1 Subject to any restrictions imposed by the Charter, directions of the Welsh Ministers, or by this document, the Library may, as soon as its budget has been approved by the Minister, incur expenditure on the programme approved in its annual budget without further reference to the sponsor department, subject to the following conditions:

- the Library shall comply with the delegations set out in Annex 3. These delegations must not be modified or breached without the written agreement in advance of the sponsor department;
- the Library must obtain written approval in advance of proceeding with:
  - any proposal which could be considered to be novel, contentious or repercussive;
  - any change of policy or practice which has wide financial implications;
  - anything that might affect the future level of resources required; or
  - any significant change in the operation or funding of any initiative or particular scheme approved by the sponsor department;
- the Library shall follow the policy framework set out in Managing Welsh Public Money in relation to the procurement of goods and services;
- the Library shall resist requests for payment in advance except in exceptional cases where it is considered that some payment may be necessary. In such cases, the principles set out in Managing Welsh Public Money must be observed;

- the Library shall consult the sponsor department before entering into any property lease agreement. The sponsor department must also approve in advance any proposals to relocate or move to new accommodation;
- the Library must be open and transparent in its approach to gifts and have clear policies on disclosing information about, and the procedures adopted for, making any gifts.

### ***Borrowing, Lending, Guarantees and Investments***

- 4.1.2 The Library has powers covering borrowing, lending, guarantees and investments set out in its Charter. It shall not, in respect of its public funds, borrow (including temporary borrowing facilities in the form of a pre-arranged overdraft facility to bridge any gaps between long-term borrowing arrangements); lend; charge any asset or security; give any guarantee or indemnities; letters of comfort; or incur knowingly any other contingent liability (as described in Managing Welsh Public Money) whether or not in a legally binding form without the sponsor team's prior written consent,. All financial guarantees and indemnities given by the Library under the Charter must be covered adequately against un-drawn Assembly Public Expenditure Resources.
- 4.1.3 Nor shall the Library make any investments without securing the prior written approval of the sponsor department except in respect of short-term deposits of cash surpluses or investment of private funds.

### ***Grants and Loans***

- 4.1.4 All grants made by the Library must comply with the terms of Managing Welsh Public Money and be made subject to appropriate terms and conditions which provide adequate protection for the public purse. Terms and conditions must, for example, allow for phased payments, reinforce rights of access for Welsh Government officials and the Auditor General for Wales, ensure that Welsh Government's financial interests are adequately protected, and allow for clawback in certain circumstances, e.g. if grant monies are used other than for approved purposes.
- 4.1.5 All loan schemes must be managed under similar arrangements.

## **4.2 Funding**

### ***Private and Public Funds***

- 4.2.1 Donations, grants for research from non-public organisations, or bequests given to the Library are deemed to be private funds and are not covered by the terms of this document.
- 4.2.2 All the streams of income mentioned in the following paragraphs ('Income from Exchequer Sources' and 'Income from Non-Exchequer Sources'), shall be treated as public funds and the requirements of this document shall apply



equally to them. Funds received directly from the Welsh Government, other government departments, agencies and other public organisations or those funded primarily by the tax payer and any proceeds from the Library's commercial interests or activities all constitute public funds.

### ***Income from Exchequer Sources***

#### *Grant-in-aid*

- 4.2.3 The Welsh Ministers shall make payments to the Library of grant-in-aid. Grant-in-aid shall be paid in monthly instalments, on the basis of an application to the sponsorship team. This must be provided in the form of a financial statement as set out in the grant-in-aid drawn-down form and submitted by a person notified to the sponsor department as authorised to make the application. The Library may not draw down grant-in-aid in advance of need.

### ***Income from Non-Exchequer Sources***

- 4.2.4 The Library must seek as far as possible to maximise its receipts from sources other than the Exchequer where this is consistent with its functions and is in line with the operational plan. It may retain receipts up to the level set out in the budget/remit letter that are derived from, for example, proceeds from sale of land and buildings and other assets, grants given by the EU, grants given through lottery funds, any proceeds from the Library's commercial activities and those resulting from the sale of services into wider markets. Such activity must be undertaken in accordance with the terms of Managing Welsh Public Money and this document.
- 4.2.5 Proceeds from the disposal of an Exchequer financed asset worth £1 million or more must, however, normally be surrendered to the Welsh Government, unless agreed otherwise. Proceeds derived from the sale of other assets may be retained provided that they are used to finance other capital spending – this being expenditure on new construction, land, extensions or alterations to existing buildings and the purchase of any other discrete asset or collection of assets (e.g. machinery and plant), including vehicles, having an expected working life of more than one year – and provided that total receipts in the financial year do not exceed the limit set out in the budget/remit letter.

## **4.3 Cash Management**

### ***Cash Balances***

#### *In Year*

4.3.1 Cash balances accumulated during the course of the financial year from grant-in-aid or other Exchequer funds must be kept at the minimum level consistent with the efficient operation of the Library. If a cash surplus should occur, it must be placed on deposit until it can be used. The Library must seek to avoid holding a working balance in excess of the equivalent of 4 per cent of its total annual gross budget when it receives each month's instalment of grant-in-aid. Any funds exceeding that amount held by the Library as a working balance at the end of each funding period shall be taken into account in determining the amount of grant-in-aid to be paid in the following period.

#### *End of Year*

4.3.2 The Library shall be permitted to carry-over from one financial year to the next any drawn but unspent cash balances of up to 2 per cent of its agreed total gross annual budget (i.e. as set out in the remit letter and being exclusive of income deemed to be private funds). Any proposal to carry-over sums in excess of this amount must be agreed in writing in advance with the sponsor department on a case by case basis. Any sum carried-over in excess of the agreed amount shall be taken into account in the subsequent year's grant-in-aid. Any issued and unspent balance of the Library's Purchase Grant is not subject to any carry over limit.

### ***Managing Receipts***

4.3.3 If receipts realised or expected to be realised in the financial year are less than estimated the Library must ensure a corresponding reduction in its gross payments so that its authorised provision is not exceeded.

4.3.4 If receipts realised or expected to be realised in the financial year are more than estimated, the Library may apply to the sponsor department to retain such excess income for specified additional expenditure.

### ***Virement***

4.3.5 The Library may reallocate funds between its various budgets as notified by the Minister in the remit letter without the sponsor department's prior written agreement provided that:

- no budget is increased or decreased by more than 10 per cent or £100,000 whichever is the lesser amount;
- the reallocation is not between capital, near cash or non-cash budget lines; and

- in aggregate, the Library's net payments do not exceed the total approved Budget.

4.3.6 Notwithstanding the above, the Library's running costs/administration budget may not be increased without the sponsor department's prior written agreement.

### ***Interest Earned on Cash and Bank Balances***

4.3.7 All interest, net of any bank charges of tax payable on the interest, earned by the Library on its cash and bank balances which arise as a result of funding from the Welsh Government is to be surrendered to the Welsh Government so that it can, in turn, be paid to HM Treasury via the Welsh Consolidated Fund. For accounting purposes it is not possible to net off the interest from grant-in-aid. The interest earned must be treated on a separate basis. The Library may agree with its sponsor department how often it would prefer to pay the interest (e.g. monthly or annually) but the total amount received by the end of February each year must be paid by the end of the first week of March.

## **5. Other Financial requirements**

### **5.1 Risk Management**

5.1.1 The Library must develop a risk management strategy to ensure that any risks it assumes are dealt in accordance with the relevant aspects of guidance on best practice in corporate governance.

5.1.2 The Library must adopt and implement policies and practices to safeguard itself against fraud and theft.

5.1.3 The Library shall take reasonable steps to appraise the financial standing of any firm or other body with which it intends to enter into a contract or give grant or grant-in-aid, depending upon the particular circumstances of the procurement or grant scheme.

### **5.2 Economy, Efficiency and Effectiveness – appraisal, research and evaluation**

5.2.1 In order to ensure value for money, the Library must have in place appropriate systems, and the capacity, to ensure that its policies and programmes are evidence based in relation to their development, implementation and evaluation.

5.2.3 The Library shall review its services and activities on a regular basis and shall set out in its annual business plan the measures being put in place to drive through and maximise efficiencies.

5.2.4 The Library must also ensure that its approach to carrying out appraisals and evaluations shall be fully consistent with the principles set out in guidance.

**5.3 Insurance**

5.3.1 The Library shall not take out any insurance, other than cover which is required by statute, without receiving express written approval in advance from the Welsh Government.

The terms of this Framework Document were approved by the Director General for Sustainable Futures, Welsh Government, as Additional Accounting Officer, on 27 September 2011.

Signed.....Linda Tomos.....

Linda Tomos, Director, CyMAL: Museums Archives and Libraries Wales

Dated.....29 September 2011.....

Signed.....Andrew Green.....

Andrew Green, Librarian, National Library of Wales

Dated.....29 September 2011.....

## Annex 1

### Essentials of Effective Sponsorship

The principles which define the working relationship between a sponsoring department and its sponsored body are set out in the introduction to this Framework Document.

The aims of sponsorship are to:

- Foster a relationship with the sponsored body which is based on mutual trust and respect and open and honest communication.
- Ensure that the strategic aims and objectives of a sponsored body reflect and promote the wider strategic objectives of the Welsh Government.
- Provide the sponsored body with the support and guidance it requires or may request to achieve its objectives.
- Encourage and promote high standards of corporate governance and financial accountability within the organisation to ensure its efficient and effective operation.

The functions of WGSB sponsorship that underpin these principle aims are set out in this Framework Document, which defines the relationship between the sponsor department and the WGSB for which it has responsibility. The functions are listed in Appendix A.

Sponsor departments need to strike a balance between control, and allowing WGSBs to operate independently on a day-to-day basis, as was the intention in setting up the body as arms length organisations. They need to ensure that the relationship is an effective one, with each partner enabling and supporting the other in the achievement of Ministerial objectives. Sponsor departments and WGSBs also need to make sure that they share information and best practice in a relevant and timely way, and seek out opportunities to work together more effectively.

The following paragraphs attempt to summarise the more important attributes that help to ensure that the sponsorship role can be performed as effectively as possible.

#### Clear Understanding

**Of the corporate governance framework within which WGSBs operate:** a good knowledge of how the operational and business planning and annual remit setting process works and links with the Welsh Government's strategic aims and objectives; and group/divisional and branch planning. Ensuring that the WGSB understands the monitoring process and what is expected of them.

**Of the financial accountability framework within which both the sponsor department and the WGSB operated:** a clear knowledge of the respective roles and obligations set out in the Framework Document; the relevance and

importance of the audit process including management letters and additional assurance reports; the sensitivity of Audit Committee recommendations and their implementation;

**The operational role and structure of the WGSB** together with an appreciation of the problems it faces or perceives it faces and clear roles, responsibilities and accountabilities between the sponsor team and the WGSB.

### **Assessment of Risk**

**A clear and ongoing assessment of the risks involved in the sponsorship relationship and a strategy for dealing with them:** for instance risks, specific or generic, arising from the nature of the WGSB's role (e.g. *differing risks associated with different bodies*). Also, specific risks relating to financial management identified in management letters; a pattern of failure in meeting strategic targets; or identifiable "blind spots" in terms of communication, which may require the sponsor team to take a more hands on role in the oversight of the WGSB.

### **Effective Communication**

**A clear structure for formal communication:** in respect of data which is of mutual benefit and regular operational and business planning and the formal reporting and monitoring arrangements that fall out of these. This may include sponsorship meetings and meetings between the Chief Executive and members of the sponsor department or Director General, as appropriate, to review performance and discuss cross cutting or arising issues.

**A culture of frequent but not intrusive informal communication:** is important in helping to build confidence and trust, which in turn can engender openness and a willingness to share and resolve problems at an early stage. This should include informal communication between the Chief Executive and members of the sponsor department or Director General in addition to dialogue between officers. Annual information sharing/networking events should be considered, giving opportunities for policy and delivery colleagues to meet, share best practice and develop working relationships.

**There is good senior level involvement:** to ensure good strategic direction, and to reflect commitment to the relationship.

**Effective internal communication:** knowing who to contact within the Welsh Government for advice on issues such as budgeting; propriety; procurement and personnel issues: and a willingness to do so.

**Inclusive policy development:** an appropriate level of involvement in any policy development should be secured for the WGSB, with regular dialogue and communication continuing throughout the process.

## **Establishing an Authoritative Presence**

The sponsorship department should act as the principal access point to the Welsh Government for the WGSB and act as a source of authoritative advice (even if that advice is acquired from elsewhere). A willingness to take ownership of such advice in communication with the WGSB is vital. Understand the communications you are passing on and be prepared to give advice.

**Challenge and Scrutiny:** make clear that properly structured and robust questioning of the WGSB is an essential part of the role, in support of public accountability, but this should be at a strategic rather than operational level, to avoid micro-management. Analyse proposals and make informed recommendations to third parties (e.g. Accounting Officers and Ministers).

**Link with Ministers:** establish agreement with Ministers on what the WGSB is meant to achieve then advocate its position firmly and with integrity.

## **Skills**

**Effective Training:** Effective reciprocal induction training and specific effective sponsorship training (jointly with WGSB personnel where possible).

Consideration of the appropriateness of: desk training; short-term acclimatisation job-swaps; secondments or work shadowing; to aid understanding of roles and challenges.

## **Appendix A**

### **Sponsor Function Set Out In Model Framework Document**

- submission of advice to relevant Welsh Ministers and provide briefing for relevant Assembly committees on WGSB matters;
- receive and act on information provided by the WGSB under the framework document;
- check claims for, and if satisfied, authorise payment of grant-in-aid (GIA);
- communicate the Welsh Government's policy to the WGSB and advise on the interpretation of policy;
- advise Ministers on performance targets and indicators that are clear relevant and challenging;
- monitor and review WGSB performance against targets, reporting to Ministers and Assembly Committees as appropriate;
- advise Ministers on expenditure priorities and appropriate levels of GIA;
- monitor WGSBs financial position and performance against plans through regular meetings with and returns from WGSBs; and reporting to Ministers and appropriate Assembly Committees;
- issue guidance to WGSBs.



## Annex 2

### List of Government-Wide Corporate Guidance and Instructions

- this document;
- the Minister's annual Remit Letter to the Library;
- Managing Welsh Public Money;
- the Welsh Assembly Government Memorandum "Responsibilities of an Assembly Government Sponsored Body (AGSB) Accounting Officer";
- HM Treasury's Consolidation Officer Memorandum;
- Library's Accounts Direction;
- Corporate Governance in Central Government Departments: Code of Good Practice;
- HM Treasury's "Government Internal Audit Standards";
- HM Treasury's "Managing the Risk of Fraud";  
[http://www.hm-treasury.gov.uk/d/managing\\_the\\_risk\\_fraud\\_guide\\_for\\_managers.pdf](http://www.hm-treasury.gov.uk/d/managing_the_risk_fraud_guide_for_managers.pdf)
- HM Treasury's "Executive NDPBs - Annual Reports and Accounts Guidance";
- HM Treasury's "Departmental Banking: A Manual for Government Departments" (issued as Annex 5.7 of "Managing Public Money");  
[http://www.hm-treasury.gov.uk/d/mpm\\_annex5.7.pdf](http://www.hm-treasury.gov.uk/d/mpm_annex5.7.pdf)
- HM Treasury's "Regularity, Propriety and Value for Money"  
[http://www.hm-treasury.gov.uk/d/Reg\\_Prop\\_and\\_VfM-November04.pdf](http://www.hm-treasury.gov.uk/d/Reg_Prop_and_VfM-November04.pdf)
- HM Treasury's "Green Book – Appraisal and Evaluation in Central Government";  
[http://www.hm-treasury.gov.uk/d/green\\_book\\_complete.pdf](http://www.hm-treasury.gov.uk/d/green_book_complete.pdf)
- HM Treasury's Audit Committee Handbook;  
<http://www.hm-treasury.gov.uk/d/auditcommitteehandbook140307.pdf>
- Cabinet Office's "Magenta Book – Guidance Notes on Policy Evaluation";  
[http://www.nationalschool.gov.uk/policyhub/magenta\\_book/index.asp](http://www.nationalschool.gov.uk/policyhub/magenta_book/index.asp)  
<http://www.nationalschool.gov.uk/policyhub/docs/profpolicymaking.pdf>
- Cabinet Office's Code of Practice for Public Bodies;
- the UK Evaluation Society's "Guidelines for Good Practice in Evaluation";  
<http://www.evaluation.org.uk/resources/guidelines.aspx>
- UK Statistics Authority's "Code of Practice for Official Statistics" and its associated protocols;  
<http://www.statisticsauthority.gov.uk/assessment/code-of-practice/code-of-practice-for-official-statistics.pdf>

- Health and Safety Commission/Department for the Environment and the Regions' "Revitalising Health and Safety";  
<http://www.hse.gov.uk/revitalising/strategy.pdf>
- extant "Chief Executive Officer" letters;
- extant "Dear Accounting Officer" letters;
- extant "Dear Consolidation Officer" letters;
- Management letters from external auditors;
- other relevant instructions and guidance issued by the Welsh Ministers;
- those recommendations of the National Assembly's Public Accounts Committee, other Committees of the National Assembly; the House of Commons Committee on Public Accounts, other Parliamentary Committees or Parliamentary authority that have been accepted by the Welsh Government which are relevant to the Library.

In addition, in the conduct of its business the Library shall ensure, inter alia, that:

- it conforms with the terms of its Welsh Language Scheme;
- its functions are exercised in a manner compatible with the Welsh Ministers' duty to promote and facilitate the use of the Welsh language as set out in the Welsh Government's strategy as published from time to time;
- its functions are exercised with due regard to the principle that there should be equality of opportunity for all people;
- it adopts and maintains a scheme, approved by the Information Commissioner, for the publication of information as required by the Freedom of Information Act;
- its functions are exercised in a manner compatible with the Welsh Ministers' duty to promote sustainable development and its guiding principle of promoting social inclusion;
- its functions are exercised with due regard to the Welsh Government's Disability; Gender; and Race Equality Schemes;
- it follows the approach to openness set out in the Welsh Government's Code of Practice on Access to Information;
- it has due regard to the Commissioner for Public Appointment's Code of Practice for Ministerial Appointments to Public Bodies;
- its procurements are effected with due regard to the principles set out in the Welsh Government's Value Wales Procurement Route Planner.

As regards openness, where practicable and appropriate, the Library shall be expected to hold its meetings in public. At least one meeting per year must be an open meeting. Where practicable and appropriate, the Library shall release summary reports or make minutes of its meetings publicly available.

As regards health, safety and welfare, the Library must:

- comply with all relevant statutory duties in respect of health, safety and welfare as they relate to all its functions, projects, programmes and activities;
- require organisations that it funds and any contractors and sub-contractors to those organisations to comply similarly; and
- comply fully with UK Government policy on health, safety and welfare.

## ANNEX 3

### SUMMARY OF APPROVAL REQUIREMENTS AND DELEGATION LIMITS

Subject	Delegation Limit
Appointment of Chief Executive	<b>in consultation with the Minister</b>
Staff remuneration and terms and conditions	<b>Amendments to overall terms and conditions require Ministerial approval</b>
Pension arrangements and payment of redundancy or compensation	<b>Approval of sponsor department</b>
Corporate and Operational Plan	<b>Ministerial approval</b>
Establishing new subsidiary companies and joint ventures	<b>Approval of sponsor department</b>
Virement outside of specified limits	<b>Approval of sponsor department</b>
Novel, contentious or repercussive proposals	<b>Approval of sponsor department</b>
Any borrowing, lending, guarantees, indemnities or investment	<b>Approval of sponsor department</b>
Capital projects	<b>£500k on buildings, maintenance, fixed assets, IT and land</b>
Consultancy contracts	<b>£50k per project unless included in wider pre-approved scheme</b>
Single tender departures	<b>£50k</b>
Gifts, prizes etc	<b>£100 per gift, £1k p.a.</b>
Hospitality	<b>Costs for hospitality to support essential Library business should be kept at a minimum level appropriate to the Library</b>
Sponsorship	<b>£2k</b>
Losses (e.g. bad debts or loss of assets) and special payments	<b>£2k per case; £10k aggregate in single financial year</b>
Disposal of assets	<b>Sponsor department approval required for disposal of assets over £10k in value</b>
Retention of receipts over and above limit set out in remit letter	<b>Approval of sponsor department</b>
Carry-over	<b>In-year – 4% of total annual gross budget End-of-year – 2% of total annual gross budget (Note purchase grant exception in 4.3.2)</b>
Insurance	<b>Sponsor department approval required for all insurance except cover required by statute</b>

<b>Purchases for the collections</b>	<b>£250k as the Library's contribution towards the total cost of an individual item</b>
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## National Library of Wales - Private Funds Investment Policy 2015-20

### Background

The Library is required by the Charity Commission to have a reserves policy.

### 1. General Objectives

1.1 The objectives for the Library's private funds portfolio are to supplement the funding provided by the Welsh Government in the following areas:

- To finance the acquisition of capital assets including equipment, buildings and computer hardware and software
- To supplement the Collections Purchase Grant to enable the Library to fulfil its collections policy
- To supplement the revenue costs of providing the Library's services
- For restricted funds, to apply the funds in accordance with the terms of the bequest

1.2 The Library seeks to invest its funds in order to create sufficient income and capital growth to meet the above purposes year by year, with due and proper consideration for future needs. The Library's portfolio of investments will be balanced between income generation and capital growth according to an assessment of investment risk (detailed in section 2 below). The current asset allocation percentages are detailed in section 5.2 of this document.

1.3 The Library's Charity Reserves Policy will be to maintain a level of private funds sufficient to produce income to finance revenue costs of around £200K, but it will also allow the total value to appreciate in order that these fund area available to provide a substantial contribution towards large capital projects, and may indeed be used as match funding in order to leverage additional funds. Currently it is envisaged that the portfolio would operate within a floor of around £4M to a ceiling of £10M. At 31 March 2013 the value was around £6M.

### 2. Risk

2.1 In deciding on the returns that the Library requires from its portfolio, and the balance between capital growth and income, the Library is prepared to accept that there will be risks attached to the investment of funds above that of simply placing cash on deposit. The Library is prepared to accept these provided that they are within acceptable levels.

2.2 The Library's appetite for investment risk could best be described as "moderate". The Library is willing to accept that in order to achieve higher returns risks must be taken, but the Trustees will also consider the Library's position as a charity largely funded from government grant and consequently the standards of stewardship that are implied. The risks of investment will therefore be tempered by:

- **Asset allocation** - an asset allocation strategy that does not overly expose the funds to variances in on particular sector of the investment spectrum – i.e. a balance will be struck between the amount of bonds, equities, cash and other investments including property, and UK and non-UK investments (see section 5.3)

- **Quality of investments** - the Library will only consider high quality investments such as gilts and investment grade bonds, or FTSE 350 equities and collectives (see section 5.1).

For the purposes of this policy, “high quality” equities are to be defined as those companies that exhibit a long term track record of operating a business with appropriate levels of corporate governance that give assurance that management will carefully manage their risks.

### 3. Estimated Expenditure

3.1 The Library may draw upon capital or income without distinction. Expenditure for the next 6 years to be drawn from the portfolio, net of incoming legacies and bequests, is estimated as follows:

	£
2013/14	300,000
2014/15	350,000
2015/16	700,000
2016/17	1,250,000
2017/18	150,000
2018/19	150,000

Greater demands will be made of private funds in 2015/16 and 2016/17 in order to finance the proposed conservation centre.

### 4. Dividends and Interest

4.1 All surplus income may be reinvested within the portfolio.

### 5. Investment Selection and Asset Allocation Policy

5.1 The Library’s private funds must be invested in accordance with the Trustee Act 2000. The funds will be invested in a broad range of fixed interest and index linked bonds – gilts and investment grade corporate bonds. Equities will be included within the FTSE 350 index. Exposure to overseas markets (i.e. outside the UK) and specialist areas such as small companies, technology, pharmaceuticals, property, etc, will be via unit trusts, open ended investment companies and investment trusts which are authorised under the Financial Services and Markets Act .

5.2 The standard criteria governing the investment of the funds will be:

- Objective: balance between growth and income
- Risk: medium
- Mandate: discretionary

5.3 The portfolio mix will fall within the following broad planning ranges for asset allocation:

	%
UK Equities	40-60
Non-UK Equities	10-20
Fixed Interest	25-50
Other Assets	0-10
Cash	0-20

5.4 No initial investment should exceed 10% of the total value of the funds under management and the total sum of all equity holdings in excess of 5% must not be equal to or exceed 40% of the funds value at any time

5.5 Investments in negotiable instruments known as “derivatives” are not permitted in any circumstances.

5.6 In accordance with Charity Commission guidance, there is no particular case to exclude investment in any company on the grounds that their activities would be in conflict with the objectives of the Library. As a charity the Library has a duty to deliver the best overall return from its investments in order to continue the furtherance of its objectives.

5.7 However, having carefully considered the issue of ethical investments the Library has decided that it would not wish to invest directly in any companies that would pose a significant reputational risk in respect of its status as a responsible national institution.

5.8 Consequently, while not preventing investment in any particular company, the Library requires the investment manager to consider the possible damage to its reputation in respect of companies that involve products or activities that are either wholly, or significantly involved in the following areas:

Military

Alcohol

Gambling

Tobacco

Pornography

Animal welfare

Environmental damage and pollution

Genetic engineering

Employee exploitation

Unethical or immoral activities that are carried out as part of an otherwise legitimate business

5.9 The Library’s expectation is that, prior to investment in any company, the investment manager will use their knowledge of businesses operating in these areas to assess potential ethical issues that would represent a significant risk to the Library’s reputation. It is not the Library’s expectation that the investment manager will be able to anticipate all the ethical issues that may arise, but that in assessing the decision to invest or not in a business that the possible consequences of ethical issues not just on the value of the investment, but also the ability of the Library to justify why such an investment was deemed appropriate at the time, is taken into account.

## **6. Investment Manager**

6.1 The investment manager will; be required to confirm that they are an authorised person within the meaning of the Financial Services and Markets Act 2000, to be appointed as investment manager with delegated discretionary powers of investment, subject to the scope and limitations above. They will confirm, by signing this memorandum, that they will comply with the policy and arrangements, including the



reporting requirements set out below, and that they will not depart from them save with the express approval of the Library.

6.2 Remuneration – will be decided as part of the contract arrangements..

6.3 AAF Assurance Report on Internal Controls – the investment manager will produce this report in respect of its nominee company annually.

6.4 The investment manager will provide evidence of the firms insurance cover on request

## **7. Reporting requirements**

7.1 The investment manager will attend meetings with the Library at regular intervals to be agreed separately, but would receive monthly reports in respect of the following:

- A full listing of the investments with details of their cost, current market value, estimated income and income yield
- Statistics detailing the fund's performance
- Details of purchases, sales and realised gains and losses since the previous report
- Details of any non-market transactions, rights issues, capitalisations, etc
- Review of any outlook for the markets
- Fund Managers' monthly comment

7.2 The Treasurer and Director of Corporate Services will scrutinise the investment portfolio annually at a meeting with the investment manager. The Board of Trustees will receive a report from the investment manager annually.

## **8. Cash Deposits**

8.1 Cash deposits are placed with approved banks with suitable credit ratings  
Cash deposits may also be retained by the investment manager as part of the investment portfolio.

## **9. Custody**

9.1 The investment manager will provide the Library with sufficient evidence of satisfactory custodial arrangements.

## **10. Benchmarking**

10.1 The performance of the fund will be measured against an agreed benchmark

## **11. Annual Review**

The foregoing policy and arrangements will be reviewed at least annually by the Trustees

## **12. Authorised Parties**

Investec Ltd are authorised by the Trustees to take instructions regarding the portfolio from the following members of staff:

- Director of Corporate Services
- Librarian

Agreed by:.....

Date:.....

On behalf of the National Library of Wales, Penglais, Aberystwyth, SY23 3BU

Countersigned:.....

Date:.....

On behalf of Investec Ltd, 2 Gresham Street, London, EC2V 7QN

Date of version: August 2013