



Cynulliad  
Cenedlaethol  
Cymru

National  
Assembly for  
Wales

# Cofnod y Trafodion The Record of Proceedings

[Y Pwyllgor Cyfrifon Cyhoeddus](#)

[The Public Accounts Committee](#)

3/10/2016

[Agenda'r Cyfarfod](#)  
[Meeting Agenda](#)

[Trawsgrifiadau'r Pwyllgor](#)  
[Committee Transcripts](#)

**Cynnwys**  
**Contents**

- 4 Cyflwyniad, Ymddiheuriadau, Dirprwyon a Datgan Buddiannau  
Introductions, Apologies, Substitutions and Declarations of Interest
- 4 Papurau i'w Nodi  
Papers to Note
- 5 Craffu ar Gyfrifon 2015–16: Llywodraeth Cymru  
Scrutiny of Accounts 2015–16: Welsh Government
- 48 Cynnig o dan Reol Sefydlog 17.42 i Benderfynu Gwahardd y Cyhoedd  
o'r Cyfarfod  
Motion under Standing Order 17.42 to Resolve to Exclude the Public  
from the Meeting

Cofnodir y trafodion yn yr iaith y llefarwyd hwy ynnddi yn y pwyllgor. Yn ogystal, cynhwysir trawsgrifiad o'r cyfieithu ar y pryd. Lle y mae cyfranwyr wedi darparu cywiriadau i'w tystiolaeth, nodir y rheini yn y trawsgrifiad.

The proceedings are reported in the language in which they were spoken in the committee. In addition, a transcription of the simultaneous interpretation is included. Where contributors have supplied corrections to their evidence, these are noted in the transcript.

**Aelodau'r pwyllgor yn bresennol**  
**Committee members in attendance**

Rhun ap Iorwerth <a href="#">Bywgraffiad</a>   <a href="#">Biography</a>	Plaid Cymru The Party of Wales
Paul Davies <a href="#">Bywgraffiad</a>   <a href="#">Biography</a>	Ceidwadwyr Cymreig (yn dirprwyo ar ran Mohammad Asghar) Welsh Conservatives (substitute for Mohammad Asghar)
Neil Hamilton <a href="#">Bywgraffiad</a>   <a href="#">Biography</a>	UKIP Cymru UKIP Wales
Mike Hedges <a href="#">Bywgraffiad</a>   <a href="#">Biography</a>	Llafur Labour
Rhianon Passmore <a href="#">Bywgraffiad</a>   <a href="#">Biography</a>	Llafur Labour
Nick Ramsay <a href="#">Bywgraffiad</a>   <a href="#">Biography</a>	Ceidwadwyr Cymreig (Cadeirydd y Pwyllgor) Welsh Conservatives (Committee Chair)
Lee Waters <a href="#">Bywgraffiad</a>   <a href="#">Biography</a>	Llafur Labour
<b>Eraill yn bresennol</b> <b>Others in attendance</b>	
Gawain Evans	Cyfarwyddwr Cyllid, Llywodraeth Cymru Director of Finance, Welsh Government
Syr / Sir Derek Jones	Ysgrifennydd Parhaol, Llywodraeth Cymru Permanent Secretary, Welsh Government
Mark Jones	Swyddfa Archwilio Cymru Wales Audit Office
Peter Kennedy	Cyfarwyddwr Adnoddau Dynol, Llywodraeth Cymru Director of Human Resources, Welsh Government

Huw Vaughan Thomas Archwilydd Cyffredinol Cymru  
Auditor General for Wales

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

Fay Buckle Clerc  
Clerk

Claire Griffiths Dirprwy Glerc  
Deputy Clerk

Meriel Singleton Ail Glerc  
Second Clerk

*Dechreuodd y cyfarfod am 14:01.*  
*The meeting began at 14:01.*

**Cyflwyniad, Ymddiheuriadau, Dirprwyon a Datgan Buddiannau**  
**Introductions, Apologies, Substitutions and Declarations of Interest**

[1] **Nick Ramsay:** I welcome Members to this afternoon's meeting of the Public Accounts Committee. Can I also welcome a delegation of members from the Botswana Parliament, who will be watching the proceedings today from the public gallery? You're most welcome. Headsets are available in the room for translation and sound amplification. Can I remind Members to ensure that any electronic devices are on silent? In the event of an emergency, an alarm will sound—follow the directions from the ushers. We've received apologies today from Mohammad Asghar. I'm delighted to welcome Paul Davies to the committee today, who is substituting for Mohammad Asghar. Welcome and thanks for being with us.

14:02

**Papurau i'w Nodi**  
**Papers to Note**

[2] **Nick Ramsay:** Item 2 is papers to note. That's the minutes from the meeting held on 26 September 2016. Can we agree those minutes? Good. Minutes are agreed.

**Craffu ar Gyfrifon 2015–16: Llywodraeth Cymru**  
**Scrutiny of Accounts 2015–16: Welsh Government**

[3] **Nick Ramsay:** Item 3 of today's agenda is the scrutiny of accounts 2015–16, the Welsh Government's consolidated accounts. Can I welcome our witnesses? Thank you for being with us today. Would you like to give your name and positions for the Record of Proceedings?

[4] **Sir Derek Jones:** I'll go first. I'm Derek Jones, Permanent Secretary, Welsh Government.

[5] **Mr Kennedy:** Peter Kennedy, corporate services director, Welsh Government.

[6] **Mr Evans:** Gawain Evans, finance director, Welsh Government.

[7] **Nick Ramsay:** Great. Thank you for being with us today. If I can ask the first question, the consolidated accounts give a high-level overview of administrative performance and delivery against the programme for government. What do you see as the key performance measures for the Welsh Government and how are these expressed in the consolidated accounts?

[8] **Sir Derek Jones:** That's definitely one for me, I think, Chair.

[9] Prynawn da, bawb. Good afternoon, everyone.

[10] Diolch—thank you, Chair. Well, performance criteria for the Government—I think, potentially, that's more of a question for a First Minister than a Permanent Secretary. I guess elected Governments judge their performance on the basis of whether or not they're re-elected. If I put myself in my First Minister's place—risky thing to do, but, if I do, I think he would probably say that the delivery of a programme for government is a litmus test for any Government. And we're at that point now, with the Welsh Government having published a new programme for the next five-year term, and I think the Government would expect to be judged on its delivery of that programme. But who was it that famously said that Government is often about events? So, I think another acid test for any Government and any civil-service machine—I'll come back to the civil service in a moment—is the effectiveness with which unexpected events are managed. It could be

anything from a crisis in a steel industry to flooding or ebola. A Government will get unexpected events to deal with and, as I say, I think it's an acid test for any Government to deal with those effectively.

[11] Can I turn to the civil service performance criteria? I think efficiency and effectiveness are what I would point to. Money is tight. I expect we'll come round to that again later during the course of the questioning, but, when money is tight, any business will look to its overhead and want to reduce that overhead, probably before cutting anything else. That's certainly been the case with the civil service and the Welsh Government. I aim to support the Government with the most economical and effective civil service machine that I can. We've been doing that for some years now, under shrinking resources. You can test me out on it—I'm sure you will—but I think we've done a reasonably good job, and I would, I think, mention that as the core success criterion for my organisation, together with not busting the budget, Chair, and delivering—. These are my fifth set of annual accounts and they will be my last, and so—

[12] **Nick Ramsay:** You say that with some relief.

[13] **Sir Derek Jones:** I'm particularly pleased, not to say relieved, that the auditor general's been able to give these accounts a clean audit opinion. But, seriously, delivering good value for money, sticking within a budget—a core success criterion.

[14] **Nick Ramsay:** You mentioned the relationship between the Ministers and the civil servants. How do you identify where responsibility lies for meeting targets?

[15] **Sir Derek Jones:** Well, for the Government as a whole, the responsibility is with the First Minister and the Cabinet. I think my responsibilities are quite clearly set out in terms of the delegations that I have from the First Minister for the effective and efficient management of the civil service.

[16] **Nick Ramsay:** You mentioned not busting the budget—

[17] **Sir Derek Jones:** It's a technical term. [*Laughter.*]

[18] **Nick Ramsay:** Very technical. How do you ensure that Ministers are delivering value for money?

[19] **Sir Derek Jones:** How do I ensure that Ministers are delivering value for money? I think it's the other way round. They assure themselves that I'm delivering value for money. I do that simply by usually managing to do more with less year on year.

[20] **Nick Ramsay:** We believe it was Harold Macmillan, by the way.

[21] **Sir Derek Jones:** Thank you very much.

[22] **Nick Ramsay:** Yes. Mike Hedges confirms.

[23] **Mike Hedges:** He said, 'Events, dear boy, events'.

[24] **Nick Ramsay:** 'Events, dear boy, events'. Mike Hedges, you've got the next question.

[25] **Mike Hedges:** Yes. Last year, we made a number of recommendations. Recommendation 22 was that the Welsh Government was recommended to add links to its online accounting documentation to demonstrate the flow of funding from Welsh Government to other public sector organisations. Any comments on that?

[26] **Sir Derek Jones:** Yes. I recall that arose from a question from Mike Hedges—

[27] **Mike Hedges:** Yes.

[28] **Sir Derek Jones:**—who asked me the question: why don't we have links so that anyone with an interest can follow the money, as it were, from the strategic view of the Welsh Government accounts to other public bodies? I couldn't think of any good reason why we didn't do that, and so we are going to do it. So, these accounts, when they're published online—next week, Gawain—

[29] **Mr Evans:** In a week or two.

[30] **Sir Derek Jones:**—or a week after, will have an annex with e-links to other public bodies' accounts.

[31] **Mike Hedges:** Thank you very much. I won't quit while I'm ahead; I'll

keep on going. Do you have plans to include any additional information in notes to the accounts to make them more understandable to the interested layperson, I think is probably the best way of describing it, or the press?

[32] **Sir Derek Jones:** I'll invite Gawain to say something about this in a moment. I did promise your predecessor committee that, by the time these accounts were published, we would have agreed with the audit office a new format to make the accounts more readable and accessible. It's a balance because, as well as readable and accessible, they have to be a document of record and they have to comply with the Treasury's financial reporting manual—the dreaded FReM. So, it is a balance, but we've done that. I'd be very interested in any views that the committee has as to how we can improve further, but I think the accounts are more readable, at least at the front end. The notes tend to be where more technical material goes, Gawain, but, if you can respond further to any specific examples to Mike Hedges about where we've improved the notes, then I'd be grateful.

[33] **Mr Evans:** What we tried to do is to make the notes themselves that appear immediately after the financial statements a little bit more readable, and then we've supplemented those with additional information in an appendix. So, we've tried to go for a more, I guess, understandable approach in the notes themselves and supplement with additional technical information in the appendix for those readers who want it. That's the way that we've tried to go. Obviously, as the Permanent Secretary says, that element of the annual report and accounts is auditable, so we obviously work with the WAO in the way that we present the information, to make sure that it does meet their audit standards.

[34] **Mike Hedges:** Finally, last year you talked about a change in procurement management. What changes have been taken to improve best value for money?

[35] **Sir Derek Jones:** There's a lot been happening on procurement since I was here this time last year. Part of that is driven simply by the economy and efficiency proposition that I mentioned earlier. So, I did ask that we establish a work stream as part of my preparing for the future programme on commercial governance. The Welsh Government procures about £0.5 billion a year of goods and services. Given where we are, if I can get 10 per cent off that without losing any value then that would be a very good thing. So, we have been sharpening up our procurement and some of that value for money is already coming through, actually—I think we're on about £15 million or

£20 million-worth of improvement.

[36] We've also had some bad cases on procurement. One, in particular, on my mind, which has caused me to want to tighten up our procurement processes, new policies, new delegations and more training and development for the staff involved.

[37] **Nick Ramsay:** Thanks, Mike. Paul Davies.

[38] **Paul Davies:** Thank you, Chair. I note from your report that, from 1 July 2015, a new common control framework has been implemented. Can you just tell us, what are the key benefits of introducing such a framework?

[39] **Sir Derek Jones:** Yes. Last year, I changed the senior management structures of the civil service organisation, moving from—you might want to ask me about this later on—a structure of six and previously seven directors general, organised vertically departmentally, to just three groups. Previously, each of those six departments had its own control framework, and so I took the opportunity, in moving to three groups, to establish a common control framework to which they would all operate. It's simply more robust. It will give me a much better chance of securing good quality administration and good controls across the whole of the organisation than having six slightly different operations. At the same time, as always, when you look at something like that afresh, you find things that you can improve. We tightened up on ICT procurement, just going back to Mike Hedges's question, for example. So, I think it's a more consistent, more robust control framework across the whole of the organisation. It covers finance systems, HR, procurement—those sorts of things.

[40] **Paul Davies:** And do you intend to review this framework as time goes on, just to ensure that it is, obviously, effective?

[41] **Sir Derek Jones:** Yes. We keep it pretty much constantly under review and things do change, it's just that now, when there's change, there will automatically be a change consistently across the whole organisation.

[42] **Paul Davies:** Okay. You say you will maintain information governance standards to a formal certification level but will no longer maintain the certification. Can you tell us how much money you'll actually save by doing that?

[43] **Sir Derek Jones:** Eight thousand pounds a year. It's a modest saving, but they're all worth having these days. As I say, we'll aim to stick to the same standards. It's about information assurance and my assurance will come from my internal audit team checking that we do, but we decided to dispense with the fee for the external certification.

[44] **Paul Davies:** Okay. Regarding IT resilience, what risks were actually identified and what programme is being established to ensure systems and processes meet future needs?

14:15

[45] **Sir Derek Jones:** I suppose, like any large, complex organisation, we have some troubles with our ICT. Having taken over as Permanent Secretary, I started to notice what I felt were too-frequent problems. E-mail outages, for example, and a clogging up of the system. On one occasion, believe it or not, a ship's anchor in the Severn estuary damaged an undersea cable, which took out part of my ICT. You could say, 'Well, that's the kind of thing that happens.' It occasionally will be the answer to the Permanent Secretary, but then my question is, 'Isn't it possible to back up, or have some sort of alternative fallback system? We should not be so vulnerable.' So, after a while, I took the view that I wasn't satisfied with our resilience overall, and so I asked for a review, and that's been done. We're now setting off to re-contract our ICT provision, Peter, in end of 2018/January 2019, at which point we'll be able to incorporate significant improvement in our resilience. And there are some things, I think, Peter, that we've been able to do in the meantime as well.

[46] **Paul Davies:** I note that the data losses in 2015-16 are referred to as 'low level'. Can you just tell us what low level actually means?

[47] **Sir Derek Jones:** Sorry, can you point me to the page in the accounts that you're on?

[48] **Rhun ap Iorwerth:** We're an information governance—.

[49] **Paul Davies:** I haven't got a page number.

[50] **Sir Derek Jones:** My colleagues will find it for me in a moment. I think I know the table you're referring to, and it gives a year-on-year cut on information—

[51] **Lee Waters:** Twenty-eight.

[52] **Sir Derek Jones:** Twenty-eight, thank you. The numbers are pretty low, except for unauthorised disclosures, where we're on 33, and that's more than there were in the previous year. So, that also caught my eye and I asked questions about that. I think it's one to watch. These are very low level information losses—somebody will send an e-mail to the wrong Jones in the organisation, and that can be recovered without any damage done. In none of these cases has it been serious enough for us to need to inform the Information Commissioner. I think the commissioner is pretty satisfied with our performance on the year.

[53] **Paul Davies:** Have you actually introduced any controls to actually limit any data loss in the future?

[54] **Sir Derek Jones:** We do have existing controls. I haven't felt, in the light of this, having questioned it, that we need to do anything further, although I will say that it's a growing concern, I think, in Government generally. Government holds huge amounts of personal data, some of which are very sensitive, to do with children and health records and social service records, and just the absolutely all-pervasive use of information technology now to handle information has created a whole new range, a whole new world of risks in terms of information losses, without actually removing some of the old ones, like leaving papers on a train. So, I think it is a matter of constant vigilance.

[55] **Nick Ramsay:** A couple of supplementary questions on this—Rhianon Passmore and Rhun.

[56] **Rhianon Passmore:** Thank you. In terms of the reorganisation into the three hubs that you mentioned earlier, which is quite a large-scale structural change, I just really wanted to seek a little bit more information in terms of—you said that the review is ongoing and all the time in terms of that. I just wanted to seek some sort of reassurance around the, albeit low-level, data losses—that they have got nothing to do with the new framework around the common controls.

[57] **Sir Derek Jones:** No, I don't think—

[58] **Rhianon Passmore:** So, in terms of that review, is there anything

systemic in place in terms of the structural reorganisation that's taking place across the civil service?

[59] **Sir Derek Jones:** In terms of which review?

[60] **Rhianon Passmore:** In terms of what you said about having the reorganisation in the civil service of the heads. You said you'd mentioned that they'd gone into three hubs so that you've got a common framework throughout. So, I'm just slightly curious about how you're going to continually review that, ongoing, without a system in place to—?

[61] **Sir Derek Jones:** Well, it may be a supplementary question, Chair, but, forgive me, it's quite a substantial size of answer. The common control framework is just part of the governance of the Welsh Government civil service. So, I have an annual cycle of review by our internal audit from which I take a lot of assurance. Each of those three groups and the organisation as a whole has an audit and risk committee chaired and led by non-executives. I meet with them regularly so that they keep those things constantly under review in the groups. And every year we have an internal control questionnaire through the line of management, where at each layer of senior management I receive an assurance about the effectiveness of the systems that are in place.

[62] **Nick Ramsay:** And Rhun ap Iorwerth.

[63] **Rhun ap Iorwerth:** Diolch, **Rhun ap Iorwerth:** Thank you, Chair. Gadeirydd. Dim ond un cwestiwn Just one very specific question penodol iawn yn dilyn ymlaen o'r following on from the questions on cwestiynau ynglŷn â rhyddhau data accidental data release. Have any yn ddamweiniol. A oes yna unrhyw disciplinary measures been taken gamau disgyblu wedi cael eu cymryd against any individuals as a result of yn erbyn unigolion o gwbl o that? ganlyniad?

[64] **Syr Derek Jones:** Mae'n ddrwg **Sir Derek Jones:** I'm very sorry—there iawn gen i—nid oes cyfieithu, yn is no translation, unfortunately. anffodus.

[65] **Rhun ap Iorwerth:** That's okay. Have any disciplinary procedures been instigated at all as a result of some of the data releases, or have these all largely been put down to technical problems that you are confident that

you're going to overcome?

[66] **Sir Derek Jones:** No, I don't think we've had any disciplinary cases on information losses, Pete, have we?

[67] **Mr Kennedy:** No.

[68] **Sir Derek Jones:** I wouldn't hesitate if I thought it was appropriate because, as I said, we're the custodians of some incredibly sensitive information and if any of it were lost through recklessness or, God forbid, any deliberate malice, then I wouldn't hesitate to proceed to disciplinary action, but we haven't had to.

[69] **Nick Ramsay:** In terms of your earlier answer on the internal questionnaire that you say goes down the line of managers, how confident are you that you are going to get the true information through that because, I mean, there's a tendency, isn't there, if you get a questionnaire like that to want to make a good impression, so the wool's not being pulled over your eyes, is it?

[70] **Sir Derek Jones:** Well, I'm not daft, Chair, and—

[71] **Nick Ramsay:** I wasn't accusing you of being daft.

[72] **Sir Derek Jones:** No, I think it's a really good point. Funnily enough, it was one that I discussed with the corporate audit and risk committee last week. I don't think Mark was at that meeting, but one of your colleagues was. What we decided was not so much that people would make it up, but when something happens routinely year on year, there is, I think, in my experience always a risk that it becomes a 'going through the motions' process. So, what do you do when you're filling this out? Well, you find the one you filled out or somebody filled out last year and do the same. So, what we decided was that the internal audit unit would have some idea of where some weaknesses might be in governance in the organisation, and that we would therefore check against internal audit's view to see whether the line management in that area were also flagging up the same concerns in areas of weakness. So, we'll do that and that will give me a sort of a side bearing on whether the internal control questionnaire is doing its job.

[73] **Nick Ramsay:** Good. Lee Waters.

[74] **Lee Waters:** Thank you. I want to ask about the free bus pass policy. There's been concern for a number of years that this was open to fraud. As you note in your report, in early 2016 two directors of a north Wales bus company were convicted of claiming £900,000 in concessionary travel payments, which resulted in criminal action and the company folding. Do you now feel that you're on top of this issue?

[75] **Sir Derek Jones:** Getting there, I think. I was quite shocked about that loss. There's another case pending. It was a large sum of money, so we've immediately got on to that. It's actually the local authorities that have been defrauded, technically speaking, but we fund them to carry out that policy of subsidised bus travel and so it's kind of our money. And so, my team—. I'm supported on fraud issues by the head of counter-fraud, who's a former police detective, and he and internal audit and the policy team responsible for bus travel are still very actively working with local authorities to make sure that systems are improved to—I never say to ensure that it can never happen again, but to substantially reduce the risk of anything similar happening again.

[76] **Lee Waters:** There had been concern that this was open to fraud for some years. I remember anecdotes going back five years of companies creatively using these systems, so I'm surprised you should be surprised that this is an area of vulnerability. And, as I remember from the figures we had from the national fraud initiative, the figures have gone up again in the last year. So, again, I just query whether or not Government really is on top of this area.

[77] **Sir Derek Jones:** I think I said we were getting on top of it now.

[78] **Lee Waters:** Well, you've had more than five years to get on top of it.

[79] **Sir Derek Jones:** I wasn't aware of the rumours that you mentioned, which may not have been substantive enough even for those who might have been aware of them to take action.

[80] **Lee Waters:** [*Inaudible.*]

[81] **Sir Derek Jones:** What I can tell you is that this was a bad piece of business, and the necessary steps have been taken to—

[82] **Lee Waters:** It's not a one-off though, with respect, is it? You've just

said there's another case pending—

[83] **Sir Derek Jones:** Yes.

[84] **Lee Waters:** —and the figures in the national fraud initiative have shown an increase.

[85] **Sir Derek Jones:** An increase in—?

[86] **Lee Waters:** An increase in the number of fraudulent cases.

[87] **Sir Derek Jones:** Not against the Welsh Government, as far as I'm aware. It does fluctuate.

[88] **Lee Waters:** It's against local authorities, as you said.

[89] **Sir Derek Jones:** Yes. Any fraud is obviously very serious and worrying. The bus case, as I said—a very significant sum of money, and a second case pending—so, very serious. But, generally speaking, given the scale of the Welsh Government's operations, there's no track record of being defrauded to any large extent given the thousands and thousands of transactions and programmes and grants and so on that go on. At any given time, I think there are about 10 or 12 cases under investigation, and, in the year covered by these accounts, there was one case, which is the one you mentioned, that was prosecuted.

[90] **Lee Waters:** But, going back to the question earlier about how you're held to account—and, as you said, you try to deflect it onto Ministers being held to account at elections—this could well be an example of a policy that's been put in place under ministerial direction, but the underpinnings to make it successful, which is the function of the civil service, are not there. So, this is a policy that is open to abuse because of the nature of the technology involved, or the technology not being in place. So, I just wonder whether this is an example of well-intentioned policy direction not being underpinned by the proper execution.

[91] **Sir Derek Jones:** I think it was.

[92] **Lee Water:** So, why wasn't it picked up before now?

[93] **Sir Derek Jones:** I'm not remotely for a moment trying to deflect my

own responsibilities towards Ministers, and I hope that nothing I have said gave too much of that impression. But, this clearly was a policy decided by the Government, which had a flaw in its implementation actually at local authority level, where I think we're satisfied that the processes could have been more robust. I can't say for certain, but, had they been, they might have been able to prevent that fraud.

[94] **Lee Waters:** I'm not sure it's quite good enough to just say it's a flaw at local authority level, because this was a system that the Welsh Government—. It's a Welsh Government policy that relies on local government to implement, and surely this should have been thought through before it was rolled out.

[95] **Sir Derek Jones:** I can only agree that it should have been better, because had it been, then that fraud might not have been successful.

[96] **Lee Waters:** Right, and in terms of being held to account for this poor execution of a policy, where does the buck stop on that one?

[97] **Sir Derek Jones:** I think it stops with me.

[98] **Lee Waters:** Okay. Well, that's a disappointing answer, I must say, overall. In terms of procurement more generally, you mentioned some of the savings that you hope to achieve, and you said that reduced spending is in itself an evidence of efficiency, which I would question—it's just an evidence of having less to spend, rather than efficiency. So, in terms of procurement—because there's a danger, isn't there, and there are some concerns, that the way procurement is done is simply to get reduced costs rather than better outcomes—there's a question, I think, about the skills within the procurement service, within local authorities, to be able to procure properly and creatively and imaginatively, and not have rings run around us by clever, wealthy, private-sector companies. So, how confident are you there is the capacity within the civil service and local government to be able to procure smartly, rather than just cheaply?

[99] **Sir Derek Jones:** I completely accept the point that just driving down cost doesn't necessarily deliver the optimal outcome. For example, you can often get a better unit cost if you aggregate procurement to a larger scale, but then that can make it more difficult for smaller businesses to compete for the business, or it might make it more likely that we would lose the business from the Welsh economy to a larger company headquartered

outside. So, we can't just drive down cost, but cost is incredibly important.

14:30

[100] We are working quite hard to improve professionalisation and training and development of our procurement, and, through the creation of the national procurement service, bring the right balance of cost and smart procurement to all of the common and repetitive spend in the Welsh public sector, which is what the national procurement service does. So, I have a professional head of procurement; she is working to increase levels of training and development, to build a cadre of procurement professionals in the organisation and work closely with the procurement specialists in other public bodies. So—

[101] **Lee Waters:** What about bringing people in?

[102] **Sir Derek Jones:**—I'm not relaxed about it, because it's actually quite tough to get the balance right on these things, but I do think we've got it identified as a priority. The head of procurement reports directly to one of my deputy permanent secretaries and it's had a good deal of high-level, including ministerial, interest over the last couple of years.

[103] **Lee Waters:** Rather than just upskilling people or training people, are you bringing people in from outside who've got the right skills to do this?

[104] **Sir Derek Jones:** Yes, some. The head of procurement that I mentioned was an external recruitment, and a deputy, over the last couple of years.

[105] **Lee Waters:** That's within the Welsh Government. I was thinking, in terms of within local authorities, where much of the procurement takes place, that won't be the case.

[106] **Sir Derek Jones:** I don't know to what extent the 22 local authorities in Wales have been recruiting externally for their procurement expertise. If the committee would want a piece of research done on that, I could promise to write, but I can't give you an answer—

[107] **Nick Ramsay:** It seems like this is an area of interest to the committee, so yes, if you could provide us with information that would be very useful.

[108] **Lee Waters:** I have a final brief question, Chair, just on procurement

cards, which have hit the news over the last year. Just to enquire whether measures have been taken to make the use of the procurement cards more transparent.

[109] **Sir Derek Jones:** Yes, although—. This is the corporate credit card issue that has been in the news. I don't think the use of corporate credit cards should be the cause of any fundamental scepticism. It's just a very efficient, economical way of buying things. It gives us a degree of insurance, actually, from the bank that provides the service. I think we get a small rebate—

[110] **Lee Waters:** Yes, but the question is about the transparency, it's not about—

[111] **Sir Derek Jones:** The records are all there and I think we publish them readily—thousands of transactions—in response to a request. Having seen the work go on there, I asked why we didn't simply publish the material and I think we've agreed that we will publish the bulk of that information, rather than wait for somebody to ask. But the case that caught a headline came from a £100 purchase using a card that had been cloned, and it was repaid to us by the bank that operated the corporate card.

[112] **Lee Waters:** As you say, publishing data can be a very good way of monitoring fraud. Do you feel you're open enough with your data?

[113] **Sir Derek Jones:** I'm always open to suggestions, but yes, I think so.

[114] **Lee Waters:** You've only complied with 85 per cent of the freedom of information requests within the statutory deadline last year, which seems fairly low.

[115] **Sir Derek Jones:** No. That hits the Information Commissioner's target.

[116] **Lee Waters:** It may well hit a target, but it doesn't seem particularly high.

[117] **Sir Derek Jones:** Well, we could do better, but it's not bad. I can tell you that it is significantly better than the Scottish and Northern Ireland devolved Governments' performances, because I've asked for some benchmarking on it.

[118] **Lee Waters:** But are we open enough? Could we be discovering more poor use of public funding if we were more open?

[119] **Sir Derek Jones:** I guess, always, potentially. As I say, I'm very open to any suggestions where transparency will make us more resilient against fraud or any other kind of misdemeanour.

[120] **Lee Waters:** Okay. Thank you, Chair.

[121] **Nick Ramsay:** Rhun ap Iorwerth.

[122] **Rhun ap Iorwerth:** I'd like to continue with procurement—again, slightly going over some of the same ground, but hopefully teasing out a little bit more from you about the way you operate. Procurement is an area of your work that is affected, largely, by Government policy, and whilst there might be disagreement within this committee about how ambitious or successful Government has been in pushing the agenda, for example, of increasing procurement from within Wales, could you tell us a little bit more about how you dovetail that task of seeking to implement Government policy on procurement and then trying to cut your costs and cut the overheads?

[123] **Sir Derek Jones:** Well, that's the dilemma that I mentioned myself in responding to Lee Waters's question. It is difficult, but I think, if we have all-Wales frameworks, as we are increasingly now for the larger part of our spend, then we can make sure that those frameworks are tailored to allow smaller businesses to compete, to capture the work in Wales. I wish I had a number to hand, but we've actually been capturing a lot more of Welsh Government and public sector spend in Wales. I'll write to the committee Chair, if you wouldn't mind. It's still work in progress, but we have made progress on that, and I think—. Peter's maybe going to give me an answer—oh, no, he's just going to say I'm going to write to you. [*Laughter.*] I think, for years, it's felt a bit like the holy grail. When you look at the scale of public sector expenditure in Wales—billions every year—just capturing a higher percentage of that for Welsh businesses, and that means capturing it for relatively smaller businesses in many cases, is incredibly valuable to the economy. So, I think we're making progress. I think the national procurement service will continue to develop that proposition through its frameworks, but we'll have to keep at it.

[124] **Rhun ap Iorwerth:** Should that be an indicator that takes a prominent place in your chapters on procurement, perhaps, in your accounts? Savings of

£7 million through procurement is a figure, it's trackable, and it's very, very useful, but taken in the context that we seek to use procurement as an economic development tool as well as a way to save money, should there be an indicator there?

[125] **Sir Derek Jones:** I'd be happy to pick that up in the—well, I say 'I'—I would be happy to recommend to my successor that they pick that up in the next accounts. I think it's a really good suggestion. It isn't just about economy. Chair, can I just pause? Gawain, were you going to help me with the publication of—?

[126] **Mr Evans:** Yes. In terms of transparency of data, we have, for many years now, published contract expenditure on a monthly basis, over £25,000. Although other departments have published information on procurement card over £500, in response to the questions we've had, we've published all our data. So, down to a few pounds, any expenditure has been made available.

[127] **Nick Ramsay:** When did you start doing that?

[128] **Mr Evans:** We've only recently started, in response to questions we received—FOI—originally in terms of one year's data, but with subsequent information asking for additional years' data, which we will be looking to publish as well. We haven't set ourselves a threshold; we've just published everything.

[129] **Lee Waters:** And how are you publishing it?

[130] **Mr Evans:** It's published online, on the Welsh Government's website, the external website. As I said, on the contracts spend, that's been available now for a number of years, on a monthly basis.

[131] **Lee Waters:** Thank you.

[132] **Rhun ap Iorwerth:** If I could continue my questions, I'll turn again, looking back slightly, to a topic that we've already covered, which is the change in senior management structure and the creation of the posts of three deputy permanent secretaries. I think we've had a good explanation from you of why you did that, and the fact that you needed models that could be replicated across those three areas. Are you confident—and this is a concern that has been raised with me—that oversight of policy delivery in

some major and very broad areas of Government activity will be as effective in having only three deputy permanent secretaries overseeing those areas?

[133] **Sir Derek Jones:** If I could just revisit the business case, as it were. It was partly—. I guess, primarily, I felt I needed the most economical structure that I could get—times are very hard in terms of administrative costs. But at the same time, I thought, potentially, the model could be more effective for Government in that the more vertical divisions there are in an organisation, the more difficult it's likely to be to develop a whole-of-Government proposition in terms of delivery. And so, a strong secondary benefit from the new model would have been better collaborative working across Government. I find it a bit difficult to give you any data to demonstrate that that has been the effect, but the feedback that I've had from my colleagues and from Ministers is that it is providing a better structure for delivering whole of Government. So, those are the main drivers rather than—. The common control framework, I think, was then at a, sort of, second order issue—'Well, while we're doing this, why don't we establish a common control framework across the whole groups?'

[134] But, there is a loss. I lost three very experienced and capable senior colleagues, who hadn't done anything wrong. So, that takes some human value out of the organisation, I suppose. But, also, it allowed the opportunity for others to step up, and so, without embarrassing my colleagues, I also had around about 40 senior staff at director level in the organisation, many of whom I felt would be glad to take the opportunity to step up, do more, take on more demanding, but more rewarding roles in the organisation. I think that's happening. I don't feel that we're short of talent at the moment, or our ability to keep track of what we're doing and do a good job. People are pretty quick to tell me when we don't.

[135] **Rhun ap Iorwerth:** Has there been a cost implication to increasing that skill level at a level one beneath Deputy Permanent Secretary because of the need for oversight at a very senior level on some key areas of—?

[136] **Sir Derek Jones:** A cost implication?

[137] **Rhun ap Iorwerth:** Yes.

[138] **Sir Derek Jones:** I don't think so, no.

[139] **Rhun ap Iorwerth:** Okay.

[140] **Sir Derek Jones:** Pretty much an economy drive.

[141] **Rhun ap Iorwerth:** Okay. On the Preparing for the Future initiative, could you give us a taste of some of the highlights and main successes in 2015–16 of that initiative?

[142] **Sir Derek Jones:** Yes, I think so. Phase 1 was just what we've been talking about really: quite a significant management reset and restructure, and taking the financial economies out of that, which were not primarily to do with removing a few posts at a senior level, although that's not to be sneezed at. It's more to do with the rationalisation that then naturally takes place under three larger groups, and so, each department previously would have had some of its own common services that could be merged. Three members of my senior team just naturally could see where there might be some overlap and duplication. We were able to transfer millions of pounds of resource to areas of greater pressure and need over six to nine months. So, I think it was very valuable to be able to do that, particularly with a new Government programme in mind, and the new devolved responsibilities coming along right now, and almost certainly a lot more in the future.

[143] Phase 2 was more about what you might call common corporate services rationalisation, and flexible working. So, I was able to order a change in the telephony and ICT system that cost us less, I think—about £1.5 million saving.

[144] **Nick Ramsay:** No anchors—[*Inaudible.*]

[145] **Sir Derek Jones:** Pardon?

[146] **Nick Ramsay:** No anchors in the Bristol channel causing problems then.

[147] **Sir Derek Jones:** No anchors, I hope, Chair. But, also, it's got greater capabilities. So, it allows video-conferencing from the desk and much better quality conference telephone calls, so that a virtual team can be pulled together and people, wherever they are, are able to see and share a common screen and develop it for drafting.

14:45

[148] And we need to continue to rationalise our estate. So, the more that people are able to work flexibly, from home, or from whatever the nearest office is, or depending on when they're on the road, or what business is being conducted, flexible working will help with all of that. So, there's a project there.

[149] **Rhun ap Iorwerth:** Has that led to a cultural change within the organisation—the option—or is it something that is yet to be taken up?

[150] **Sir Derek Jones:** There are some risks about this. My experience with IT improvements is that everything gets worse before it gets better, so I wanted to take quite a precautionary view on that. But, behaviour change is actually more to do with it than ICT. We're towards the end of a large pilot in the Merthyr office. We've got several hundred staff in Merthyr, who are not only using the technology, but changing their working arrangements, and we'll review that pilot at the end of the year. I was in Merthyr with my top team last week, and the feedback is good, so I'm reasonably confident that we'll be able to take the results of the pilot in the Merthyr office, and apply the same elsewhere.

[151] **Rhun ap Iorwerth:** And the measure of success will be what—more people homeworking, more people working flexible hours? How will you measure it?

[152] **Sir Derek Jones:** I'm not sure yet. I have said that this is not a matter of the Permanent Secretary just being nice and allowing staff to work from home if that's convenient. This has to work for the business. So, what I'm after are productivity measures. Some of it will be easy enough because it will be— there's a downside here as well—closing offices and getting by with fewer offices. People working more flexibly should mean that we need fewer fixed desks, as it were, in the estate. But I've asked for some other productivity measures, which might be less objective, but which we will need in order to demonstrate that this is efficient and effective, not just flexible.

[153] **Rhun ap Iorwerth:** And you'll perhaps set some targets as a result of the pilot, or have you got some targets that you're hoping to reach in that time?

[154] **Sir Derek Jones:** No, I haven't set any productivity targets. I think part of the pilot is to see whether we can establish productivity measures for this kind of work. And, even then, I don't think we'll be able to escape some

measure just of judgment. I don't think we can always put a hard number on changes and ways of working like that.

[155] **Rhun ap Iorwerth:** But you will seek to in next year's, or your successor will seek to in next year's accounts?

[156] **Sir Derek Jones:** Yes. I'm looking for the productivity measures in the assessment of the pilot, which we should have by Christmas.

[157] **Nick Ramsay:** I hate to cut across you, Sir Derek, but, just before they leave, I wanted to welcome the delegation from the Botswana Parliament to the public gallery. They have been watching our proceedings during the last couple of questions. It's good to have you with us—was good to have you with us, as you leave.

[158] Sorry. Lee Waters.

[159] **Lee Waters:** Just a brief question on your comment about the change in the senior management being motivated by economy drive, because, obviously, there was a significant cost associated with it. Each of the DGs had compensation payments ranging from £135,000 to £145,000, plus a payment in lieu of notice of between £65,000 and £75,000. So, that's £0.75 million in payoffs. What's the payback period for that?

[160] **Sir Derek Jones:** Fifteen months.

[161] **Lee Waters:** Okay.

[162] **Sir Derek Jones:** It's a lot of money; it's always controversial. If I could run the business without having to make any severance payments of this kind, my life would be a lot easier. But, I have to take a business judgment on this. The payback period of 15 months—I am getting this right, Peter—is not bad, as these things go. In this case, it ends at the end of this year, from which point I'm making a profit, as it were. So, it is controversial, it is a lot of money. I don't, myself, have to take a judgment as to whether, 'Oh, well, this is generous, or too generous', because there's a UK civil service set of guidelines that is negotiated and agreed by—the last time it was set was in the previous UK coalition administration, when Francis Maude was the Minister for the Cabinet Office. It's being reviewed again and it's out to consultation, which would reduce the maximum severance payment. But, as I say, I don't have to take a view on generosity, thank goodness; I apply the

guidelines and, having applied them, I make a calculation as to whether this looks like a good business proposition and in my view, this did.

[163] **Lee Waters:** In terms of non-financial costs—. Because if my memory serves me correctly, when this system was brought in by your predecessor, one of the justifications for bringing in so many directors general was that, previously, there hadn't been somebody at that level to make a contact at their equivalent grade in Whitehall, and so, the Welsh civil service wasn't taken that seriously because it's such a hierarchical organisation. Obviously, by stripping out those directors general, does the original logic not apply? Does it weaken our voice in negotiations in Whitehall?

[164] **Sir Derek Jones:** I don't think so, although I was tested out on this plan by colleagues and critical friends. I didn't just take a whimsical judgment on it and—

[165] **Lee Waters:** That's reassuring.

[166] **Sir Derek Jones:** —and I did acknowledge to Rhun ap Iorwerth that there are some losses when you lose good and experienced people, but I didn't lose them all and I think there's enough talent at director level. So far, from what I've seen, that's the case, but it is important that we deploy effective people at the Whitehall end of Government. I do a lot of that myself. So far, I'm not regretting the decision.

[167] **Lee Waters:** Okay, thank you.

[168] **Nick Ramsay:** Rhianon Passmore.

[169] **Rhianon Passmore:** Thank you. In terms of the last scrutiny committee, which recommended that Welsh Government explore more innovative ways to reduce energy consumption—obviously leaving aside the fact that salaries are a huge expenditure, energy is another one—what initiatives have been introduced to ensure that the organisation meets its sustainability targets?

[170] **Sir Derek Jones:** I've mentioned the property estate a couple of times already and I'm going to have to again because the management of that estate is the single largest thing that we can do to drive down our carbon footprint. I think the accounts show some of the main numbers about this. So, a few years ago, there were 75 Welsh Government offices; we are now at 30, with plans over the next location strategy—that's a five-year strategy—to

reduce to about two dozen—24. That has allowed us to already meet what was the original target for emissions reduction to hit by 2020, which was a 30 per cent reduction target. We've already met that, so, next year, we'll need a new strategy to push us on. So, I think at that level, we've been doing pretty well. Some of the money that we save from closing offices, not renewing leases or disposing of properties into the market allows us to invest some of that. Partly, it just gets us below budget; partly, it allows us to invest in modernising the buildings that we are going to keep. In modernising them, then we can improve ventilation, insulation and reduce electricity costs. I think we've been able to reduce our water consumption, which slightly surprised me. Everybody is drinking as much water, so I guess it's more efficient loos and so on, but we've reduced our water consumption by 3 per cent.

[171] **Rhianon Passmore:** So, you've partially referenced what you're going to say, but to follow on in that sort of fashion, how much of meeting that current target, which you've mentioned, is due to the disposal of assets rather than a proactive design around sustainability in this approach?

[172] **Sir Derek Jones:** Oh gosh, I'm not sure I can give you a percentage that is, as you might call it, simply the disposal of properties and being more efficient—

[173] **Rhianon Passmore:** But you understand what I'm saying.

[174] **Sir Derek Jones:** —and what percentage is the improvement of other properties. I don't have a number in my head.

[175] **Rhianon Passmore:** I suppose what I'm asking is in terms of being able to tick that box and say that we're working sustainably—that's being done, in a sense, by default.

[176] **Nick Ramsay:** We don't expect you to know the percentage—  
[Inaudible.]

[177] **Rhianon Passmore:** No, but what I'm asking though is have we got a proactive approach to sustainability.

[178] **Sir Derek Jones:** Absolutely. I suppose I want to take some credit for being able to turn in some good numbers on reduction of emissions. I'm not remotely complacent about this, and the next five-year strategy will find it

more difficult to make progress than the last one, because we've done the easier bits. It isn't just property and electricity and water; it's things like recycling, waste reduction, food recycling. All of those things—I think most of them are tracked in the accounts—are things where we either have targets or expect to be able to make an improvement every year.

[179] **Rhianon Passmore:** So, in terms of your successor and in terms of the steps that need to be taken about producing a new carbon management strategy, how do you feel that that is going to—

[180] **Sir Derek Jones:** Peter's trying to catch my eye.

[181] **Rhianon Passmore:**—pan out?

[182] **Mr Kennedy:** In terms of the disposals, just taking carbon reduction as an indicator, the property disposals over the last three years have reduced our carbon emissions by less than 2 per cent, whereas we're closer to 30 per cent in the proactive management of the estate that remains. I think that gives an indication of the level of effort that we've put in, but there's more to do.

[183] **Rhianon Passmore:** Thank you. My next question is in regard to the Well-being of Future Generations (Wales) Act 2015. The report mentions the preparatory work that Welsh Government is undertaking to create systems and processes that comply with the well-being of future generations Act. So, how are you ensuring that Welsh Government has exemplar objectives and processes in this regard?

[184] **Sir Derek Jones:** This is really quite a challenging situation. The Act took effect for us on 1 April this year, and so, in the autumn last year—although we've been working on it, obviously, for quite some time—I asked one of my deputies to lead a project to do two things, really. One, to check and ensure—and, if not, implement—processes and systems in the organisation that would—*[Interruption.]*

[185] **Rhianon Passmore:** We have some music as an aside. *[Laughter.]*

[186] **Mike Hedges:** I've no idea why—it's switched off.

[187] **Sir Derek Jones:** So, there are two things to do in this project: one, to establish whether we did or didn't—and, if not, get in place—the systems

and processes in an organisation like mine that you need to make sure that we're compliant with the requirements of the Act. So, that means things like having a budget process that is guaranteed to take account of the well-being goals; having business planning arrangements that are, again, common across the organisation, which mean that, as we plan business, we will be reminded to think through the goals and ways of working that the Act requires. The second was communication and awareness, because I think everyone agrees that, whilst systems and processes have their place, there's a big risk with the well-being Act that organisations will adopt the tick-box approach, whereas it will only really, really succeed and get traction if it becomes second nature—

[188] **Rhianon Passmore:** Which leads me on to my supplementary—

[189] **Sir Derek Jones:**—in our ways of working.

[190] **Rhianon Passmore:** In terms of staffing, how have you prepared staff?

[191] **Sir Derek Jones:** Well, you know, we have a lot of internal communication work to try and raise awareness as well as line management controls and processes. If you're going to ask me, 'Is it enough?' or 'Is it going to work?', I don't know for sure. Actually, the auditor general will be auditing us and, of course, the commissioner will look to the Welsh Government, I imagine, to try and be an exemplar in this field. I would absolutely love to be able to say that I know the Welsh Government civil service will be exemplary, but it's early days. We've gone at it in a pretty systematic way—but very much early days. I'm hoping not just to get filleted by the audit office but to, you know, have a constructive relationship that helps us to bring best practice from anywhere else that's doing really well and incorporate it in our own work.

[192] **Rhianon Passmore:** Would you say enough has been done?

15:00

[193] **Sir Derek Jones:** That's really difficult. I'll only know if it's enough or not when we've seen whether, under some scrutiny, it appears to be successful. A lot—a lot—has been done.

[194] **Rhianon Passmore:** Thank you. My last question relates to the Welsh language standards. Can you elaborate on what efforts have been made to

ensure that the organisation meets the requirements of the standards—the many standards?

[195] **Sir Derek Jones:** The answer bears a strong resemblance to what I was just saying about the well-being Act's requirements. In fact, the Welsh language standards came into effect at the same time—1 April—so it's been a busy year for new requirements and, again, we have done a lot with awareness, with systems and processes, training, recruitment. Whilst I've been having to bear down very hard on recruitment, we did find ourselves short of bilingual staff in some areas that were public facing, or amongst our team support staff who are likely to be making the first point of contact with a client or a customer. We didn't have enough Welsh speakers in the organisation and we've had to recruit some. As I say, new processes, big awareness campaign, and a campaign that we call 'looking after the little things', which is just—

[196] **Nick Ramsay:** 'Little things'?

[197] **Sir Derek Jones:** 'Little things', yes.

[198] **Nick Ramsay:** I thought you said 'Lidl'—'Lidl things'.

[199] **Sir Derek Jones:** No, 'little', not 'Lidl'.

[200] **Rhianon Passmore:** Other stores are available.

[201] **Sir Derek Jones:** Just for everybody to be able to make a bilingual greeting when they answer the telephone. And, for some staff, this is all quite worrying, actually. If they're not fluent, it's a difficult language to learn—they're worried that they might make a mistake, or do something embarrassing, or bring some criticism on the organisation. So, it's important to try and be positive and build confidence, which is what I've done. I've talked to the Welsh Language Commissioner a lot about all of this. We've worked with her to develop standards that are a stretch target for us but which are not impossible to meet. I knew that we would get things wrong, and we are. So, I've had a number of letters from the commissioner already this year pointing out shortcomings or things that the public might have drawn to our attention—monolingual road signage or English not Welsh—first in signage. But I hope that we'll be forgiven a bit, in a large complicated operation, if some things aren't quite right at first, and we'll steadily aim to pick up and learn from those. The commissioner hasn't brought anything

really serious to my attention yet.

[202] **Rhianon Passmore:** Okay, thank you.

[203] **Nick Ramsay:** Great. We're into the last half an hour or so, and we've still got quite a few questions to go. So, if Members could be succinct, that would be helpful. Rhun ap Iorwerth—not that you're not succinct.

[204] **Rhun ap Iorwerth:** Fine, quick-fire ones. On the Welsh language actually, I noticed that very few members of staff made a request to have training through the medium of Welsh. We could have a debate over whether they should have to make a request for English, or what it might be, but what is proactively done to encourage, for example, that kind of use of Welsh in the workplace?

[205] **Sir Derek Jones:** What, so that somebody can have an internal training course?

[206] **Rhun ap Iorwerth:** Yes, so that it's made much easier for them without having to go through a hoop of asking for a piece of training in Welsh—that they know it's there if they want it?

[207] **Sir Derek Jones:** I hope they do, but they would need to ask. But I hope people feel very relaxed about that—that we are a bilingual institution.

[208] **Rhun ap Iorwerth:** But the figure is very, very small—174, I think, made a request out of a workforce of 6,000.

[209] **Sir Derek Jones:** Anything you can add, Peter?

[210] **Mr Kennedy:** I'd echo your point, Derek, that I think people aren't afraid to ask—it's a valid point about why should they have to ask, but I draw a bit of a correlation with the number of interviews that we do through the medium of Welsh, which is very small. I don't know if there's a cultural piece in play there, and perhaps we need to think about how we can make it more readily available and make it obviously more readily available.

[211] **Rhun ap Iorwerth:** I speak as the son of a woman who was the Welsh Office's translation department back in the 1960s, so things have moved on a lot since then.

[212] **Sir Derek Jones:** They certainly have.

[213] **Rhun ap Iorwerth:** Staff survey: I think you should be congratulated, as I think that, in nine out of 10 of the questions, staff here gave a higher approval than the civil service as a whole, but the scores are down in seven of the nine. How concerned are you?

[214] **Sir Derek Jones:** I am concerned. It would be pretty easy to relax at that level because, when I'm sitting around the table in the Cabinet office with my Permanent Secretary colleagues, I am looking at staff engagement figures that I can be proud of. They are better than the Whitehall benchmark in a substantial majority of cases, but, in some of the areas where we're not managing change, I think that's probably had quite a lot to do with the management restructure that I introduced. It is unsettling when the boss does something like that, and I think that's probably caused a dip. I'll be looking to recover that ground over the next survey or two. Staff are giving us some low marks on learning and development, which is not good for the long-term health of the organisation or for our reputation. If we want to attract the best to come and pursue a career, then I would like to think that the feedback that they get from staff about learning and development opportunities was better than the staff survey seems to suggest. I'm not happy with the feedback from colleagues with a disability in the organisation who are not as engaged as the staff generally. So, we're working hard on that with the staff disability network. Those are ones that I can just remember, offhand and there may well be some others. So, our weaker areas are not to be—

[215] **Nick Ramsay:** Sorry to interrupt, but why are they not as engaged? You just mentioned that people with disabilities aren't as engaged as the other staff.

[216] **Sir Derek Jones:** Well, I don't know for sure yet, Chair, but I've been discussing it with the staff disability network. I think the main reason is that it has been too difficult—too much of a pain—to get reasonable adaptations in the office. So, if it's a physical disability, you might need a different type of chair or keyboard. It might be hearing or vision to do with your interaction with information and communications technology. If that kind of thing is difficult in the organisation, it's just demoralising. So, we picked that up and we've been—

[217] **Nick Ramsay:** And they then think that there's no point in requesting

those adaptations.

[218] **Sir Derek Jones:** Well, yes, maybe. The other thing is that, when a change was introduced into the organisation, considering the needs of colleagues with disabilities seemed to be an afterthought. So, there'd be a plan for a new piece of software to be rolled out across the organisation, and the staff disability network were not engaged enough at the beginning of the process to make sure that it was tailored. Then it's an afterthought, not adequate, takes too long and so on. So, we've identified those factors and, I think, picked them up and are probably solving those quite well. So, again, in the next survey, I'll be looking for a significant improvement in that.

[219] **Rhun ap Iorwerth:** Satisfaction with work is quite often linked to sickness absence rates. There is a slight increase in absence rates on last year. A 1 per cent increase, or 16 per cent up—whichever way you look at it—on the year before that. Are you worried there's a correlation?

[220] **Sir Derek Jones:** Yes, I'm really not happy with our sickness absence. A couple of years ago, the figure was 7.2 average days lost per person, which is not bad. It put us sort of mid-table with other civil service organisations and better than public sector organisations generally. But I can vividly remember saying to Peter, on my right, that I wasn't happy with mid-table and could we not aspire to something like best in class. So, various things were done, following which the figures got worse. I'm being very frank with the committee—they did, and quite significantly worse. I don't know whether that might have been because the first reaction was to more rigorously count absences. It might have been. But either way, the figure went up, not down, and we've been working hard in a number of ways to improve it. Over the last seven months, there's been a reduction in each month. So, we're getting back to what I would regard as reasonable but not excellent territory. The reason this matters is because the opportunity cost of somebody not being in work is quite significant. That's more than a working week per person per year.

[221] So, we've been looking hard at the numbers and what they might tell us, and it isn't malingering. So, our short-term sickness figures have been reducing; it's long-term sick that's gone up. This is illness, although it can be stress-related rather than a physical disease, and sometimes serious illness; we have deaths in service and they may be tragically preceded by a lengthy illness. Some, and I think including the trade union side in the organisation, think that this might be pressures of work—so, as the

organisation becomes busier and busier, staff numbers have to fall, the running cost budgets are very tight, new responsibilities and functions arrive—that maybe the pips are beginning to squeak. I'm not buying that quite yet because, in my experience, sometimes the very, very busiest teams, if they're engaged with important work, if they're well-led, if they get good feedback, they might be the busiest, but they have the best morale and they have low levels of sickness absence. So, I don't think it's just pressure of work, although that might be a factor in some cases.

[222] I've asked a senior civil service colleague to establish a task and finish group to look at this a bit more closely. He made a provisional report to the board last week. And although I think we can continue to improve procedures for following up sickness absences, I think we may need an element of well-being in the work as well. Because recruitment is constrained at the moment, the workforce is ageing on average, so the workforce is ageing by more than a year each year and older people, the evidence is, tend to have more sickness absence on average.

[223] **Nick Ramsay:** I think Lee Waters is chomping at the bit to come in here.

[224] **Sir Derek Jones:** Sorry; you asked for concision, Chair and I'm perhaps not giving it to you.

[225] **Lee Waters:** In terms of the task and finish group that you've set up, will it be looking at other good-performing areas of the public sector? For example, Estyn's sickness absence is nearer three days lost rather than seven days lost.

[226] **Sir Derek Jones:** Oh, I'm sure they will. Estyn also has very good staff survey results.

[227] **Lee Waters:** So, you'll be looking at good practice as well?

[228] **Sir Derek Jones:** Yes.

[229] **Lee Waters:** So, you are managing sickness absence. What are you doing about performance management? How robust are your systems? How happy are you that there's no mediocrity in the system?

[230] **Sir Derek Jones:** We do have a robust performance management

system. It's similar to ones that you'll find in other aspects of the civil service. I don't actually think it's robust enough is my honest answer. I don't know whether people are just too nice, but I think sometimes the difficult conversation over performance management doesn't take place as frequently as it should. If we recruit well, and we train and develop people well, and we manage them well, there shouldn't be massive performance management problems. But if I look at the numbers of staff—I don't have a figure to give you, but if I look at the numbers of staff whose line managers think they're actually underperforming, it seems rather a small proportion given, I don't know, my gut feeling about what you might expect to see in an organisation of this size. So—

[231] **Lee Waters:** Does anybody ever get dismissed for poor performance?

[232] **Sir Derek Jones:** Yes, but, again, it's not common, but then you'd hope it wouldn't be. It does happen.

[233] **Lee Waters:** Well, in an organisation of 5,169 there's bound to be some people worthy of being dismissed for poor performance, I'd have thought, just on averages.

[234] **Sir Derek Jones:** Well, I said it does happen but I would hope it's not many, and mostly—

[235] **Lee Waters:** Do you know how many?

[236] **Sir Derek Jones:** Not off hand. Mostly, dismissal would be a fairly extreme measure anyway if it was a performance issue. It's rarely just a matter of the individual; in my experience, there's usually a management element too. So, if somebody's performance is starting to fall below a consistent standard, they would be given a warning. If they obviously needed help, they'd be given some help to try to improve their performance, and only after—. And, normally, I think that would work. So, I don't think dismissal would be the litmus test anyway for a robust performance management system. I think it would be more the number of people that were identified as needing to improve performance and getting some support and—

15:15

[237] **Lee Waters:** That's not declining?

[238] **Sir Derek Jones:** I don't know. Pete, do you know?

[239] **Mr Kennedy:** Sorry, is what not—? The number of people that are—?

[240] **Lee Waters:** Displaying signs of poor performance.

[241] **Mr Kennedy:** No, it's fairly static, I think. I don't have the figure.

[242] **Lee Waters:** So, what are you going to do about that?

[243] **Mr Kennedy:** About?

[244] **Lee Waters:** Making it better.

[245] **Mr Kennedy:** As Derek said, the point of performance measures is to restore performance and to restore efficiency. A dismissal is the last—

[246] **Lee Waters:** No, I'm talking about—. We're talking about different things. Yes, absolutely. So, if this is fairly static, surely it's not succeeding?

[247] **Mr Kennedy:** I think Derek pointed out that—is it because managers aren't comfortable having the difficult and challenging conversations? We've had a lot of discussions and conversations to try to push that agenda, but, short of holding every manager's hand, it's a challenging issue for not just this organisation but lots of organisations, I'd suggest.

[248] **Lee Waters:** So, you have no particular plans to do anything other than business as usual on that?

[249] **Mr Kennedy:** Well, we are actively encouraging managers to use the performance systems effectively.

[250] **Sir Derek Jones:** And there's a moderation system as well, so it isn't just for a line manager. Line managers then get together and moderate each other's teams to try and make sure that—

[251] **Lee Waters:** But if the figures are stubborn, is my point, something's not being very effective, is it? Is a different type of approach worth considering?

[252] **Sir Derek Jones:** Well, possibly, but I think there seems to be an underlying presumption that performance is poor and the—

[253] **Lee Waters:** No, you said it's stubborn. There's a stubborn level of poor performance, that's what you've just told me. So, I'm asking: if there is a persistent level of poor performance that is not responding to the initiatives you've set out, rather than shrugging our shoulders and saying, 'That's what happens in public sector organisations', is there a case for doing something different?

[254] **Sir Derek Jones:** I'm not saying that at all. I think you asked me if I thought the performance management system was sufficiently robust and my answer was that I thought perhaps it wasn't.

[255] **Lee Waters:** Indeed, and I then asked what are you going to do about it.

[256] **Sir Derek Jones:** That's the performance management system. If you were to ask me what I thought about the performance of the Welsh Government civil service in general, I'd say I'm very proud of it.

[257] **Lee Waters:** That's not what I asked.

[258] **Sir Derek Jones:** This is a group of very hard-working people—

[259] **Lee Waters:** Sir Derek, with respect, that's not what I asked. I asked about whether there were performance issues, of which you said there was a stubborn level, and the performance management wasn't perfect. So, my query is: if there is a problem, it may not be a massive problem, but, if there's a problem that's not responding to change, what could you do differently?

[260] **Nick Ramsay:** I think, Sir Derek—

[261] **Sir Derek Jones:** I understand.

[262] **Nick Ramsay:** —are you saying that there is a certain level of poor performance that you are kind of accepting of and there's no point altering all your systems to deal with that? I think that's another question that Lee's—

[263] **Sir Derek Jones:** That's not what I'm saying. What I'm saying is that I

don't think that the data I see through the performance management system are convincing me that it's sufficiently robust at all of the management tiers. I'm not relaxed about that and I don't accept it and I do push, as Peter will tell you, for why there aren't greater numbers of names, as it were, in the frames. So, I'm not relaxed or complacent about it. I don't think that the system needs to be fundamentally changed. I think that the individual managers working within it need to toughen up and I do try to apply consistent pressure to that effect through the management chain.

[264] **Nick Ramsay:** And with that answer, because we're entering the last 10 minutes of this session now, I want to bring Neil Hamilton in.

[265] **Neil Hamilton:** Well, let's move away from the more controversial area of flesh and blood and back to the more abstract world of figures. I'd just like to have a look at the variation from budget in the outturn figures, the expenditure. You'll find it on page 46—the summary of resource outturn. There's a £298 million underspend altogether, about half of which is accounted for by the health and social services budget. I just wonder, given that we're all told there's vast pressure on the health service and needs that go unmet, how it can be that £153 million—. Although a small proportion of the total budget, about 3 per cent or slightly less, nevertheless, it is a large sum of money that we could all find a home for.

[266] **Sir Derek Jones:** I did anticipate that someone might ask me about this because, on the face of it, that's the obvious conclusion you'd draw: well, if the national health service is so stretched, how does it happen? But there is an answer, and no patient went untreated, as it were, that might have been as a result of these numbers. I will ask Gawain at least to tell me if I'm getting this wrong, because he's my finance director and an accountant, but most of this money is either provisions, what's called annually managed expenditure, AME—they're provisions that were made and then weren't needed to be met, so it's not sort of proper resource—or, cash not drawn down towards the end of the year because the amount that's scored on the accounts as resource was a commitment towards the end of the year that didn't need to be supported by cash until the following financial year. I'm sorry if this is sounding overly technical, but those are the main elements that make up the £153 million. Have I got this right, Gawain?

[267] **Mr Evans:** Yes.

[268] **Sir Derek Jones:** I know that because I asked the same question myself

when I saw the figure.

[269] **Neil Hamilton:** So, what happens to that £153 million? That remains in the contingency reserve or something, or—

[270] **Sir Derek Jones:** It's a carryover figure into the next financial year. None of these—

[271] **Mike Hedges:** Is that £153 million after covering the overspends of two health boards?

[272] **Sir Derek Jones:** Yes, but that will have been a different kind of money.

[273] **Mike Hedges:** But it will still come off the total expenditure of the Welsh Government.

[274] **Sir Derek Jones:** Yes.

[275] **Mike Hedges:** So, if the two health boards hadn't overspent, then the number there of underspend in health would have been higher.

[276] **Sir Derek Jones:** No, I don't think it would have varied. Two of the health boards, Gwynedd, did overspend their resource budget, but the health budget main expenditure group as a whole wasn't overspent. That's £5.5 billion.

[277] **Mike Hedges:** I know, but that overspend would have had to come off the health budget, or out of the total Welsh Government—

[278] **Sir Derek Jones:** Yes, it did.

[279] **Mike Hedges:** It has come out of there somewhere, because the Welsh Government cannot overspend.

[280] **Sir Derek Jones:** Yes.

[281] **Mike Hedges:** So, it would have been £53 million worse, or whatever it is, if they hadn't.

[282] **Sir Derek Jones:** No. Because they're different types of money, I don't think that if the two health boards had met their budget it would have

affected these provisions or the cash requirement.

[283] **Mike Hedges:** Can you just send us a note explaining how it wouldn't have affected the provisions or the cash requirement? Because my understanding was that the total Welsh budget had to be kept within.

[284] **Sir Derek Jones:** It does. It does. And was.

[285] **Nick Ramsay:** If you can send us a note clarifying that, that would help the Members. Back to Neil Hamilton.

[286] **Neil Hamilton:** I've got a related question, which goes back also to the question of the digestibility and intelligibility of the document that we're looking at. You said earlier on that you've increased the amount of transparency for the ordinary reading member of the public.

[287] **Sir Derek Jones:** We've certainly tried.

[288] **Neil Hamilton:** 'Tried', yes. But this is the first time that I've had the pleasure of reading one of these documents, although I've had a fair amount of experience of reading similar documents previously. I did find it quite difficult to understand quite what I was looking at in cases. In respect of this summary of resource outturn, there's a good example of this in relation to the underspend, where you say this

[289] 'arose primarily because of the alignment issue between Ambit and consolidated Budgets.'

[290] Now, would that mean anything to a member of the public, or even the intelligent and informed observer, such as the members of this committee?

[291] **Sir Derek Jones:** I struggled with it myself, and I'm going to turn to the colleague on my left in a moment. Did I say it is a bit of a balance, really, to make the accounts readable and digestible but also an accurate document of record, and one that complies with the Treasury's finance reporting manual? I think, by the time you've got to the summary of resource outturn, you've gone past the readable and acceptable bit into the document of record. I hope I also said—if not, I'll say it now—that feedback as to whether this is working from the committee would be very valuable from my point of view. I think we've made a good start on accessibility, but I'm not suggesting for a

moment that we've done everything that we might do.

[292] **Neil Hamilton:** Perhaps we could have a new section added, which is the notes to the notes of the accounts, so you could go through a series of rooms until you get to the bottom of it.

[293] **Mr Evans:** In terms of the various explanations, we've already started a review with the Welsh Audit Office in terms of how the improvements have been working through, and the various explanations are something that we've already discussed. We have said to the Wales Audit Office that we probably need to do a little bit more work in that space for next year—probably a little bit more information, and probably making the explanations that little bit clearer.

[294] In terms of this ambit and budget issue, the Welsh Government are working very closely with the Finance Committee, and it does have a project at the moment, called the future budgeting project, which is looking to resolve this, because the way that the Treasury controls its budgets and the ambit are different totals and they can be very confusing, particularly when you get down to the small variances as to why there are differences between them. So, we're looking to put that right, as well, as part of this future budgeting project.

[295] **Nick Ramsay:** I think Rhianon Passmore has a very quick supplementary on this.

[296] **Rhianon Passmore:** I need clarification. I actually struggled with that little bit as well in terms of what's been done. Just really in terms of, personally, from my feedback, getting that duality or getting the official document with the accessibility is a difficult thing to do. I personally found it quite accessible in terms of meeting those two different mandates. I think that, compared to how big it could be and full jargon it could be, it was accessible enough. But I'm sure it can be improved.

[297] **Neil Hamilton:** Yes, I would have thought so—*[Inaudible.]* Can I turn to another interesting table, which rather surprised me as well, which we'll find on page 56? It shows how EU structural funds to Wales have been very substantially reduced between the year ending 31 March 2015 and 31 March 2016. There's a very large reduction of 50 per cent or so, from £388 million or £400 million down to £180-odd million. How did that come about? I tend to think of the EU as a byword for extravagance and overspending, so I'm

rather surprised at this outturn.

[298] **Sir Derek Jones:** This isn't a Brexit effect; it's a programme effect. So, again, it does leap out and I've asked the question. The year saw the transition between the previous six-year programme, up to 2014, and the start of the next six-year programme, 2014–2020, so I think the previous financial year, to the end of March 2015, saw the wrap-up, as it were, of the old programme—probably something of a surge of expenditure—and the current 2015–16 financial year sees the start of the next programme—

[299] **Neil Hamilton:** So, that figure will go up again.

[300] **Sir Derek Jones:** I would expect to see the annual figure going up over the next four years, depending on how things go.

[301] **Neil Hamilton:** Quite.

[302] **Nick Ramsay:** Sorry, but, Rhun, do you have a supplementary?

[303] **Rhun ap Iorwerth:** Yes. The Brexit effect will make it much easier in years to come, and that column will disappear. [*Laughter.*] Back to the summary of resource outturn, I'll turn on its head some of the things that have been mentioned earlier. In seeking simplicity, what we have here is a very high-level table that tells us very little about matching outturn with output. Are the headlines too general in order for us to extract anything of use on Government performance, when it comes to a table like this?

[304] **Sir Derek Jones:** It's what the accounting framework requires. There is a separate report that goes to the Finance Committee, which is a much more detailed budget-line-by-budget-line description of expenditure versus budget, but I don't think that attempts to produce an outcome or an output measure. I think, for what the Welsh Government regards as outcomes, you would look to the annual report on the programme for government.

[305] **Rhun ap Iorwerth:** But because we can't extract the various sub-headings, it makes it very difficult to even look for outcomes.

[306] **Sir Derek Jones:** Gawain's probably going to curse me for saying this, but it would be possible, probably, to leave that table as it is as a technical table, but take another table into the readability section of the accounts that looked at—. I think we give a good, clear description on page 8 of where the

money goes, but you could try something that would be similarly simple that would put expenditure against budget.

[307] **Nick Ramsay:** Because this document, I have no doubt at all, works in terms of the framework you mentioned, as the bare minimum, but I think the committee would like to see a lot more of a link there with the outcomes that we'd like to get at the end of it.

15:30

[308] **Sir Derek Jones:** I'm not remotely saying that I think this presentation of the accounts is perfect or will meet all requirements. I think one of the benefits, for me, of the committee taking an interest and scrutinising the accounts over the last couple of years is that you've been pushing me along that path of greater clarification, readability and so on. So, I'm happy to continue to be pushed.

[309] **Nick Ramsay:** Okay. Back to Neil Hamilton.

[310] **Neil Hamilton:** I'd like to move on to ask a question now about the capital commitments table, which you'll find on page 61. This relates to the Help to Buy scheme and housing. Here we've got the opposite situation to the one I've just referred to in relation to structural funds, where we've got a very significant increase in the capital commitment from £159 million to £378 million, but there's no detail about what that refers to. I was wondering whether you could provide us with some explanation of the nature of the contractual commitments involved and why there's this substantial increase in the figure.

[311] **Sir Derek Jones:** Yes, I'm pretty sure this isn't a technical accounting figure. This was a decision by the Government to boost the resources applied to that programme and therefore it's a ministerial commitment to the programme and it's gone into the capital commitments table for that reason.

[312] **Neil Hamilton:** Right, very good. Another question I've got to ask as well—because I didn't fully understand what this was about either—relates to an NHS-related issue: the Welsh Risk Pool. You'll find this on page 68. According to the note there, this is to do with,

[313] 'risk management and settlement of disputed claims for alleged medical or employer negligence',

[314] with a balance of £682 million, which is a very large sum of money. There isn't any further explanation, in this document at least, as to what that figure relates to. I don't know whether that information's available in related documents published by the department of health or—

[315] **Sir Derek Jones:** Well, the health boards—

[316] **Neil Hamilton:**—or whether you could tell us any more about it.

[317] **Sir Derek Jones:** It is a large figure and it is as you've described: it's the pool of provision to which all of the health boards contribute and from which they can then take resource to meet liability claims. Those are expensive things, so it is a large sum of money. I think it's actually gone down a bit, but it's one of those things that can't actually be controlled and so an estimate is made of what the requirement might be, because it just depends on how many claims there are and how many of them are successful and for what amounts. So, it's a classic demand-led piece of business. Actually, the management has changed, Gawain, recently, so I think this is now managed not by the Welsh Government directly, but by the Welsh health boards' common services organisation.

[318] **Neil Hamilton:** So, this is a provision, rather—

[319] **Sir Derek Jones:** Yes.

[320] **Neil Hamilton:** Presumably there is another table somewhere else in the Government's accounts that tells you what's happened to the money when it's actually gone, as it were.

[321] **Sir Derek Jones:** I can't point to that right now, but if you'd like I can make an inquiry—

[322] **Neil Hamilton:** I'd be interested to know, given that this is a large sum of money, which presumably comes out of the health budget.

[323] **Sir Derek Jones:** I think the Chair's predecessor used to take an interest in the Welsh health pool as well. I think there may be some previous correspondence, but I'll look that up and I'll direct the committee to other documents relating to the pool that you might find helpful.

[324] **Nick Ramsay:** That would be helpful.

[325] **Neil Hamilton:** There are a couple of smaller items in the losses statement, where there's reference to a claim abandoned, nearly £0.5 million, for Ruthin Castle Ltd, due to the sale of the company after a grant was awarded. I wonder if you could provide the committee with some more information relating to this matter—if not off the top of your head, perhaps you could write to us.

[326] **Sir Derek Jones:** I've had a look at this case. I never want to see claims abandoned of that kind here. This was a tourism grant to part-fund capital improvements in a hotel to improve the tourism offer in north Wales. The work was done, but shortly after it was done, the company concerned went into liquidation. So, the work was done, okay, but there were job criteria attached to the grant as well, and at the time that the company went into liquidation, the jobs targets hadn't been met, but because the company had gone into liquidation, we couldn't recover the grant, and so, effectively, it's been written off. My colleagues in Visit Wales will, I'm sure, keep an eye on this place and it may be that, with the work having been done, the business can be more successful, and so I'm not writing off the possibility that the jobs target will be met in future, but we don't have a claim against the liquidated company anymore.

[327] **Neil Hamilton:** Lastly, there's a very aptly named 'fruitless payment' involving the loss of £1.25 million. You may not be able to provide the committee with the confidential explanation of what this was all about in public session, but—

[328] **Sir Derek Jones:** I can tell you a bit.

[329] **Nick Ramsay:** We're intrigued by the 'fruitless payment'.

[330] **Sir Derek Jones:** I can tell you a bit. It is subject to commercial confidentiality, but if the committee would like to pursue that privately in some way, I'd be equally happy.

[331] I'm deeply unhappy about this payment. I think I mentioned earlier, responding to Lee Waters on procurement, that there had been a procurement case—or perhaps it was Rhianon Passmore—that had caused me to want to tighten up our procedures. This was the one—a large procurement, decided on some very narrow margins in favour of one

tenderer, and so the contract was awarded. A disappointed tenderer challenged the judgment, the Welsh Government initially defended the allocation but subsequently received legal advice that the cost of continuing to defend the action taken with the prospects of success were such that it would be better to enter formal arbitration with the claimant, which was done. This is a compensation payment under a court order, following the arbitration.

[332] In my view, this was avoidable. It was, in part, a result of just poor record keeping and some ill-judged naïve administration, and I've been taking action, subsequently, to improve the procurement systems and training and delegations to minimise the risk of anything happening similarly. It might be of interest to Lee Waters, I've asked Peter and my director of governance to pursue the possibility that some disciplinary action might need to be taken in the case of the staff who were involved. That process is ongoing.

[333] **Neil Hamilton:** You might like to keep us informed of that, as it proceeds.

[334] **Sir Derek Jones:** Happy to.

[335] **Nick Ramsay:** If you could keep us up to date with developments, that would be great. We are almost at the very end of our time, but I think Rhianon Passmore had a very quick question—

[336] **Rhianon Passmore:** Very, very quickly.

[337] **Nick Ramsay:** —then I'll bring Mike Hedges in for the last word.

[338] **Rhianon Passmore:** Sorry, Chair. In terms of page 90, I just wanted to find out how we account for, in terms of clarity, restricted and unquantified potential liabilities. How do we account for those?

[339] **Sir Derek Jones:** Page—

[340] **Rhianon Passmore:** Sorry, page 70. On restricted and unquantified potential liabilities. Obviously, it's not here in a public-facing document, but how do we account for those in terms of our understanding of that?

[341] **Sir Derek Jones:** Sorry, it took me a while to get to the page. Could

you—

[342] **Rhianon Passmore:** That's okay. It's the top of page 70, right-hand paragraph.

[343] **Nick Ramsay:** Seventeen.

[344] **Rhianon Passmore:** Seventy—seven, zero.

[345] **Sir Derek Jones:** Right, yes.

[346] **Rhianon Passmore:** It's just really a matter of—*[Inaudible.]*

[347] **Sir Derek Jones:** Good question—*[Inaudible.]*

[348] **Mr Evans:** It's a standard statement—*[Inaudible.]*—as you say, we could provide more information.

[349] **Rhianon Passmore:** Okay, thank you.

[350] **Sir Derek Jones:** I'm not aware that there are any cases in substance that fall under that heading that I'm not able to tell you about in full detail, apart from the one that I just mentioned.

[351] **Nick Ramsay:** Apologies for the confusion over page numbers. The pages in the pack are differently numbered to the pages of the document. Mike Hedges.

[352] **Mike Hedges:** Over the last couple of years, we've looked at some things such as the fish farm in Bala and Powys Fadog. What lessons have been learnt to ensure those things don't happen again?

[353] **Sir Derek Jones:** A lot. I think, last year and the years before that, the committee has tested me out on grants management generally in the Welsh Government. When I arrived in this job, there had been a couple of poor cases that you scrutinised me on, and I formed the view that our grants management was simply too high risk. We've been working quite hard. I'll never say these things could never happen again, but I'm satisfied that our grants management has improved generally to the point where the risk of those kinds of things happening is much reduced. But, if we don't undertake some risk, we won't be able to do business in a lot of areas. So, my response

to something going wrong, a grant failure, shouldn't, I don't think, be so harsh that we move in the opposite direction and become risk averse.

[354] I think, probably, the civil service is still too risk averse. I think we should undertake greater risk, actually, but it should be better analysed, better prepared, with less likelihood of accidental losses. But, there will be some losses. We were just talking about a project in north Wales where there was a business failure, and we had put money into that business. So, I think, in those cases, if I can satisfy myself that there was a reasonably good due diligence process and that it was a reasonable judgment and a controlled risk, then if something like that goes wrong and some money is lost, it's taken in context with all of the many more things that go well.

[355] **Mike Hedges:** Such as Admiral.

[356] **Sir Derek Jones:** Pardon?

[357] **Mike Hedges:** Such as Admiral? The Welsh Government put money into Admiral when it first started off.

[358] **Sir Derek Jones:** Yes, and the former chief executive would talk very warmly about the difference that made to the business. Actually, we had a review recently, which looked back over four years, I think it was, up until last year, of these kinds of grants. There are losses, but the grant failures were 1.4 per cent of the total, and, although it's still money, 1.4 per cent is pretty encouraging, actually, as a success rate. It's just a matter of proportion.

[359] **Nick Ramsay:** Thank you. Can I thank Sir Derek Jones, the Permanent Secretary, for being with us today, and also your directors, Peter Kennedy and Gawain Evans? It's been really helpful. Before we finalise the transcript, we'll send it to you for you to check for accuracy. Thank you for being with us today.

[360] **Sir Derek Jones:** Thank you, Chair. Diolch yn fawr iawn.

[361] **Nick Ramsay:** Diolch yn fawr.

[362] I should point out as well, it was remiss of me, that you are back with us on 7 November for the valedictory session.

[363] **Sir Derek Jones:** I am, Chair.

[364] **Nick Ramsay:** We look forward to seeing you then. I hope you feel the same.

[365] **Sir Derek Jones:** I think I probably have said it before, but I don't ever expect to enjoy being scrutinised by the Public Accounts Committee—you just can't—but I do respect the process and value it, and I'll be very happy to come back for a valedictory thrashing on top of all the other ones. [*Laughter.*] Thank you.

[366] **Nick Ramsay:** Thank you for being with us today. A fitting end, I think, to that session.

15:43

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

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

*Cynnig:*

*Motion:*

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

*accordance with Standing Order 17.42(vi).*

*Cynigiwyd y cynnig.*

*Motion moved.*

[367] **Nick Ramsay:** I'd like to propose, in accordance with Standing Order 17.42, that the committee resolves to meet in private for item 5 of today's meeting. Are Members content? Thank you.

*Derbyniwyd y cynnig.*

*Motion agreed.*

*Daeth rhan gyhoeddus y cyfarfod i ben am 15:44.*

*The public part of the meeting ended at 15:44.*

