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National
Assembly for
Wales

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[The Public Accounts Committee](#)

7/11/2016

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

Mohammad Asghar Bywgraffiad Biography	Ceidwadwyr Cymreig Welsh Conservatives
Neil Hamilton Bywgraffiad Biography	UKIP Cymru UKIP Wales
Mike Hedges Bywgraffiad Biography	Llafur Labour
Neil McEvoy Bywgraffiad Biography	Plaid Cymru The Party of Wales
Rhianon Passmore Bywgraffiad Biography	Llafur Labour
Nick Ramsay Bywgraffiad Biography	Ceidwadwyr Cymreig (Cadeirydd y Pwyllgor) Welsh Conservatives (Committee Chair)
Lee Waters Bywgraffiad Biography	Llafur Labour

Eraill yn bresennol
Others in attendance

Simon Dean	Dirprwy Brif Weithredwr GIG Cymru Deputy Chief Executive, NHS Wales
Dr Andrew Goodall	Cyfarwyddwr Cyffredinol a Phrif Weithredwr GIG Director General and Chief Executive, NHS
Albert Heaney	Cyfarwyddwr Gwasanaethau Cymdeithasol ac Integreiddio, Llywodraeth Cymru Director, Social Services and Integration, Welsh Government
Syr / Sir Derek Jones	Ysgrifennydd Parhaol, Llywodraeth Cymru Permanent Secretary, Welsh Government

start of this Assembly. Members are advised that we will be inviting declarations of registrable interests at the beginning of the meeting, but relevant interests should be declared during the items to which they relate.

Papurau i'w Nodi Papers to Note

[2] **Nick Ramsay:** Item 2 is papers to note. First of all you've got in your pack the minutes from the meeting held on 31 October 2016. Do Members agree the minutes? All happy. Good. Okay. Hospital catering and patient nutrition: following their attendance at committee on 17 October, Aneurin Bevan health board have provided additional information regarding the availability of halal menus and diabetic meals and we've received a letter from them to that effect. Are Members happy to note the contents of that letter from the health board?

[3] **Lee Waters:** Can I just say, Chair—?

[4] **Nick Ramsay:** Lee Waters.

[5] **Lee Waters:** It does raise some issues, because the letters we've had are essentially saying, 'All is fine', which does not correlate with the data that the auditor presented us with or with the patient experience that we'd reported from our own encounters. So, I'm happy to note the letter, of course, but I do think there remain issues that we should be alert to and concerned with. Perhaps we can discuss another time how we keep an eye on this area.

[6] **Nick Ramsay:** Yes, definitely, we can do that.

[7] There's also additional information on hospital catering from the Welsh Government. Again, following those evidence sessions, the Welsh Government was asked to confirm who the all-Wales hospital menu framework reported to. The Government have confirmed that the group report to the Welsh Government public health division. Are Members happy with that response and happy to note the letter? It was a statement of fact.

[8] ABUHB and Cwm Taf health board have issued an invitation for Members to attend a tasting experience of hospital food and follow a meal from production to the patient. How do Members feel about taking up either of these invitations, which the clerks would be happy to arrange? Does

anyone particularly want to try hospital food—Neil?

[9] **Neil McEvoy:** Yes, sure.

[10] **Mike Hedges:** I think I speak for maybe others as well—I'd like to visit a hospital within my own area rather than one that is outside. So, if ABMU would like to make that offer, I'd be more than pleased to take it up and I will speak to ABMU.

[11] **Nick Ramsay:** I anticipated this request, so I think if the clerks can liaise with individual Members—

[12] **Mike Hedges:** I can sort it out myself. It's okay.

[13] **Nick Ramsay:**—who want to go to hospitals in their own area. Mike's going to do it himself. Fine.

14:09

**Trefniadau Llywodraethu Bwrdd Iechyd Prifysgol Betsi Cadwaladr:
Adroddiad Cynnydd gan Lywodraeth Cymru
Governance Arrangements at Betsi Cadwaladr University Health Board:
Progress Report from the Welsh Government**

[14] **Nick Ramsay:** Items 3 to 6 in today's pack are the updates on health issues. Can I welcome our witnesses to the meeting? Would you like to state your names and roles for the Record of Proceedings?

[15] **Dr Goodall:** Good afternoon, Chair. Prynhawn da. I'm Andrew Goodall. I'm the director general and chief executive of NHS Wales.

[16] **Mr Dean:** Simon Dean, deputy chief executive of NHS Wales.

[17] **Ms Jordan:** Jo Jordan, director of mental health, NHS governance and corporate services.

[18] **Mr Heaney:** Albert Heaney, director of social services and integration.

[19] **Nick Ramsay:** Great. Thank you for being with us today. We've got quite a number of items that we want to run by you and we haven't got that

much time, so I'm sure Members will be succinct, and if you can be succinct in your answers, that would help as well.

[20] Turning to the governance arrangements at Betsi Cadwaladr university health board and the progress report from the Welsh Government, I believe that Rhianon Passmore wanted to kick off the questioning in this area.

[21] **Rhianon Passmore:** Welcome. Are you assured that independent members across Wales are attending sufficient board meetings and committee meetings?

[22] **Dr Goodall:** Chair, perhaps if I could just start to answer, but I'll ask Jo to comment more broadly on organisations. Chair, if it's okay, I just wanted to be really clear about the role of Simon's attendance here today. Knowing that you've been looking at Betsi Cadwaladr, and no doubt there are some broader issues, but Simon's here in his deputy chief executive role for NHS Wales. Obviously, you'll recall he was interim chief executive for Betsi Cadwaladr, but he will be helping us to answer some of the broader questions rather than anything specific about Betsi Cadwaladr, if that's okay. But I'll pass over to Jo just to give you some reassurance on the independent members training. Thank you.

[23] **Ms Jordan:** First of all, in terms of the attendance and the assurances we've given to the committee earlier, we are making sure now that the attendance of independent members is taken into account at the time of consideration of any reappointment of independent members and extension of their terms. So, advice on attendance, if that was necessary, would be included in the advice to the Cabinet Secretary when the recommendation for a reappointment is made. So, in most cases, actually, we're finding now that the system's working really well and the chairs of the health boards themselves will not be putting forward independent members for reappointment if their attendance hasn't been satisfactory, unless there are specific and particular circumstances due to illness or something like that. But we do check on that ourselves.

[24] In addition, we're requiring health boards now to include details of attendance by independent health board members in the information they publish on an annual basis, and we're tracking that as well in my team and actually going back to health boards where we think there may be a problem with attendance by an individual member. So, it's having quite a lot of scrutiny.

[25] **Rhianon Passmore:** Those are definitive steps that have been taken. In that regard, have there been any interventions or any suspensions of independent board members to date?

[26] **Ms Jordan:** That hasn't been necessary to date. It's been taken account of as independent members have come up for reappointment. There are one or two at the moment where we are asking health boards to examine their attendance with the chair. If we don't get satisfactory answers on the back of that, then we may need to move that on to the next step.

[27] **Rhianon Passmore:** And you feel there's sufficient rigour to be able to go down that pathway if those other actions—

[28] **Ms Jordan:** The mechanisms exist. It is about understanding the reasons for non-attendance, and as I say, they can sometimes be very justifiable reasons. But we have in our sights those board members at the moment where we are keeping an eye on attendance or are not satisfied that attendance is sufficiently regular.

[29] **Rhianon Passmore:** Thank you.

[30] **Nick Ramsay:** Lee Waters.

[31] **Lee Waters:** Thank you very much. I'm just interested in the broader lessons that have been learned from the experience of Betsi and how that can be applied to the other health boards that have been escalated up in recent months.

[32] **Dr Goodall:** We were using, with Betsi, not just the local experiences or progress, but we were actually starting to use the escalation framework for the first time since it was introduced, actually in response to a Public Accounts Committee recommendation. Although it was a very difficult decision to take, we know that it has stabilised the organisation. But you're absolutely right—there are broader lessons for other organisations in Wales.

[33] Members will be aware that we have given advice to Ministers from the tripartite process and that we have indicated that escalation has happened for three other organisations in Wales. I think that where Betsi Cadwaladr has been able to help us—although I would emphasise that it's a very different issue being in special measures than in targeted intervention—that really

does show much broader concerns for the organisation. There are various issues about the level of support that can be offered. There are individual issues for some organisations, but certainly where people are struggling on the planning side, we can have a benefit of that. There is a de-escalation criteria and framework that we actually developed for Betsi Cadwaladr as an organisation, and as we've been going through the support discussions with the other three organisations over recent weeks, we've been using that framework in terms of focus and, actually, an understanding of where, even though we want to push organisations to perform and do better, there is a need for us to think about some of the resourcing aspects and about what that means. So, we were able to convert some funding to be available for Betsi Cadwaladr to secure some of their local services, not least on mental health, and it's quite clear, as we talked to some of the individual organisations, that there may well be some financial aspects of support that we need to be offering as well, rather than just to push the organisation harder to allow a proper discussion on what their capacity means.

14:15

[34] **Lee Waters:** So, some of the learning was a lesson for Welsh Government and not just a lesson for the health board and the way that you've been managing it.

[35] **Dr Goodall:** We've also tried to go through our own governance process on this. So, I think it was important, given that we're overseeing and evaluating other organisations, that we've actually evaluated the way in which we've discharged our own support. In fact, just over the recent number of days, we've had an internal audit report in, which is part of our own governance for Welsh Government, which actually gives assurance about the approach that we've taken to date. I think, although we were probably learning for the first time to put in this level of action and support, that's actually quite helpful in the approach we're taking with these other individual organisations. But yes, absolutely, there are things that we can offer other organisations, but we've been using the escalation framework and we've had to learn about that experience at the same time.

[36] **Lee Waters:** I'm interested too not just in the lessons from difficulties, but the lessons from the success of the Wales ambulance service trust, which has been de-escalated. Equally, what are the lessons there that can be applied more generally?

[37] **Dr Goodall:** I think that we've been able to show that, with an organisation that was struggling on a range of different areas, the Welsh ambulance service trust didn't have a clear plan for the future. It was struggling with its performance targets and it was having difficulties in its financial balance in the middle of all of that. But we can take an organisation that is seen to be struggling and is of a high-profile nature, and I hope, through good central support, but clearly through good local leadership as well, it is actually possible to get an organisation back on track. Although often the escalation framework at these early stages demonstrates organisations that are going up the chain, who represent a concern, I think actually it was quite important to demonstrate that the escalation framework is to allow organisations to recover as well. Equally, I would hope that some of the balance with the Welsh ambulance service trust is that we were able to put local responsibility on the shoulders of the local team, but actually we did feel that we had some obligations and responsibilities to make sure we could support them as well from a central perspective. It was really good to see that they had an approved plan for the first time, and they were able, through the escalation process, to be downgraded to a normal environment as well. So, I think there are broader lessons there.

[38] Another organisation where we feel that they have recovered their position is Powys health board. Again, for different reasons, they were able to get to a mechanism where they had an approved plan in place for the first time, which had been missing before, and we've been really pleased to see them actually managing within their resources that they've had made available to them over the last two years. So, I think there's a lot of learning there for other organisations that are struggling, to know that they can recover.

[39] **Lee Waters:** And lots are struggling. It has got to be concerning that four of the largest health boards are now in some kind of special measures. So, what does that tell you, do you think?

[40] **Dr Goodall:** I think it tells us that, if we devised the framework to be disciplined about our approach to both planning and then our expectations for performance and progress, then we're using it. My view has always been that the escalation framework is there to be used. We try to drive the discussions around organisations in an equitable manner, which is open, through the tripartite process. So, of course, we take soundings not just from a Welsh Government perspective. This is a process that is done alongside Wales Audit Office and also Healthcare Inspectorate Wales. I think it's a sign

that we are intervening. I think that there is more discipline in the system, and I think the particular issues around the organisations that have been escalated on this occasion—it's our expectation to have a very clear plan for the future and to take us through the next three years or so. I think one of the things we've learned from Betsi Cadwaladr is the point of intervention, maybe. I think that we've probably intervened with those organisations at the right time. I have to put them back on track at the moment, but I don't see it as a systemic issue; I just see it as us using a framework that is in place to be more disciplined and make sure that we're putting the right kinds of actions in support of the organisations.

[41] **Lee Waters:** Finally, Chair, it seems that the pattern is that the centre is assisting more—giving more capacity, more assistance—so, are you satisfied that you have the capacity at a central level to be able to do that extra hand-holding?

[42] **Nick Ramsay:** 'Yes' or 'no' is fine, because we've got other speakers.

[43] **Dr Goodall:** I think that we have got capacity on the one hand, but the more we have to get alongside organisations, the more we'll probably need to develop that expertise or to be bringing it in. Within the discussions that we're having with organisations is not just what we expect them to deliver or what we're going to bring in Welsh Government expertise; it may well be about bringing in external support as well at the same time. So, I think we have to keep an eye on it, because obviously there are three more organisations within the system. But I would emphasise, as I said earlier, Chair, that a special-measures organisation is of a very different nature to three who are under a targeted intervention on very specific issues.

[44] **Nick Ramsay:** Mike Hedges.

[45] **Mike Hedges:** Leading on from that—I don't think you're going to agree with me on this; in fact, I'm fairly certain you won't—wouldn't a person who was looking at this see that the largest organisation has got the most problems, that three of the next four largest organisations have got the next set of problems? Wouldn't someone looking from outside say, 'Have we got the structure right? Are some of these too diverse and too large to manage as they are? And have we got the structure of health in Wales right, and do we need smaller organisations, which, according to you, are performing substantially better than the large ones?'

[46] **Dr Goodall:** Well, I guess it depends on your definition of large organisations. You've got organisations with very significant budgets that are managing to retain an approval status and not be escalated at this stage. So, Aneurin Bevan health board has got a £1.2 billion budget and has got an approved plan and isn't escalated at this stage. So, I think that's not been reflected to the Public Accounts Committee before. I see it more as a question of leadership and focus and the local capacity to move things on. I don't think that size is the only equation in all of this. I do think we've been able to demonstrate equally that smaller organisations are able to be making progress, and equally those that have got more of a national role as well. But I don't think size is the only issue. I think it's more important about the focus of the organisation within that planning process.

[47] **Mike Hedges:** So, isn't it strange, then, that the largest organisations seem to have the worse problems in terms of management and focus?

[48] **Dr Goodall:** Chair, as I just said, Aneurin Bevan's got a £1.2 billion budget—arguably it could be seen to be one of the largest organisations, and hasn't had the same problems around escalation and approval.

[49] **Mike Hedges:** Four of the five largest—five of the sixth largest are either in targeted intervention or special measures, aren't they? You've managed to pick one that isn't, which is very good et cetera, but, surely, if a football team loses five matches and wins one, you'd think there's a bit of a problem. Surely, if you see that five of your six largest have got problems, don't you think that may be a problem?

[50] **Dr Goodall:** I think one of the criticisms of NHS Wales over the years has been, to some extent, the discipline and making sure that we have acted at the right moment with different areas. I think we're just simply using that scheme. The targeted intervention, although planning is a core issue, does reflect some individual and discrete issues for those individual organisations within the wide variety of services and responsibilities that they have. So, I understand why you're asking the question, but I don't think, from our own reflection on the individual organisations, that it's simply just a question of the size. I think there are some individual perspectives that we have to reflect on.

[51] **Mike Hedges:** What would need to happen for you to think that there might be a problem with the size? I mean, what would need to happen for you to say, 'There is a problem with the size?' Would you need Aneurin Bevan

to go into special measures as well, or into targeted intervention? Or is there something else that would make you actually think that there may be a problem regarding the size?

[52] **Dr Goodall:** I don't accept the size issue. I believe that the planning process is probably the most significant challenge that we've put in place at this stage, and I think we've been very clear to make sure that we have clear expectations for organisations, that we're actually responding in a more disciplined way at this stage. Clearly, if we end up with every organisation in Wales on an escalation framework, then that is a concern. It's not what's it's designed for, but I think that's why, Chair, it was important that we ended up with organisations that were dropping down that. At the time that we announced those changes, although the Welsh Ambulance Services NHS Trust didn't get the focus, it was important to demonstrate that organisations could come down.

[53] **Mike Hedges:** I won't go any further.

[54] **Nick Ramsay:** You managed to get a question in related to football teams in a question on Betsi Cadwaladr, which is quite impressive. [*Laughter.*] Did anyone else—Neil, did you have a further question?

[55] **Neil Hamilton:** I'd just like to explore what happens when a board is put into targeted intervention. You act as a kind of management consultant to them—is that what happens? You send in a team of people to investigate where the current, most glaring failures might be and then give them advice on how to restructure their delivery or provision of services.

[56] **Dr Goodall:** I'll come to Simon, maybe, to outline some of the areas. I probably wouldn't quite describe it as management consultancy, but, certainly, there is a line-management oversight of the NHS in Wales—that we have a responsibility for the organisations. But as much as it's important that we set expectations and challenges, it's also right that we have a relationship that is about the support. So, yes, we are able to use individuals within our own teams with particular expertise. We actually oversee some functions like the delivery and support unit. That can give us helpful feedback on very operational areas, for example, about how unscheduled care works and we have that available. But through the director of finance for NHS Wales, he has an opportunity to form a professional opinion about whether, perhaps, external support is commissioned. But as we dealt with the Betsi Cadwaladr escalation process, we did bring in people with very specific expertise and

that was funded by Welsh Government in order to help the organisation to recover. Simon, you might to outline the process.

[57] **Mr Dean:** Not a huge amount to add—I've spent quite a lot my time talking to these organisations that I'm responsible for planning, amongst other things, for. So, I will sit down with the chief executive, with directors, we'll talk about the specific areas of challenge and we'll talk about how they plan to work their way through it, because I think it's very important that the organisation is in the driving seat as much as possible, because it's for them to work their way out. As Andrew said, we will agree sources of advice, from wherever that may best come, that are particular to the issues that they have. I maintain a very close, ongoing relationship with those organisations.

[58] **Neil Hamilton:** And the Welsh Government pays for that aspect of what you do.

[59] **Dr Goodall:** There's choice in how we deploy it. Again, learning from the Betsi Cadwaladr experience, but reflecting some of the current discussions we're having, you don't want to remove all of the local responsibility for organisations to take responsibility for change that they can put in place. But it would be quite right to say that, in our experience, there are areas where, yes, it's right that we should be supporting specific interventions as part of the either targeted intervention or special measures mechanism. So, we won't agree to everything that should be in place that organisations may ask for, but we do make a very material contribution if we feel it's appropriate.

14:26

Gofal heb ei Drefnu: Adroddiad Cynnydd gan Lywodraeth Cymru Unscheduled Care: Progress Report from the Welsh Government

[60] **Nick Ramsay:** Neil, did you—?

[61] **Neil McEvoy:** My concern is the ambulance service, and, to dig down a little bit more, I just wondered, what are the changes in criteria between amber and red calls for ambulances? Because there was a regional constituent whose child actually impaled himself on a radiator through his eyeball socket, and it was an amber call. So, if that was an amber, then what is a red, really?

[62] **Dr Goodall:** Simon?

[63] **Mr Dean:** Red means immediately life-threatening—that's the broad description. I couldn't give you it now, but I can provide, if you like, a description of some of the particular clinical conditions that will fall within that categorisation. Obviously, I'm not in a position to comment on any individual case.

[64] **Neil McEvoy:** I'd like to know the changes in the criteria. So, what was red or amber at one point, and then, after intervention, what did it change to? Because I think there's concern from this side of the table as to the motivations, in terms of a target-driven culture, as to why things change, really. So, if I could have that in writing I'd really appreciate it.

[65] **Mr Dean:** Yes, we can provide you with a list outside of the meeting. I think, broadly, the difference is that there are some calls classed as red, ones which need a response within a specific time period. For other calls, the intention is to provide a response in a clinically appropriate timescale. You might be interested to know that the Scottish Ambulance Service is now piloting the model that we've developed in Wales, and there's quite a lot of international interest in the approach. Bearing in mind that the old target times were developed, I think, in the 1970s—from memory—when the role of the ambulance service was very different and its role essentially was to transport people to hospitals, now it's a clinical provider of service. So, the response model can and should be quite different.

[66] **Neil McEvoy:** What's your view of the child in question being left for an hour without any attention?

[67] **Mr Dean:** I'm not a clinician and I don't think it would be appropriate for me to comment on a specific example.

[68] **Neil McEvoy:** Can anyone comment on that?

[69] **Dr Goodall:** In general terms, I would say that the clinical response target was a change of the overall model. So, it's not just about the individual targets, it is focused on patient outcomes. Having said that, we are tracking, during this pilot stage, some of the individual areas of performance. The median time response on an amber call is around 13 minutes. On the latest figures that we've got in the public domain, median response for a red call was about 4 minutes as well. So, we are trying to make sure that there is

improvement, and the easiest way to deal with the specific circumstances is to be able to take those outside of this particular environment and look at it. But, certainly, we will be expecting a response to serious calls, and there are some time limits within that process as well.

[70] **Nick Ramsay:** That's fine. Just in case you hadn't noticed, we have seamlessly moved on to item 4, the progress report from the Welsh Government into unscheduled care, but I think you'd picked up on that anyway. So, thank you, Neil, for that question. I think Neil Hamilton also had a question in this area.

[71] **Neil Hamilton:** Yes, I was interested in the response time figures, because the red alert calls are a very small proportion of the total, aren't they—less than 5 per cent, I think, from memory? And whilst the welcome improvement that we've seen in the response times for red calls shows that you're making some progress, we haven't really got a great deal of information about the 95 per cent of calls that are not red calls and what the response times are. You've just said that the average time for amber calls is 13 minutes, which is not a figure that I've seen before. So, how are you monitoring the response to amber calls? I mean, there must be, presumably, a huge range of conditions that an amber call covers, from the almost life-threatening to the almost minor injury, and therefore it's not, perhaps, very easy to draw lessons from a figure that simply has a response time for amber calls over such a huge range.

14:30

[72] **Dr Goodall:** Obviously, having changed the clinical response model around, and that was on the basis of very strong professional and clinical advice, which is why there's such a lot of interest outside of Wales in how this is being developed, we have also tried to make sure that there is a lot of information out in the public domain. I'm very happy to provide some further detail on that, but we have tried to, on the one hand, ensure that there is a focus on the life-threatening calls—

[73] **Neil Hamilton:** Of course.

[74] **Dr Goodall:** —which are those that you see on the reds, but even within the statistical information that emerges in support of that, we do show some of the other performance in the system. They are also supported at a level of detail by clinical quality indicators that are actually put in the public

domain on a quarterly basis, and although I know that, for many people, you would want to continue to focus on the response times for very appropriate reasons, we're trying to ensure that that quality set of indicators is used much more strongly as we go forward. We've now got data that are over a year old. We're able to track this daily, weekly, monthly. The quarterly indicators come out just to reinforce those messages as well, so there's actually quite a lot of information out in the public domain, and one of the important areas that we're looking to highlight is simply the impact and the improvement for individual patient outcome, which was the whole premise of doing this as well. So, Chair, if it's helpful, I'm very happy to perhaps draw out some of the key messages from some of those reports, given that they are already in the public domain.

[75] **Neil Hamilton:** I'd be very interested to see those figures, yes. Thank you very much.

[76] **Nick Ramsay:** That would be helpful, yes. If you could provide the committee with that, that would be useful. Mohammad Asghar.

[77] **Mohammad Asghar:** Thank you very much, Chair. This is on unscheduled—in September 2016, 3,146 calls were made to NHS Direct numbers that were unanswered. What is the Welsh Government doing to ensure the capacity is increased in this resource, and what is the end cost of the NHS for these lines? Are they really necessary?

[78] **Dr Goodall:** Well, I think the NHS Direct approach is a very necessary use of resources, particularly in terms of supporting the public to navigate themselves to alternative services, allowing for the fact that, obviously, there will be a number of patients in the population in Wales who need to end up being seen properly in the hospital environment. There are every year—sorry, last year there were 311,000 calls made to NHS Direct, which is about 10 per cent of the Welsh population actually using it as a helpline to be navigated into the system. Actually, the website, five years ago, six years ago, was receiving about 500,000 hits. That's now up to over 4 million hits, which is people looking to access their own information for support, answers to questions, and, indeed, routes into individual services as well. So, I think, without removing the need, of course, for A&E departments to be the focus of 1 million of our population attending every year, these are all highly appropriate mechanisms to be in place to try to allow patients to access the alternative services that they will seek on occasion.

[79] The importance of NHS Direct as well is that, at a time when it is very clear that a patient needs to be fast-tracked into an unscheduled care part of the system, indeed a hospital, they will be given that advice to go down that route as well. But hopefully the numbers that I've shared show that there's a very material contact with these services, and, in fact, it has increased over the last five years in particular.

[80] **Nick Ramsay:** Mike Hedges.

[81] **Mike Hedges:** Just very briefly, a GP out-of-hours service is sometimes run alongside accident and emergency—an example is Morrision Hospital—but in other places, they do not. Do you have a view on whether it is a good or bad practice to do so?

[82] **Dr Goodall:** Simon, do you want to give a view?

[83] **Mr Dean:** Well, the first thing is that we want services to work together effectively, wherever they may be located. I think there are advantages in the co-location of services. That's been shown to work in some places. That does not necessarily mean that, in areas where services are not co-located, either the quality of care or the access to care is poorer.

[84] **Dr Goodall:** We do know that the Royal College of Emergency Medicine has been indicating its support for co-location of these areas, and I think it's an area that, as we have winter plans in development, and certainly as part of the local unscheduled care system, if there are abilities to improve that—I think you're right to reflect on the experiences in the ABMU area. I think the out-of-hours service is seen to be particularly resilient there. But, again, even through the focus that we had on special measures in Betsi Cadwaladr, I was really pleased to see some ongoing improvement up there, and certainly through this last winter it seemed to be a much better arrangement. But some of these need to offer some more practical services at the front door as well.

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

[86] **Rhianon Passmore:** Firstly, I'd like to welcome the proposed or, we think, potential adoption by Scotland of our clinical response model, and the upward trends that have been mentioned. Are we satisfied, or is Welsh Government satisfied that the winter plans for NHS bodies are indeed adequate?

[87] **Dr Goodall:** Chair, if I respond briefly, and again I'll ask Simon to give an overview because of his oversight of some of these plans. We've put these winter plans in place over and above just our annual plans, because we know the NHS is inevitably busy on a daily basis through the front door, whatever time of year it is, but there's always a more exceptional pressure that is to be managed over the winter period. So, I think we've learnt an awful lot over the last four years with plans. As soon as the winter is technically finished, we're preparing new plans for the new winter. There are a number of additional actions that are being put in place during the course of this winter. We've used other flexible money, such as the intermediate care funds, to raise our expectations and the plans that are in place over these last two years. But it's quite clear that, as you go into a new winter period, it can be driven by specifics—such as changes in flu levels and uptake around flu immunization—and that we will be managing a more challenging period of time. So, some of the plans that we put in place are actually to allow for the fact that we do expect, for example, the first two or three weeks of January to always be a particular area of challenge. That allows people to reorganise some of their elective work—the way in which operations are being undertaken—hoping to relieve beds and pressures. So, I absolutely believe we've learnt a lot every year over the course of the last four years, but it would be right to say that we would still expect there to be some challenging trends and periods of time ahead of us. But I think that there will be a very professional response from staff and organisations on the ground.

[88] **Mr Dean:** The—

[89] **Rhianon Passmore:** Sorry. 'Are they adequate?' is my question. So, are you satisfied?

[90] **Mr Dean:** Well, we continue to work with all of the health organisations, and I think there are some strong positives: firstly, multi-agency work is definitely continuing to improve, so we're seeing a lot more close work between health boards and local authorities around social care, for example; a lot more integrated working within the NHS between primary care and secondary care, so a much more significant system focus. As Andrew said, there are some pressures that will be harder to manage—for example, some of the workforce pressures in some parts of Wales will continue to challenge us—but what I think we're seeing is a lot more evidence-based planning, where people are learning from the successes of actions taken in previous years. And, indeed, in some cases, learning from

the things that didn't quite have the effect intended, and changing the focus of attention.

[91] So, my team and I will continue to work with health boards throughout the winter period. Planning is not a static process. It's not simply a matter of writing a plan and that's it. It's about working with organisations day by day, and learning as we go. So, we have a good peer support network, we've good learning across organisations. There will be challenging times in the winter, because there always are, but I get more confident each year that the NHS is better placed to manage those peaks in activity.

[92] **Lee Waters:** Can I just come in on this? I was—

[93] **Nick Ramsay:** We haven't really got time, I'm sorry, because we're two minutes beyond this already. So, Neil McEvoy, did you want to—? Very, very briefly, because we've got to move on.

[94] **Neil McEvoy:** It's a really quick one. Has there been any time over the last 12 months where there's been no GP covering the out-of-hours service?

[95] **Dr Goodall:** Out-of-hours services are run by every individual health board in Wales, so we don't run it as Welsh Government; they are run by the individual organisations. They have workforce challenges to maintain those, and there will have been examples of more difficult shifts to cover at various stages through the year. There are some organisations in Wales that have put in place different services in order to have a more resilient service, so I know Cwm Taf, for example, have put in some changes over recent weeks and months, which has led to a much better cover of shifts. There will not have been an occasion where a whole area will have been left without that kind of cover, but, equally, it's not just about the GPs being available; the out-of-hours services run very much as a multi-disciplinary team. It would be very difficult for me to personally comment on an individual day or shift, given that this is an operational management issue for the health boards, but we do have standards in place that we do monitor these kinds of areas. Although organisations will highlight pressures, you wouldn't expect that to be a frequent occurrence. In fact, it would be a very rare or exceptional time.

[96] **Neil McEvoy:** So you're not aware of any time at all, then?

[97] **Dr Goodall:** I know that there have been some struggles on some shifts with some individual sites, rather than for a whole health board area,

which have been a difficult issue. But for a whole health board site to not have any primary care access out of hours, I'm not aware of that having been a problem, no.

[98] **Neil McEvoy:** Okay. Thanks.

[99] **Nick Ramsay:** Lee, did you want to come back briefly?

[100] **Lee Waters:** Yes. A tweet caught my eye over the weekend from a consultant, I believe in Cwm Taf, who said that, when you're going into winter with a bed crisis and under-filled rotas, you're already four steps behind the starting position. So, that's an experience on the ground. It's not quite as sanguine as the position we're hearing today about the preparedness for winter.

[101] **Dr Goodall:** I think we've confirmed that we expect there to be challenging periods, and, just because we're developing a winter plan, it doesn't simply remove issues that people will have generally with workforce recruitment. Even though we've seen staffing numbers increase over recent years, there are always new demands and pressures to respond to. We can use part of last year's experience, because although we knew that there were some increases in A&E attendances and general demands within the system, actually, it was possible for us, despite that, to still demonstrate, despite a very challenging period of time, some reduction in patient cancellations, so any non-clinical reasons for cancellation that occurred. And, in fact, we were able to deliver more elective activity January to March, than the previous January to March as well. So, I don't think we're sitting here to say that all of the perfect arrangements are in place. We know, from the trends and the data in place across Wales that there will be some very difficult individual days at this stage, but it is important to continue to show progress with the actions that are in place, and also some of the measures and outcomes at the same time.

[102] **Nick Ramsay:** I would point out that this is being looked at by the Health, Social Care and Sport Committee, and they will be publishing their own findings in the not-too-distant future. So, this really is an overview for us today and if there are any issues of particular concern to the Public Accounts Committee, then we will be obviously looking further into that.

14:41

**Fframwaith Cenedlaethol ar gyfer Gofal Iechyd Parhaus y GIG:
Adroddiad Cynnydd Llywodraeth Cymru
National Framework for Continuing NHS Healthcare: Progress Report
from the Welsh Government**

[103] **Nick Ramsay:** Okay. Item 5 is our consideration of the national framework for continuing NHS healthcare and, again, a progress report from the Welsh Government. Neil Hamilton, did you have a question?

[104] **Neil Hamilton:** Hang on just a second. Did I? I don't think I did.

[105] **Nick Ramsay:** It's page 38 in the pack. Rhianon, would you like to come in first?

[106] **Rhianon Passmore:** Recommendation 6 updates and explains some of the governance and accountability arrangements. My question, really, is whether we are satisfied and Welsh Government is satisfied overall with the effectiveness of the governance arrangements around complex care, as described in the paper. So, what's your view on that?

[107] **Dr Goodall:** Very briefly from myself, and Albert will pick up on some of the detail, just really to state, as per previous Public Accounts Committee attendances, that we've really reviewed this very seriously. It was important to recognise that, at various stages, there had been problems with some of the processing of continuing healthcare claims. Certainly, as we were last here responding to the committee, we gave a number of reassurances about the system having changed underneath, not least with the responsibility that had been vested in Powys, but perhaps, Albert, if you could outline some of the governance responses, that would be good.

[108] **Mr Heaney:** Yes. Thank you very much. We have taken on board and taken forward the issues raised at this committee previously, and also those that have been raised by the Wales Audit Office. As part of that, we have established governance arrangements that are particularly strong. We have a national complex care board that oversees the process, and has the national information coming forward on performance and performance management, so we're able to scrutinise. We have a stakeholder reference group; we have a performance and operations group that's delivering on the operational delivery, and, importantly as well, we have a retrospective claims management group in place. So, in terms of the governance arrangements

and the processes—. There are also, importantly—that’s what Welsh Government are involved in, but there are reporting requirements upon each local health board to report their performance through their board structures as well. Again, that’s an important aspect of monitoring and making sure that performance is delivered.

[109] **Rhianon Passmore:** So, have the issues around attendance and the issues around the national group memberships been resolved?

[110] **Mr Heaney:** In terms of attendance, I jointly chair the national complex care board with the chief executive from the local health board in Powys. That membership is representatives of each of the local health boards in attendance, and, throughout the process, it’s been important that the executive director leadership from the local health board is involved in taking forward these serious recommendations and actions that need to be delivered and have been progressed.

[111] **Rhianon Passmore:** So, is that attendance now—?

[112] **Mr Heaney:** Yes. We’re getting good attendance at those meetings and we’re getting good attendance. What we’re stressing, however—and this is the point—is sometimes we get an executive director attending and sometimes we get a representative of the health board, and we are stressing that we want to see that executive director membership. But we are getting representation from each and every health board.

[113] **Rhianon Passmore:** Okay. So, at the executive level, Chair, if I may, how are you ensuring that happens?

[114] **Mr Heaney:** Through discussion directly with them and through discussions with the national director for complex care as well.

[115] **Rhianon Passmore:** Okay.

[116] **Nick Ramsay:** Neil Hamilton.

[117] **Neil Hamilton:** I presume there are some human resource implications behind this exercise, given that it’s very expensive to provide continuing healthcare for any individual patient and the numbers that are involved here are significant. I guess the average cost to the NHS of deciding to provide CHC to an individual might be £40,000 to £50,000 a year, or something of

that kind, would it be?

14:45

[118] **Dr Goodall:** There can be some very expensive packages of support, for the right reason, because they are determined by a primary health need and it's right that the NHS takes on the responsibility, but, yes, if we look at over the last decade, for example, the spend on continuing healthcare has increased from over £100 million to currently about £390 million per year. There are 5,500 individuals who are supported—that's at least 1,000 more than was originally the case. Certainly, the packages have become more complex; it's also a remit that requires broader relationships, working with other agencies and social care at this stage.

[119] Having said that, the actual amount of money that has been returned through this process is of a lower scale—although material—compared with that. So, to this stage, only about £5.9 million has been returned as part of the eligibility reviews. That's the equivalent of about 2 per cent of an annual budget, but, obviously, spread over that time, I think that should give some further confidence about the resilience of the system and the way in which we're now starting to make sure that people's care is appropriately being picked up locally within the right kind of packages of care.

[120] **Nick Ramsay:** Lee Waters.

[121] **Lee Waters:** I just want to ask about this study that the Welsh Institute for Health and Social Care are doing for you, focusing on the experience of users and patients, if you can you tell me a little bit more. I'm interested in the patient experience that you've discussed a number of times in a number of your responses, if you can just tell us a little bit more about that work.

[122] **Mr Heaney:** Yes. Thank you. Thank you very much for the question. The Welsh institute is basically leading for us on a major engagement exercise with people who are involved in the continuing healthcare process and their families and their carers. They've been out in terms of doing fieldwork in the local health boards and will report back to us in November. So, we aim to use that learning at events that are taking place in November and to take forward then a publication in terms of key findings so that those key findings can be used within the national complex care arrangements within Wales to be more proactive in the future. So, it's a major, major exercise. I think, in terms of ourselves, we're very much looking forward to

those findings and the key messages, both for ourselves as Welsh Government, but also then in terms of the local health boards.

[123] **Lee Waters:** Beyond a snapshot survey, how can you engage with those families to provide continuous challenge to the system?

[124] **Mr Heaney:** There are a few things that are currently taking place. One is that performance management arrangements in Wales are particularly focused around the whole experience. And, as sample audits, we've been able to look very closely, with the sample audits as well that have taken place—that's in addition to this particular exercise. Those sample audits particularly, as part of it, will look for the engagement of the citizen. The feedback from those sample audits is particularly positive in relation to engagement of citizens and their families and carers. So, that, again, is a very, very encouraging step that has come forward.

[125] Alongside that then, we have a self-assessment process for local health boards, and, as part of that process, again, they're engagement with the person—with the citizen—is at the heart of that as well.

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

[127] **Nick Ramsay:** Neil Hamilton.

[128] **Neil Hamilton:** Can I ask you about the Powys project to start with? There were significant staffing problems in terms of retention, but there were also constraints of an IT nature and also problems in securing information from health boards and also—[*Inaudible.*]-ongoing funding. I realise this has been a self-limiting project—[*Inaudible.*]-but could you give us an update on where we are with this now?

[129] **Dr Goodall:** It's much improved and good progress, but I think Albert will be able to outline that.

[130] **Mr Heaney:** Thank you very much. There were a series of questions within that. The simple ones to tick off: the IT was sorted, and that was sorted back in August 2015. In terms of the funding arrangements, that was confirmed, so the funding arrangements are in place. In relation to retention of staff, that remains an ongoing issue, although the delivery has continued to increase pace in terms of the completing of the requirements of a continuing healthcare process, and Powys project have completed all of their

phase 1; they are currently well into phase 2 and phase 3. But recruitment is a problem, and the reason it's a challenge is that these staff involved in completing this particular skilled work are actually very skilled and therefore become a really desirable commodity—they've got good skills and are easily able to progress in terms of career development.

[131] Importantly, the Powys project are responding to the challenge by seeking to over-recruit, in a sense, to have that stability going forward.

[132] **Neil Hamilton:** So, what is the problem with Powys in terms of its attractiveness for somebody to work there if there is this high turnover?

[133] **Mr Heaney:** In terms of the turnover, I think, in terms of recruitment—. In terms of recruitment, they've been able to recruit. They have recruited very skilled professionals—

[134] **Neil Hamilton:** But they don't stay.

[135] **Mr Heaney:** They stay for a spell, so it's important to recognise the quality of that work and that they do actually stay for a spell. But, like everything in life, it's a particularly daunting task. The chronologies alone and the work that needs to be completed is particularly rigorous, and they do that and they've done that well, but they do become—fortunately for them, unfortunately for us—a desirable commodity and are able to make steps forward in terms of their career. Again, as long as we're developing our talent in Wales, then that's a very important step as well.

[136] **Neil Hamilton:** There's nothing you can do contractually to reduce the incentive to move on?

[137] **Mr Heaney:** I think it's one of those issues where I think the approach at this stage is to try to over-recruit and to do it that way, rather than get a kind of golden handcuff or something of that nature because, again, those issues can work successfully in some sectors but, in other sectors, they can be a factor that would diminish potential recruitment as well.

[138] **Dr Goodall:** We have a national contract in place through 'Agenda for Change' that's intended to give consistency across Wales, rather than have one organisation that's able to offer more. I think the tension, and I recall presenting this with a recent Public Accounts Committee, is that we are both trying, in a professional way, to resolve the outstanding retrospective claims

but, of course, we are still trying to move a system that is actually dealing with it upfront with those patients currently in our system and, obviously, that's a shared set of skills and a shared set of resources. So, I think we feel in a much better place than we were, certainly on some previous Public Accounts Committee attendances. But, as the Powys project comes to an end and some of the timescales up to 2018 finish, you can see that staff at some point may want to shift some of their attention to going into substantive roles, perhaps within other local health boards in Wales.

[139] **Nick Ramsay:** Very finally, and briefly, Mohammad Asghar.

[140] **Mohammad Asghar:** Thank you very much, Chair. My question is whether the problematic issues that the auditor general raised previously about attendance and the membership of national groups have been resolved.

[141] **Dr Goodall:** The membership of national groups and the people who are turning up to support those.

[142] **Mr Heaney:** Yes, and I've responded to the Member today. Yes, very much, those groups are being attended and being very much—not just in terms of attendance; I think that's the important thing to get across today. They're really meaningful discussions. People are really active in this area and very dedicated to the improvements that have been required. If we look at some of the data that are coming forward, the data actually are showing us that the process of balancing that—dealing with the past, but dealing with the present—is beginning to make a substantial movement forward in terms of the numbers of cases completed.

[143] **Nick Ramsay:** Okay, thank you, Members.

14:53

**Adolygiad o Effaith Ymarfer Preifat ar Ddarpariaeth Gwasanaethau
Orthopedig y GIG
Review of the Impact of Private Practice on NHS Provision and
Orthopaedic Services**

[144] **Nick Ramsay:** Item 6 is the review of the impact of private practice on NHS provision and orthopaedic services. Rhianon Passmore is going to ask

the first question.

[145] **Rhianon Passmore:** Thank you, Chair. Relating to the auditor general's recommendations on the need for Welsh Government guidance and the clarity of that around private practice transference to NHS waiting lists, when will this clear guidance be produced and issued and, consequently to that, how will it be monitored and assessed?

[146] **Dr Goodall:** We have had two task-and-finish meetings to work it through. Although there's a central set of expectations, it's important to make sure that there's a practical understanding of this that is influencing it. We've got a draft of guidance that is available at the moment. We'll be sharing that with the task-and-finish group in December for them to indicate that they're content with it. I would want to just go around another loop with the service in Wales to make sure that this links with their local systems. We're looking to issue that in January. Hopefully, what we can do is have the clear guidance in place ready for the new financial year, therefore, on 1 April. But it's really important, given some of the variation that was outlined in the Wales Audit Office's report, that we are able to account for some of the local systems that were in place within the individual organisations. That's why I just want to have that final loop, but we should have it in place for the new financial year.

[147] **Rhianon Passmore:** So, once it's been adhered to, how is that going to be monitored and assessed?

[148] **Mr Dean:** Just to add to Andrew's comments, we need to build this into our full suite of rules around the management of planned care, so it's a part of a bigger set of requirements that we manage through our performance management processes. So, we have regular interactions with the health board and regular data returns so that we understand what they're doing within their organisations. My team run what we call quality and delivery meetings, so, every couple of months, they sit down and go through all of the practical delivery issues with each of the individual health boards and trusts, and referral to treatment features large in those discussions, so this will be a part of that set of discussions and meetings.

[149] **Rhianon Passmore:** So, it's part of that existing system.

[150] **Dr Goodall:** And having given it a profile, not least with the Wales Audit Office report, we'll keep an overview at a national level. From an

activity perspective, some of the activity that we're reporting in here is of a very low level—about 0.1 per cent or 0.2 per cent of the overall activity that's going on in NHS Wales. So, we just need to make sure that our monitoring arrangements demonstrate that it's, on the one hand, high profile, but is proportionate to the activity that's going on on the ground.

[151] **Rhianon Passmore:** Thank you.

[152] **Nick Ramsay:** Lee Waters.

[153] **Lee Waters:** I take your point that, in relative terms, the volume is relatively small, but, nonetheless, the auditor general's report was quite clear that there was practical impact on the capacity of the system and that consultants were doing private work in NHS time, and there was evidence to show it was having adverse impact on NHS sessions and the system seemed pretty complacent and not alert to its monitoring. So, as part of the new guidance, you can assure us that the system will be alert and will crack down on this.

[154] **Dr Goodall:** As the auditor general's report showed, there's been a reduction in private patient activity taking place in NHS Wales anyway over the recent three or four years or so. But, absolutely, it's a really important report that is registered as such. We'll be making sure that the principles are understood about this and we do expect local systems to be in place that can exert that kind of rigour. You're right that there are aspects where bed days have had an impact on the NHS—we need to make sure that we understand the circumstances for those. The bed days that were associated with in-patients for private patients amount to about four beds in the whole of Wales when you add them together, so again there's a proportionate approach that we need to take—but, yes, absolutely, as I accepted earlier, it's a very serious report. We just want to make sure that there's a proportionate focus on the ground.

[155] **Lee Waters:** Did the report surprise you at all?

[156] **Dr Goodall:** I was aware that the level of private patient activity was decreasing across the NHS in Wales. I think you've got organisations in different historical places about the systems that they have in place. For some organisations, over time, it's probably been a more significant issue about income generation—the report quite clearly shows that that's a very different position over the last four or five years or so, but I was concerned

with some of the variation in the local systems and we accept and have agreed to the recommendations that these must be tightened up within the system.

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

[158] **Nick Ramsay:** And Neil McEvoy.

[159] **Neil McEvoy:** Just really quickly—if the Chair would indulge me—I'd just like to take a step back to the GPs issue again and I would ask you if you would investigate the different health boards and the clear allegation and concern that I have that out-of-hours cover is not covered by GPs on occasions. If you could check with the health boards and then report back to the committee, would that be okay?

[160] **Dr Goodall:** Indeed. I'm very happy to do that, and hopefully—in the sense that I wouldn't be operationally involved in every day-to-day set of circumstances, but I would agree I would need to go away and look, I'm reassured by the standards we have in place. We'll take a look and see what it's meant for an individual health board because I simply wouldn't be able to comment today.

[161] **Neil McEvoy:** Yes, fine. If you could do that, because I'm advised that it is happening and that's a serious issue.

[162] **Dr Goodall:** As I said earlier, I think there have been examples of sites having difficulties with coverage and that's why it's important to make sure that we've got broader multidisciplinary team representation, not least primary care nurses, pharmacists and a broader team in place. I will look for the detail that you've asked for.

[163] **Neil McEvoy:** Because nurses are advising not GPs, it's alleged.

[164] **Dr Goodall:** Nurses have a proper function to discharge in terms of primary care triage, not least around out-of-hours services. So, again, we would need to look at the circumstances because patients may be actually receiving the right level of response and service for their needs, but I will go and ask—

[165] **Neil McEvoy:** With respect, the circumstance is that there are no GPs available, so there's a gap in the service. So, rather than dance around and

say that it could be acceptable for nurses and so on, I would ask you just to take on board the point that there is a concern that there are no GPs available and therefore the service being dispensed may not be good enough. Maybe I'm misinformed, but, if you could do that, I'd be grateful.

[166] **Dr Goodall:** Yes. Chair, we'll get to the detail and ask health boards that question because I wouldn't be in a position to respond today. That's fine.

[167] **Nick Ramsay:** Neil Hamilton, did you have a—?

[168] **Neil Hamilton:** I've asked my question.

[169] **Nick Ramsay:** Mike Hedges.

[170] **Mike Hedges:** You said there'd been a reduction in private orthopaedic practice—to the last question, I think. If you didn't say that—

[171] **Dr Goodall:** Private work, not necessarily orthopaedics.

[172] **Mike Hedges:** Private work. Do you mean private work funded by the NHS or do you mean private work privately funded or do you mean both?

[173] **Dr Goodall:** I think, as the report says, there has been a reduction in the private patient activity taking place within the NHS, which was the focus of the particular report. There are examples of outsourcing arrangements that have been in place over many years, where patients, in order to reduce waiting times, may well have access to other actions on a local basis. So, that's a separate process from this particular report. But, when I was clarifying it, I was talking about the private patient activity within the NHS itself, which is what the focus of the report was.

15:00

[174] **Mike Hedges:** Yes. It was just the answer that I found ambiguous, so I just wanted to remove that ambiguity. Thank you.

[175] **Nick Ramsay:** Okay, can I thank our witnesses for—? Oh, sorry, Rhianon Passmore has one more question.

[176] **Rhianon Passmore:** Sorry, Chair, I'd like to just underscore—. So, is

there then a Welsh Government view on the potential restriction of private practice activity?

[177] **Dr Goodall:** Private practice activity is allowed for within the NHS, in terms of its original constitution—

[178] **Rhianon Passmore:** And I was referring to NHS consultants, obviously.

[179] **Dr Goodall:** It's allowed for within consultant contracts, because they are through a national contract that's in place at this stage. People are able to discharge that, but the main expectation would be for them to do so properly and under their own time outside of the NHS itself. That's why I think you can see a feature that there's been a reduced level of activity in general terms. So, it's not something that's been removed from within the system, at this stage, but I think the fact that the activity's been reducing is that that's not necessarily seen to be core business. I think that the fact that we've got 99.9 per cent of activity taking place on an NHS basis, out of overall activity, probably demonstrates that as well.

[180] **Nick Ramsay:** Now I will thank our witnesses for being with us today. A draft transcript will be sent to you by the clerk for checking before being finalised.

[181] **Dr Goodall:** Chair, thank you very much. Diolch.

15:01

**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 eitemau 8 a 10 y cyfarfod yn unol â Rheol 10 of the meeting in accordance with Sefydlog 17.42(ix).

Standing Order 17.42(ix).

Cynigiwyd y cynnig.

Motion moved.

[182] **Nick Ramsay:** Okay, item 7 is a motion to meet in private. I propose, in accordance with Standing Order 17.42(ix), that the committee resolves to speak in private for items 8 and 10 of today's meeting. Are Members content? Great.

*Derbyniwyd y cynnig.
Motion agreed.*

*Daeth rhan gyhoeddus y cyfarfod i ben am 15:02.
The public part of the meeting ended at 15:02.*

*Ailymgynullodd y pwyllgor yn gyhoeddus am 15:32.
The committee reconvened in public at 15:32.*

**Sesiwn Ffarwél Syr Derek Jones, Ysgrifennydd Parhaol, Llywodraeth
Cymru
Valedictory Session: Sir Derek Jones, Permanent Secretary, Welsh
Government**

[183] **Nick Ramsay:** Item 9 on our agenda today is our valedictory session—our long-promised valedictory session. I welcome our witness to this afternoon's meeting. Would you like to give your name and position for the Record of Proceedings?

[184] **Sir Derek Jones:** Thank you, Chair. Prynhawn da, bawb. Derek Jones, Permanent Secretary, Welsh Government.

[185] **Nick Ramsay:** Great. Thank you, Sir Derek, for being with us today. If I can kick off with our questions. First of all, a broad question: what would you categorise as the biggest successes and failures of the organisation during your period as Permanent Secretary?

[186] **Sir Derek Jones:** Thank you.

[187] **Nick Ramsay:** It sounds like an interview question, doesn't it, in a way?
[*Laughter.*]

[188] **Sir Derek Jones:** It's usually, then, 'And what would you do to sort it all out?'

[189] **Nick Ramsay:** And what pot plant are you going to add? [*Laughter.*]

[190] **Sir Derek Jones:** Thank you, Chair. I anticipated you might ask me something like that and I'm glad you've expressed it in terms of successes and failures of the organisation, because it's very difficult to personalise these things, although probably committee will want me to at some stage. Invariably, if my organisation achieved something it's teamwork. So, some of the things that I might mention on the successes side will be things that I might take pride in, but not personal credit for.

[191] Can I start, then, with the work of this committee, or matters relevant to the work of this committee, and therefore my role as principal accounting officer? I think the first item that I'd put on the positive side of the balance sheet is being able to sign off clean, unqualified accounts every year that I've had that responsibility. Given the scale, the £15 billion financial scale, and the complexity of Government business—the Welsh Government is an extraordinarily complicated piece of business—I think it's no mean feat to have been able to do that, and as a core part of that, just delivering the budget. It's the old analogy of landing a jumbo jet on a pocket handkerchief. That £15 billion mustn't be overspent, but it can't be significantly underspent, either, otherwise there's a risk of the money being lost to Wales. So, delivering the budget to within 1 or 2 per cent every year is quite a challenge and doing so involves a huge amount of work by a lot of my colleagues. I would put that very firmly on the positive side of the balance sheet.

[192] You can ask the Auditor General for Wales, maybe, but I think the view of the Wales Audit Office and of the auditor general is that I've been able to strengthen the culture of accountability and governance in the organisation over recent years and, I think, establish a frank relationship with this committee. Things don't always go right, but I think that when they've gone wrong, I've acknowledged that and taken pretty prompt action to do something about it. I believe that I've delivered some good value for money through more economical administration. That was the positive side of the balance sheet as principal accounting officer.

[193] On the other side of the balance sheet—actually, I was talking to Huw just a bit outside—I think we've been a bit slow in getting on to the question of arm's-length bodies. It's in hand now, and we're talking about a joint seminar to take it on, but I think I should have pressed the issue harder,

sooner. For various reasons, and you can ask me about it, if you want, I think we've been a bit slow. Well, also on that—

[194] **Nick Ramsay:** I was just about to ask you for your evaluation of how the restructure had been delivered. So, 'a bit slow' is your evaluation.

[195] **Sir Derek Jones:** No, I'm talking about getting on to the issue of arm's-length bodies. By all means, ask me about the reorganisation later. But the last thing on the negative side of the balance sheet, as principal accounting officer, is that things still do go wrong. The committee is pretty well aware of what they are, so, despite good guidelines or good procedures, sometimes through lack of awareness or whatever other reason something isn't handled properly.

[196] Can I take a bit longer, Chair, on this? You did ask. If I look more widely, at my role as chief executive of the Welsh Government civil service, I think the main positive is being able to maintain and improve delivery for Ministers through some pretty hard financial times. As an example, it's been a fairly tempestuous few years on the constitutional front. So, we've had two reports from the Silk commission, the Wales Act 2014, the Wales Bill currently in hand and, probably most significantly for this discussion, full primary legislative powers, which has been a very, very demanding thing for my organisation to deal with. When I started in this job, there were no Welsh Acts on the statute book; there are now 28. Some of that legislation was controversial, some of it was quite innovative—everything from organ donation to the well-being of future generations, and tax now. We've had to create the capability to do that over a pretty short period of time.

[197] It's been a period of economic constraint and economic pressure. When I started in the role, the First Minister made it pretty clear to me that he wanted better delivery on investment and jobs, and that's what he's had. The teams have done terrifically well there and turned in the best numbers on investment and jobs, I think, as they say, since records began.

[198] The reason I make those points is because this has been done, these sorts of delivery achievements have been done, in the teeth of the fiscal effects of recession. So, the central administration budget, which pays for all of this, has been reduced by about 20 per cent. Actually, the auditor general's 'A Picture of Public Services 2015' showed a bar chart and the central services budget has been cut in percentage terms more than any other. That's okay, I think you always go for the overhead first, but as a

result of that, staffing is much reduced as well and this is not widely appreciated, I don't think. There are now about 1,000 fewer civil servants working in the Welsh Government here at the start of the fifth Assembly compared with the number about 10 years ago at the start of the third Assembly.

[199] **Nick Ramsay:** A thousand fewer?

[200] **Sir Derek Jones:** Yes, and that's 1,000 fewer on 6,000 then—5,000 now. So, I think sustaining and improving delivery, for example the completion of the last programme for government, under those kinds of staff and financial pressures on the administration is a real achievement as well.

[201] On the negative side of the balance sheet, looking outside, the national health service. I would love to sit in front of this committee and say that performance and financial management issues or concerns in the NHS are now past, but the committee knows all too well that they are not. So, one health board in special measures, two others recently on focused intervention, and—if I didn't say it, I think Mike Hedges would remind me—two health boards that, in the last financial year, didn't meet their budgets. I mean, there's been a lot of progress. The ambulance service performance turned around, I think. The trajectory is good on many of the key indicators—referral-for-treatment times, waiting times, diagnostic waiting times—but not where I would ideally like to be, coming to the end of my time. Plenty for my successor to get to grips with on that. I would also like to have given my staff the opportunity to deliver local government reform during my time. This is, I guess, essentially a political problem. So, a disappointment rather than a failure, I think, but it'll now have to be for my successor to take forward the Government's new approach to local government reform.

[202] **Nick Ramsay:** I did hint at this earlier: in terms of the restructure within the organisation, what's your overall evaluation of how it's been delivered—the internal structure?

[203] **Sir Derek Jones:** Yes, the management structure.

[204] **Nick Ramsay:** The management structure, yes.

[205] **Sir Derek Jones:** I'm really pleased. I don't know if I told the committee this before, I'm sort of pretty optimistic generally, but this change has

exceeded my expectations in terms of the pace at which the benefits have come through. So, I took the decisions primarily on the basis of the need for more economical administration, but also thinking that it could improve the way that we work as a whole-of-Government service by having fewer vertical departments in the organisation. On both counts, the benefits have come through quite quickly. So, about £4 million of immediate savings, the ability to redirect resource by reducing overlap and duplication produced another about £11 million of recurring savings, add in some procurement savings and you're up at around £20 million good—

[206] **Nick Ramsay:** And better accountability within the chain?

[207] **Sir Derek Jones:** Accountability is strengthened because it's a simpler system, and the ability to galvanise the whole of Government, I think, has improved now. The feedback I've had from the First Minister and other Ministers is positive.

[208] **Nick Ramsay:** Great. Thank you. Mohammad Asghar.

[209] **Mohammad Asghar:** Thank you very much, Chair. Sir Derek, thank you very much for giving us the brief. You mentioned local government being a disappointment and failures in the NHS, but my question to you is very simple and very straight to the point. You committed to the Welsh Government a 50:50 gender balance among senior civil servants.

[210] **Sir Derek Jones:** Oh, yes.

[211] **Mohammad Asghar:** Very straight, do you feel that you have had an impact on your gender equality?

[212] **Sir Derek Jones:** Yes. I made a commitment to 50:50 gender equality by 2020 some years ago, knowing that it might be quite a stretch, but thinking that it was achievable and also a good statement of values and commitment. We're on about 42 per cent at the moment. It has been 43 per cent. It's easy for me to say because I'm going, but I think we will be able to make 50:50 by 2020, but because of the financial constraint recruitment is also very constrained. So, one of the main tools that you might normally have in your armoury for improving gender balance or other diversity, which is an approach to recruitment, isn't in most cases going to be available. So, we'll be drawing on the feeder grades. So, most of the work that we're doing to get to 50:50 relates to training and development opportunities, mentoring

opportunities for women in the management grades just below the senior civil service and supporting networks of women to make sure they give each other maximum encouragement to go for these jobs. Although not the main driver, I hope that the work that we're doing towards more flexible ways of working will make it easier for women who've got caring responsibilities, for example, to look at senior jobs in the organisation and think, 'Well, okay, I could do one of those'.

15:45

[213] A bit of good news is that the gender balance in those feeder grades is higher. It's about 48 per cent or 49 per cent at the moment. So, we've got a good, strong cadre of women at senior management level just below the senior civil service, so I think we'll get there.

[214] **Mohammad Asghar:** On a personal note, Sir Derek, I have no doubt about your ability and leadership. Thank you.

[215] **Sir Derek Jones:** Thank you, Oscar.

[216] **Nick Ramsay:** Okay. Lee Waters.

[217] **Lee Waters:** Thank you. You mentioned that things have gone wrong and there have been auditor general reports reflect that. You also mentioned on the other hand that you had been proud to foster a culture of accountability. So, I'm just wondering if you can talk us through, when things do go wrong, what the consequences are for those who are responsible.

[218] **Sir Derek Jones:** This is coming back to some questions that you asked me last time I was sitting here, I think, about 'Well, you never sack anybody, do you?', which clearly isn't quite true. People, in my experience, are very rarely trying to do anything other than a good job. So, if they haven't done a good job, you need to know why, and, nine times out of 10, it isn't any deliberate wrongdoing, it's not recklessness, it's just probably a failure to appreciate quite what was needed. Often, it's a management issue rather than an individual issue. Often, you can see there are individuals primarily involved. So, my response to something going wrong in the first place is not a *The Apprentice* approach of 'You're fired'. My response to something going wrong is to find out why—and that's almost always complex, and it requires training and development, awareness raising, improvement in management of a team or an individual, and, sometimes, some disciplinary action. But

those are the minority of cases, and that is usually along the lines of warnings—written warnings on the record—sometimes demotions and, very rarely, dismissal.

[219] **Lee Waters:** How many times have those things happened—demotions and sackings?

[220] **Sir Derek Jones:** Sorry, how many—?

[221] **Lee Waters:** How many times has that happened in your time as permanent secretary?

[222] **Sir Derek Jones:** I can think of one dismissal and one demotion in recent times, and other disciplinary investigations occasionally, but a lot more of the other. From the line of questioning, you might think that a culture of good accountability can only be down demonstrated by dismissals. I don't accept that.

[223] **Lee Waters:** I'm just trying to get your understanding of it, because you've said there have been problems and you've said you have a culture of accountability, so I'm just wondering what accountability looks like. It seems relatively consequence free. The word I've picked up from discussing this with people at a senior level is that people tend to get put into special projects rather than getting dealt with severely. So I just wanted your reflections on that anecdotal feedback.

[224] **Sir Derek Jones:** I think sometimes it's a good idea to take somebody out of a place and give them a fresh start. Where we do this badly—and I would agree there have been some cases of it—people start to circulate and move from one project to another, but don't get picked up for what you might call a permanent role, either because their reputation's damaged or their heart has gone out of the work. In those cases, those people often leave—they may simply realise that they don't have much of a future in the organisation and leave. We have a natural turnover rate of about 20 people a month, at some recent levels. Or, there will be a conversation and they might leave on voluntary terms, but by agreement rather than by dismissal. But it's not consequence free, it's just that I think the consequences—. If we recruit well, as we do, I think, and if people have a probationary period, are well managed and have the opportunity to train and develop, then most of the time, if something does go wrong, it doesn't require those sorts of dismissal or disciplinary consequences; it usually, as I said, requires some other

approach to the management or the context in which they're working.

[225] **Lee Waters:** But I remember—just finally, Chair, briefly—when you were appointed, you were enthused by your time in the private sector and were bringing some private sector rigour and insight to this role, and the description you've given of consequences for underperformance is quite at odds with the conversations I've had with most leaders in the private sector of what happens when things go wrong.

[226] **Sir Derek Jones:** Well, I think there are two things there. The thing I learned primarily working outside Government, but observing the Welsh Government from outside, was that the Welsh Government civil service needed a greater risk appetite, and I have been working on that. So, when we're talking about things going wrong and ending up in front of this committee, sometimes that is because a risk has come home to roost. And the last thing I'm going to do then is pile in with a blame culture and disciplinary action, because that would have the exact opposite effect to what I'm trying to achieve, which is an improvement in risk appetite, but for well-judged and well-managed risk. So, even if that risk has come to roost avoidably, it's usually not the right thing to do to punish individuals, but to look at why, whether the risk could have been better managed, and keep the encouragement going for people to undertake reasonable risk.

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

[228] **Nick Ramsay:** Neil McEvoy.

[229] **Neil McEvoy:** On grants and value for money, I just wonder if you had a breakdown of costs for the administration of grants, the cost of the investigations, and whether or not you think that investment in fraud prevention could actually yield a profit.

[230] **Sir Derek Jones:** We did do some work on the cost of grant administration. I'm afraid I don't have the numbers to hand. What we found, actually, was that, in some cases, the costs of administration looked very, very large compared to the value of the grants being given—'Why should the grant overhead in that area be 10 times the grant overhead in this area?' We did look at it but, generally speaking, found that very narrowly targeted grants will inevitably have a larger overhead. But we've been able to, I think, significantly improve value for money on grants administration by having a centre of excellence and improving standardised procedures, actually driven,

Chair, by your predecessor committee that had me in front of them—I think it was probably my very first appearance at the Public Accounts Committee—on a grants management issue. I think we’ve done a lot of good work to simplify and improve grants management procedure, and that will deliver better value for money.

[231] On fraud management, I think we’re doing okay. Fraud will always catch headlines, and whenever there’s a successful fraud perpetrated, you need to look really hard at why and whether anything similar could be prevented in future. But the Welsh Government is not frequently successfully defrauded. It’s a wicked world out there, and people will try, but they don’t succeed very often, because I think we’ve got pretty good counter-fraud measures in place—although it seems to be an increasingly wicked world, actually, because I think the feeling is that we’re constantly needing to find new ways to cut out new attempts at fraud, and the internet and so on allows for new opportunities.

[232] **Neil McEvoy:** I suppose what could be argued is that, maybe, if any fraud does take place, that it may be that we’re not successful in uncovering it. In terms of resource, how much resource is invested in anti-fraud activity in Welsh Government?

[233] **Sir Derek Jones:** I’m not sure I can give you a pounds number. We have a head of anti-fraud—a former detective—and we have a robust internal audit and governance unit with whom counter-fraud work very closely. We have systems for designing fraud out of our grants arrangements, and so on. I think it’s a reasonably robust approach. If I say that, the danger is you’ll accuse me of complacency. There has been some fraud—actually, Lee Waters questioned me quite hard on this at the last session in terms of the bus pass fraud. I’m not at all complacent about it, but I think there’s been good investment in counter-fraud work and there are very few successful frauds perpetrated against the Welsh Government.

[234] **Neil McEvoy:** But it’s overseen by the Minister, is it, ultimately?

[235] **Sir Derek Jones:** Overseen by—?

[236] **Neil McEvoy:** In terms of accountability, is it overseen by the Minister or—?

[237] **Sir Derek Jones:** It’s me.

[238] **Neil McEvoy:** Okay, so not the Minister.

[239] **Sir Derek Jones:** No.

[240] **Nick Ramsay:** Okay. Lee Waters then Mike Hedges.

[241] **Lee Waters:** Perhaps I could return to the theme you mentioned there that we discussed a month ago on fraud within the bus pass—

[242] **Sir Derek Jones:** I knew I shouldn't have mentioned it, Chair.

[243] **Lee Waters:** Well, I was going to mention it anyway—it seemed a beautiful segue. The national fraud initiative figures show there's been a doubling in the number of concessionary travel permits that have been cancelled in the last few years. In 2012–13, 4,753 permits were cancelled; in 2014–15, 9,959. So, that does seem that, within the system, there's an alertness that the way these permits are being administered is faulty. When we discussed it last time, you said that you were unaware of any rumours that there was a problem, and you were shocked by the prosecution of Padarn Bus. I've had it drawn to my attention that, in fact, ATCO—the bus company—did in fact raise with your officials back in 2011 that there were anomalies in Gwynedd, in particular, with the administration of concessionary bus passes, and they recommended a full audit, which didn't happen, and might have thrown up the case that you were then subsequently shocked by. So, my question is: although it's clearly impossible for you to know everything going on everywhere, there does seem to be a problem in this particular area in the monitoring that is in place. So, to what extent can you, as chief accounting officer, be reasonably held to account for these systemic failures, which had been alerted to you, but for some reason the messages were clearly not getting back to you? I wonder why that is.

[244] **Sir Derek Jones:** In terms of my personal knowledge of those conversations or what you mentioned as rumours, 2011 predates my time in this job. But after the last session, I held a meeting with my team, with internal audit and with transport colleagues to precisely ask this question: 'Have we missed something here?' And—well, there are a couple of things. Again, it's difficult; I don't want to give the impression that I'm not prepared to shoulder my own responsibilities, but the local authorities have a statutory responsibility for administering this scheme. I think my predecessors certainly would have felt they were entitled to rely on that to a good extent,

in terms of anti-fraud as well as every other aspect of administration. All I can say is that—and I think it's a couple of years ago now—as soon as we were properly aware of these things—and I think it was a whistleblower in one of the bus companies—we did start to look very hard at this and realised that there was some slackness going on. Rather than assuming that local authorities were looking at their own data, we started to deliver it to them. You could see from studying the data some anomalies that you might want to inquire into.

[245] **Nick Ramsay:** Sir Derek, you just said, 'as soon as we were properly aware'. So, does that mean you had an indication some length of time before that that there was something wrong, even if you didn't know what the details were?

[246] **Sir Derek Jones:** Sorry, no; that's probably not a very proper use of 'properly'. [*Laughter.*]

[247] **Nick Ramsay:** I obviously zeroed in on the wrong language.

[248] **Sir Derek Jones:** But we have now—. Well, we've learnt what we've learnt, and so we're not simply taking it for granted that this will be well administered, and we're tightening up our end as well, if you like, in terms of the formality with which we specify what we require from local authorities in order to reimburse them for this work. I can't—. I just haven't got in front of me the information to comment on that meeting in 2011.

16:00

[249] **Lee Waters:** I'm genuinely not trying to hang you out to dry here. I'm just trying to understand: is the system sensitive enough that, when warnings are triggered, the system responds? You said to me—I've the transcript from the last time—

[250] '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.'

[251] Well, the example I've been given of is where other bus companies have gone to an official of yours to say, 'Something smells a bit fishy here; you should have an audit.' So, to be fair to those bus companies, they acted properly there, but the system did not take that forward for some reason or

another. So, what can be done systemically to allow collective whistleblowing, a feeling that something is not going well? And, as I said, the national fraud initiative stats show something still isn't right there, and the response we had last time from you was that things were broadly under control.

[252] **Sir Derek Jones:** Well, I think they are. What I can't do is comment directly on what you're saying about the meeting in 2011, or what was and wasn't done as a result of it. This is my valedictory, Chair, so the last thing I want to do is promise to write, but I think that's the best thing I can do to respond to Lee Waters's specific point about was there a reasonable whistle blown at that time that wasn't followed up. I just don't know.

[253] **Lee Waters:** Briefly, can you just tell us some more about that meeting you convened after being here last time? What actions have been decided upon as a result of that?

[254] **Sir Derek Jones:** Mostly, I was wanting to test out whether I felt satisfied with the work that we had in hand as a result of, first of all, whistleblowing from a bus company, followed by a successful prosecution, and another investigation ongoing. And I put the question that Lee Waters says we should have been on top of this ages ago, and it was explained to me that there was no basis on which we should have been, but that, as soon as we were aware of doubts about the quality of administration, appropriate action was taken, and is being taken—primarily, at the moment, through the police fraud investigation.

[255] **Nick Ramsay:** Mike Hedges is dying to come in with a question.

[256] **Mike Hedges:** On grants management, if you remember, last year, when we talked about it, I had some concerns that once one organisation, a public organisation, be it part of Welsh Government or not, actually approved grants to an organisation, the due diligence didn't exist with all the other organisations that are part of the greater public sector who started giving grants. The belief was that, if they passed with them, maybe for a relatively small grant, then they must be all right. And you said that you were going to bring in a system, after our last discussion, which would ensure that everybody giving a grant would not take into account what other people had done, but would actually take due diligence themselves. Has that happened?

[257] **Sir Derek Jones:** I'm not sure that's exactly what I said, in that I think it can be reasonable for one organisation to rely on due diligence carried out

by another, so long as it has been carried out by the other. I think that what was happening was a sort of a vicious cycle of assumption going on that something had been looked into when it hadn't really. And what we've got now is a good system where, within the Welsh Government, due diligence has to be done. We've got e-access to a system that says which other parts of the Welsh Government are doing business with this applicant, and we have sort of a grant-givers group that meets regularly to compare notes about these things.

[258] I remember the sorts of cases. It was more wishful thinking than due diligence. That was the point. They were well-meaning. Potentially, projects might have been good, but nobody ever really nailed the due diligence. Everybody just assumed that somebody else was doing it.

[259] **Mike Hedges:** I think, first of all, can I just—*[Inaudible.]*—I didn't think I was going to have to now. There's a different due diligence if an organisation applies for £500 than one that applies for £500,000. The danger that I highlighted then, which I thought you'd accepted—but, having heard you now, I don't think you have—is that, if you do due diligence for the £500, that is not an 'Open Sesame' for much larger grants later on in the cycle.

[260] **Sir Derek Jones:** Absolutely. That, you can count on. It's very important, actually, going back to economy of administration and to a civil service that isn't overly risk-averse, because it's very uneconomical if you assume that every grant, regardless of size, has to be subject to the same due diligence. Apart from anything else, you'll absolutely infuriate your clients if you're using heavyweight due diligence on small grants. So, it very much has to be proportionate and that works both ways: if it's a large sum of money, you need very high-quality due diligence. I wouldn't want to have given you any other impression.

[261] **Mike Hedges:** Okay, thank you for that. The only other question I've got on grants is one that I think we aren't going to agree on, again: I have concerns, which you don't share, of giving grants to grant-giving organisations—so they're arm's-length-grants-giving—because you lose control of it. You didn't seem to see any problem in that despite the fact that a number of organisations—I think it was two—that were grant givers and received money to give out grants had had problems. Have you had time to reflect and are you coming around more to my way of thinking?

[262] **Sir Derek Jones:** It does increase the risk, but, again, it's actually economical and efficient in some cases. So, if it's European grants, for example, if you had an organisation in the third sector that was reasonably expert in its field and making relatively small grants to local organisations, it's probably more efficient and likely to be more successful, I think, in my view, if the Welsh government grants aid to that organisation, as it were, in the round, for them then to make smaller grants to other bodies. The same can be the case with sponsored bodies or local authorities.

[263] **Mike Hedges:** You have an example sometimes, don't you, of a small regional body that becomes the grant-giver for the whole of Wales.

[264] **Sir Derek Jones:** Or, I think, going back to some hard cases—the All Wales Ethnic Minority Association, again, is one of them—it starts off as a small organisation, administering relatively small sums of money and it receives core funding and then, gradually, because it's a good thing and it's doing good work, the amount of financial investment by the Government goes up and you end up with £1 million or more flowing through the organisation's books without its governance having been significantly strengthened. I think that's the problem, where you've got to make sure that, if you're using third parties as grants administrators, their internal processes are good enough and just some basic things, which weren't always the case—for example, that you'd have properly qualified expertise or accountancy expertise on the board rather than, necessarily, the governing body, as it was when it was first set up.

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

[266] **Nick Ramsay:** Neil McEvoy.

[267] **Neil McEvoy:** I think poor governance could be applied to a lot of organisations, in my opinion, across the board. Very often, they police themselves. That's just a comment, really. My question is in terms of business support. How is it that some companies are able to get millions of pounds with a weak business case? How could that happen? How could that be—how is it being allowed?

[268] **Sir Derek Jones:** I hope it isn't.

[269] **Neil McEvoy:** Kancoat.

[270] **Sir Derek Jones:** Kancoat.

[271] **Neil McEvoy:** The business case was said to be weak. It was just outside the Minister's constituency.

[272] **Sir Derek Jones:** Okay. I'm not deeply familiar with the Kancoat case, but I think this goes back to, again, risk appetite, this goes back to a time when there were a lot of economic worries—businesses were closing, jobs haemorrhaging out and a decision was taken to back an opportunity there and the risk came home to roost. Although I can't recall quite the current state of play: is there a possible administration—? And so I'm not sure that things are completely finished there.

[273] **Neil McEvoy:** It's more of an impression, and I'm probably jumping the agenda here, but, if you look at property deals in this city, and you've seen the influence or alleged influence of people like David Goldstone, what control is there over such individuals who apparently influence some pretty big decisions? How did he have influence even though he was an unpaid adviser to the Minister?

[274] **Sir Derek Jones:** He was an unpaid adviser to the Minister at the time. There's nothing wrong with that in principle.

[275] **Neil McEvoy:** So, he got involved—. Was he involved in property deals out of the goodness of his heart, or what was it? Because it just seems a bit—. When, outside of this building, I have people, the local business community, coming to me and telling me that, to deal with the Welsh Government in terms of property, you have to go to the Hilton and speak to this individual to get a look in, I think it's a major concern. Are you aware of these things or is it just in the—

[276] **Nick Ramsay:** Before you answer that, Permanent Secretary, I think we need to be careful about how we're phrasing some of these questions. We don't want to be asking you at this point about individuals involved in cases. So, can Members please be general in the way that they ask questions to the Permanent Secretary in the valedictory session?

[277] **Neil McEvoy:** I think it's just the general, I suppose, impression that people have of how things are operating in Cardiff Bay.

[278] **Sir Derek Jones:** Thank you for trying to protect me, Chair. I'll answer

the question insofar as I can. David Goldstone was, as you say, an unpaid adviser the Minister at the time. The Minister is entitled to have unpaid advisers. As to Mr Goldstone's motivations, I imagine he would tell you that he'd reached a point in his career where he was happy to put some expertise back into helping Wales and the Welsh Government with one of its objectives, which is to make sure that there's a good supply of office and other accommodation in Wales to attract inward investment. I probably don't want to go any further than that, Chair.

[279] **Neil McEvoy:** Just in terms of process, whilst investing, was the highest bidder always taken with the deals or were there any conditions that didn't allow highest bidders to—? You may not be aware of the details now, but perhaps you could report back on that in future.

[280] **Sir Derek Jones:** Normally, the highest bidder determines it—

[281] **Neil McEvoy:** Not always.

[282] **Sir Derek Jones:** —but there can be other considerations, depending on terms and conditions, I think.

[283] **Nick Ramsay:** I think that's fine on that issue. In terms of the Kancoat example that you raised, Neil McEvoy, we're going to be having as a witness James Price, on 14 November, I think it is. So, we will be raising that issue and other issues with him then. So, that's more of a discussion for that date.

[284] **Sir Derek Jones:** Can I say, on Kancoat or maybe other cases like it—and James will know more about it than I do for sure, but I'm not myself in the least bit defensive about the committee or anyone else looking hard into those cases where we've lost money or where a deal's gone badly? Nobody will have wanted that to happen. In terms of consequences, the people who feel these things mostly, the people who will have felt worst about that case, will have been those who were dealing with it, those who'd been advising the Minister. If it can be done, as I say, without creating an atmosphere in which when something does go wrong there's such a punitive response that nobody's ever going to want to stick their neck out on anything else again, I think that's the healthy way. We didn't want that to happen. It did. Why? Was the due diligence strong enough or was it faulty? If it was faulty, why? Those, I think, are all good and reasonable questions to be looked into, but so long as the leitmotif isn't, 'Nothing like this should ever happen', because, if that were the case, then we'd never be in business.

[285] **Nick Ramsay:** You said earlier that one of your biggest concerns about the way the Welsh Government, the organisation, operated prior to your being there was the balance of risk was wrong. I think you said that at the very start in your comments. So, how do you get that balance right so that—? I know it's a very difficult question to ask, but you said you intend that these sorts of things never happen again, but, surely, if you want Welsh Government to be taking a certain amount of risk, then, in the future, how can you say that that sort of mistake will not transpire?

[286] **Sir Derek Jones:** It almost certainly will. There will be some cases that go wrong. Sometimes, it'll be unavoidable. Then, you can look at the business case and you can say, 'This was an absolutely sound case, anybody looking at this would have said "Okay, this is a reasonable investment"'. In other cases, maybe when you sort of fillet it you think, 'Actually, that wasn't a very good job; how can we improve?' But, if we're going to do this kind of thing, sometimes, things will go wrong. Money will be lost, or the hoped-for benefits won't be achieved

16:15

[287] Actually—and I haven't looked into this recently—our failure rate, as it were, in backing business propositions, in percentage terms, is really quite low. It's only a couple of per cent: 1 per cent or 2 per cent of the cases that we have backed. I think we looked at it over about a four-or five-year period. The data might be a year old; I can't quite remember. But only about 1 per cent or 2 per cent go wrong, which is quite a bit lower than the percentage failure rate of businesses in the economy generally. So, if that's evidence to go by, and if we can keep that in mind, then, absolutely—let's home in on the ones that do go wrong, but not in such a way that we would expect to be able to completely eliminate failures. The only way you could completely eliminate failures is by completely avoiding risk.

[288] **Nick Ramsay:** Rhianon Passmore, do you have a supplementary?

[289] **Rhianon Passmore:** Bearing in mind, Chair, that dichotomy between the balance of risk and that of value for money, I think it was mentioned at the beginning that there was a rating of importance of developing a centralised, shared risk management approach, in terms of moving forward. So, on that style of approach to grants management—a centralised service style of approach—has there been any move forward on that as far as your

office is concerned, bearing in mind those two different weighing scales—of being able to offer value for money in grants management and that ability to not be risk-averse? Is that the answer?

[290] **Sir Derek Jones:** No. Systems are going to help here, but I don't think they'll ever be the complete answer. We have established a shared service centre for grants administration, but it deals with what you might call the nuts and bolts of the processing. A lot of this is going to come down to judgment. So, I think it's the quality of the administration in terms of the skills and the experience of the people dealing with it, rather than, absolutely, the systems we put around them. So, we've got a centre of excellence for processing, but most of the key judgments are still made in the policy areas where the grant is held, as it were.

[291] **Rhianon Passmore:** So, you believe that's centralised enough in terms of the nuts and bolts. Obviously, that subjectivity is never going to be removed.

[292] **Sir Derek Jones:** I'm not sure that it is quite where we ought to end up. We looked at the case for centralising the whole of the administration for all of the grants in the Welsh Government, on the basis that, if you could totally professionalise it and centralise it, it would be economical, but it might also produce better diligence and a more professional approach. But we thought the risks attached to a big centralisation like that were too great. It is often the people in the policy area that know best the area that they're working in, and to divorce them completely from the process we thought was too risky. So, what we're exploring at the moment is that we might aggregate the management of some grants—perhaps some grants within one deputy permanent secretary command—rather than go for the whole thing. So, that's the current state of the analysis.

[293] **Nick Ramsay:** During your tenure in the role, we did, of course, have the whole issue of RIFW, which I don't need to remind any Members about. That was obviously a high-cost failure of the Welsh Government. What lessons do you think were learned by the senior management of the Welsh Government in the wake of that?

[294] **Sir Derek Jones:** Lots, although the problem is—. You say it was a high-cost loss, but the problem is we don't know whether it was or whether it wasn't. We weren't able to demonstrate that good value for money had been obtained in the sale of those assets, and it's a continuing saga, as I am

sure the committee knows. But it wasn't well handled; it was really not a great piece of business. I think the intentions were good. I think the Wales Audit Office actually thought it was a pretty spirited and innovative attempt to do something valuable at a time of deep recession: to capture some assets and dispose of them for cash, which could then be reinvested in productive ways. As I say, because of the state of the economy at the time—the recession, property values were plummeting—if you waited a week to sell something, you were going to get less for it. So, there was time pressure and a deal was struck without openly testing the market, leaving doubts and suspicions as to whether there'd been value for money or whether the deal was a good one.

[295] When we started to look into it, there were all different professional valuations, so we can't get a solid baseline there. Not the sort of situation that I would ever want to be in again, and so we've quite significantly changed the guidance—new accounting officer letters; we've got development of training; work has gone on. Some of it was to do with confusions about roles and responsibilities, so we've put out new guidance clarifying that. Those are all important things; perhaps the most valuable, actually, is just the conversations that have gone on around the organisation about why this happened, to generate awareness, really, which is, I think, the key to this. It wasn't necessarily a bad idea. It was a case where it was felt that external expertise should be brought in, so an arm's-length company created, external advisers, external board members—the sort of thing that many people press on the civil service from time to time, you know, 'Why don't you get more outside expertise in?' Then what went wrong was a failure to go out to public tender, which is probably what good old-fashioned civil service processes would have normally got you to in the first place. So, it's been a big lessons-learnt exercise, Chair.

[296] **Nick Ramsay:** You mentioned the valuations—there were differing valuations for the land, so in future would you be at least confident that you would know what the value of the land was that you were trying to sell?

[297] **Sir Derek Jones:** These are professional firms; I need to be careful. The DV—district valuer—on the one hand and the private sector valuers on the other, both at the time and subsequently—. And, at that level, valuation seems to be as much an art as a science. The best thing to do is test the market.

[298] **Nick Ramsay:** One of the big areas of concern was the transfer of

Government groups between portfolios. Is that dealt with now?

[299] **Sir Derek Jones:** I've issued some new guidance on that. Whenever there's a big change—it might be a Cabinet reshuffle, new Government, or, in my case, the departure of a Permanent Secretary with a successor, which might again involve some changes in the personnel at the top of the organisation—these things need to be clear. So, we developed some new protocols so that, when there's a change of ministerial portfolio responsibilities and a shift of responsibilities between departments or divisions, that, and the financial responsibilities that go along with it, are recorded and jointly agreed between the transferor and the transferee.

[300] **Nick Ramsay:** Okay. Lee.

[301] **Lee Waters:** On a different subject, can you tell us what contingency planning you did to prepare for Brexit?

[302] **Sir Derek Jones:** Yes. Do you mean—? Well, there was a lot of contingency thinking, but relatively little contingency planning.

[303] **Lee Waters:** I mean before the referendum—what did you put in place to prepare for it?

[304] **Sir Derek Jones:** That's what I was going to answer. I didn't think there was a great need for what you might call 'hard contingency planning' in the run-up to the referendum. I did set up three quite discrete discussions at my board. Clearly, in a political context, it's always going to be difficult for politicians or for a Government, campaigning for one outcome, to ostentatiously contingency plan for the other one that isn't desired. But I did feel that I wanted to discuss with my board the pros and cons of the situation. My conclusion was that we did not need to do what you might call 'hard contingency planning' for 'Remain', and there wouldn't be much purpose in doing hard contingency planning for a 'Leave' outcome because, when it came to things, on our main concerns—such as the management of structural funds programmes—at the point of the vote, if it were 'Leave', we would simply begin what was going to be a long, complicated negotiating process at UK Government as well as devolved Government level, and there wouldn't be an acute time pressure to do that.

[305] That was my conclusion. No contingency planning was commissioned from me. So, that was where we were, with one exception, which is what you

might call 'the possible market effect' on day 1 of the decision on investment intentions. So, where we had existing overseas investors, who we knew were here to supply the European market, or, even more pointedly, where we had negotiations in hand with a potential investor, but not secured, I felt that there was a potential risk to manage and asked my deputy permanent secretary with responsibility for the economy to talk with his teams and his account managers so that they would be ready and on their toes to deal with any potential risks of that kind.

[306] **Nick Ramsay:** On reflection, with the benefit of hindsight, are you comfortable that that was the right judgment?

[307] **Sir Derek Jones:** Yes, I think so. If you look at the pace of the Welsh Government's response the next morning, the First Minister gave a press conference and set out what he felt were his six priorities, looking forward to the Welsh Government for the negotiations. As you would expect, I was on the phone to my opposite numbers in Whitehall to start to plan the mechanics, whereby I and my colleagues and our Ministers would be engaged in the discussions leading up to the UK position. This is not easy stuff, but it was all done pretty much instantly.

[308] **Nick Ramsay:** Neil Hamilton.

[309] **Neil Hamilton:** I can see it might have presented you with a bit of a problem with inward investors who were in the process of making a final decision that you had your employers preaching that the end of the world was about to arrive. That might have dented their confidence a little bit. But, nevertheless, I fully understand the approach that you took and I think it was the right one—not to invest too much before you knew what the outcome of the process was. But now there are massive implications for you and your organisation. You said earlier on how you'd slimmed down the organisation very successfully. Now I presume that it's going to go in the other direction because you'll get, for example, control of agricultural policy, environmental policy, et cetera. So, the people who are currently working on these things in Brussels will now be working on them in Cardiff.

[310] **Sir Derek Jones:** So, our staffing numbers must go up—I wish. Could the committee make a recommendation along those lines? I think that I have to plan on the basis that our staff numbers will not go up. There's no obvious end to financial constraint in public budgets. If my Ministers are having to reduce their programmes and front-line services, then they will

expect the civil service machine to continue to take its share of the pain. So, the preparations that we're making are along the lines of, 'How will we manage our new—. I completely agree with you that we will have new responsibilities outside the EU. How will we manage those within probably a continuing shrinkage of the workforce? It's not easy, but I think we can do it.

[311] My doubt is, if you set that alongside the additional functions that will probably come, if the Wales Bill becomes the Wales Act, that's further devolution of functions and, potentially, further very substantial tax devolution beyond what we already know we've got to manage. If you bring all of that together, I think there is then genuinely a question as to whether the Welsh Government civil service can continue to shrink to victory. My hunch—. It isn't certain yet because we don't know what our relationship with the rest of the EU is going to be like in terms of trade, for example. But I think it is pretty certain that we'll need a stronger policy capability on agriculture and fisheries and on regional policy, because those are devolved areas. So, replacing the European Union regimes with UK regimes, assuming that that's what's desired, will require negotiation between all the Governments within the UK, and that's going to need more heavyweight policy capability in those fields than we've got at the moment. So, we're going to have to train, develop and possibly recruit that resource within a very, very tight settlement.

16:30

[312] **Neil Hamilton:** The First Minister has been quite clear in various things that he's said in the last few months that, in the case of agricultural policy, for example, his preference, obviously, would be to integrate Welsh agricultural policy into a UK whole. That's going to be a challenging piece of work for you, given the disparity in size between England and the other three nations. What sort of structures are you setting up inside the Welsh Government to take on these different potential challenges? We don't know, of course, what the budgetary implications are going to be. The argument is going to resolve itself, to an extent, into what extent the UK Government will simply passport the money that is currently spent via Brussels back into Wales, and that's not certain. So—

[313] **Sir Derek Jones:** It would be a good plan, but—

[314] **Neil Hamilton:** Yes. And I wonder how far you're advanced in setting up structures to develop the changes that will need to be made over the next

two years, or whatever the time frame is.

[315] **Sir Derek Jones:** I think it's too soon to invest a lot in that. I've set up an EU transition team at the senior civil service level, and that supports the Cabinet sub-committee, which will take the political decisions, as representatives of the interested groups on it. We're interacting, through that group and myself directly, with the Whitehall departments at the Department for Exiting the European Union and the Cabinet Office, and in due course with the other departments, but I don't think there's quite enough clarity yet to make it sensible to buy a lot of capability in any particular area. So, on agriculture and food and fisheries, for example, we're relying on the policy capability that we've got in those areas. We're smaller than England, but we're bloomin' good at some of this stuff, and we've developed capability because it's important in Wales. I think we've got about 5 per cent of the population, and a much higher percentage of the sheep.

[316] **Neil Hamilton:** Twenty-nine per cent. [*Laughter.*]

[317] **Sir Derek Jones:** We've got good reason to be focused on this and effective. So, I think we'll negotiate well when the time comes, but we just don't quite know enough yet, I think, to make it worth investing a lot. But my hunch is that we will need to significantly strengthen policy capability in that area and in the regional policy in particular.

[318] **Neil Hamilton:** Would somebody else like to have a go?

[319] **Nick Ramsay:** Rhianon Passmore, did you want to come in on this?

[320] **Rhianon Passmore:** In regard to the scale of risks and challenges that are facing your successor, you've mentioned a number of things—arm's-length bodies, local government reorganisation, the Wales Bill, and obviously now the huge platform of policy issues and negotiating issues around Brexit. Out of that bunch of issues, what do you think is going to be the key risk for your successor?

[321] **Nick Ramsay:** There's a question.

[322] **Sir Derek Jones:** An easy way out would be to say 'balancing them all'. The thing I haven't mentioned, actually, is delivering the Welsh Government's programme for government, which is what the Government was elected to do. So, yes, there's Brexit, and, yes, there's 'What are we going to do about

arm's-length bodies?', and there are other things like risk appetite and so on, but I think the central challenge for my successor is pretty much the same as what the central challenge was for me, which is to support our Ministers and Cabinet in delivering the programme for government on which they were elected. So, there was a manifesto, or manifestos, there have been agreements between parties supplementing that, the programme for government has been published—time flies by, you know, come the end of the five-year term, and that programme needs to have been delivered, as well as all of those other things. So, I think it's capacity and capability to do that central job whilst also managing all the other various specific and quite significant challenges as well. Money—I am worried about money. I'm worried about money for the running costs of the organisation, as I say: how long can we continue to shrink to victory, given all of these pressures? But I want to do absolutely everything to ensure that we don't waste a penny on the administration, so that, before any bids are made for more staff, we can absolutely demonstrate that we're making the most of what we've got. I'm not sure we have got to that point yet. And programme money—we've actually been able to extract some reasonable guarantees from the Treasury on the period up to 2020 on European structural funds, but there is a substantial question mark thereafter, and I just don't know what the outcome is going to be.

[323] **Rhianon Passmore:** So, to follow that up, there are quite a number of different issues that you've mentioned—out of those, are there any that are more difficult to achieve? You mentioned the programme for government and you mentioned the issues around the 2020 guarantee. There are some issues within that that are going to be much more difficult to follow through than others. Have you got an opinion on that?

[324] **Sir Derek Jones:** I think the central challenge is delivering a programme. Every new Government comes in with a surge of energy and ambition, so we've got a surge of energy and ambition and a shortage of money, everywhere from the national health service to support for industry and agriculture. I think the main challenge of Welsh Government civil service is that it is up to that job.

[325] **Nick Ramsay:** Lee Waters.

[326] **Lee Waters:** Finally from me, just your reflections on the devolution next steps—you mentioned that when you took office, there were no Welsh Acts and you've presided over a number, and I think, to be fair, the civil

service has coped commendably well with that. In terms of what's coming down the track, one of the things that Welsh Ministers, for many years have been frustrated by is their inability to influence the staffing of the Welsh Government, because the civil service is not devolved. So, I just wonder, finally, what your reflections are on the nature of that relationship and the future place of the civil service within the devolution settlement.

[327] **Sir Derek Jones:** Civil service staff—generally it is devolved. There is no reason why Ministers would need to feel frustrated about that. The civil service works to the civil service code, but whether the slightly over 5,000 staff I mentioned earlier should be half that or twice that is a matter for the Government, for Ministers, to decide—

[328] **Lee Waters:** The senior civil service staff—*[Inaudible.]*—by Welsh Ministers.

[329] **Sir Derek Jones:** The senior civil service is not devolved in terms of its pay and conditions. There's a civil service-wide process for very senior level appointments, although I've never had any trouble with it, I have to say. What I call the governance of the senior civil service isn't devolved, but it's not a big impediment to doing what we think is right. We were talking earlier about a reorganisation that I introduced that reduced the senior cadre to three from six. I submitted that proposal for sign off by the Cabinet Secretary, but there was no difficulty—

[330] **Lee Waters:** So, de facto, over time, the civil service is becoming devolved.

[331] **Sir Derek Jones:** I think—. Well, I've been scrutinised on this, actually, by the House of Commons select committee on administrative affairs, and they were interested in this as well. The devolved Governments have a very large measure of freedom of movement now in terms of what they spend on their administration and how many staff they think are necessary. What's common is what you might call the civil service code and the ways of working, mobility for staff between the Governments, and all those things that, in my view, are generally beneficial. So, my staff being part of what you might call a UK civil service is, for me, in the most part, a positive thing in terms of career development, recruitment and maintaining standards of political objectivity, and the principles of the code: integrity, objectivity and so on. Those are positive things, and I don't find much constraint. I would quite like the complete devolution of the senior civil service and, indeed, the

fast stream—

[332] **Lee Waters:** You would?

[333] **Sir Derek Jones:** I think I would now, but that would be not as part of a schism, but just as a little bit more recognition of where we are now in terms of the—people call it devolution, and it is the constitution of the United Kingdom. So, I wouldn't argue for a separate civil service for the Welsh Government, but just the next step, really, in terms of devolution, would be good, in my view.

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

[335] **Sir Derek Jones:** I did propose it once, I think.

[336] **Nick Ramsay:** Innovative. Oscar.

[337] **Mohammad Asghar:** Thank you very much, Chair. [*Inaudible.*]—question regarding Cardiff Airport now. For 45 years, I've had an accountancy practice and also I qualified as a pilot from Cardiff Airport, so I know Cardiff Airport backwards. So, if somebody had asked me in 2011–12 to buy Cardiff Airport for £20 million, I would not have advised them to buy it, because I knew the business was in decline. But, somehow—

[338] **Nick Ramsay:** Oscar, can you sit a bit nearer to the mike? We're having difficulty hearing you.

[339] **Mohammad Asghar:** Thank you. Sir Derek, so, I understand you understood what I said earlier.

[340] **Sir Derek Jones:** I think so.

[341] **Mohammad Asghar:** By profession, I'm an accountant and then I qualified as a pilot, a PPL, from Cardiff Airport, and if somebody had asked me in 2011–12 to buy the airport for £20 million, I would have advised 'no'. That would have been my personal advice. Somehow, it was paid maybe more than double that amount and surely there must be some sort of feasibility report or advice or whatever you had. Could you explain to this committee your role regarding Cardiff international airport and how the Government's arrangement for a major scheme like this has robust internal scrutiny and whether the delivery has met your expectations now?

[342] **Sir Derek Jones:** We paid £50 million, but that wasn't a figure snatched out of the air, so there was a good amount of due diligence done and outside expertise brought in to help us get a valuation, although we had to make a deal as well. These things always take a willing seller and a willing buyer.

[343] You asked me what my role was, and I involved myself significantly more in the acquisition of Cardiff Airport than I would have in most lines of business, even with a large price tag like that, just because buying an airport is not something that the Welsh Government does every week. So, it was novel and different, and I wanted to assure myself that the additional accounting officer who was dealing with it more hands on was putting himself in a good position to take judgments on value for money and on the process by which we arrived at a judgment to buy or not to buy and at what price. So, I did that and I set up a number of meetings with all parties. I think I either involved the audit office or kept them apprised of that process. I felt satisfied at the end that the team were putting themselves in a good position. I wasn't there to second-guess their judgement, really, but just to make sure that I was satisfied that they were asking the right questions from the right people and getting good answers before they submitted advice to the Minister at the time to go or not go. But there was substantial risk, nevertheless, and, as I say, an unusual area of business for the Welsh Government to be in.

[344] We tried to make sure that we kept the management of the airport at a reasonable arm's length—it is very difficult with arm's-length bodies, things don't always go well—but to have good commercial expertise there through a subsidiary company and not to have civil servants involving themselves directly in the running of the airport.

[345] I suppose I had another role, not in my accounting officer role, but as principal policy adviser to the First Minister and Cabinet. I think it was a big call, but I think it was the right call to acquire the airport. I think we had watched the business dwindle, routes were disappearing and passenger numbers shrinking. The airport was owned at that time by a Spanish multinational with many, many other interests, and it appeared to be paying very little attention to our airport. It appeared not to be investing in it. My advice—I wasn't alone in it, obviously—but my advice was that there was a fairly high risk that we would wake up one morning and find that Cardiff Airport was to be closed.

16:45

[346] So, it was a big call, but I think it was the right one, in principle. We knew what we were trying to achieve, and then the due diligence process I involved myself in as accounting officer, I think, was okay. There's always a rush; in negotiations, there's always time pressure, and you're never free to do absolutely everything you might ideally want to do, but I think it was good enough. Results, so far, are okay. This is a very, very tough business in which to try to and make money. At one level, I would be very happy if we were not in the airport business, but, since we are—

[347] **Mohammad Asghar:** Chair, I think—

[348] **Sir Derek Jones:** I'll just finish saying that passenger numbers are much improved now—I think up a third from the time of purchase—and are now well over 1 million. It was significantly below 1 million then. We've even picked up a couple of prizes. I think we've won best environmental performance of any airport in the UK, and Cardiff Airport is the fastest-growing airport in the UK. So, it's a business, ideally, we wouldn't be in, but we felt there were good reasons for it, and I think that was supported by a subsequent review by the audit office, and things aren't going too badly at the moment.

[349] **Nick Ramsay:** Is this like a *The X Factor* of airport competitions? You're not going to comment on that one.

[350] **Mohammad Asghar:** Chair, I've a minor question, just to the Permanent Secretary here. When you had this whole advice to buy the airport, did you have any persons from the aviation industry?

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

[352] **Mohammad Asghar:** That's it; thank you.

[353] **Nick Ramsay:** We're very near the end—well, right at the end—of our time, so a couple of quick questions from me, if you have the time, Permanent Secretary. What process are you undertaking to set the Welsh Government's well-being of future generations objectives, and what areas are you focusing on?

[354] **Sir Derek Jones:** Gosh; how many minutes? [*Laughter.*]

[355] **Nick Ramsay:** Very few, so—

[356] **Nick Ramsay:** We haven't touched on the well-being of future generations, so I just thought it would be remiss, at the very end of your time, not to mention it.

[357] **Sir Derek Jones:** Absolutely. The Act came into force for us at the beginning of the financial year, so the first thing I want to say is it's really early days. So, we're six months in. This is going to be a challenge. We're not going to get there quickly or in one go. My approach is, first of all, to study what we need to do. I'm an administrator, Chair, so I look at these things in this way first of all. I've set up a good group, led by one of my deputy permanent secretaries, to look at what we needed to be doing, and tracking and just challenging around the organisation. But I felt that, if we could get the principles of the Act—and everybody knows about the seven goals, but the five ways of working—get them embedded into some of our key processes such as budget and business planning, then we'd be off to a reasonably good start. But the structures—rather like the question, actually, that Rhianon Passmore was asking me earlier about grants—the structures will get you so far, but it's the quality of thinking and the state of mind and culture that need to change.

[358] After six months, I can't sit here and tell you that everybody gets it on the well-being of future generations Act at the moment, but I think we have got good systems in place. You can't really now submit any advice to a Minister on any subject of any importance without being prompted to think, 'Hang on, have we taken into account the objectives and the principles of the well-being Act?' So, we're on the move and you can see already that more comprehensive thinking is going into this than previously. Huw's team has got to work out a way of auditing us on this, and we have a commissioner for the well-being of future generations as well, who'll be running a rule not just over the Welsh Government but over public bodies at large, and we'll aim to learn from best practice and contribute a bit of that ourselves. I think it will be a steady progress, but I think my organisation is good at this kind of thing, and I think we will get there, and there's a lot of international interest in this. If we do we make a success of it, I think it will be a real feather in the cap for administration in Wales.

[359] **Nick Ramsay:** Okay. And one other area we haven't touched on: your successor will be the first Permanent Secretary with the devolution of

taxation—coming in at that point. What internal governance arrangements are overseeing the establishment of the Welsh Revenue Authority and how do you feel the new implementation director is settling into his role?

[360] **Sir Derek Jones:** Dyfed Alsop—I think he’s settling in very well. We recruited him from outside the organisation. He’s got a background in tax matters in the Treasury and elsewhere. Can I say—? This situation, bristling with new risks and new responsibilities, and no money, and tax-raising powers—these are not the reasons I’m leaving, by the way.

[361] **Nick Ramsay:** It’s not the perfect storm.

[362] **Sir Derek Jones:** I wouldn’t want to give that impression. It’s a long-standing plan of mine. In fact, in some cases, and this is one of them, it’s the kind of thing that might tempt me to want to stay on, because this is an historic change and challenge for the organisation. But we’ve set up a good project and programme structure, so there is a programme for the creation of the Welsh Revenue Authority itself. The senior responsible officer for that programme is Dyfed Alsop, the new chief exec designate, and he has a programme board advising him on that with some external as well as internal interests involved. We’ve got a project plan and a timeline. There’s an overarching group, as well, looking not just at the creation of the revenue authority, but at fiscal devolution generally, because there are some other very important aspects of it—the internal Welsh Treasury and the relationship that it will have with the Welsh Revenue Authority, which, although staffed by civil servants, will be a non-ministerial department, as is HMRC. So, it will need a working relationship with the Welsh Treasury. We’re in the process of seeking the first chair of the Welsh Revenue Authority. The staff’s direct accountability is to the chair and the members of the authority. We’re in the process of trying to identify a chair in the early part of next year and then complete the appointments to the board during the course of next year. The taxes switch over in April 2018. The Wales Audit Office sits on these committees as an observer. I hope the role of observer is fully defined and clearly set out—

[363] **Nick Ramsay:** That was a very quick whirlwind tour of tax devolution in two minutes.

[364] **Sir Derek Jones:** I think you’re planning two, actually, Huw, on this—one for this year and one for next—just to track how we’re getting on. Clearly, this is another financial risk at the other end of the deal, which is not

about spending, but whether we effectively bring the revenue in.

[365] **Mr H. Thomas:** The first of those reports goes to Finance Committee at the end of this month.

[366] **Nick Ramsay:** At the end of this month. Can you give us an indication of the date on which your successor might be appointed?

[367] **Sir Derek Jones:** Soon.

[368] **Nick Ramsay:** That is an indication.

[369] **Sir Derek Jones:** 'An announcement soon' is an indication.

[370] **Nick Ramsay:** You don't want to give us an exclusive.

[371] **Sir Derek Jones:** My rough plan is that I'll step down at the end of the year.

[372] **Nick Ramsay:** Great, okay. Can I thank the Permanent Secretary, Sir Derek Jones—the outgoing Permanent Secretary—for being with us today and for that valedictory session? That's been really helpful. Can I thank you for attending the various meetings that you have of the Public Accounts Committee, not only of this Public Accounts Committee, but also the PAC from the previous Assembly? I know that you worked closely with the Chair of that committee and the Members. So, thank you for liaising as you have with the committee over the years.

[373] **Sir Derek Jones:** Thanks, Chair. I've told you before it's almost impossible to enjoy these things, but I do respect the process and the challenge. The committee's always been fair with me—challenging but fair. I'm grateful for that, and it's a pleasure to have attended my last appearance before you.

[374] **Nick Ramsay:** I'm sure you didn't mean that quite as it came out. Thank you.

*Daeth rhan gyhoeddus y cyfarfod i ben am 16:55.
The public part of the meeting ended at 16:55.*