

Shan Morgan
Ysgrifennydd Parhaol
Permanent Secretary



Llywodraeth Cymru
Welsh Government

Nick Ramsay AM
Public Accounts Committee Chair
National Assembly for Wales
Cardiff Bay
CF99 1NA

17 January 2018

Dear Mr Ramsay,

Thank you for your letter of 14 December in which you asked for an update on any work that has been undertaken in taking forward the important issues identified in the Auditor General's Discussion Paper on the relationship between the Welsh Government and arms-length companies.

The Welsh Government has found the Discussion Paper from the Auditor General very helpful and informative and it has acted as a springboard for a number of strands of action. All of the public bodies which the Welsh Government sponsors, in their various forms, play an extremely important role in the delivery of the objectives of the Welsh Government and we value their contributions very highly indeed. At the same time, we recognise the importance of getting the relationships right between us, being alert and responsive to early warning signs and dealing effectively with problems when they do arise.

I know that when the Auditor General's Discussion Paper was being finalised in late 2016, my predecessor and his senior team had a high-level summit meeting with the Auditor General and his own senior team to discuss the emerging findings of the report and the actions which the Welsh Government could take forward in response. Following the summit meeting, we set in hand action to codify more precisely the various categories of public bodies that we sponsor, and, in partnership with the bodies themselves, to improve our approach to recruitment, training and induction of their Board members.



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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding

More recently, we have also commissioned a wide-ranging review of our sponsorship arrangements with our public bodies to identify improvements we could make to the way in which the Welsh Government deals with them as our delivery agents. The review was carried out in accordance with the principles of the Well-Being of Future Generations Act and included interviews with representatives of all of the relevant stakeholders – the Chairs and CEOs of the bodies themselves, the Wales Audit Office, devolved administrations, UK Cabinet Office, Whitehall departments, key officials in the Welsh Government, Special Advisers and Ministers. The review was informed by an Oversight Board which included an external non-executive and a representative of the Wales Audit Office (acting in an ‘observer’ capacity to preserve audit independence). One of the key documents which the review team drew upon was the Auditor General’s discussion paper.

The review has now reported and following discussions with officials I have accepted the conclusions and recommendations as Principal Accounting Officer.

‘Delivering Together - Strengthening the Welsh Government’s Sponsorship of Arms-length Bodies’ recommends a programme of work to deliver the ambitions of the Review. It sets out 37 recommendations under the following 6 themes:

- Organisational Structures - Form and Function
- A High Value Function
- Supporting Public Leaders
- Public Appointments
- The Control Framework
- Managing the Two-Way Communication

I have appended to this letter a summary of the recommendations. Among the most significant of the recommendations are:

- to establish greater central capacity, via a Public Bodies Unit which would take over some sponsorship functions, act as a centre of excellence, a source of consistent advice and provide greater transparency and assurance to me. This will be cost-neutral and funded through a re-alignment of resources from sponsor teams which will enable us to do the things we do now better and also give some capacity to undertake new functions;
- to develop proposals with our arms-length bodies to join up the provision of the back office functions of the Welsh Government Arms-length Bodies and making better use of large framework contracts to drive out efficiency savings;
- to assess the cost effectiveness of Welsh Government officials providing ‘secretariat’ services to the 16 committees, appeals panels and tribunals and make proposals to consolidate this resource;

- to streamline the administration of the payment of grant-in-aid whilst maintaining rigorous scrutiny;
- to move away from 'annual' remit letters, budget awards and business plans to a 'Term of Government' approach that will facilitate longer term planning and provide greater stability for our Arms-length Bodies, improve efficiency and effectiveness of the oversight arrangements;
- to establish a Public Leaders Forum (networks for Chairs, Chief Executives and sponsors and policy leads) to facilitate improved communication and sharing of information that will lead to more efficient planning and better decision making;
- to develop a Welsh Government 'Governance Portal' to facilitate opportunities for cross-sector working by providing a platform on which to share Arms-length Bodies' business plans and remit letters, and to provide an on-line discussion forum; and
- to build in additional capacity in the Public Appointments Unit to enable the development of a 'talent pipeline' of potential candidates for appointments to boards, improving succession planning and diversity in appointments .

We have begun to implement these recommendations and are doing so in close partnership with the public bodies themselves and drawing upon the advice and expertise of the Wales Audit Office where it is appropriate to do so, and without – of course – fettering audit independence. I will be very happy to keep the Committee informed of our progress, if that would be helpful.

Yours,

A handwritten signature in black ink that reads "Shan Morgan". The signature is written in a cursive style and is positioned above a long, thin horizontal line that extends to the right.

Shan Morgan

Ysgrifennydd Parhaol/ Permanent Secretary
Llywodraeth Cymru/ Welsh Government



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Table of Recommendations

Organisational Structure - Form and Function

Number	Recommendation	By who	Time-Frame
1	Establish Public Bodies Unit	<p>Director of Corporate Services</p> <p>Public Body Implementation Manager</p>	<p>December 17 appoint Public Bodies Implementation Manager</p> <p>April 2018 Public Bodies Unit Established</p>
2	Realign resources currently allocated to sponsorship teams to reflect the move of some functions to the Public Bodies Unit	<p>Directors of Corporate Services and Finance (OFMCO)</p> <p>Directors Generals and Directors of Finance.</p>	Between January and April 2018

		Accounting Officer for CSA MEG	
3	Adopt a 'Sponsorship Hub Model' across Welsh Government aligning sponsorship responsibilities within and across groups to drive efficiency and effectiveness and release resource to support enhanced functions of the Public Bodies Unit and Public Appointments Unit.	Directors General and their Heads of Operations	January to April 18
4	Designate the Cabinet Secretary for Finance as the Minister with oversight responsibility for Welsh Government Public Bodies' landscape and policy.	Permanent Secretary discussions with the First Minister	April 18
5	<p>Establish a policy and procedure for setting up a new Public Body and put in place a central approvals process through the Unit which should:</p> <ul style="list-style-type: none"> • Challenge the need for a new body • Agree appropriate model • Review and scrutinise business cases • Provide challenge and sign off of new model 	<p>Director of Corporate Services</p> <p>Public Bodies Implementation Manager</p>	April 18

6	Establish a 'tailored review' programme. Sponsor leads to consider annually the need for a Tailored Review of an arms-length body, based on the agreed risk framework, with maximum term of government interval.	Public Bodies Implementation Manager	June 18
7	Consider efficiency savings to the Welsh Government of providing 'back office' functions for smaller arms-length bodies to reduce grant-in-aid to those bodies and whether contracts let by the Welsh Government for professional advice e.g. legal services can be made available to the arms-length bodies to save time and resource in running procurement exercises.	OFMCO Director of Finance and Directors of Resources Arms-length Bodies Director National Procurement Service	December 2017 – June 2018
8	Consider efficiency savings of administering grant-in-aid payments centrally.	OFMCO Director of Finance	Commence April 18
9	Explore the feasibility of developing the grants system to be able to run reports by Public Body so that management information on funding of bodies can be extracted for the public bodies report	Director of Finance Grants Centre of excellence	Commence April 2018

Sponsorship as a High Value Function

Number	Recommendation	By who	Timeframe
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10	Lead sponsor for each arms-length body should be at least Deputy Director band with a commitment to the function reflected in PMR objectives.	Deputy Permanent Secretaries	April 2018
11	Person specification for key sponsorship roles to be identified based on Civil Service Sponsorship Competency Framework	Director Corporate Services	April 2018
12	Training and development package for sponsorship to be developed and offered	Director Corporate Services	April 2018/19
13	Community of Practice to be established for staff in sponsorship roles within the Welsh Government. To include individuals who support teams in other specialist functions e.g. procurement, finance, FOI, Cabinet Office, Human resources	Public Bodies Unit	April 18

Supporting Public Leaders

Number	Recommendation	By who	Timeframe
14	Establish Public Leaders Network	Director of Corporate Services	April 2018
15	Establish other networks for Board members, Chief Executives, functional heads as demand identified, building on extant groups wherever	Public Bodies Unit	April 18 /19

	possible		
16	Develop Formal induction programme for incoming Chairs and Board members on public sector governance	Director of Governance	January 2018
17	Ensure that all appointees to arms-length bodies receive organisation-specific induction as well as opportunities for ongoing training and development.	Chief Executive Arms-length Bodies Public Bodies Unit	April 2018

Public Appointments

Number	Recommendation	By who	Timeframe
18	Increase capacity in the central Public Appointments Unit to allow it to undertake appointments exercises for sponsor teams as internal clients.	Director Corporate Services	April 2018
19	Establish and implement a development programme 'Talent Pipeline' for identified individuals with the potential to serve as public appointees, with a particular focus on underrepresented groups.	Public Bodies Unit	April 18 -April 19

20	Establish and implement a 'Mentoring and Shadowing' programme for new Chairs, for existing appointees with Chair potential and 'near misses' from public appointment exercises.	Public Bodies Unit	April 18 -April 2019
21	Establish and implement a policy on remuneration of public appointees to increase consistency	Public Bodies Unit	April 18 – September 18
22	Consider the introduction of a probation period for new Chairs and Board members.	Public Bodies Unit	April 18
23	Establish escalation procedures for Board members, Chairs and Chief Executives in case of failing relationships.	Public Bodies Unit	April 18

Control Framework

Number	Recommendation	By who	Timeframe
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24	Control framework (documents, templates, guidance including Managing Welsh Public Money) to be reviewed in light of findings of this report and the Public Bodies Review Group assessment. Re-issued with clarity around mandatory and flexible provisions e.g. Well-being Future Generations.	Director of Governance	April 18
25	Control documents to be held centrally and checked for compliance with guidance.	Public Bodies Unit	April 18
26	Move to “Term of Government” remit letters with ‘Term of Government’ budget allocations (firm for first year, indicative for remaining years with caveats relating to budget fluctuations and timing of any planned tailored reviews) Budget allocations will continue to be confirmed on an annual basis with indicative allocations as appropriate i.e., aligned with WG budget planning horizons.	Public Bodies Unit and Sponsor Teams	April 2018
27	Term of Government remit letters to be issued on approval of ‘Term of Government’ strategies and business plans provided by the arms-length body.	DD Sponsor Team	April 2018
28	Establish Risk Assessment Framework for Public Bodies based on concept of Earned Autonomy and establishing oversight regime. Risk assessments to be undertaken on each arms-length body	Public Bodies Unit, Chief Executive of Arms-length Body and DD Sponsor Team	April 18 _19

29	Explore the opportunity for co-operation between the Welsh Government Internal Audit Services and the internal audit functions of the arms-length bodies to develop audit programmes which could provide more holistic internal audit assurances to 'those charged with governance' i.e. ARCs	Head of Governance and Assurance	June 18
30	Clearer guidance to be provided on Accounting Officer accountability and 'calling-in requirements' e.g. actions that fall under the definition "novel, contentious and repercussive"	Public Bodies Unit Director of Governance	April 2018

Managing the Two Way Communication

Number	Recommendation	By who	Timeframe
31	Confirm a policy on Welsh Government officials' attendance at arms-length bodies boards and audit and risk committees. If attending, consider seniority of official (DD grade), and status (silent observer, participatory observer, or "Public Guardian").	Director of Governance	April 18
32	Establish protocol for communication with arms-length bodies - a 'single funnel' approach to include an annual/triennial commissioning framework and mechanism for reducing frequent or repetitive requests for information	Public Bodies Unit	April 18

33	Establish an on-line 'Governance Portal' to facilitate sharing of information (remit letters, business plans, framework documents) between the Welsh Government, Chairs and Chief Executives and enable on-line 'chat/message' facility to provide a forum for sharing best practice, discussion of issues and advice/resolution of problems and to support 'joining up' and working together.	Public Bodies Unit	April 18
34	Ensure Cabinet Secretaries and Ministers are briefed at Machinery of Government changes in respect of any armslength body for which they will have responsibility. Include in the briefing guidance on any intervention powers taking account of the bodies' statutory duties.	Public Bodies Unit Sponsor Teams	April 2018
35	Provide induction training to Cabinet Secretaries and Ministers on arms-length bodies .	Director of Governance Public Bodies Unit	April 2018
36	Establish protocol for communication between an arms-length body, the sponsor team and senior civil servants which ensures consistent messaging with Cabinet Secretaries, Ministers, their Private Offices and Special Advisers.	Public Bodies Unit	April 2018

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Ensure that sponsors are clear about their role in respect of the Well-being of Future Generations Act and requirements on the arms-length-bodies they are responsible for

Public Bodies unit and
WBFG Champion

April 2018