



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

31 January 2018

Dear Chair

Public Accounts Committee Meeting 15th January 2018

I am writing in response to the email from the Clerk to the Committee dated 16th January, further to my introductory appearance before the Committee with Tracey Burke the previous day.

I welcomed the opportunity of an initial discussion with the Committee, and am glad that members found the session useful.

There were a number of follow up actions arising from the meeting that fell to me:

- Provide a note on the relationship the Welsh Government has with the UK Government Digital Service;
- Provide a follow-up note on the tables in the context of modelling the economy as part of the Economic Action Plan ;
- Send a note to update how the proposed powers to give greater autonomy to Transport for Wales are progressing; and
- An assessment of exposure for Wales as a result of [today's] announcement of Carillion's liquidation.

My responses on these points are attached.

With best wishes.

Yours sincerely

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Public Accounts Committee 15 January 2018 Introductory Hearing – Actions

The Welsh Government's relationship to/with the UK Government Digital Service

The Government Digital Service (GDS) was established in 2012 to lead the transformation of central UK government services. GDS's primary focus has been on UK Government services and provided an advisory/guidance role to devolved administrations.

Welsh Government has worked closely with GDS on strategy and co-ordination. We contributed to the UK Government Digital Transformation Strategy which referenced work already happening on digital service transformation in Welsh Government. Officials have been active members of GDS's leadership groups – Digital, Technology and Data Leaders - since their establishment. Following the merger of the groups in to the Digital and Technology Leaders, Welsh Government officials have continued to be involved and will be in attendance at the next meeting in March.

We have attended and contributed to GDS Transforming Together events and applied learning into Welsh Government. This month, there is a GDS/Ministry for Housing, Communities and Local Government workshop, which officials will be attending, to discuss how GDS can support local government digital transformation.

On supporting transformation, Welsh Government has learnt lessons from the exemplar transformation projects which GDS worked on with UK Departments from 2012-2015. Welsh Government has adopted GDS's Cloud First strategy and have already successfully migrated a number of our key business applications.

We have developed an Open Data Strategy for Welsh Government and on data science we have worked with GDS and ONS on promoting the data science accelerator programme.

On skills and workforce, Welsh Government has worked closely alongside GDS on its Digital, Data and Technology (DDaT) professions framework. We are implementing the GDS DDaT taxonomy into relevant roles within Welsh Government and are using the taxonomy for our external digital and technology recruitments. Welsh Government staff have attended training at the GDS Digital Academy. At an operational level we regularly collaborate with GDS on a range of capability matters.

On standards and compliance, we implemented an adapted version of GDS's digital service standard in 2014 for the development of our own digital services. We use agile methodologies in transforming our services. We have a range of governance arrangements in place to control spending controls and technology choices.

Welsh Government is a user of the contracts put in place by GDS/ Cabinet Office such as G Cloud and the Digital Outcomes and Specialists frameworks.

On websites, we have used the GOV.UK branding and style guide to support the modernisation of our own Welsh Government website. We are in active discussion with GDS about using their common services platforms.

In summary, Welsh Government has both a strategic and operational relationship with GDS and has done for many years. This is beneficial for both parties and helps support the effective transformation of Welsh Government's digital services.

Tables in the Context of Modelling the Economy as part of the Economic Action Plan

Input-Output tables provide a framework for showing the flows of goods and services in an economy. Input-Output tables for Wales have been produced by Cardiff University, drawing on a small private survey of Welsh businesses. The most recent data are for 2007 and were published in 2010. They have been used by the Welsh Government, alongside other information, to provide estimates of the short-run impacts (actual and potential) of economic events e.g. from a major plant opening or closure.

Used appropriately, robust Input-Output tables can also be used to analyse the industrial structure of an economy and improve the coherence and reliability of economic statistics such as GDP and GVA.

Input-Output tables have several theoretical and practical limitations that mean they are only appropriate for use in particular circumstances and, where they are used, the results should be interpreted with care. In particular, input-output tables should not be used by themselves to assess the longer term impact of economic policies, although they may provide information which can contribute to such an assessment.

Robust data on trade flows between Wales and the rest of the UK are an essential building block of Input-Output tables. There are currently no official data on these flows and these data are not straightforward to obtain because of the close integration of the Welsh economy with the rest of the UK.

Officials will look at the costs and benefits of producing robust Input-Output tables for Wales as well as understanding the sources and quality of data that could be used. We will share the results of this work with the committee.

Update on How the Proposed Powers to give Greater Autonomy to Transport for Wales are Progressing

Transport for Wales (TfW) was established under the Companies Act 2006 and is fully accountable to the Welsh Ministers as a wholly owned subsidiary company limited by guarantee.

The scope of operation of TfW is limited to the activities which the Welsh Ministers may lawfully carry out. It is not possible therefore for TfW to discharge functions which are outside the Welsh Ministers' powers and the Welsh Ministers can not delegate their functions to TfW – unless TfW is created in statute and the powers are transferred via legislation. The Welsh Government therefore retains ultimate

responsibility for transport matters but is able to ask TfW to carry out services on its behalf.

TfW was set up to discharge certain transport functions on behalf of the Welsh Ministers and was remitted, in the first instance, to design and undertake the procurement process for the next Wales and Border rail service and the South Wales Metro, and to develop options for the North East Wales Metro.

Positive discussions are being held with the UK Government regarding the transfer of powers relating to rail franchising and the Valley Lines railway asset.

The Welsh Ministers aspiration for TfW is to enable the Company to take on a wider range of transport functions. To this end, by the end of March 2018, TfW's remit will be extended to include the day-to-day monitoring and management and the demobilisation of the current Wales and Borders rail services franchise, and the mobilisation and on-going management of the new Wales and Borders rail services franchise. The Company will also be remitted to manage the delivery of the South Wales Metro and the North East Wales Metro.

The Welsh Government is considering the benefits of transforming TfW into an operationally independent delivery agent and what activities, projects and services it could ask TfW to deliver on its behalf. This might include the construction of capital transport improvements for walking and cycling, roads or rail, and management of financial support for passenger transport. It might also involve the branding and marketing of services. The Company might also have a role in land purchase and land development to support an income stream. Operational independence will mean that everyday questions and issues would be decided by TfW, so that the Company could respond swiftly and flexibly to emerging situations. The Welsh Government is also considering whether, over the longer-term, there may be further benefits from creating an independent body by statute.

The Welsh Government expects to make a decision by the end of this financial year on next steps so that the 2018/19 remit letter to TfW can incorporate any agreed additional responsibilities.

Exposure for Wales as a Result of Announcement of Carillion's Liquidation

The Welsh Government has been monitoring the situation with Carillion closely since the first profits warning was announced in July 2017. Welsh Government carries out due diligence as a standard part of all tender exercises and monitors the financial situation of all suppliers once a contract has been awarded.

Carillion are a significant provider of outsourced and construction services to the UK Government. They are not a significant provider of services to Welsh Government.

Where contracts with Carillion do exist we will be working with our advisers and the Official Receiver to agree the best way forward to minimise the impact of this situation. All options to minimise any potential delays to delivery will be explored.

We will do all we can to support Carillion workers and supply chains in Wales, including assisting workers find alternative employment and training where necessary through Welsh Government support programmes such as REACT, a project part-funded by the European Social Fund through Welsh Government and delivered in partnership with Careers Wales and Jobcentre Plus.

Carillion feature in one of the bids to run the rail services in Wales and the Borders from October 2018, and to take forward key aspects of the next stage of Metro. The relevant bidding organisation is currently exploring ways in which it can legitimately remain in the process.

Network Rail have confirmed that Carillion's work for them does not involve the day to day running of the railway. We will also be working with them around any involvement of Carillion within their supply chain.

Carillion are currently the Welsh Government's appointed contractor for the delivery of the design for the A40 Llanddewi Velfrey to Penblewin road scheme. We are therefore exploring all options as to how best to progress to the next stages of the project, so as to minimise any delays.

Carillion are also the Welsh Government's appointed contractor for the design of improvements to junction 15 and 16 of the A55. Carillion's profit warning in July 2017 was released following the receipt and assessment of their bid for the project, but prior to the formal award of the contract to Carillion. The Welsh Government paused its procurement process so as to allow investigations to be carried out as to Carillion's financial stability.

Carillion gave assurances as to their stability, and this coupled with the fact that they were only being awarded a contract for design at this stage meant that the Welsh Government, on balance, could not legitimately withhold awarding the contract to Carillion without the potential for challenge under procurement law.

As with the A40, we will be exploring all options as to how best to progress to the next stages of the A55 junction 15 and 16 project, so as to minimise any delays. This includes exploring the possibility of directly contracting with Carillion's supply chain.

With regard to the Superfast Broadband contract with Openreach, it has been confirmed that its subcontractor, Carillion telnet, is not impacted by the issues facing Carillion.

Welsh Government has contacted all Welsh public sector bodies to determine the level of risk/exposure and thus far no contracts or pending contracts have been identified.

Welsh Government has received one invoice to date since the liquidation, and advice is being sought from the Official Receiver on how to handle this. A small number of further invoices are expected.

The Welsh Government is also aware that Carillion are the appointed contractor for the Meridien Tower in Swansea providing the remedial works to make the building fire safe following the Grenfell fire incident.

This is a commercial contract as the building is privately owned. Welsh Government housing policy officials are in discussions with Swansea Council and Carillion to ensure the works do not go on hold.

Economy, Skills and Natural Resources Group

31st January 2018