

Shan Morgan
Ysgrifennydd Parhaol
Permanent Secretary



Llywodraeth Cymru
Welsh Government

Mr N Ramsay
Chair, Public Accounts Committee
National Assembly for Wales
Cardiff Bay
CF99 1NA

27 September 2019

Dear Mr Ramsay,

PAC SCRUTINY OF ACCOUNTS 2017-18

Further to my response to all the recommendations included in the above report provided on [30 April 2019](#), and my letter dated [16 July 2019](#) in which I provided further information on two of the recommendations. I agreed to provide a response to other recommendations requiring action, nearer to the agreed dates.

Of the 18 recommendations, 13 have been fully completed, 4 are progressing and 1 forms part of the annual accounts cycle and is therefore an ongoing commitment. Please find a comprehensive update to all recommendations as follows:

Recommendation 1

The Committee recommends that the Welsh Government takes the necessary measures to prevent any recurrence of officials refusing to provide information to the Public Accounts Committee (in confidence if need be) on the supposed grounds that they cannot legally do so (and in flagrant contravention of A4.12.11 of Managing Welsh Public Money).

Welsh Government Response 30 April 2019

I share the Committee's concern that the Welsh Government and its arms-length bodies should be as open and transparent as possible in their accounts and with the Committee itself, in relation to severance payments as with everything else full transparency is not always possible - as the Committee recognises, there are



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sometimes issues of data protection or legal obligations to be taken into account. But I think that we can do more to meet the concerns of the Committee and I am considering how we might achieve this.

I provided the following update in my letter dated 16 July 2019:

As I said in my initial response, I entirely share the view of the Committee that the Welsh Government and its arms-length bodies should be as open and transparent as possible in their accounts and with the Committee itself. I am very aware of the specific responsibility upon myself as Principal Accounting Officer for the Welsh Government, and upon other appointed Accounting Officers, to assist the Committee in its work. I think that the arrangement which we arrived at in relation to details of guarantees given to companies included in the contingent liabilities note, by addressing concerns through a closed session, worked well. I hope that the Committee found it helpful and that we can continue with such arrangements in future where appropriate.

I also appreciate the concerns of the Committee about the need for as full a disclosure as possible in relation to severance payments. I will write to all the Welsh Government arms-length bodies to remind them that such agreements should not be matter of course and all endeavours should be made for disclosure; that where the use of such agreements is necessary on legal advice, that legal advice is obtained to ensure disclosures are made as far as possible; and that, as we did in relation to contingent liabilities, where there are obstacles to public disclosure that they can offer to the Committee a closed session to discuss such agreements, to enable the Committee to exercise its scrutiny role properly. I will be sending this letter shortly and I will provide the Committee with a copy of the letter.

September update

I issued the letter to Accounting Officers on 17 September, and a copy was provided to the Committee on 19 September

Recommendation Status: Fully completed

Recommendation 11.

The Committee recommends that the Welsh Government publishes its timetable for the production publication of its accounts and annual report on an annual basis to aid transparency and understanding of the process.

Welsh Government Response 30 April 2019

Details of the timetable for preparation of the annual accounts have been published on the Welsh Government website.



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<https://gov.wales/welsh-government-consolidated-annual-accounts>

Recommendation Status: Fully completed. This will be an ongoing action for future years.

Recommendation 12.

The Committee recommends that the Welsh Government provides an update to the Committee in respect of its discussions with the Wales Audit Office, including the agreed actions to address the issues encountered during the preparation and audit of the 2017-18 accounts.

Welsh Government Response 30 April 2019

A copy of the information I shared with the Auditor General for Wales on the actions agreed to address the issues encountered during the preparation of the 2017-18 was attached at annex B to the Welsh Government Report response.

Recommendation Status: Fully completed. Reviewing the account process for lessons learned is an integral part of planning for subsequent years accounts preparation.

Recommendation 13.

The Committee recommends that the Welsh Government clarifies for the Committee the resources it has in place for the process, as well as explain how it ensures it has sufficient skills and capabilities for the delivery of its annual accounts.

Welsh Government Response 30 April 2019

The information provided at Annex B to the Welsh Government Report response to the Committee provided further details of the additional resources now in place within the team responsible for preparing the core and consolidated accounts and the submission to the Whole of Government Account. All staff are suitably qualified; SEO, Grade 7 and senior civil service staff all hold a relevant professional accountancy qualification, and a number of the staff have previously worked in a central accounts team. In total I have doubled the number of qualified/part qualified staff preparing the 2018-19 accounts when compared with last year.

Recommendation Status: Fully completed. The resources and skill required to produce the accounts are reviewed as part of the accounts planning process annually.



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Recommendation 14.

The Committee recommends that the Welsh Government makes more detailed financial and performance information, such as analyses of annual expenditure within each MEG and how these programmes are delivering against planned outcomes. This should include information to allow the public to see how decisions are made and also reports about its in-year performance to increase transparency and accountability.

Welsh Government Response 30 April 2019

The annual outturn report which is issued to the Finance Committee after the annual accounts provides comprehensive details of how the Welsh Government outturn compares with the budget. The statement of resource outturn, which is a mandatory requirement for all annual accounts, details expenditure against each of the MEGs. For 2018-19 the Welsh Government will be introducing a further table comprising the 30 largest areas of expenditure. The issue of performance reporting is addressed under recommendation 17.

September update

In the Accounts preparation process it became apparent that simply extracting the 30 largest areas of expenditure into a table, which would include non-cash accounting charges as well as direct expenditure added little useful information for the user of the Accounts. Analysis has been included of the top 5 expenditure areas covering two-thirds of the net expenditure outturn. The annual outturn report issued to the Finance Committee provides the context for the outturn more meaningfully than an additional table in the Accounts.

The outturn report is prepared once the Accounts have been audited to provide certainty of reporting.

The Welsh Government will ask the Minister for Finance and Trefnydd if the outturn report can be copied in future to the PAC at the same time it is submitted to the Finance Committee.

Recommendation Status: Fully completed

Recommendation 15.

The Committee recommends that the Welsh Government puts measures in place to ensure that it complies with the Welsh Language Standards to publish simultaneously its accounts in English and Welsh.

Welsh Government Response 30 April 2019



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The Welsh and English versions of the 2018-19 annual accounts will be published simultaneously. GOWA 2006 specifies that the Wales Audit Office must lay the accounts with the Assembly. In the past the WAO has only laid the English version as the Welsh version is not subject to audit. To avoid any possible confusion over publication dates, I will be suggesting to the Auditor General for Wales that we forward copies of the Welsh and English versions of the accounts to his officials and that they then deliver both to the Assembly.

September update

The Welsh and English versions of the 2018-19 Welsh Government Consolidated Accounts were laid simultaneously on the 27th August 2019 and published simultaneously on the Welsh Government website on the 28th August 2019.

Recommendation Status: Fully completed.

Recommendation 16

The Committee recommends that the Welsh Government updates the Committee on the timetable for taking the Welsh Government's policy on the internal use of the Welsh Language to the Board and shares the outcome along with any accompanying papers considered by the Board.

Welsh Government Response 30 April 2019

I have commissioned a paper to be presented to the Welsh Government's Board at its meeting in May for discussion on the Welsh Government's policy on the internal use of Welsh during the next few months. I have asked for the paper to consider developments in the time since an original paper on the matter and quoted in the Committee's report, was drafted in 2017. The paper will also consider the balance between an ambitious policy based on the Welsh Language Strategy's target on one hand, and practical matters on the other. This is clearly a sensitive issue for staff and we must carefully consider how any changes may affect the workforce. In preparing the paper we have also been considering best practice within other public sector organisations in Wales and my officials have met with Assistant Chief Constable of South Wales Police, Jeremy Vaughan, the Assembly Commission, Rhondda Cynon Taf Council and Ynys Mon Council to discuss their practices in ensuring Welsh language skills capacity within the workforce and facilitating and promoting the increased use of Welsh within these organisations. Board policy papers of this nature are not normally published, but following the Board's discussion of the matter, the paper, taking account of the views of the Board, will be submitted to the First Minister and the Minister for the Welsh Language and International Relations for consideration. I will share with the Committee the outcome of this consideration together with any relevant papers. I hope to be able to do this by September.



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September update

I announced at the Culture Welsh Language and Communications Committee the proposed timetable for developing a comprehensive and ambitious policy for developing the use of the language within the Welsh Government. The objective in the short term is for the Welsh Government to become exemplar in its internal use of the language, while in the longer term, by 2050, the Welsh Government will become an organisation where all staff can understand Welsh, bilingual working is enabled and there is a significant increase in the use of the language. Our vision to become an exemplar organisation ensures that the Welsh Government civil service plays a full part in assisting the First Minister achieve his ambition of seeing one million speakers of the language by 2050, as set out in the Welsh language strategy, *Cymraeg 2050; a million Welsh speakers*.

The long term nature of this work means that the policy will evolve and develop over time; reflecting the gradual approach to implementation. I believe this will be best achieved over a rolling five year cycle of agreed actions, implementation and review. The focus initially will be on facilitation, encouragement and incentivising. There will be a need to increase the impact of the policy over time in order to reach the goal, and this will need to be planned carefully.

Over the summer five work streams are underway and their task is to consider specific issues that will inform the first five years of the policy, but also consider the trajectory to 2050. TUS are involved in all 5 work streams. The five work streams are:

- a. Workforce planning, recruitment and main streaming the language internally;
- b. Training;
- c. Technology and efficiency;
- d. Communications, internal practice and behaviour science;
- e. External factors and statistics.

Work is now underway to finalise the policy, milestones and first work programme with a view to launching the new policy and work programme in November 2019, after formal consultation with the Trade Union Side.

Recommendation Status: In progress – target completion end of November 2019.

Recommendation 17.

We recommend that Welsh Government considers how to comply with best practice in financial reporting by including information about its performance, and adopting this practice for the preparation of next year's annual report and accounts, before issuing further guidance to its sponsored bodies. As a minimum, the annual report and accounts should set out how the money has been spent and what it has achieved, with reference to the targets set by Welsh Ministers and the Welsh Government, as well as performance against them. This



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should include an analysis of spend against the aims of “Prosperity for All” (and the subsequent programmes) and other organisational targets in the accounts, aligned to the expenditure reported in the financial statements.

Welsh Government Response 30 April 2019

I have asked Jeff Farrar in his role as a Non-Executive Director on the Welsh Government Board to lead a task and finish group to advise on a suitable approach to preparing an enhanced and systematic set of Key Performance Indicators (KPIs) for the Welsh Government. He has been asked to draw upon existing material and consider what additional measures we could usefully adopt to allow us to monitor progress and achievement more effectively. The terms of reference for the group are “to consider and make recommendations to the Permanent Secretary on a new suite of performance management information and KPIs in relation to her responsibilities for the running of the Welsh Government.”

Mr Farrar has begun his work and I have asked for a report by the end of June. I think it unlikely that much of this work will be ready in time to appear in our forthcoming accounts but I will be able to update the Committee on progress in the autumn. The work relates to the operational performance of the Welsh Government and those areas which fall to the responsibility of the Permanent Secretary, rather than with Ministers. However, I will discuss the potential wider implications of this particular recommendation with the First Minister and I will certainly draw his attention to the concerns which have been expressed by the Committee.

September Update

The recommendations arising from the work of Mr Farrar and the task and finish Group which supported him are being taken forward by Knowledge and Analytical Services, who are developing a comprehensive management framework. This framework will be based upon the International Civil Service Effectiveness Index, as proposed by Mr Farrar. This will help improve and maintain the performance and efficiency of the organisation. Some new KPIs will be included in the 2019-2020 Report and Accounts. Others will take longer as new data will need to be collected and analysed.

Recommendation status: Implementation in progress

Recommendation 18.

The Committee recommends that the Welsh Government makes clear the requirements with which it aims to comply when preparing its annual report and accounts. It should also be clear about the Welsh requirements for Annual Reports and ensures that all bodies comply with this guidance, including themselves. This will help to provide sufficient and appropriate information is disclosed enabling effective scrutiny.



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Welsh Government Response 30 April 2019

The Welsh Government issues an accounts direction to its public bodies which details how annual accounts should be prepared and who they can speak to if there are any questions. It also works closely with its subsidiaries to ensure that the information provided to support the preparation of the consolidated accounts is robust. All information submitted to the Welsh Government for consolidation into the accounts is independently audited by either the WAO or one of the large accountancy firms. The main source of guidance for the Welsh Government and all other organisations is the Financial Reporting Manual (FReM) which is published and updated by HM Treasury.

The FReM sets out with regard to the form and content of annual reports and accounts that the Welsh Government determines the appropriate level of reporting for the Performance Report for each organisation in Wales, taking into account specific legislation in Wales.

HM Treasury is advised on all matters relating to accounting standards by the Financial Reporting Advisory Board (FRAB). The Welsh Government has a permanent seat on the FRAB and is represented by the Finance Director.

Recommendation Status: Ongoing as part of regular cycle of Annual Reporting

Recommendation 19.

The Committee recommends that Welsh Government considers what information can be included in its accounts to promote transparency in respect of the support provided for business without deterring potential investors.

Welsh Government Response 30 April 2019

The Welsh Government publishes all the information it can without breaching agreements over commercial confidentiality. This information is reviewed every year to determine whether it remains commercially sensitive. Following the publication of the 2017-18 accounts, the PAC requested a closed session to discuss any information that could not be published and I would suggest that a similar meeting following the publication of this year accounts would be an appropriate means of ensuring transparency and facilitating scrutiny of the decisions taken by the Welsh Government.

Recommendation Status: Fully completed



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Recommendation 20.

The Committee recommends that the Welsh Government liaises with its counterparts in the Scottish Government to enhance its understanding of the potential merits of introducing a Whole of Government Accounts for Wales and provides an update to the Committee.

Welsh Government Response 30 April 2019

I will provide an update to committee when we meet in the autumn. However, at this stage the Welsh Government has not been provided with a strong case for preparing a Whole of Wales account.

Recommendation Status: Fully completed based on discussions with Scottish Government having been undertaken.

Recommendation 21.

The Committee recommends that the Welsh Government shares with the Committee its action plan for reducing the gender pay gap.

Welsh Government Response 30 April 2019

The Welsh Government is working with Chwarae Teg (in Spring 2019) to develop an action plan for reducing the gender pay gap. This will be shared with the Committee once it has been finalised and agreed.

September Update

Our pay systems are fair but a pay gap results from percentages of men and women working at different grades and far larger numbers of women working part time. We have recently taken part in the Chwarae Teg Fair Play Employer Award benchmarking process, and met Chwarae Teg in August 2019 to discuss their findings and recommendations. We will also use recommendations relating to employment from the Gender Review Phase 2 report to inform our work. Our approach, which we were pleased to see mirrored in the Chwarae Teg benchmarking, is to focus on wider issues which affect women (and other staff with protected characteristics) and which may affect quality of experience, progression and consequently the gender pay gap. We will embed resulting actions in our new Diversity and Inclusion Action Plan which will target our drive for workplace equality in the period from April 2020 onwards. Chwarae Teg are supportive of integrating the gender pay gap actions into our new Diversity and Inclusion Plan rather than developing a stand-alone action plan.

Recommendation Status: In progress – target completion April 2020



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Recommendation 22.

The Committee recommends that, to aid transparency and facilitate scrutiny, the Welsh Government considers whether more information could be included in its future accounts to explain the purpose of exit packages and/or severance schemes.

Welsh Government Response 30 April 2019

The Welsh Government will include additional information on exit packages and severance schemes in future accounts. We will also be writing to our arms-length bodies to stress the importance of their doing likewise.

September update

I issued the letter to Accounting Officers on 17 September, and a copy was provided to the Committee on 19 September.

The Welsh Government Consolidated Accounts included additional information in 2018-19 on the purpose of the Voluntary Exit Scheme.

Recommendation Status: Fully completed

Recommendation 23.

The Committee recommends that the Welsh Government includes in its annual report and accounts information about the efficiency activities across its organisation. This should include outturn against the targets set, with an explanation where performance goals are not met.

Welsh Government Response 30 April 2019

The work being undertaken by Jeff Farrar will inform how Welsh Government can best create an enhanced and systematic set of KPIs that will help to demonstrate how it is delivering efficiencies across the organisation. We are also considering how we will take forward the pursuit of efficiency savings in the Welsh Government, including the arrangements for measuring them and reporting on them. I will be able to update the Committee in the autumn.

September update

Please refer to the update provided at Recommendation 17. An update on the work of the Improving Efficiency Board is included at Annex B.



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Recommendation status: Implementation in progress

Recommendation 24

The Committee recommends the Welsh Government provides, in advance of the Committee's scrutiny of its 2018-19 accounts, an update in respect of the work of the Improving Efficiency Board and in particular, the actions implemented as a result of the independent review of its corporate services.

Welsh Government Response 30 April 2019

I will write to committee members ahead of the scrutiny of the 2018-19 accounts on the Improving Efficiency board and in particular, the actions implemented as a result of the independent review of its corporate services.

September update

An update on the work of the Improving Efficiency Board is included at Annex B.

Recommendation status: Fully completed

Recommendation 25.

The Committee recommends that the Welsh Government clarifies why and how the Future-proofing initiative differs from Fit for the Future, the scheme introduced by the former Permanent Secretary. This should set out how the scheme is working not only to improve efficiency of the organisation but also advance its capacity and agility.

Welsh Government Response 30 April 2019

Future-proofing is a people-centred organisational improvement initiative which aims to equip the Welsh Government civil service to meet the complex challenges it faces in supporting Ministers to deliver its current programme while also building a confident, skilled and sustainable civil service for the future. It builds upon the excellent work of my predecessor through his change programme "Preparing for the Future" and takes account of the learning and insight from that programme.

"Preparing for the Future" looked primarily at organisational and structural ways in which the Welsh Government needed to adapt. Future-proofing now switches the emphasis to people-related change and the integrated and system-wide nature of the way we are approaching the behaviour change programme.



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As well as introducing a new set of expectations and behaviours which capture the ways of working we encourage and value, we have made significant changes to our performance management systems, promotion systems, leadership training and wider capability-building programme to encourage and embed the expectations across the organisation.

Further information was provided in Annex C to the Welsh Government Report response to the Committee.

Recommendation Status: Fully completed

Recommendation 26.

The Committee recommends that the Welsh Government clarifies for the Committee its position in respect of adopting the UK Civil Service's Success Profiles and how these will work in the Welsh context, including the relationship - or otherwise – between this approach and that of the standards and values for internal promotion at gateway grades developed with the input of Future Generations commissioner and which framework has pre-eminence.

Welsh Government Response 30 April 2019

The Welsh Government plans to adopt the UK Civil Service's Success Profiles recruitment framework in Autumn 2019 (subject to engagement and consultation with trade unions and staff networks within the Welsh Government).

The Assessment and Development Gateway for internal promotion has piloted a number of elements of Success Profiles, including strengths based interviewing. The behaviours and strengths assessed at the Gateway were specifically chosen to be complimentary to the standards and values developed with the input of Future Generations Commissioner.

September update

Work has started to introduce Success Profiles within Welsh Government through our corporately run recruitment campaigns such as our apprenticeship campaign and promotion gateways.

We will continue to introduce the framework across corporately run campaigns over the next year before considering the best approach to implementing the framework across the organisation.

The experience and evidence from applying Strengths Profiles to our corporate campaigns will inform how we design our assessment processes for roles below Grade 7 and specialist recruitment. However all resourcing activity will be underpinned by the



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Expectations we have developed to reflect the needs of our devolved context and the Well-being of Future Generations ways of working.

The Strengths Profiles approach to assessment give us the opportunity to blend strengths, skills and competencies in our assessment methodology with an underpinning set of Expectations that articulate the behaviours and ways of working that we are committed to and we see the two frameworks as complementary in terms of our overall approach to assessing colleagues for promotion.

Recommendation Status: Fully completed

Recommendation 27.

The Committee recommends that, to ensure they are able to provide independent oversight and challenge of the Executive and avoid conflicts of interest (actual or perceived), the Welsh Government should not commission its Non-Executive Director's to undertake work beyond the scope of their non-executive roles.

Welsh Government Response 30 April 2019

The Welsh Government will not in future commission its NEDs to take on other roles for the Welsh Government which are not undertaken as part of their NED role. In addition, the Welsh Government would only be content for its NEDs to undertake roles for arms-length bodies of the Welsh Government where it is convinced that there is only minimal scope for conflict of interest; where it is confident that that conflict of interest can be managed properly; and where there is a clear public benefit in the NED undertaking the additional role with an arms-length body.

Recommendation Status: Fully completed

Recommendation 28.

The Committee recommends the Welsh Government explains fully how it will gain documented assurances for those matters previously reported through the 'calling in procedure'.

Welsh Government Response 30 April 2019

We are still finalising the detail of how our new approach will be applied and I will write again to the Committee once we have concluded our deliberations.

I provided the following update in my letter dated 16 July:



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- a) For 2019-20 we have agreed with the First Minister transitional arrangements to provide assurance to him and the Permanent Secretary that the removal of the calling-in procedures with arms-length bodies does not pose an unacceptable risk to the Welsh Government or the effective delivery of the Government's Programme. These are interim arrangements to provide the Welsh Government with baseline data by which it can assess the volume of issues where responsibility is being transferred and to be sighted on the approach each body is taking to the new arrangements.
- b) The intention of the transitional arrangements is to keep the Welsh Government informed of how the new process is working in practice, rather than the continuation of a mechanism for approval by the Welsh Government. The Welsh Government will still have the power to intervene in decisions where they have concerns.
- c) We have agreed with the First Minister that for this year we will put in place **Approval, Pre-notification** and **Notification** arrangements for decisions previously the subject of these calling-in arrangements. These are set out in Annex A to this letter.
- d) Accounting Officers in Public Bodies will be wholly accountable for the decisions requiring pre-notification and notification to the Welsh Government. Officials within the Welsh Government may give advice on issues it has been notified about, but it is ultimately for the Chief Executive to take the decision. The exception will be the decisions requiring approval, where the Welsh Government will be responsible and accountable for the decision.

The Public Bodies Unit continues to engage with Public Leaders, Sponsors and other stakeholders e.g. Wales Audit Office, as we are refining our approach and will continue to do so during these transitional arrangements. The Public Bodies Unit will prepare a lessons learned report at the end of December 2019 so I may form a view on the efficiency and effectiveness of these new arrangements. I will share the report and my conclusions with the Committee.

September Update

We have further refined the calling-in arrangements to clarify the procedure to be followed in the event of a public body choosing to disregard Welsh Government advice on an issue requiring pre-notification. Annex A has been updated to reflect these changes notified to Public Bodies in July 2019.



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Recommendation Status: Fully completed

Yours,

Shan Morgan

Shan Morgan

Ysgrifennydd Parhaol/ Permanent Secretary
Llywodraeth Cymru/ Welsh Government



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Table B Pre-notification Arrangements

CEOs should notify their sponsor of any proposed decisions falling under the following categories as and when they arise. These decisions should also form part of a 'stocktake' discussion at quarterly monitoring meetings:

Decision	Pre-notification Action	Further Advice
<p>Novel, contentious or repercussive proposals in line with Managing Welsh Public Money, including, but not restricted to, proposals that:</p> <p>Are non-standard for the sector</p> <p>Are politically sensitive and/or likely to attract negative media attention</p> <p>Could result in unwelcome consequences for the organisation and/or for the wider public sector</p> <p>Could set a precedent for the sector and wider public sector</p>	<p>Sponsor, in conjunction with the appropriate policy teams, to prepare advice to discuss with Public Bodies Unit, who will seek written advice of the Corporate Governance Centre of Excellence and any other Body with expertise in the issue.</p>	<p>Additional Accounting Officer and Minister, as appropriate</p>
<p>Any course of action considered by the Board that would contravene the principles of regularity, propriety, prudent and economic administration, efficiency and effectiveness which the CEO has advised against.</p>	<p>Sponsor to prepare advice to Additional Accounting Officer</p>	<p>Additional Accounting Officer</p>
<p>Policy or practice change that has wide financial implications</p>	<p>Sponsor to prepare advice to Head of Budgetary Control copied to Public</p>	<p>Minister, as appropriate</p>



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	Bodies Unit	
Staff remuneration & terms and conditions	<p>Sponsor to submit proposed pay remit to Head of Pay and Remuneration, Public Bodies Unit on:</p> <ul style="list-style-type: none"> • Changes falling outside WG public sector pay principles; • Organisational design changes likely to lead to severances 	Ministerial approval required for changes falling outside Welsh Government pay principles
Anything that might affect the future level of resources required, e.g. potential budget pressures or underspends	Sponsor to consider	Welsh Government Finance Director, as appropriate

Table C Notification Arrangements

During the transition period, CEOs should notify sponsors at their quarterly monitoring meetings of any other decisions they have made or are likely to make in the next quarter that would previously have been referred to the Welsh Government.



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Annex B

WELSH GOVERNMENT IMPROVING EFFICIENCY BOARD

The Improving Efficiency Board was first introduced by the now First Minister in his role as Cabinet Secretary for Finance. It is currently jointly chaired by myself and the Minister for Finance and Trefnydd. The purpose of the Board is to oversee a series of projects aimed at improving the effectiveness of processes and procedures, ensuring greater compliance with internal policy and reducing the administrative burden on officials in the Welsh Government thereby enabling us to release resource onto more pressing priorities.

Detailed below is a summary of the progress on existing projects. However, this is an iterative approach to improving the way we work and I fully expect that as current projects complete, more opportunities for improvements will be identified.

ADMINISTRATION OF PURCHASE ORDERS

The aim of this work is to introduce a single team to transact all purchase orders for the Welsh Government. In doing so we will be better able to ensure a consistent approach using best practice which will result in fewer errors and improved compliance with procurement and VAT policies. The approach will also reduce user numbers and hence licence costs and free more senior staff in the business to focus on other priority areas. To date we have piloted the approach within the Permanent Secretaries Group (PFG) and the Office of the First Minister (OFM) alongside a number of areas within ESNR; Environment, NPS, Planning, Scientific Officer, Agriculture, Marine, Food SHELL, Culture, Sport & Tourism (including CADW). Although we had agreed that some resource would be transferred from ESNR into the central team, this has not been needed as the more efficient approach has meant that existing staff have been able to absorb the additional work. Since we commenced the transition of purchase ordering to a single team, the Welsh Government has been able to reduce the number of users requiring access to our purchasing system from 490 to 284.

The next stages of the project, which will involve the transitioning of purchase ordering from the remainder of ESNR, EPS and HSS, will commence later in the year.



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GRANTS ASSURANCE PANEL

The Grants Assurance Panel was introduced in September 2018. The Panel provides advice, challenge and assurance to grant managers prior to the creation of new grant schemes. The Panel is chaired by the Director of Governance and consists of key officials from the Grants Centre of Excellence, State Aid, Legal Services, Internal audit, Counter Fraud, Tax Expert Services, Cabinet Office and the relevant policy team. Depending on the nature of the grant scheme other officials may also be asked to attend. The panel meets monthly and to date has reviewed more than 25 proposed new schemes.

The Grants Assurance Panel provides a unique opportunity for us to ensure that all new grant schemes align with wider government objectives and comply with grants policies and procedures; for example has the grant manager considered appropriate state aid and GDPR conditions and are the terms and conditions based on the Welsh Government mandatory award letter template. The Panel also ensures that grant managers receive a wide variety of advice, support and recommendations from expert services through a single forum and are made aware of lessons learned from other schemes.

The introduction of the Panel was reviewed in January 2019 with positive feedback being received from both panel members and grant managers.

GRANTS DUE DILIGENCE TEAM

Good due diligence is essential when considering which organisation should receive public funding. The Due Diligence Team was introduced in February 2019 as part of the broader Grants Centre of Excellence. The team provides a “corporate health check” on the organisations that the Welsh Government funds or is planning on funding, as a means of improving consistency and compliance, reducing duplication and providing grant managers with more comprehensive information to support decisions making. The team has also been able to develop system changes to the Welsh Government due diligence hub in order to make the results of health checks more readily available to officials throughout the Welsh Government.

Following an initial pilot and based on feedback from grant managers, the Due Diligence Team has enhanced elements of the support being made available. The team now also



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advises grant managers on potential mitigation action tailored to the outcome of the corporate health checks.

GRANTS TARGET OPERATING MODEL

The Welsh Government is seeking to bring greater efficiency, consistency and compliance with policy and procedure to the administration of grants. This will be delivered through the creation of a single team which will undertake a range of administrative activities on behalf of grant managers thereby enabling policy areas to release resources to other more pressing priorities. Grants represent a significant area of activity for the Welsh Government and therefore, implementation will be on a rolling basis to ensure we maximise benefits and learn lessons as we proceed. The revised operating model has a greater capacity to free up resources throughout the organisation than any other current Efficiency Board led project.

The proposed changes would also benefit external stakeholders in that it will address concerns raised in the 2018 Grant Survey, primarily the need for a more consistent approach to the way Welsh Government manages its grant application process including managing the amount of information we ask organisations to provide for the purposes of grant funding across the business. The operating model work will also be seeking to introduce an online application process for hypothecated grants.

FUTURE PROOFING OF WELSH GOVERNMENT CORPORATE SERVICES

The Corporate Services Review focussed on the efficiency and effectiveness of our existing HR, Finance, Facilities Management and Corporate Governance services. As a result of the recommendations made, the Welsh Government Executive Committee (ExCo) took the decision to adopt a far more integrated delivery model going forward. This integrated approach is based on developing a stronger framework for teams to work together by thinking about our services as an end to end function that focusses on the customer journey from start to finish.

Given the resource pressures arising from Brexit, it was decided that a phased approach to implementation would be undertaken, starting with HR.



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Since February 2019, the HR project has:

- Redefined the HR service of the future to ensure that it is responsive, joined up, focusses on the tools needed to deliver greater self service and is done once and done well with a greater emphasis on strategic workforce planning and adding-value.
- Agreed on the creation of a centralised recruitment service which will bring all recruitment advice, across all recruitment (internal, external, secondments and loans) within one team.
- Strengthened the approach to case advice through the pooling of resources into a single team in order to offer greater resilience for the service, clearer service provision and access points for staff within the different areas of the Welsh Government. The service will provide more proactive interventions based on management information and aligned to strategic business need.
- Delivered clarity on roles and responsibilities to remove duplication, providing greater clarity of ownership and delivering opportunities to standardise.

Further improvements will be introduced during the remainder of 2019/20.

PUBLIC BODIES UNIT

The Welsh Government has 51 arms-length bodies (ALBs) of various kinds, 15 of which are wholly-owned companies. Collectively they receive about £1.4bn from the Welsh Government. There are at least 82 Welsh Government officials involved in the sponsorship of these bodies, at a total cost of £3.5m. This includes 40 staff who administer the activities of 16 appeals panels, tribunals and external committees. The Delivering Together review of ALBs was initiated in response to concerns that the Welsh Government should review the way that it manages its relationship with its ALBs after issues arose with Sport Wales and with NRW; and on the back of a paper from the WAO about public bodies.

The Delivering Together review identified 37 recommendations under the 6 themes of:

- Sponsorship Form and Function
- Supporting Public Leaders
- Supporting Sponsors
- Improving the Control Framework
- Public Appointments
- Managing two-way communication



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The report also concluded that, while sponsorship was not broken, it was inconsistent across the Welsh Government (with no central coordination) and the arrangements were too parent-child orientated. Therefore, it identified opportunities to coordinate at corporate level activities that could be done once and well which has led to the creation of the Public Bodies Unit.

In its first year of operation the Public Bodies Unit has implemented a number of the specific recommendations outlined within the report:

- Removing the need for some categories of decision to be referred to the sponsor.
- Preparing for a pilot for Term of Government' remits rather than annual agreements.
- Delivering a corporate approach to Regulated Ministerial public appointments. Introducing changes and/or reforms to pay remit guidance, pay remit calling-in arrangements and the setting of remuneration rates a programme established to develop a pay parity road-map. All of these changes support delivery of the First Ministers commitment to develop a road map to create greater pay parity across ALBs.
- Removing the need for Welsh Government officials to attend every ALB board meeting.

The establishment of PBU has improved lines of communication, giving Sponsors and Sponsored Bodies a central resource to allow consistent information sharing, provide support to Sponsors on a number of issues including governance, policy, processes and workflows, and lessons learned on delivering more collaboratively and effectively.

The changes introduced to date have been welcomed by ALBs and Welsh Government officials alike.

Looking ahead, the PBU is collaborating with Academi Wales to provide a learning resource for Public Bodies and Sponsor Leads to empower Boards and Sponsors to deliver even more efficiently and provide greater assurance that governance arrangements and respective accountability are understood. It is also working in partnership with the National Library of Wales, to develop a pilot programme for Tailored Reviews of ALBs to test their purpose, governance and decision-making structures, efficiency, effectiveness, digital maturity and commercial readiness. Each body will have a review within the term of government (timing of the review of each body



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to be based upon a risk assessment agreed with the Chair and CEO of the ALB) to enable Ministers to take a decision in respect of funding in relation to the delivery of the programme for government. The first review will come to the Efficiency Board in December 2019. The Board will act as a challenge panel. The Chair and CEO will attend the Board.



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