



Cynulliad
Cenedlaethol
Cymru

National
Assembly for
Wales

Cofnod y Trafodion The Record of Proceedings

[Y Pwyllgor Cyllid](#)

[The Finance Committee](#)

29/06/2017

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

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

Cynnwys Contents

- 5 Cyflwyniad, Ymddiheuriadau, Dirprwyon a Datgan Buddiannau
Introductions, Apologies, Substitutions and Declarations of Interest
- 5 Papurau i'w Nodi
Papers to Note
- 6 Cyllideb Comisiwn Cynulliad Cenedlaethol Cymru: Tanwariant ym
Mhenderfyniad y Bwrdd Taliadau
National Assembly for Wales Commission budget: Remuneration Board
Determination Underspend
- 34 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
- 35 Ymchwiliad i'r Amcangyfrifon Ariannol sy'n cyd-fynd â Deddfwriaeth:
Sesiwn Dystiolaeth 4
Inquiry into the Financial Estimates Accompanying Legislation:
Evidence Session 4
- 52 Ymchwiliad i'r Amcangyfrifon Ariannol sy'n Cyd-fynd â
Deddfwriaeth—Sesiwn Dystiolaeth 5
Inquiry into the Financial Estimates Accompanying Legislation—
Evidence Session 5
- 64 Ymchwiliad i'r Amcangyfrifon Ariannol sy'n cyd-fynd â Deddfwriaeth:
Sesiwn Dystiolaeth 6
Inquiry into the Financial Estimates Accompanying Legislation:
Evidence Session 6

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 dystiolaeth, 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

Neil Hamilton Bywgraffiad Biography	UKIP Cymru UKIP Wales
Mike Hedges Bywgraffiad Biography	Llafur Labour
Steffan Lewis Bywgraffiad Biography	Plaid Cymru The Party of Wales
Eluned Morgan Bywgraffiad Biography	Llafur Labour
Nick Ramsay Bywgraffiad Biography	Ceidwadwyr Cymreig Welsh Conservatives
David Rees Bywgraffiad Biography	Llafur Labour
Simon Thomas Bywgraffiad Biography	Plaid Cymru (Cadeirydd y Pwyllgor) The Party of Wales (Committee Chair)

Eraill yn bresennol
Others in attendance

Manon Antoniazzi	Prif Weithredwr a Chlerc y Cynulliad Chief Executive and Clerk of the Assembly
Philip Blaker	Prif Weithredwr, Cymwysterau Cymru CEO, Qualifications Wales
Daniel Bristow	Dirprwy Gyfarwyddwr, Sefydliad Polisi Cyhoeddus i Gymru Deputy Director, Public Policy Institute for Wales
Dr Clive Grace	UK Research and Consultancy Services Ltd UK Research and Consultancy Services Ltd

Suzy Davies Bywgraffiad Biography	Aelod Cynulliad, Ceidwadwyr Cymreig (Comisiynydd y Cynulliad) Assembly Member, Welsh Conservatives (Assembly Commissioner)
Bethan Jones	Rheolwr Gweithredol, Rhentu Doeth Cymru Operational Manager, Rent Smart Wales
Nia Morgan	Cyfarwyddwr Cyllid, Cynulliad Cenedlaethol Cymru Director of Finance, National Assembly for Wales
Dave Tosh	Cyfarwyddwr Adnoddau, Cynulliad Cenedlaethol Cymru Director of Resources, National Assembly for Wales
Kerry Price	Pennaeth Cyllid, Cymwysterau Cymru Head of Finance, Qualifications Wales
Alison Standfast	Cyfarwyddwr Gweithredol—Cyllid a Gwasanaethau Corfforaethol, Cymwysterau Cymru Executive Director—Finance and Corporate Services, Qualifications Wales

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

Bethan Davies	Clerc Clerk
Gemma Gifford	Dirprwy Glerc Deputy Clerk
Owen Holzinger	Y Gwasanaeth Ymchwil Research Service
Catherine Hunt	Ail Glerc Second Clerk

Dechreuodd y cyfarfod am 9:34.
The meeting began at 9:34.

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

[1] **Simon Thomas:** Galwaf, felly, y Pwyllgor Cyllid i drefn. Croeso mawr i chi i gyd. Cyn inni droi at y tystion y bore yma, a gaf i jest atgoffa Aelodau bod cyfieithu ar y pryd?

Simon Thomas: I call the Finance Committee to order. I wish you a warm welcome. Before we turn to the witnesses this morning, could I just remind Members that interpretation is available?

[2] Translation on channel 1, and the level of the original sound on channel 0.

[3] Mae croeso—. Dylwn i ddweud, gyntaf oll, i dawelu unrhyw ddyfais electronig, a chyn i ni droi at waith ffurfiol y pwyllgor, hoffwn i, ar ran y pwyllgor, estyn croeso i Neil Hamilton fel ein Haelod newydd ni, ac mae Neil yn cymryd ei le ac yn disodli, efallai, yn lle Mr Mark Reckless.

I should say, first of all, that Members should put any electronic devices on mute, and, before we turn to the formal work of the committee, I'd like to, on behalf of the committee, extend a warm welcome to Neil Hamilton, as a new Member, and Neil takes his place and replaces Mr Mark Reckless.

[4] Os caf i jest rhoi ar gofnod hefyd fod Mark Reckless wedi cyfrannu'n llawn i waith y pwyllgor ac rŷm ni'n diolch iddo fe am ei wasanaeth yntau hefyd—ond, wrth gwrs, yn croesawu Neil Hamilton fel cynrychiolydd UKIP ar y Pwyllgor Cyllid.

Could I just put on record the fact that Mark Reckless has contributed fully to the work of the committee, and we thank him for his service? But, of course, we welcome Neil Hamilton as the UKIP representative on the Finance Committee.

09:35

Papurau i'w Nodi Papers to Note

[5] **Simon Thomas:** A gaf i jest ofyn i'r Aelodau nodi'r ddau bapur sydd gyda ni? Llythyr gan y Prif

Simon Thomas: Could I just ask the Members to note the papers to note? A letter from the First Minister about

Weinidog ynglŷn â chyfrifon the Natural Resources Wales annual blynyddol Cyfoeth Naturiol Cymru—accounts, which notes the dispute mae hwn yn nodi'r anghydfod a'r and the difficulties that the auditor anawsterau a gafodd yr archwilydd general had to lay the accounts cyffredinol i osod y cyfrifon because of the disagreement on the oherwydd yr anghytuno â'r cytundeb timber contract, and a second letter pren a oedd wedi cael ei osod. Ac yr from the chief executive to the ail lythyr gan Brif Weithredwr National Assembly for Wales showing Cynulliad Cenedlaethol Cymru yn the corporate key performance dangos dangosyddion perfformiad indicators report for the Assembly. allweddol corfforaeth Comisiwn y That's to be noted as well. Everyone cynulliad. Mae hwnnw i'w nodi hefyd. content? Okay. Thank you very much. Pawb yn hapus? Océ. Diolch yn fawr iawn.

**Cyllideb Comisiwn Cynulliad Cenedlaethol Cymru: Tanwariant ym
Mhenderfyniad y Bwrdd Taliadau
National Assembly for Wales Commission budget: Remuneration Board
Determination Underspend**

[6] **Simon Thomas:** Os felly, a gaf i **Simon Thomas:** We turn therefore to droi at gynrychiolwyr y Comisiwn, a the Commission representatives, and Suzy Davies, fel y Comisiynydd, a jest Suzy Davies, who is the gofyn i chi jest ddatgan eich enwau Commissioner, and could I just ask a'ch swyddogaethau ar gyfer y you to state your names and roles for cofnod, os gwelwch yn dda. the record, please?

[7] **Assembly Commissioner (Suzy Davies):** I'm very happy to do that. First of all, can I introduce Manon Antoniazzi—her first appearance, I think before the Finance Committee—our chief executive and our accounting officer? Nia Morgan, Members may remember from October, is our director of finance. And this is Dave Tosh, our director of resources.

[8] **Simon Thomas:** Diolch yn fawr, **Simon Thomas:** Thank you very Suzy Davies. Croeso hefyd i Manon much, Suzy Davies. I welcome Manon Antoniazzi fel prif weithredwraig Antoniazzi as the new chief executive newydd y Comisiwn. Croeso mawr i of the Commission. I welcome you to chi at y pwyllgor sydd yn bennaf the committee, which is responsible gyfrifol am orchwyllo gwaith y for scrutinising the work of the Comisiwn, wrth gwrs. A gaf i jest Commission. Could I just ask you

ofyn yn gyntaf—fel rŷch chi'n ei first—as you know, we're asking
 wybod, rŷm ni'n holi ynglŷn â'r about the use of the reserves that
 defnydd o'r arian wrth gefn, fel petai, you have and the determination that
 sydd gennych chi, a'r penderfyniad a was made following the Assembly
 wnaed yn sgil ethol y Cynulliad hwn i election to refurbish the new
 sefydlu ystafelloedd pwyllgora committee rooms to meet demand
 newydd i ateb y galw a rhai and some other developments as
 datblygiadau eraill hefyd—beth oedd well—what was the process of
 y broses o ddatblygu'r ystafelloedd developing the new committee rooms
 pwyllgora newydd? Sut y cytunwyd ar and how was it agreed, in terms of
 y math o brosiect a beth oedd y the project that was undertaken, and
 broses dendro tu ôl i hynny hefyd? what was the process for tendering
 for that as well?

[9] **Suzy Davies:** Well, perhaps I could start on that. I won't be able to answer all that myself, because, as a Commissioner, I only operate at a certain level, so I don't attend, for example, the investment and resources board or the management board, which are part of the answer to the question you've just asked. In terms of within-year changes to a budget that we might have planned for, shall we say, in the multi-year budget process that we have in the Commission, you'll remember from the meeting back in October that we'd already identified—partly as a result of the remuneration board's direction to increase security provision for Members, and also the fact—I think you alluded to it, Chair—that we needed more committee rooms, that changes were going to have to be made in-year to accommodate actually quite expensive ways forward. Now, the process for that is subject to a range of checks and balances. It begins with the individual parts or—how can I put this—the heads of service within individual directorates, and, through a process that I'll curtail for this, it comes up, first of all, to the Commission, for a sign-off on an indicative budget, which is what happened in this case, and then proceeds to the investment and resources board, where fuller figures are presented and where the detailed challenge happens. So, I don't know if anyone—do you want any further information on that? Would it help if I took you through the timeline, actually?

[10] **Simon Thomas:** I think not so much the timeline, just the process and particularly the key decisions around when and what sort of tendering process happened and when the key decision was made to invest at that level, which is now clear in the accounts, of course, in the new facilities.

[11] **Suzy Davies:** Well, I can perhaps just mention that the key decision to

actually proceed with this was taken in November last year at the Commission meeting. It's the Commission that has the final decision on that, even though operational matters and spending decisions below that are actually delegated to the chief executive. But then the final and most accurate presentation of how much it would cost was made in December, after we'd made the in-principle decision to go ahead, and that was with the investment and resources board. I don't know if anyone wants to add to that.

[12] **Ms Antoniazzi:** Shall I come in? Thank you for your welcome, Chairman. I have come with Dave Tosh, our director of resources, with me today, because I'm conscious that I'm still quite early in my tenure as chief executive and we wanted to provide as comprehensive a set of answers as we could to you. In the interests of that, obviously I have read the appropriate minutes and so forth and informed myself of what happened, but Dave was here and experienced that process for himself. Suzy referred to the investment and resourcing board, which is the chief executive and directors' committee that oversees major change projects and the allocation of resources. It was that committee that took the detailed business plan in December and finalised the costs and so forth. Obviously, by that stage, the budget for the financial year had been set and voted on, but I will hand over to Dave to talk a little bit about the tendering process and the way by which the costs within that business plan were refined.

[13] **Mr Tosh:** We started to assemble very outlined estimates of the costs not long after the decision was taken to create the two new policy committees, the driver clearly being that we didn't have enough capacity to stage those committees or indeed have the resilience in case there was a problem with any of the committee rooms, which has been an issue in the past. So, that process of starting to assemble and outline specification ran through most of the summer recess. In late September or the beginning of October we had a feel for what those costs were in enough confidence to go out to tender to get a detailed response back. The tendering process we used—. We have two appropriate contracts to use. We have a facilities management contract with CBRE—they're our facilities management partner—and we progressed those requests to tender through them, as we regularly do for facilities work. Each of the cases came back through a process of quotation and challenge, and we oversaw those quotations as they returned. The same process happened for the ICT element of the work. That went out through Bow Tie Television, who are our broadcast partner, and, again, we're entitled to use them as a main supplier for us. So, the same process of challenge and quotation came back that way. It wasn't until

December that we had those final, detailed costs. You know what it's like; you go through a process of iteration of refining costs, and whilst we have a level of knowledge of what was required, you need that specialist input. So, it was December that we had the final accurate estimate of the costs.

[14] **Simon Thomas:** Was it just a matter of practicality that, in effect, this has been spread over two financial years, or was it designed in that way in order to make sure that you had adequate resources for the different elements of the project?

[15] **Mr Tosh:** It was practicality in terms of the timing to get the work done—not an insignificant amount of work—and it was very high risk to try and deliver all of that work within the same financial year. To be honest, it would have probably driven the cost even higher because we'd have had to pretty much have 24/7 working on it. So, it was a practical decision to manage the risk.

[16] **Simon Thomas:** Okay. Eluned Morgan.

[17] **Eluned Morgan:** I just wondered if you could tell me—. There's this issue—. Can I talk about the underspend in relation to the remuneration board, if you don't mind? I just wondered if you could tell me what you think would be an acceptable figure in terms of the overestimate. What's the maximum you should be going over? What's the ceiling where you think, 'Actually, we estimate that this is the amount that's going to be spent'—but actually it goes way above that? What do you think your limit should be? Should it be 10 per cent, 15 per cent, 20 per cent—?

[18] **Suzy Davies:** Are you trying to ask us should we be estimating annually what the remuneration figure might be through underspend? I suppose the answer to that is actually quite difficult. If you look at the figures for just the period I've been here, they're pretty volatile. There's no set figure every year, and certainly at the beginning and the end of Assembly periods, then they're more volatile than usual, actually, because you don't know what's going to happen with Members leaving and what Members will need when they come in, as well. I can run through a few figures with you here. Thank you, Nia, for these. So, for example, in 2011–12, which is when I arrived, the underspend was 6.11 per cent. In 2013 it was just under half that. So, actually predicting a specific figure is not as easy as it might sound. Having said that, if you can average those out, you'll have a rough idea, but to actually then present a budget based on an estimate when there's that

much volatility in the historical information is risky in and of itself, I think.

09:45

[19] **Eluned Morgan:** But there seems to be some kind of pattern that it's actually increasing year on year. So, we're now up to about 7.2 per cent. What's the point at which you say, 'No, actually, that's going too far'—is it 10 per cent?

[20] **Suzy Davies:** Well, I want to challenge that, actually, as well, because, of course, in 2016–17, the underspend was far more significant than anyone could have predicted, primarily on the basis that we had a new party coming into the Assembly that was unfamiliar with the processes and, in short, didn't spend the money that was available to them, so there was more to spend. That's going to have a knock-on effect for the year that we're in now. But can you imagine if, perhaps, we'd tried to put forward a budget for 2017–18 predicated on the underspend of the previous year? I don't see a trend, I suppose is what I'm saying—would that be fair?

[21] **Eluned Morgan:** I come back to the point: what is the cut-off? Where should we start getting worried? Is it when it gets to 12 per cent, 10 per cent or 8 per cent? At what point should we, as a committee, say, 'Enough is enough; that is too much of a cushion'—so, a miscalculation, effectively, of how much should be spent? What should that limit be?

[22] **Suzy Davies:** I don't think I can, personally, answer that question.

[23] **Ms Antoniazzi:** Can I, with support, maybe, from Nia later on? Obviously, this is one of the features of the system that I've had to familiarise myself with, and I actually think that it's a strength of the system, in the way that it's worked over the last period, that the determination budget is catered for in full. It is a legal duty of the Commission to provide for the money that is determined for Members' use. Therefore, the alternative, if we were to ask for less than 100 per cent of that determination, would be a to-ing and fro-ing in the course of the year as the level of expenditure became clear. As Suzy has explained, it isn't always clear until the year end how that profile is going to work out in any given year—there are lots of different things that apply. Looking back historically, there isn't a clear trend. Therefore, this, to me, seems to be the ideal combination of a very transparent and scrutinised budget, but one that allows an agility in year to respond to opportunities to invest, according to a pre-agreed plan that is aligned to the Assembly's

needs as expressed by the Commission. Nia, do you want to elaborate on that?

[24] **Mrs Morgan:** Yes. As Manon has stated, the independent remuneration board sets the determination, and it's our duty as the Commission to make provision for that—for paying the allowances of Members, which is what we do, and we set that at 100 per cent. So, it would be very, very difficult for us—. As Suzy mentioned, with the variances that we see year on year, it would be very difficult for us to estimate from year to year what that underspend would be. From an accounting—. Manon, as the accounting officer, would want to be as prudent as possible, so there would tend to be a buffer in that. So, we set it at 100 per cent—it's very transparent for you, as a committee, then, to be able to see, year on year, the variances that we encounter.

[25] **Eluned Morgan:** Okay, so this is something that has to be done—I accept that now. If that's the case, the question then is what happens to that underspend and to what extent the Commission should be accountable for the spend that you actually use in that underspend. At what point do we get to scrutinise that, I guess? Obviously, it's a process that we're undertaking here—we're looking at the scrutiny. Do you think there should be some pre-spend scrutiny, or do you think the system works well as it is?

[26] **Suzy Davies:** It's a question, actually, we're interested in taking views on, genuinely, because the purpose of this is to make the process as transparent as possible. We accept what you say—that, sometimes, providing information retrospectively doesn't give you an indication of pre-spend. What we do have, of course, is the forward plan: a 10-year plan on looking after the estate and a three-year plan on ICT refreshment, which is available. But, of course, that won't give you the information that you would've needed for scrutiny today, for example, regarding new committee rooms and increased security spend. So, even if you have pre-spend scrutiny, you're still not going to get all of the information that you're likely to need.

[27] I should also say that, again, we've had a super-strong audit report on our financial reporting, so the figures that you get—they couldn't be clearer. The WAO has struggled to find anything to say about the figures for this year, as they did last year. And, of course, the audit and risk committee—which I do sit on, so I actually get to see how that works—the independent chair of that, who's not a Member of the Assembly, has said he's never seen such a strong report. So, in terms of assurance of the figures that you get, I

think you can have full confidence in those. If your question is one of timing, then we're interested to hear what you've got to say on this as well. What we don't want to do is just give you a running commentary, because that will just be annoying for everybody.

[28] **Mrs Morgan:** Because it is great that we have the flexibility so that if a priority arises, such as the committee rooms, we are able to accommodate those urgent priorities.

[29] **Suzy Davies:** Yes, and we raised it, I think, in the October meeting even though we couldn't give you any figures. Obviously we had the Llywydd's press statement as well not long after that saying, 'This is going to be spent'—even though we couldn't give you the precise figures at that stage, because we didn't have them.

[30] **Eluned Morgan:** Okay.

[31] **Simon Thomas:** Just on this, I think Mike Hedges has a supplementary.

[32] **Mike Hedges:** A very brief question. You do Assembly staff on actuals when you predict next year, plus you put in the increments; you do Members, because you know what we're going to get; but you do Members' staff on the maximum grade when you know most of them are not going to be at it. Why can't you do those on actuals as well? If you say that the commission says that you've been told by the remuneration board, 'You must set it at the maximum salary', then perhaps—something for us later—we may need to have that discussion with the remuneration board, because it makes no sense whatsoever for people who joined last time—Steffan, Neil and Eluned; they will have most of their staff on the bottom point of the grading structure—to set the salaries at the highest point in that. So, you've got this buffer. Now, you'd always save money because you'd have staff churn, wouldn't you? So, you'd always save money on staff churn, as people always do save money on staff churn. I can guarantee that everybody working for Assembly Members today will not be working for them this time next year. I don't know who's leaving, but I know some will. So, you still have the staff churn savings. So, why can't you do it on actuals? If you're saying the remuneration board demanded you set it at the maximum, then what you're telling us is we need to speak to the remuneration board.

[33] **Suzy Davies:** Well, that would be a matter for you—but I would also point out you can't make the assumption that anyone new coming into the

organisation is coming in at the bottom point either. So, the level of saving may not be quite what you anticipate then.

[34] **Mike Hedges:** Perhaps you could you tell us what percentage don't come in at the bottom point, then.

[35] **Suzy Davies:** I don't know if we could—

[36] **Ms Antoniazzi:** We could certainly get back to you on that. And may I add that the remuneration board doesn't mandate this? This is the convention that has operated well over the last [correction: operated well in the past]—I think that's correct, isn't it, Nia?

[37] **Mrs Morgan:** Yes.

[38] **Ms Antoniazzi:** This is the convention that's operated well. I would add that in terms of the precision of the budgeting of the Assembly Commission staff, you know, we give ourselves a very exact target, coming in within 0.5 per cent of the entire budget at the end of the year, which is a target that's been hit this year. That demonstrates how well managed the budget overall is. The danger, if we budget anything less than 100 per cent with no contingency, is that we're going to be coming back to you at various points during the year and possibly giving money back or asking for more, and so forth, because we do need—. There's unpredictability. May I just mention one example that occurred last year? The remuneration board did actually ask us to make provision for additional security needs for Members' constituency offices. So, there are costs like that that arise in addition during the year, and it is obviously more efficient that we're able to absorb those in the Commission's budget.

[39] **Mike Hedges:** Sorry, I don't mean to be rude, but it would be almost impossible for you not to come in within budget because you have this gap that exists of how much Members are paying out for their staff and offices, et cetera, and how much you've budgeted for. So, you have this gap. What you actually have is a fund in there that means you can fund things but you don't have to come to anybody—to come back to us as the Finance Committee, and us through the Assembly—to ask for the additional money. I mean, it's a matter for us to discuss later, but I would prefer you to budget for what you needed, and if you needed to come back for more, to come back for more, and then to have to justify spending the money. I may agree or disagree with what you're doing, but I think you get this gap, in which

case, you have always got this £1 million or so that you can spend as and how. Don't you see how, if you were sat here, you'd have the same concerns?

[40] **Suzy Davies:** No, no, exactly. It's not spent as and how, though. This is always spent on either unpredictable costs, as, in fact, we've had to do in this last year, or work programme that's already out there. But I explained earlier that we've got the 10-year programme and the three-year programme. Things do arise that are very difficult. There's a death-in-service benefit that needs to be paid this year that we couldn't have predicted, and the remuneration board—you need to have space in your budget for that, even if you couldn't have predicted it.

[41] **Ms Antoniazzi:** Could I just add, Suzy?

[42] **Suzy Davies:** Yes.

[43] **Ms Antoniazzi:** We do consider this, and predecessors of this committee and the Public Accounts Committee have considered this model from time to time, and I've briefed myself on the discussions that were had then. We have reviewed different options since I arrived. The investment and resourcing board looked at that profiling, as did the Commission, in a recent meeting.

[44] **Suzy Davies:** [*Inaudible.*]

[45] **Ms Antoniazzi:** Indeed. It is an important feature of the structure. The decisions over the provision of staff services and property for the Assembly are taken, as it were, out of the political arena, vested by the Act in the Commission, and that is a way of enabling the accounting officer and the Commission to oversee spending in the course of the year, subject to very extensive scrutiny at the end, of course, and that is a system that has served the Assembly well.

[46] **Simon Thomas:** Just to have a bit of order, because we're still with Eluned Morgan. I also think that David possibly had a supplementary on the supplementary.

[47] **David Rees:** Perhaps I'm a bit more flexible than Mike is. Mike's identified the fact we can work out probable staffing costs for the following year, based upon current costs and the increments that may arise. Therefore, is it not possible to also identify a probable underspend as a consequence of

that? It might not be guaranteed because of other issues. Staff may move, and staff and things may change. [*Inaudible.*] can actually occur, but you should be able to identify a possible and probable underspend in your budget and, therefore, people are aware of the gap that will happen during the next financial year, which you may use on the work programme, you may use on unexpected requirements, but at least you can identify that. You should be able to identify that, and therefore you can put that, surely, in the budget to say, 'Well, 100 per cent determination is being met, but we are likely to actually have an underspend of—based upon current staffing figures and current projections of increment rises'.

[48] **Suzy Davies:** But you're asking for that figure right at the beginning of any in-year process. Bearing in mind we don't know what the differences—. I know you're saying, 'Take a best guess at this', and that's a perfectly fair point—and, in fact, the planning within year operates to the best guess—but the best guess changes from beginning to the actual end-year quite considerably.

[49] **David Rees:** I accept that, but the best guess, when you present your figures, is based upon evidence of what your current figures are now, and what your anticipated incremental rises would be. So, you can actually have a best guess based upon evidence of today for tomorrow. Tomorrow might change as a consequence, but—

[50] **Suzy Davies:** That's my point.

[51] **David Rees:** Yet you could still, in your budget allocation or request, identify a probable underspend, with a recognition by everybody that that might not be met. But at least we'll have an idea of, 'Well, if things go as they are, we will save or underspend this much, but we accept there might be changes. But if things go as they are, this is what we'll have at the end of it'. You should be able to do that at budget time.

[52] **Suzy Davies:** But the results of the changes that you accepted are almost inevitable, which means that, at some point—possibly more than one point during the year—we'll be coming back to you for a supplementary budget.

[53] **David Rees:** I haven't said, 'Take it out'. I said you don't actually put it in your budget, but you can identify—

[54] **Simon Thomas:** Identify it.

[55] **Suzy Davies:** Oh, right. As I said—

[56] **David Rees:** Therefore, we could actually have an understanding that there's a possible pot of money you know you're going to have.

[57] **Suzy Davies:** Oh, is this the equivalent of the letter—the annexes to the letters we sent you?

[58] **Ms Antoniazzi:** I think it would be quite difficult—correct me if I'm wrong, Nia—in September this year to make a viable estimate for the next financial year, which is the budget that you'd be describing. But what we fully intend to do—and it's part of our internal planning—is to indicate the kind of priorities that, under the Commission's direction, we would be spending money on as that becomes available. We're still refining—. We're not completely confident of what the underspend will be this year, actually, because it changes from month to month and it's quite early in the financial year yet. But certainly the Commission would be invited to review—and that would be a feature of our budget planning for next year, which we'll be bringing back to you in October—an idea of the sort of priorities that we would be encompassing if the money was available, and a lot of it, as Suzy mentioned right at the beginning, is set out in the estates plan and the ICT plan.

10:00

[59] There's a mixture of commitments that we are mandated by statute to undertake—end-of-life replacement, and that sort of important thing—and then there are other things that are responses to the emerging needs of the Assembly, whether that is a change in working patterns or new initiatives, whatever the Commission dictates. But it's a sort of needs-driven—

[60] **David Rees:** But aren't you capable of saying, 'Well, as part of that request'—and you've identified your work programme—'in our budget request, we're putting 100 per cent determination down, but if the current staffing levels were to continue into the next financial year, we'd anticipate this would be the cost'? You should be able to put that in a letter. In other words, if I'm looking at my staffing levels in my office, and I say, 'Well, these are my staff for the next year,' I should be able to work out how much that will cost me next year. I'm not talking about savings; I'm talking about—

[61] **Simon Thomas:** I sense that you're not this morning going to immediately accede to that, but is that something that you've actively considered—that approach?

[62] **Suzy Davies:** Well, we have actually discussed this, but this year is a good case in point. When you look at the forward programme for the next three or four—

[63] **David Rees:** I think you're confusing things. I'm not asking for budget—

[64] **Suzy Davies:** No, you're talking about staffing. We actually don't know what our staffing levels are going to be within the next three years.

[65] **David Rees:** No, you're still not getting the case. I'm not asking for a budget based upon that. If I know all my staff employed today, and they didn't move, I could work out my cost for the next year.

[66] **Suzy Davies:** I think I do understand what you're saying.

[67] **David Rees:** Therefore, I could predict a possible underspend next year. So, all you need to put in a letter is, 'We can predict, if possible, if things do not change', and therefore we would have an understanding that, actually, there would be a gap.

[68] **Suzy Davies:** So, you're saying, what you would like is a letter saying, 'We predict, let's say, 10 per cent of whatever figure you want to achieve, but we can't tell you quite what we're going to spend it on yet because we don't trust this figure'.

[69] **David Rees:** Well, you've got your work programme. But at least we'd have an understanding of what your anticipation is.

[70] **Suzy Davies:** Okay, we take your point. Thank you.

[71] **Simon Thomas:** I think the point is that, in the budgets we've seen so far, that is not separately identified, and it's a global figure and therefore it's difficult to know what likely underspend may be and, therefore, at the end of the year, in proper scrutiny terms to look and say, 'That was the likely underspend, these were your priorities, and did you in fact use whatever

underspend did emerge in the way that you said the priorities were?' Now, this year was a particularly different year because it's the first year of a new Assembly so there are different things happening, but, going forward, that would be a useful tool for scrutiny. That's the suggestion, but I understand you may not want to immediately respond in committee to it, but I think that's what the Members are driving at.

[72] **Suzy Davies:** Okay, thank you very much. Yes, well, of course we'll take that on board.

[73] **Simon Thomas:** I don't know if that concludes Eluned questions, or if she has further questions.

[74] **Eluned Morgan:** I've got two short questions. First of all, I just want to know, in principle, whether you sign up to the HM Treasury guidelines, which suggest that neither more nor less than is actually expected to be needed should be provided for. Do you work to those guidelines as a principle?

[75] **Suzy Davies:** I think we do, don't we?

[76] **Eluned Morgan:** You do?

[77] **Suzy Davies:** The HMRC guidelines are fairly—well, more than fairly—completely influential on the way our governance operates.

[78] **Eluned Morgan:** Okay. I just wanted to know whether that happens in principle. The second thing is that I haven't quite understood the chief executive delegation of £5 million. Could you just talk me through what that means? Is that £5 million a flexible pot? I don't know how it works. Could you just explain?

[79] **Ms Antoniazzi:** No, it simply means that the accounting officer is able to manage projects of up to £5 million should they occur, and should they occur within the budget.

[80] **Eluned Morgan:** Okay.

[81] **Ms Antoniazzi:** And that was changed last year, I understand.

[82] **Suzy Davies:** Yes, rather than everything coming back to Commission.

- [83] **Eluned Morgan:** Okay, fine.
- [84] **Suzy Davies:** So, it's an operational decision.
- [85] **Simon Thomas:** But only within the already agreed spending plans.
- [86] **Ms Antoniazzi:** Absolutely.
- [87] **Suzy Davies:** Yes.
- [88] **Simon Thomas:** Just to be clear.
- [89] **Suzy Davies:** Yes, absolutely.
- [90] **Eluned Morgan:** Just to clarify. Thank you.
- [91] **Simon Thomas:** Ocê, diolch yn **Simon Thomas:** Okay, thank you very
fawr. Steffan Lewis. much. Steffan Lewis.
- [92] **Steffan Lewis:** Could you elaborate on your comments around the delay to investment projects in 2016–17 and 2017–18 and the impact that's having? I think that you've said that tough decision—.
- [93] **Simon Thomas:** Carry on, yes.
- [94] **Steffan Lewis:** Did you skip then?
- [95] **Simon Thomas:** I did skip, but you carry on. I'll just skip back, if it's okay.
- [96] **Steffan Lewis:** I've started, so I'll finish. So, specifically you said tough decisions are having to be made on staffing and projects that would ideally be going ahead.
- [97] **Suzy Davies:** Yes, there was an impact. I think, within the year 2016–17, the impact wasn't as great as you might expect, actually, because we had a much greater than anticipated underspend. I'm trying to think—. If you bear with me, I'll get the detail on this now. Right, so the things that we were able to delay were, as you might expect, from the two work streams, which are the ICT and the estate management. The couple of examples that we've pulled out here are the Commission's older laptops and PCs, which can be

phased over a number of years, rather than the poor old Commission staff getting it all in one year. As I say, in this particular year, the impact hasn't been hugely felt. I suspect we're going to feel the pain a little bit more next year, because, next year, of course, we were already starting to look ahead to things like preparation for the youth parliament and a little bit more work on MySenedd. Some of the MySenedd work has come in this year, with the changes to the tabling arrangements and the Record of Proceedings, for example. But that's a longer-term programme, and, perhaps, things we might have wanted to do in this year will have to be put off until next year. I don't know if you want any more detail. I'm sure we have it, but—.

[98] **Steffan Lewis:** I wondered especially about the impact on staffing, because you mentioned that in your previous comments. What is the impact on staffing in particular?

[99] **Suzy Davies:** Well, you remember, historically, of course, that savings were made from the staffing budget when we were running at a budget that was, perhaps, unacceptable to this committee. It was before your time, don't worry. Subsequent to that, when that became difficult to raise savings from, we looked more at the contracts that we had and the other operational activities here, which were evidenced in the—what is it called, something and efficiency report?—the efficiency and effectiveness report. Specifically on staffing, do you want to pick this up? I have got detail here, but I can't remember it.

[100] **Mrs Morgan:** As the committee knows, we carry out a capacity planning exercise twice a year, which asks each service area to look at the pressures and the demands on them in the forthcoming 12 to 18 months. Each of those are scrutinised within each of the directorates and that, again, is brought to management board and IRB to look at the forward capacity planning as far as staffing is concerned over the next 18 months. They're scrutinised, and one of the main pressures, as you know, is not only that we needed additional committee rooms, but additional committee staff to look after the two new committees. So, again, these were scrutinised in tandem with the ICT forward plan, the EFM forward plan, and it was that prioritisation: do we look at increasing the staffing numbers or these priorities within EFM and ICT? Those tough decisions were made, and, as Suzy mentioned, some of the priorities that were pushed further into the current year, where we now have additional pressure, are those EFM and ICT. So, priority was put on staff and committee rooms at that point in time.

[101] **Suzy Davies:** Perhaps by way of example, obviously, when the additional committee staff came in, that would have been halfway through the last financial year. Of course, you've got them for a whole financial year this time, so you can see how the acquisition of new staff can affect differently, depending on when they're introduced into the system.

[102] **Mrs Morgan:** So, obviously, the committee spend was a one-off. It was carried out spanning both financial years. But the increase in staff that we've seen, which we referred to in our budget back in October—the new staffing coming through, as Suzy mentioned, hits us for a part of the year this year and part of the year last year, but, next year, the budget that will be coming to you in October will be reflecting a full year of additional staff in 2018–19. So, there are expectations that our budget request now for 2018–19 will reflect the additional pressures on us and the additional staffing numbers that we require.

[103] **Steffan Lewis:** So, it's in 2018–19 that you'd expect that to be reflected, rather than considering a supplementary budget for this year.

[104] **Suzy Davies:** Well, the Commission is committed not only to value for money but to finding in-year savings, as well as dealing with unexpected in-year pressures. So, I think it's been pretty tight, but we've managed to deal with it in-year this year.

[105] **Ms Antoniazzi:** It is very tight for this year. We're currently showing a break-even position on this year with priority and essential items delivered, but it has required very careful scrutiny of every budget line to stay within that. We have talked about the possibility of asking for a supplementary budget in January. The conclusion we came to was that the most transparent thing was to bring a bid to you for the next financial year that encompasses all the pressures that we see. We think that we can manage prudently in the course of this year and make the savings available to come in on budget. The concern is, where the supplementary budget for projects or staff or something [correction: something else] is agreed in February, effectively, that doesn't give us very much time to spend the money and get the best public value, whereas, if we're planning it, there's an opportunity for this committee to scrutinise it and for it to be built into next year's budget.

[106] **Steffan Lewis:** Diolch.

[107] **Simon Thomas:** It's my fault that we jumped about a bit there. I

thought we'd made more progress than we had. [*Laughter.*] So, I'll just invite Nick Ramsay at this stage, if I may.

[108] **Nick Ramsay:** I've got to go back now—I thought we'd discussed that earlier.

[109] **Simon Thomas:** We did discuss a lot of these questions, so if there's anything that hasn't been touched upon.

[110] **Nick Ramsay:** This is on the committee room refurbishment, isn't it? That project. Because we we've been talking about staffing. Morning, Suzy. When was the expenditure approved on the committee room refurbishment in Tŷ Hywel? When was that expenditure approved by the Commission's investment and resourcing board?

[111] **Suzy Davies:** It was in December—halfway through December last year.

[112] **Nick Ramsay:** Thanks. And for such a significant project, was the process different in terms of identifying value-for-money considerations and balancing these against the opportunity costs of other projects that could have been funded, or the potential impact on service delivery?

[113] **Suzy Davies:** Well, the first thing to make plain, of course, is that it wasn't just about committee rooms. It was the whole of the security area, so if we think of it in those terms, I think that's probably helpful as well.

[114] Large or small, the rules governing how decisions are made are pretty strict. I don't know about some de minimis things, but it's the same for everything. So, it doesn't matter how expensive the project is, it will have gone through the due diligence that we would have expected, and certainly I, as the commissioner overseeing governance, would have expected. So, if this didn't follow the rules then we would have known about it. There's no hiding place in the way the system works.

[115] On the Assembly Commission audit and risk assurance committee, I can't remember—forgive me if I'm wrong on this one—there were no deviation reports. Now, a deviation report is where we as a risk committee are told if anything has deviated from the usual procurement and tendering processes and so forth, and that would only normally happen where, instead of tendering to three suppliers, there is only one supplier of a particular item. I don't remember any coming up, so I don't think there was any

deviation.

[116] **Nick Ramsay:** What was the cost? Could you remind me of the cost—not just for the committee rooms but for the security refurbishment as well?

[117] **Suzy Davies:** The global figure for all those, as of December 2016, was £1.84 million.

[118] **Nick Ramsay:** And that's a significant project, isn't it? That isn't the sort of—we haven't had a project on that scale in Tŷ Hywel for a while.

[119] **Suzy Davies:** Well, yes—the ICT change was pretty expensive as well, and, actually, that's one of the reasons why spending decisions delegated now to the chief executive and accounting officer are set at £5 million, because when I think the ICT changes were going through, the Commission was being called in every two minutes to look at small figures. So, even though it's a considerable sum—I certainly don't want to minimise it—it is less than the £5 million that the Commission, at top level, would have looked at.

[120] **Nick Ramsay:** Isn't the danger—and, okay, this committee's looking at this. You say there was no deviation from the norm, but, of course, if you try to put yourself in the mindset of someone outside looking in, particularly at these times where public finances are tight, you can forgive the public for thinking, 'That's a heck of a lot of money to be spent on a couple of rooms on one floor of Tŷ Hywel.' And I'm not saying that to be facetious—

[121] **Suzy Davies:** It's not a couple of rooms, Nick. It's that whole floor.

[122] **Nick Ramsay:** Well, I'm just saying how people would see it from outside, because we've got lots of hospitals in Wales that aren't getting the same treatment, are they? I'm playing devil's advocate here.

[123] **Suzy Davies:** I hope so.

[124] **Nick Ramsay:** So, I'm wondering why it is that—okay, you say that no alarm went off because there was a deviation. Do you not think that, when this sort of project is given the go-ahead, then perhaps there should be a more—I don't want to say 'transparent' because that suggests you haven't been—that there would be a better way of doing it? So, it's not just left to a committee like this in retrospect to ask you these types of questions.

[125] **Suzy Davies:** Well, I'm kind of curious as to what depth or, sorry, detail of information you expect to be made public on this. The investment and resourcing board that I mentioned earlier, which is where the major challenge to any figure happens, even though it's been through a few layers before that—that board meets fortnightly. This process, as I think Dave mentioned earlier on, has been through I don't know how many iterations when it comes to trying to finesse the figures on this. Would you expect that to come back to commission every fortnight or so? It's a genuine question, but what kind of practical way could we do that?

[126] **Nick Ramsay:** I would expect the Commission to be acting in a way that, when these sorts of questions are asked, not necessarily by this committee, but by people outside, that it's completely justifiable. You mentioned that it's not just the committee rooms—it's security as well. Obviously there are security considerations. But those two could have been broken apart, couldn't they? You didn't have to have the funding for the rooms at the same time.

[127] **Suzy Davies:** It would have been more expensive to do it separately, because you were reconfiguring that whole floor—

[128] **Nick Ramsay:** Ah, yes. It might well have been. That's a very good answer. But that's not something that's been considered before, is it?

[129] **Suzy Davies:** Oh, yes, it certainly was considered as part of this whole process that we're talking about. Every decision on spending, even quite small spending—and certainly for new staffing, incidentally, and I should have brought that up earlier—goes through this pretty rigorous procedure to make sure that spending is not just not expensive, but is value for money as well. Even some of the items—. Let me take something off the top off my head—the flooring, for example, on the ground floor there: that's actually made from recycled tyres, so that doesn't just say, 'This is going to last a long time and it's safe, and all the rest of it'—it's hitting one of our sustainability goals as well. So, there's a range of things that are taken into account when we're coming to decisions on spending. I'm not at that stage; that's what the IRB looks at.

10:15

[130] So, I'm just trying to reinforce the point that the process is pretty

rigorous. If you're asking us whether we should at every stage go out to the public and say, 'Oh, we've just found that we need to spend another £10,000 on something', I don't see how that helps the reputational risk of the Assembly when it's being managed.

[131] **Nick Ramsay:** I'm not saying that you should go out to the public at every opportunity, but I think that there must surely be scope for an improvement of the relaying of the message or—. Okay, you've done the due diligence, done that all, and it'd be extraordinary if you hadn't, but surely there must be a way along this process, when such a large sum of money is being spent on an internal Assembly project, that that is—well, we're more aware of it at the time—justifiable.

[132] **Suzy Davies:** We welcome all suggestions, but I think it was covered by the—. I think we covered this a bit earlier.

[133] **Ms Antoniazzi:** I would just say, coming into the organisation and looking at it with a fresh pair of eyes, there is a very embedded value-for-money culture here and there's a very strong level of challenge amongst the senior directors on that at every stage. There are several layers of scrutiny and transparency within the context of a clear strategy that's been set out by the Commission. The core purpose of the Commission is to allow Assembly business to take place in an orderly, proper fashion, and in this case, just to be clear again, the scope of the works included the provision of this additional flexible meeting space, which is being well used, even in the few months it's been up and running; reception waiting facilities for witnesses; relocation of the security lodge and security staff accommodation to improve facilities as part of an overall review of security; the removal of the security control room to a new purpose-built facility as part of an enhanced physical security measures; and then, of course—

[134] **Nick Ramsay:** And that had to be done, didn't it? I remember there was an issue about security—

[135] **Suzy Davies:** There's a statutory obligation to provide this stuff.

[136] **Ms Antoniazzi:** Absolutely, and all of that has been put forward without coming to you with supplementary budgets, which I see as a strength of the process.

[137] **Simon Thomas:** David Rees—and perhaps any other questions you

have, David, at this stage.

[138] **David Rees:** Mine are all linked into one.

[139] **Suzy Davies:** I'm happy to—

[140] **David Rees:** I think the question, taking Nick's point, is that we understand that there are occasions that arise when you have to spend money, and the demands are there and the flexibility is there because the underspend was there. But I suppose what we're asking is that on occasions, not necessarily every £10,000, but on occasions, especially in major capital projects and particularly in some of these work programmes that are large investments, perhaps it would be helpful if the committee was informed by letter that the board has recognised that this new work needs to be done, and that the anticipated costs will be this and the funding will be found from here. So, that type of information coming to the committee would be helpful for us to understand where you're going, where you're coming from, how it's being supported and—. Now, that might avoid the need for a supplementary budget, but it keeps us informed. Have you given consideration to actually looking at that, because I'm sure the IRB you said—? Maybe I've missed it, but I didn't see the minutes of that so I wouldn't know what you discussed in that. So, is there a mechanism by which you can actually now modify it so that committees such as this one, in particular, get informed when those types of decisions have to be taken, and investment is required?

[141] **Suzy Davies:** I was going to say, there are two things there. On the first thing, of course, we've already accepted a recommendation of this board to keep you informed. And I was thinking about this the other day, because we had the figure at £1.8 million. We kind of knew about that roughly at the end of last year. But we've been working, as suggested by the recommendation, to provide you information by the end of the financial year, and even though that is May—sorry, the end of March—the accounts aren't actually signed off until about now, roughly, isn't it? So, we're aiming to give information by May/June to you, effectively.

[142] My concern is that if we'd given you that £1.8 million figure back in January, February—whenever it was, when we came back from recess—but that didn't end up being the final figure, so we'd have been—as we did actually end up doing—writing to you with supplemental information. So, the principle is great—it's just that we need to get some sort of sense of a balance between what's practical and what isn't.

[143] **David Rees:** I think the sense of balance can also be: 'What is the purpose of that information?' If you're talking about, 'We're signing off our accounts, we want our accounts to be considered', there's a different purpose to letting us know what major spend is happening and the anticipated cost of that spend and where that cost will come from, that's different from, actually, 'These are our accounts, and this is what we spent the money on.'

[144] **Suzy Davies:** As I say, we're happy to take your advice on the best way to fulfil our agreement to comply with the recommendation. Always happy to hear new ideas on this.

[145] **Ms Antoniazzi:** The investment and resourcing board meet fortnightly, so seeing all its minutes—

[146] **David Rees:** I wouldn't want to see all its minutes—*[Laughter.]*

[147] **Ms Antoniazzi:** —might be quite a big addition.

[148] **David Rees:** But because we don't see them, there are considerations that we wouldn't be aware of—

[149] **Ms Antoniazzi:** Indeed, we take the point, and we're happy to discuss further with Suzy.

[150] **Suzy Davies:** And to give you some reassurance as well, because I'd spotted that I wasn't getting—. I'm not there every fortnight—well, I'm not there at all. So, we've already agreed that we're going to be making sure that at least I have better oversight—not oversight but information of what happens in the IRB.

[151] **Ms Antoniazzi:** It's always a good idea to have a look at our internal governance structures every now and again, and I certainly had regard to the recommendations of this committee in doing so, arriving in the job, and have been discussing that with the directors and with the Commission, and there are certain things where we're going to increase the level of information flowing. We do have an awful lot of change facing us in the next few years, and I'm acutely aware, going back to Nick Ramsay's question, that we are operating in an environment that is very difficult and very challenging, and we do always have an eye to that. Certainly, there may be opportunities when

we do want to have a wider range of views on certain projects going forward.

[152] **Simon Thomas:** Mike Hedges.

[153] **Mike Hedges:** Yes, moving on to something slightly different now, in your letter, you stated your original estimate, provided to this committee on 28 March, was £249,000 understated, due to late invoices. Is that correct?

[154] **Suzy Davies:** Yes, basically; it was expenses that weren't spent in one year that came into a different year.

[155] **Mike Hedges:** So, you don't follow the convention of commitment accounting where items that are ordered in one year, even if they're not spent in that year, count against that year's accounts.

[156] **Suzy Davies:** Over to you.

[157] **Mrs Morgan:** Can I clarify that? When it comes to February time, we forecast what we think is going to be spent in March and we make an accrual for it. April came along and a number of late invoices came in. In this instance, it was a large number of claims from Assembly Members, just after the end of the financial year, which we had to accrue back into the prior year. So, those claims went back into March, so that resulted in far less of an underspend.

[158] **Mike Hedges:** So, these are not external invoices, they're internal.

[159] **Mrs Morgan:** Internal, from Assembly Members. So, that made me question the forecasting of Assembly Member claims. So, we've looked at the number of controls that we have now around forecasting at the end of next year.

[160] **Mike Hedges:** Just two quick points, I think it would help if you did distinguish between internal and external invoices because that confuses me, if no-one else. The second point is: of course you had that money there because Members hadn't gone over the amount of money they were able to claim, so that money was already being held there.

[161] **Mrs Morgan:** Yes.

[162] **Mike Hedges:** Okay, that's me.

[163] **Simon Thomas:** Thank you. Neil Hamilton.

[164] **Neil Hamilton:** The remuneration board determination is different from any other item in your accounts. I am a new member of this committee, so I'm not really aware of the detailed background, but what little knowledge I have shows me that the remuneration board determination and the end-of-year result for that is a residual over which you've got no control because you don't take the decisions that determine that figure—that's for the individual members—and to an extent it's partly an accidental occurrence what we end up with at the end of the year.

[165] Suzy rightly pointed out earlier on, having a new party with no previous Members in this Assembly has produced a completely different set of parameters for what's likely to be left over, particularly at the end of year 1, because every single member of staff recruited is new, by definition, and we weren't, in my group anyway, fully aware of what our resource needs would be. With my natural Gladstonian zeal for economy, I've been very cautious in spending decisions that were made, even to the extent of having had a letter from the Members' business support asking me if I needed any help in spending my money, because they could—

[166] **Nick Ramsay:** I can help. [*Laughter.*]

[167] **Neil Hamilton:** —point me in the right direction—an offer I didn't actually take up. But I wonder, therefore, whether, in estimate terms, and in accounting terms, it would be sensible to treat this item in a different way from everything else, over which you do have control in terms of spending decisions. This was raised, actually, as a kind of musing by the deputy auditor general, where he suggested one possibility would be a separate resource control total for the remuneration board decisions. It would set an estimated level at the beginning of the year, and whatever you were left with would be a bit of a windfall for the Commission, in a sense, to take the decision that 'we'll spend this come what may'. Going back to the point you've just made, maybe in the current climate that's not the way to operate, but nevertheless you should account for this in a different way so that, yes, you have your priorities, if you had more money, what would you spend it on—if that money does become available, yes, we will spend it in this order—but at least make it clear from your accounts that the remuneration board determination left-over at the end of the year is not something over which you've got any control. So, that would introduce more transparency into the

accounts.

[168] **Suzy Davies:** I think we partly covered the answer to that, if you'll forgive me on that. I'm going to come back in a circular argument on this, I can see. Ultimately, with that, what you're going to end up with is applications for supplementary budgets, and possibly late on in the year because you can't deal with your unknown unknowns, if I can put it like that.

[169] **Neil Hamilton:** What's wrong with that, then?

[170] **Suzy Davies:** Well, if you apply for a supplementary budget in, say, January the chances of spending it effectively by March are going to be pretty slim. You're also put in the position where you might be returning money, quite justifiably, when actually you could have been spending that on a priority you've already identified. What the remuneration balance—if I can call it that—isn't is a—. It's not a pot of money that's looked at as a sort of, 'Oh, we've got extra money here. Let's get on with it'. It absolutely isn't that. It's only used on the priorities we'd already outlined—the two main programmes—and the 'unexpecteds'. Of course, we've had a few of those this year.

[171] **Neil Hamilton:** But you could have a multi-annual framework, as happens in—

[172] **Suzy Davies:** We've got a multi-annual framework.

[173] **Neil Hamilton:** You have, have you?

[174] **Suzy Davies:** Yes.

[175] **Neil Hamilton:** In which case you could have more flexibility within the five-year Assembly period.

[176] **Suzy Davies:** Well, as indicated, the chances are—. We've already presented the five-year—. I appreciate you weren't here for that. But, as we've already heard from the accounting officer, the chances are we will be coming back to you next year with some changed figures, which we did explain was likely to happen—to be fair—last year.

[177] **Simon Thomas:** A gaf i jest **Simon Thomas:** Could I just follow up dilyn lan ar ddau beth, efallai, jest i on two things, just to close this? First

gau pen y mwdwl, fel petai? Yn gyntaf oll, rŷm ni wedi edrych ar y ffigurau newydd yma o safbwynt y staff, a'r ystafelloedd newydd, a diogelwch, ond un peth arall yw ICT. Rwyf i jest eisiau gofyn a oes yna unrhyw risgiau wedi cael eu hadnabod o ran seibr-ddiogelwch, yn arbennig, achos mae yna nifer cynyddol o hynny, yn sicr, wedi dod i sylw'r cyhoedd. Ond mae'n siŵr eich bod chi wedi gorfod ystyried hwn ers rhai blynedd. Felly, beth yw'r cyd-destun ar gyfer paratoi ar gyfer hynny i wneud yn siŵr eich bod chi—yn y cynlluniau newydd yma—wedi diogelu yn erbyn ymosodiadau seibr yn yr ystyr yna?

of all, we've looked at the new figures in terms of the staff, and the new rooms, and security, but one other thing is ICT. I just want to ask are there any risks that have been identified in terms of cyber security in particular, because there's increasing amounts of that coming to the public's attention. But I'm sure that you have had to consider that for some years. So, what is the context for preparing for that to ensure that you have, in the new plans, safeguarded against cyber attacks?

[178] **Suzy Davies:** Highly likely, as a more expensive thing than we thought it was going to be. Yes.

[179] **Ms Antoniazzi:** Rydw i, yn sicr, yn eich sicrhau chi bod seibr-ddiogelwch yn uchel ar fy rhestr i o eitemau yr ŷm ni yn eu hystyried yn aml. Ac, yn sicr, rŷm ni wedi bod yn treio dysgu gwersi o brofiadau pethau sydd wedi mynd o'u lle yn ystod y misoedd diweddar. Wrth imi gyrraedd, mi oedd y cyfarwyddwr wedi trefnu wythnos o ymwybyddiaeth seibr-ddiogelwch. Felly, mae'n rhywbeth yr ŷm ni yn gofalu amdano fe. Ac, yn sicr, mae e'n rhywbeth sydd yn dylanwadu ar y blaenoriaethu y byddwn ni'n ei wneud yn ystod y flwyddyn o wariant, achos rŷm ni'n gwybod bod hen offer, er enghraifft, yn llai diogel oherwydd mae'r meddalwedd yn llai

Ms Antoniazzi: I can give you an assurance that cyber security is high on my list of frequently considered items. We've also been trying to learn lessons from things that have gone wrong in other places over the past months. As I arrived, the director of ICT had actually organised a cyber security awareness week. So, it's something that we are very aware of, and it will influence the prioritisation of our expenditure in the ensuing year, because we know that old equipment, for example, is less secure because the software isn't state of the art. But I think that now I should ask Dave to add or supplement his knowledge, because, as head of Assembly resources, he

diweddar. Ond rydw i'n meddwl bod has the full responsibility for our ICT.
 hwn yn fater, efallai, os oes munud
 gyda ni ar ôl, i fi ofyn i Dave i ategu
 o'i wybodaeth e. Achos, fel pennaeth
 adnoddau'r Cynulliad, fe sydd â gofal
 arbennig dros ein ICT ni.

[180] **Mr Tosh:** That was a pretty good description, Manon, actually. I'm grateful for that. Clearly, it's a real issue, not just for us but for everybody at the moment. You'll be aware there's an ongoing cyber attack. I'm confident that the infrastructure changes that we put into place principally since we brought the ICT back into house—. It's been a long journey, but we've got a very robust technical defence, without giving any details away. We are running—you'll have seen an e-mail coming out over the last couple of days, because the weakest link always is the individual and it is the person and it is the forgetfulness about clicking on an attached file or a link in an e-mail. So, raising awareness is where I'm trying to focus my team and my resources.

10:30

[181] It's not just about spending money, therefore—our best protection is about raising awareness and the understanding of being very cautious. But I think the evidence shows that we are in a better place, perhaps, than many, in terms of our defences.

[182] **Simon Thomas:** Is this one of the risks that you earlier mentioned you might, in next year's budget—I'm not asking you to present your draft budget now, but is this one of the risks that next year's budget might be looking at?

[183] **Suzy Davies:** There's always—well, I'm not saying 'always', but certainly there's provision already in the forward look. But, bearing in mind that there may be new risks there that we haven't identified, it's always possible that that figure might go up. It may not, but be assured that this is definitely on the top of the to-do list.

[184] **Simon Thomas:** The final question from myself is just for clarity, really, because with the different letters and the evidence this morning that you've given to us, it does appear to me that, certainly as a Commission, you were aware of the need for more facilities on site during the summer, once the Business Committee had made a decision to create an extra committee.

Also, we'd struggled with the extra committee room in the previous Assembly, it has to be said, so it wasn't a very good committee room—there's the least of it. Access to the public, which is also very important, wasn't very good there. So, clearly, in the summer, you've said this morning you were already discussing this—I know in vague terms, not a specific plan. But, on reflection, wouldn't it have been a good idea to have said, in presenting the draft budget, that this, actually, was likely to be your priority for that year, whereas the draft budget as presented actually didn't say that? We had a statement from the Presiding Officer that came after the draft budget—that was November, as I recall.

[185] **Suzy Davies:** It was before the debate in Plenary, wasn't it?

[186] **Simon Thomas:** Before the debate, yes, but the budget that we debated did not mention this project.

[187] **Suzy Davies:** I do take your point on that. I think, actually, there might have been an assumption on my part that, because it was already out there, it didn't need reiterating, particularly as there were no figures to go with that, but we'll certainly take that on board.

[188] **Simon Thomas:** Figures, I understand—there wouldn't have been figures at that stage, not concrete ones, but the principle—. You were already well down the decision-making route in deciding that this, in fact, was going to be a priority. It just strikes me, on reflection, that that, going back to Nick Ramsay's earlier point, would have been an appropriate time, perhaps, for that to be more widely broadcast, if you like.

[189] **Suzy Davies:** Point taken on that.

[190] **Simon Thomas:** Gyda hynny, **Simon Thomas:** With that, thank you diolch yn fawr am y dystiolaeth y very much for the evidence this bore yma. Diolch i'r Comisiynydd ac morning. I thank the Commissioner, i'r brif weithredwraig a'i staff. Wrth the chief executive and her staff. Of gwrs, mi fydd yna drawsgrifiad ar course, there will be a transcript to gyfer gwirio'r cywirdeb. Diolch yn check for accuracy. Thank you very fawr iawn i chi. much to you all.

10:33

**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'r cyfarfod ar exclude the public from the meeting
gyfer eitemau 5, 9, 10 ac 11, yn unol for items 5, 9, 10 and 11, in
â Rheol Sefydlog 17.42(vi). accordance with Standing Order
17.42(vi).*

*Cynigiwyd y cynnig.
Motion moved.*

[191] **Simon Thomas:** A gaf i ofyn i'r **Simon Thomas:** I will ask the
Aelodau a ydych chi'n hapus, o dan Members now whether they're
Reol Sefydlog 17.42, i fynd i gyfarfod content, under Standing Order 17.42,
preifat am gyfnod byr iawn? Pawb yn to move to a private session for a
hapus? Iawn. Hefyd, os caf i ddweud, very brief period. Everyone content?
am gyfnod byr iawn nawr, ac ar gyfer Also, if I could just say, for a very
eitemau 5, 9, 10 ac 11 yn nes brief period now and for items 5, 9,
ymlaen—so, tua diwedd y cyfarfod, 10 and 11 later on—towards the end
hefyd. Océ. Diolch yn fawr. of the meeting. Okay. Thank you very
much.

*Derbyniwyd y cynnig.
Motion agreed.*

*Daeth rhan gyhoeddus y cyfarfod i ben am 10:33.
The public part of the meeting ended at 10:33.*

*Ailymgynullodd y pwyllgor yn gyhoeddus am 10:52.
The committee reconvened in public at 10:52.*

**Ymchwiliad i'r Amcangyfrifon Ariannol sy'n cyd-fynd â Deddfwriaeth:
Sesiwn Dystiolaeth 4
Inquiry into the Financial Estimates Accompanying Legislation:
Evidence Session 4**

[192] **Simon Thomas:** Rwy'n galw'r **Simon Thomas:** I call the Finance Pwyllgor Cyllid nôl i drefn, felly. Committee back to order, therefore.

[193] Can I welcome our next witnesses from the Public Policy Institute for Wales? Could I just ask you at the start just to state your names and, if necessary, your responsibilities as well, so we know who you are.

[194] **Mr Bristow:** Sure. I'm Dan Bristow. I'm the deputy director at the Public Policy Institute for Wales.

[195] **Dr Grace:** I'm Clive Grace. I did the study that was put before you.

[196] **Simon Thomas:** Thanks very much. Are you ready to kick off? Just thank you—well, the study was commissioned, but we've read it with interest and note that it's part of the evidence. I suppose, initially, just to understand, this study is really on impact assessment in general, across Welsh Government. We're specifically looking at the regulatory impact assessments of our Bills and the financial implications of the Bills. How salient was that in the work that you were doing, and what were your main conclusions around that process within the wider impact assessment process?

[197] **Mr Bristow:** Perhaps it's helpful for me to say a little bit at the beginning about the way in which the work came about—

[198] **Simon Thomas:** By all means.

[199] **Mr Bristow:** —and then, Clive, you can respond to the specific question about the relative contribution of the RIA bit of this work. So, for those of you that don't know, the Public Policy Institute for Wales is hosted by Cardiff University. It's an independent organisation but we work closely with the Welsh Government to develop a programme of work, of which this was part. The genesis to the work, as you'll have seen from the report, if you've had an opportunity to read it, was an internal exercise around reducing complexity. That process identified impact assessments as a particular problem. That led the First Minister to ask us to support his officials in seeing how the impact

assessment process might be improved. So, I think that that guided the work but I think that we were just talking now about how, actually, once you start looking at impact assessments, you start looking at the full system. Inevitably, that's led the work to look at RIAs in particular, as well.

[200] **Dr Grace:** Probably the most important conclusion was that the problem, if I can call it this, the surface problem of complexity, which the Welsh Government had identified and, indeed, done a fair bit of work on, was really a problem to do with structures, cultures, as well as procedures and systems. So, in a way, the obvious approach that people often have is to say, 'Well, if there's complexity, let's have, for example, a single front-end assessment tool'. But that's a bit like trying to fix an engine design problem by playing with the exhaust. The issues rest, really, deeply in the purposes for which impact assessments, including regulatory impact assessments, are done, and also in the cultures, in that case, within the Welsh Government. Because RIAs, obviously, are part of a connected system to the Assembly—indeed, they're done principally for the Senedd's purposes—I did, with permission, look to some extent, as you may have seen, at what happened within the Senedd, including looking at your Standing Orders, and I would have to say that I think part of the problem rests there as well, deep in the sort of structures that underpin why RIAs are done in the first place and the principles according to which they are done.

[201] **Simon Thomas:** So, the issue with the wider cultural issue, if I can put it in those broad terms, with impact assessments is as applicable to RIAs as the wider issue. Was there anything specific, a feature of the regulatory impact assessments that was different to the wider assessment, or is it all of the same kind of mix of culture and bureaucratic approaches, if you like?

[202] **Dr Grace:** Well, RIAs obviously are driven by two things. The requirement of Standing Order 26—and I know you've amended that in the last year or so. I'm not sure it was something I suggested. I'm not sure if it came out of the report or whether that was done in parallel. I think the direction in which you've amended Standing Order 26 is the right direction, but I'm bound to say I don't think it goes nearly far enough. What you've got is a regulatory impact assessment that is a process that is built around legislation, built around costs rather than benefits, although, to be fair to the Welsh Government, those responsible, including Jonathan Price, who I know has given evidence to you already, would always try and make sure that benefits were covered as well—but a very strong focus on administrative costs and benefits, a very strong focus on monetised benefits, and really

quite disconnected from most of the purposes for which legislatures create legislation.

[203] Alongside that, then, within the Welsh Government, you had the proliferation of all kinds of impact assessments, some of which derived from statutory requirements such as the children's rights impact assessment, some of which came from secondary legislation, as in the secondary legislation that applies to Wales in the Equality Act, some of which comes, if I can call it this, just from a policy impulse, but you had all these impact assessments, all with different purposes, all working to slightly different tunes, and, of course, those impact assessments are attached to the RIAs that come to you when they are relevant to a particular piece of legislation. So, you don't just get the RIA; you get the other impact assessments as well. So, I'm afraid whatever problems of complexity exist in the Welsh Government pretty much get imported into the Senedd as well.

[204] **Simon Thomas:** Just to pick up on one specific point, on the previous cost approach that was in RIAs—and, as you say, the Welsh Government has changed that over the years and has added to it—our Standing Orders, as I understand it, were amended to allow that wider kind of consideration but you did say specifically, hadn't gone far enough. In what way do you feel that that hasn't gone far enough? Is there a specific kind of approach that you feel we don't allow in our Standing Orders or don't facilitate?

[205] **Dr Grace:** Well, do you mind, if it's okay, if I refer to the documentation, just so that I've got the documentation in front of me?

[206] **Simon Thomas:** Yes, by all means.

11:00

[207] **Dr Grace:** As you know, you've got two different sources of authority within the Senedd for impact assessment. One is for primary legislation, and that's Standing Order 26. The other is Standing Order 27, which relates to secondary. It's important to remember, I think, that all of this impulse towards regulatory impact assessment really derives from a particular period in British public administration where a major concern was about either better regulation or deregulation. Your original Standing Order 26 reflects that very significantly in its focus on cost and its focus on administration. Standing Order 27, which is for secondary legislation, then had to be elaborated in a ministerial code. That ministerial code is slightly broader and

looks at benefits and costs rather more widely, not just confined to administrative costs. But, in practice, within the Welsh Government, I found very little evidence at all that that ministerial code was applied really significantly. So, where you had a slightly wider compass to what you were asking for, actually it didn't play any significance amongst the many people that we spoke to.

[208] **Simon Thomas:** So even when the opportunity was there, it wasn't being taken up, in that sense.

[209] **Dr Grace:** Well, I think, obviously, primary legislation is the big focus, and that's what most importance is attached to, quite rightly, and it's what most of the resources go into. The secondary legislation ministerial code, frankly, was a bit of sideshow. The main issue, I think, is that because Standing Order 26 derives from this era, where there was a focus on regulatory costs, if you think about why you legislate—and I think I've seen this reflected in some of the questioning from committee members to Jonathan, and also to the WLGA representatives a few weeks ago—there's quite properly concern about value in the widest sense and cost in the widest sense. For example, there was a question about costs relating to the inspection of businesses, because that's a particular area of cost that does arise for a section of the community. Different sections of the community, though—. From almost all pieces of reasonably complex and important legislation, many parts of society will have benefits and costs, and those benefits and costs sometimes play differently for different sectors of the community, and I think if, as a legislature, you came now fresh to the subject of saying, 'How should we evaluate the costs and benefits of a potential piece of law?', I don't think you would begin anywhere near Standing Order 26. I think you would start from a radically different point of view, and I would say that you have the opportunity to free yourselves from some of the legacy and history that I think you've been saddled with, if I can put it in that fairly rich way.

[210] **Simon Thomas:** Tyranny of Standing Orders, as some of us might consider it, but that's different. We'll explore some of these issues, I'm sure, in the committee now. Neil Hamilton.

[211] **Neil Hamilton:** I was the saddler who saddled you with it, because, as the corporate affairs Minister in 1992, I developed the deregulation Bill that actually made it mandatory for these impact assessments to be applied throughout Government, and it's a curious state of affairs that I'm here today

now dealing with the consequences all those years later. I think you make a fair point, actually, that the system has developed way beyond where it was when we were looking at the impact on business, fundamentally, of regulation, and, in the context of Wales, of course, with the Well-being of Future Generations (Wales) Act 2015, it needs to be seen in a much more broad context than simply in terms of pounds and pence. And therefore I was very interested to see your recommendation that we should have an integrating framework for impact assessments, and I was wondering if you could fill in a bit more on what you've just said, on how this might actually work in practice. Or are you suggesting that we simply start again from scratch, as though we hadn't got the last 25 years of history?

[212] **Dr Grace:** People who forget their history are doomed to repeat their mistakes, of course. So, I think, if I can just draw sort of a mental map in the air, one of the effects of impact assessments is they have very powerful what are called 'horizontal effects'. So, here you are, in that you're the children's Minister over here, and what you want is everybody in the policy process, whatever they're doing, to worry about children, quite rightly. So, what you do is you ask them all to have an impact assessment that focuses on children. The effect of creating that is that, instead of just having a sort of vertical ministry, if I can call it that, concerned with the needs and interests of children, you then push that concern right across the policy spectrum.

[213] And what you've got in Wales at the minute, if you drew the map in that kind of way, you've got these very powerful horizontals, and a significant number of them—18 to 20 of them—for different bits of activity. And you really don't have a strong vertical. If you get a chance to look at the bits of the report that are to do with the experience of foreign jurisdictions—and it obviously was a limited study—my assessment is that those jurisdictions who have a strong vertical make these things work better. That's because it means that everybody's got a much clearer idea of why they're doing the impact assessments in the first place. So, your account—

[214] **Nick Ramsay:** Sorry, forgive my ignorance here. A strong vertical—I'm being thick; what exactly is that?

[215] **Dr Grace:** I was about to explain it with reference to the work that was done in the 1990s. So, in the 1990s, for the UK Government, you had this very strong approach of deregulation and then better regulation. So, you had various instruments. At one stage, it was one in, one out—one regulation in, there must be one regulation out. Then it was one regulation in, two

regulations out. Now I think it's a business impact target that's used. So, there are various instruments.

[216] But if you look at how it works in the UK Government, you've got a Regulatory Policy Committee, which is independent of the Government ministries, which does a quality-control check on all the impact assessments against the policy of Government. So, the policy of Government in the UK is still very clear, 'We're about better regulation, the business impact target and so on. That's what needs to be addressed.' The Regulatory Policy Committee does an assessment. They have full-time staff and they have a reasonably powerful committee. There's also a Cabinet sub-committee that the Regulatory Policy Committee reports to, and, unless you get clearance through the RPC and through the sub-committee of Cabinet, your draft legislation doesn't go forward. So, that's what I mean by a strong vertical.

[217] If you look at the Government of Victoria, for example, in Australia, they have a Cabinet-level statement saying what regulatory impact assessment is for, how they expect it to be done, what things they value, what things they don't. They have a separate organisation that, again, provides a quality check. The same thing in Canada, the same thing in the EU. So, you have—

[218] **Simon Thomas:** These are things you specify in your report.

[219] **Dr Grace:** Yes. So, it's not just a statement of policy, but it's also the means to enforce that policy to make sure—. So, how it would work with the well-being Act would be that, say, the Cabinet would say that the well-being of future generations Act, and its seven national goals, is to be the framework for conducting impact assessments. It would have, I'm proposing in the report, a steward—a bit short of regulatory policy committee and so forth—who would, if you like, be responsible for making sure that, when impact assessments were done, they were done in accordance with that very broad framework of national policy. That would provide, as it were, a centre of gravity and a foundation stone for testing whether impact assessments were done well and done in accordance with the spirit and the approach that were required.

[220] **Neil Hamilton:** And your suggestion is that Wales should have a separate annex in the Treasury Green Book on this to crystallise the points that you've just made.

[221] **Dr Grace:** I think it could definitely go in there. What struck me when I was doing the study—and I imagine all members of your committee have read the Green Book—. Perhaps not.

[222] **Simon Thomas:** How do you think we sleep at night?

[223] **Dr Grace:** Well, there is that. But it does make interesting reading. Most of it is, frankly, relatively straightforward nostrums about how to do, or the importance of doing, evaluations of policy and appraisals of potential policy. It looks to be like a fairly benign technical manual, but actually, if you look at it and read through it, particularly if you read through the annexes, what you find is that it's not just technical at all. It's very, very strongly policy oriented, and it distinguishes the kinds of costs that might be looked at. One kind of cost is essentially the administrative/regulatory kind of cost, which is monetised. The other is a very broad category where they talk about social equity. There's no real relationship between these two at all. It clearly reflects particular kinds of thinking in the Treasury. It doesn't, again, in my view, reflect what I see in policy making in Wales. It doesn't reflect the kind of approach and the kind of thinking that I see the Welsh Government and the Senedd bringing to the policy development process. So, again, I would say, if you dusted that off and had a look at it, and thought, 'Is this what matters to us?' I think you'd probably say 'Other things matter to us; we should have our own annex that reflects the things that are important to us'.

[224] **Neil Hamilton:** Well, the Treasury isn't known for its breadth of outlook on these things, is it? Quite the opposite, in fact. It seems to me that we should develop our own guidance in Wales and not simply attach ourselves to the UK Government's. If we operate in a different legislative context then we should set the parameters ourselves to get the results that we want out of this process.

[225] **Dr Grace:** I agree.

[226] **Simon Thomas:** Can I just ask one thing while we're still at the kind of broad brush approach at the moment? You mentioned these different horizontal streams. You said there's up to 18 of them, and I could only think of six or seven myself, so there's obviously a need to look again at the list of them. Are you suggesting we're in danger of mistaking these approaches as good governance, in effect, and we're not clear enough about the purpose of the more policy verticals, as you put it? So, we kind of assume good governance is happening, whether it's in impact assessments or regulatory

impact assessments, because we're meeting all these horizontal streams, but we're not looking at it then in the full picture, in the round.

[227] **Dr Grace:** I think that's a very good way of putting it, because in effect, those are the requirements. They're stated, either in law or in policy, and so if they're done, well, we've done what we have to do. Of course, everybody's very busy, so if they've done what they have to do, that's the first thing to do.

[228] I think it's very important to have a sense of why it has happened, and I do allude to this a bit in the report. It does seem to me that the reason it has happened is not happenstance at all, and it's not for bad reason. It's because what has happened is that—as the Welsh Government and the Senedd have acquired their powers and have acquired their ability to legislate in one form or another—what has happened is that they've said, 'Right, okay; we can now say something about children's rights, and not only are we going to say something about it, but we're going to make sure it applies right across the board'. What you've had is what I would call policy entrepreneurs backed by significantly powerful policy champions in the Ministers, and also—

[229] **Simon Thomas:** And external stakeholders.

[230] **Dr Grace:** And external stakeholders, who necessarily argue for the thing that they think is most important. And so it's almost like sticking a piton in a rock face. You say, 'Right, here we are. We've got children's rights. We're going to put that in the rock face and we won't go back from that. And the way we won't go back is we will have impact assessments that make sure that everybody pays attention to this issue and gives it the proper priority'.

[231] By the way, I can read you out the 18 if you like—

[232] **Simon Thomas:** We'll take it as written evidence, yes.

[233] **Dr Grace:** So, that's why it's happened. Of course, it has been entrepreneurial, and it has enabled things to develop really very fast. As often happens in these things, when policy develops in lots of different directions over a relatively short period of time, at some stage, you need to think about how to start pulling it back and corralling it and making sure that, as well as getting all those individual horizontals, you also pull them together into a stronger focus.

11:15

[234] **Simon Thomas:** Okay, thank you for that. Eluned Morgan.

[235] **Eluned Morgan:** I'm interested in knowing how the Welsh Government has responded to your recommendations. They've obviously taken some things on board already. They've changed the template for Standing Order 26, so some things have already been tightened up. They're suggesting, I think, that actually we won't see the end of this process for about two years. That strikes me as being quite a long time. I just wondered, can you tell us a bit more about what they've taken on board and where you think they've left off? Obviously, you've given us some ideas here in terms of the culture and the breadth, but specifically.

[236] **Dr Grace:** Although, technically, the report was prepared for the First Minister—because all PPIW reports are done in the name of the First Minister—in practice, this was really asked for by the civil service, by Derek and his senior colleagues. And although I think they welcomed it, and they welcomed the breadth of the analysis and recommendations, I think, in practice, they have focused on their bit of the problem.

[237] And so, if you were to ask me the single thing that they ought to have done, it would have been to get the Cabinet to agree a statement, which is what I recommend in here. Whether the statement involved the future generations Act or not, obviously, that's a choice, but there should have been something at Cabinet level, because, apart from everything else, as I've said, every jurisdiction I've seen where this seems to work well, it starts there, at the top, because fundamentally it's a political and policy impulse. Whether they've tried that and the Cabinet didn't feel they wanted to invest the time, I don't know. I really don't know anything about that side of things. But that's where I absolutely would start.

[238] The second area I would have started was in the alignment between the Welsh Government and the Senedd in terms of your respective requirements. When you look at what an impact assessment fundamentally is for—impact assessment or regulatory impact assessment—it's for the benefit of Government, to know whether what it's proposing is likely to be of benefit and what kind of benefit to the communities Government serves; it's for the legislature, for them to be able to test and scrutinise and challenge and get the legislation right; and it's for the public, so the public can both hold

Government in the broader sense to account and also be informed about why legislation is being brought forward and what its benefits and costs are thought to be.

[239] This goes back almost to Jeremy Beecham and small country governance. We're not in an environment where there should be tension or gaps between what government and legislature need and want. It's not, it seems to me, beyond the wit of people to be able to say, 'Let's see what the Senedd needs, let's see what the Government needs, let's see what the public need, let's then see if we can't commission work to evaluate proposals, look at options and do options appraisals or whatever, then we all share in that evidence and we all debate the evidence and take our different policy positions in relation to it'. That, it seems to me, is the obvious way to try and proceed, and this is the sense in which, again, I say that I think you're rather, in part, prisoners of the history you were saddled with in your original Standing Orders.

[240] **Eluned Morgan:** What about the fact that it's going to take two years for them to take on? Is that—?

[241] **Dr Grace:** In the report, I set a timescale of two years from when it was published, which was February 2016. I thought that was about as quick as you could do it, because inevitably these things take time, particularly changing processes and training. I think, from a standing start, you can do it in two years. I think they're still some way off completing, particularly if they—I mean, I don't know. It would be very interesting to know whether the First Minister and the Cabinet are willing to contemplate doing a statement and setting a framework. I think that would be a big step forward.

[242] **Eluned Morgan:** Thank you.

[243] **Simon Thomas:** Just one aspect to that then is that we as an Assembly—as a Senedd—are setting out our requirements for what should come from these RIAs in particular; as Finance Committee, we look at those. You've made a report, really, for the civil service. That really hasn't fed into our side of things, has it? We're doing it now, I accept that, but is that something that's of concern to you—that we haven't been able to pursue that at the Senedd end, if you like?

[244] **Dr Grace:** Yes. I went as far as I could. There were obviously sensitivities within the Welsh Government when I said I wanted to speak to

some of the clerks here about how it worked this side of the house, as it were, and they were obviously very cautious about not wanting me, on their behalf, to tread into your territory. So, it was done very cautiously. But the points I make in the report about the importance of alignment of requirements, particularly between the Senedd and the Government—. Ideally, I would say—I don't know quite how your structures work in this regard—some joint discussion between the Senedd and the Government about what do we both want out of the impact assessment process, how could it best be done so we're all assured, we get what we want, the public also benefit—I think that would be an excellent discussion to have.

[245] **Simon Thomas:** Just to say it's a rather formal dialogue but, of course, what you would want from this committee is that, eventually, this committee would make a report on these issues with a series of our own recommendations to which then Government has to respond. So, there's at least a mechanism there. I'm not saying it would be perfect, but there is a kind of mechanism there. Thank you for that. I think we're up to David's question.

[246] **David Rees:** You actually discussed this a little bit earlier, because you mentioned the external legislatures you've looked at, and you highlighted the EU, Victoria and Canada. In your paper, you also talk about Northern Ireland, Scotland and the UK, and with regard to Northern Ireland and Scotland you say that there are some vertical aspects in those considerations. Are they strong enough? Do we need to look beyond the UK for our good practice and best practice?

[247] **Dr Grace:** I think you'll find some good practice in the UK. I didn't do a detailed study of either Scotland or Northern Ireland, but of the materials I saw, I think if I were looking I would probably look to Scotland—initially, anyway. But one of the things that one finds about regulatory impact assessments and impact assessments, particularly when you look at the research literature and the policy literature, is that context is absolutely key. So, although there are certain things that one can draw at what I call the functional level—by which I mean things like making sure you've got a strong vertical, making sure you've got a clear statement of policy from the top; those sorts of very broad propositions—I think you can learn that. You can't necessarily learn much about the detail of how to do it better, because you do have to look at your own context and how you work, not just in terms of the powers that different governments and different legislatures have, but also the approach that those governments and legislatures want to take. And

that's the sense in which one could valuably rethink some of this, thinking first principles: 'When we legislate, what do we want to know?' You've devised a new finance table at the front of the regulatory impact assessment. Clearly, that's a step forward. But when I look at that table and I think about what I know legislators here think has value, that table, to me, doesn't reflect the value that you as legislators bring to your deliberations, because you're not interested in just—. You are interested in administrative costs and benefits—of course you are—but you're by no means really most interested in that; you're interested in a much wider range of benefits and potential costs. At the minute, you don't seem to be able to get into that terrain, and that's the terrain you ought to get into.

[248] Scotland do seem to get into it, partly because they've got this national performance framework, and that national performance framework gives them a point of reference that has got some of the breadth that, for example, the well-being of future generations Act has, and that's why Scotland seems to work quite well. They have that national performance framework and they have a very strong sense as well of how you link policy in Government, through legislation, down to delivery on the ground. They have this strong idea about delivery chains and that gives them quite a strong and clear focus on what to do when they come to look at impact assessments, because they are thinking about the outcomes and what will happen at the end of that delivery chain.

[249] **David Rees:** Is this a problem with the mindset of officials, the mindset of politicians, or both?

[250] **Dr Grace:** I think, if it is a problem of mindset, it's a mindset problem that has been induced by the way Government has operated at a much bigger level. I saw officials struggling to do it as well as they possibly could—very keen, frankly, to get it right for when things come over here, because they didn't want to get a tatering if they got it wrong; very keen to do it well from the point of view of their Minister and their department and the policy that they're trying to make work as best they possibly could. So, I saw a lot of great integrity, quite a lot of skills, and a lot of focus. But, of course, the focus tended to be around each of these horizontals; it didn't have an organising framework to give it a sort of collective corporate meaning to what they were trying to achieve.

[251] **Simon Thomas:** Eluned Morgan.

[252] **Eluned Morgan:** Can I just come back on that? I think that is supposed to be the purpose of the well-being of future generations Act, so where does it differ from the national performance framework that is in Scotland? Where are the precise differences?

[253] **Dr Grace:** It's different in the sense that it's got a slightly different character, obviously, but I think the main difference is, as I see the well-being of future generations Act, clearly, in the way it applies to scheduled bodies—a lot of scheduled bodies are out there now, busily trying to work out how it applies to them, how they can set their targets, and all of that. What we're really saying is, here: is it for the purposes of assessing the impact or potential impact of a piece of legislation, a major policy, a major investment, or the deployment of the budget? Is the well-being of future generations Act the framework within which officials think about the impact of these different measures? At the minute, it doesn't seem to me that it is—certainly not as a result of a clear statement saying, 'When you do impact assessments, you do them within this framework'.

[254] **Eluned Morgan:** My understanding is that's exactly where the Welsh Government wants to be. What you're saying is that actually it's not happening. In the annex to the well-being of future generations Act, I think there's a whole set of criteria, beyond financial, that actually can be measured. So, what you're saying is that, actually, all the tools are there, they're just not being implemented.

[255] **Dr Grace:** Well, I think you've got a disconnect. You've got each of the individual impact assessments flowing from various sources of authority, legislation, policy—you know what I mean—you've then got a degree of integration through the templates that are used, and through the internet front end that they have in the Welsh Government when they come to do these assessments. So, you've got, if I can call it that, that system. You've then got the well-being of future generations Act. What I was really suggesting in the report was the well-being of future generations Act should be put over that impact assessment system and should then inform it and, in effect, guide how those impact assessments are done. I don't think—I see no evidence, anyway. It may be happening, but I see no evidence that those two systems have been brought together. And, in terms of the work that's being done in the Welsh Government in the civil service on the basis of the report, I'm right in saying, Dan, aren't I, that that wasn't one of the areas that they seemed to be working on at all.

[256] **Mr Bristow:** Well, I know that they're looking at developing an integrated framework. The extent to which it is within the context of the well-being of future generations Act or not, I simply don't know. So, you'd have to follow that up with Welsh Government to see the extent to which they're using it as an organising principle for the integration processes that they're following.

[257] **Simon Thomas:** We are, as the Finance Committee, following that up in terms of budget setting, for example, which, again, you would expect it all to align: your policy purpose, your budget setting, resource allocation, and so forth. But I know that Nick Ramsay has more questions on this topic.

[258] **Nick Ramsay:** Well, I did, but Eluned has asked them—*[Laughter.]*

[259] **Simon Thomas:** Do you have any left, then, Nick?

[260] **Nick Ramsay:** Let me think.

[261] **Eluned Morgan:** Sorry.

[262] **Nick Ramsay:** That's all right. You've just done it very well, that's all. My questions were about reducing complexity and adding value, and it was about the impact assessment—. Going onto the issue of the well-being of future generations Act that you hinted at then—I know Steffan has issues about this as well—there's a lot of well-meaning behind that Act, but, actually, in practice many committees don't think that it's being—. It's kind of an add-on, rather than what you're saying, I think, which is that that should be taken at the first instance and things should be fitted into it. Is that fair? I've put that a bit clumsily, but I think you know what I mean.

[263] **Dr Grace:** No, I think broadly I'd agree with that. In a sense, what I'm saying is it doesn't have to be the well-being of future generations Act. That looks easily like the best candidate because it's very broad, it's meant to be a long-term piece of legislation, it appears to have pretty much bipartisan support across Welsh Government, in the Senedd, and externally; people are responding to it. It has the virtue as well, I think, that it has these requirements placed on the auditor general to make a periodic assessment, and I know you had some exchanges with Matthew and Martin on that a couple of weeks ago, but that does give you a mechanism for checking and testing; it brings that institution closer in to it. I think it's an opportunity to say, 'Here's a national framework, which will endure for a good time, itself

has quite a long-term scope; we could strengthen the Act by making sure that it becomes the point of reference for the impact assessments that we do'. So, I think it would both help the impact assessment process, and I also think, as it happens, that it would help the well-being of future generations Act.

[264] **Nick Ramsay:** You've made some really interesting points—that sounds patronising doesn't it, but you know what I mean, things that I've not thought about before. So, you've set out where you think we should be, or it would be better for us to be. We know where we are now. How difficult do you think it is for us to achieve this change to get from where we are now to where we want to be? Is it actually quite a straightforward process that can be done quite quickly, or are there complexities that will be difficult to resolve?

[265] **Dr Grace:** Let's put it this way: if two or three of the leading lights in the Senedd thought this was a good thing to do, and the First Minister thought this was a good thing to do, then it wouldn't take very long at all.

[266] **Nick Ramsay:** Is there inertia, though, at the civil service level? You said earlier that there was a lack of—I can't remember the word you used; 'sensitivities', I think it was. This is obviously the way things have been done since my colleague here, Neil Hamilton, first changed the law back in 1992. Is there a resistance at the civil service level to change because this is the way it's been done, and, whether it works or not, that's how we do it so that's how we're going to keep on doing it?

[267] **Dr Grace:** Absolutely not. They had—. I think what there was in the civil service was huge frustration because they were doing these impact assessments and they weren't absolutely clear of the rationale of all of them, and the rationale of when they should do them and how they related to others. They had a good go at trying to improve things before they commissioned this piece of work. I didn't meet anybody—and, as you'll see from the annex to this, I think we interviewed 40-odd people within the civil service—. I didn't meet anyone during the course of those interviews who didn't want to do this better and to do it well, both for themselves, for their policy department, and for the Senedd.

[268] **Nick Ramsay:** So, it is political will, then, that's required to—.

[269] **Dr Grace:** It may just simply be about finding the time in a Cabinet

environment to take this on board. Of course, Derek commissioned it. It's at director level for implementation. I think they've tended to focus on the things that they could change. Probably, it would be very good to get the new permanent secretary to take an interest in it. A conversation with the First Minister and a couple of people in the Senedd to say, 'Well, this is the kind of approach we want. Okay, let's jointly take it forward'—I think that would be really important, because—

[270] **Nick Ramsay:** You must be talking about quite a cost saving as well. If you're streamlining all of these different and apparently unrelated impact assessments—I know they are related, but they don't always appear like that—and you streamline that system, there must be an efficiency saving.

[271] **Dr Grace:** Probably from an administrative point of view, but probably more from the point of view of if people are doing an impact assessment and they're clear about why they're doing it and what their point of reference is then they're much more certain. There's less frictional energy lost. There's less time wasted in trying to work out what you're doing. I think that's probably where the—. And I think you'd get a lot more satisfaction. I think you'd get better quality work as well. I think some of the quality of work that's been done under impact assessments is not at all bad, and common consent was it seems to be getting better. You'll be a better judge of that than I was; you see a lot more of them over a longer period. But I think you'd get better quality of work if people were clearer about their purpose and their sense of direction.

[272] **Simon Thomas:** I'll just bring in Mike Hedges on this.

[273] **Mike Hedges:** Very briefly, one thing that concerns me and I haven't quite worked out yet, perhaps you can help us, is impact assessments and elasticity of demand. We have an impact. I'll give you a classic example of something that's not going to be done: DFGs are now going to be provided free. You can work out the cost of providing it for free for the people who are currently having DFGs and you come up with a figure, but, once you make it free, then the elasticity of demand will probably increase dramatically, and you don't know that elasticity of demand, do you?

[274] **Eluned Morgan:** Sorry, before we—what's DFG?

[275] **Mike Hedges:** Disabled facility grants.

[276] **Eluned Morgan:** Okay.

[277] **Dr Grace:** No, I think that's absolutely right. I saw in some of the earlier evidence sessions that there was concern about impacts on behaviour. I don't know whether that was the question you asked.

[278] **Mike Hedges:** Yes. If something is paid for, you get one set of demands. If it becomes free, you've got a different set. Your impact is based upon the assumption that it's going to carry on as it is, but, once it becomes free, then you increase the demand.

[279] **Dr Grace:** Well, I think that's absolutely right, and I think, for example, going back to this table at the front of the RIAs, one of the things that surprises me is that these are given as firm numbers. It seems to me the idea that there isn't a range—in some cases, a very significant range, in some cases, a narrow range, but always a range—is one of the things, when I look at it, I think, 'Well, this doesn't reflect the reality that you deal with as legislators'. And the costs and benefits and the consequences—the unintended consequences, as you referred to—these are the kinds of categories of value that really need to be mapped to get what I would regard as a comprehensive and really valuable impact assessment.

[280] **Mr Bristow:** Any modelling exercise is going to have some key assumptions that underpin the results and the variation in those will dramatically affect that range.

[281] **Simon Thomas:** That's certainly come up, as you may have seen, in the previous evidence we've had as well. We're out of time, I'm afraid. I say I'm afraid because I found that fascinating, and it certainly explained to me my frustration working for Welsh Government several years ago, I can assure you, working on legislation. The dashboard now makes more sense. If I can just put on the record as well, your report is very clearly laid out, but I'd also like to say, though the Public Policy Institute for Wales reports to Government, as an Assembly Member, I've read several of your reports. I find them really useful and extremely illuminating. I wish, in a way, that we made more use of them from the Assembly point of view. It tends to be a Government-dominated thing. But that's just me speaking, now. That's not an official part of the Finance Committee's examination, as such. So, I'd simply like to thank you—diolch yn fawr iawn i chi. There will be a transcript for veracity, if there's anything there, and if you think of anything further you'd want us to be aware of then please do contact us. Thank you. Diolch yn

fawr iawn.

[282] **Dr Grace:** Diolch yn fawr.

[283] **Mr Bristow:** Thank you.

11:40

**Ymchwiliad i'r Amcangyfrifon Ariannol sy'n Cyd-fynd â Deddfwriaeth—
Sesiwn Dystiolaeth 5
Inquiry into the Financial Estimates Accompanying Legislation—
Evidence Session 5**

[284] **Simon Thomas:** Could I invite the next set of witnesses, then, please? Thank you. Diolch yn fawr iawn. Bore da. Just to remind you, we have translation facilities.

[285] Hoffwn i groesawu aelodau o I'd like to welcome the members of staff Cymwysterau Cymru i roi staff of Qualifications Wales to give dystiolaeth bellach. Ar ddechrau'r further evidence. At the outset of the cyfarfod, a gaf i ofyn ichi jest datgan meeting, could I just ask you to state eich enwau a'ch swyddogaethau, jest your names and roles for the Record, ar gyfer y Cofnod, os gwelwch yn please, starting with Mr Blaker? dda, gan ddechrau gyda Mr Blaker?

[286] **Mr Blaker:** Good morning. Thank you for inviting us here this morning to give evidence. I suppose I wanted to open by just saying how—

[287] **Simon Thomas:** Can I just ask the others just to state their names? That's just for the Record.

[288] **Mr Blaker:** Sure. Sorry.

[289] **Ms Standfast:** So, I'll start, then. Good morning. I'm Alison Standfast, director of finance and corporate services at Qualifications Wales.

[290] **Mr Price:** Hello. My name is Kerry Price and I'm the head of finance at Qualifications Wales.

[291] **Simon Thomas:** Thank you for that. And back to you, yes.

[292] **Mr Blaker:** Philip Blaker, chief executive. Thank you for inviting us here this morning. We welcome the opportunity to come and present evidence to you about the regulatory impact assessment process. I guess I'd like to start by just saying that the process was quite effective for us as an organisation. Many of you will know that we're a new organisation that has set up from scratch. The RIA provided quite a realistic estimate of both the costs to establish us and the costs that we have experienced and anticipate experiencing in the future. I think that's an important point. As a new organisation starting very much from scratch, it does take time to establish the organisation. Maybe our accounts from 2015–16 don't represent that fully by virtue of the fact that it was only seven operational months that they reflect, but, also, our 2016–17 accounts, which will be laid before the Assembly shortly, don't fully reflect that either by virtue of the fact that we were still establishing some of our capabilities, but we'll be able to provide you more detail of that a little bit later on. I guess the important thing though is that, as an organisation, have we been able to have impact in these first couple of years of operational life, and have finances been a limit to that in any way? We're pleased that the RIA was very accurate and hasn't presented any issues for us as an organisation.

[293] **Simon Thomas:** Thank you for that, and just to note that the members of the committee have just had a revised letter from you regarding the costs of the RIA, compared to actual costs. So, that's a revision of your previous evidence. Mr Blaker, you were in post early on, before the formal establishment of Qualifications Wales. So, as the, sort of, chief executive designate, did you have an influence over either the RIA process or the planning process around that? Is that something that you were directly involved in?

[294] **Mr Blaker:** The timing didn't really work in terms of the RIA, by virtue of the fact I started at the beginning of October, and the RIA was sort of approaching finalisation then. So, no direct input into the RIA itself, but there is great benefit in appointing a chief executive early.

11:45

[295] I think it was one of the points that the Welsh Government had picked up in terms of establishing a new organisation, because it did allow me to influence some of the decisions about set-up—not about the RIA, but about set-up—and potentially prevent duplication of costs where decisions might be made before the organisation starts to shape and which need to be

reversed a little bit later on. So, there's definitely benefit in appointing a chief executive early, but I wasn't there early enough to influence the RIA.

[296] **Simon Thomas:** Okay, thank you. Mike Hedges.

[297] **Mike Hedges:** A couple of questions on the RIA and the actuals. You overspent on staffing quite considerably and you underspent on IT quite considerably, so you are in almost a neutral position between the two. Is the IT underspend due to not having the full-year effect?

[298] **Mr Blaker:** The IT underspend is principally because we have taken some quite modern decisions in the IT that we're using. So, we use cloud-based solutions rather than on-premise solutions. We use Microsoft Surfaces. We were going to show you one. We use Microsoft Surfaces, so you only have one device. So, people don't have a mobile device plus a desktop, and they're used as a phone as well. So, we made some decisions that were really using the latest technology. Many of the estimates that you can get to influence things like RIAs are based on older technologies.

[299] **Mike Hedges:** So, just to confirm, after 12 months' effect, you've got 12 months of IT costs in there, not buying later and—

[300] **Mr Blaker:** Yes. We anticipate our IT costs will be lower than estimated, long term.

[301] **Mike Hedges:** I'm not making myself very clear here. The number here is for 12 months of IT expenditure, and everything that you had on day one when it came in, rather than buying things in later on in the year, which would have a higher effect, a full-year effect, in future years.

[302] **Ms Standfast:** If you're referring to the number in the evidence we gave, it was from our full-year accounts in 2016-17, not the 2015-16 accounts, yes.

[303] **Mike Hedges:** And the other question: staffing was considerably higher.

[304] **Mr Blaker:** Staffing is one of the areas that I did influence when the organisation was established, particularly in looking at the organisation design. I think the RIA had assumed a similar staffing structure to that that was in Welsh Government. We took some decisions fairly early on to structure

in a slightly different way. So, Welsh Government was very structured in a general qualifications and vocational qualifications structure. We took a functional route where we have, for example, a monitoring and compliance team that will look at compliance of awarding bodies through both groups of qualifications.

[305] We also took some decisions about investing more in staff. So, a regulator is a professional organisation that needs to have deep expertise. Now, you can make a number of choices. You can buy those in through consultancy, or you can invest in your own staff. We took a decision that we would invest in staff so that we could build that capability truly ourselves. As an example, we think evidence is going to be a really important part of our work, so we've invested more in a research and statistics team so that we can gather the sort of evidence that we need to make sound regulatory decisions.

[306] **Simon Thomas:** In doing those decisions, whether it's IT or staff, was the RIA at all an influence on you? Did you think, 'Oh my goodness, I'm going to make decisions here that are different to what the Government set out in its regulatory impact assessment'? Did that have a restraining or constricting effect upon you?

[307] **Ms Standfast:** Well, I should explain: some of you are aware that I ran the project to set up Qualifications Wales. Philip and I had an interesting relationship at that time, because I didn't work for Philip, although he was the chief executive. So I was like the restraint, the voice of finance, against any of the—

[308] **Simon Thomas:** So, you were asking him what on earth he was doing. *[Laughter.]*

[309] **Ms Standfast:** When he was looking at his decisions, he would be asking me what the financial impact would be, and we'd be looking at what the envelope would allow, yes.

[310] **Simon Thomas:** But, just to be clarified on that, you were looking at the envelope, not the individual headings underneath it.

[311] **Ms Standfast:** Yes.

[312] **Mr Blaker:** So, inevitably you have some constraints on the decisions that you make. Were any of those constraints to the detriment of the

organisation? No. I think we had decided that things like the IT spend that we've already touched on, with many of the issues that have been around recently of not having up-to-date software, having the latest systems in the cloud with all of the patches and things that come through with those automatically, we made decisions trying to think about an organisation that would be ready for the future, rather than dealing with the past.

[313] **Simon Thomas:** Thank you. Neil Hamilton.

[314] **Neil Hamilton:** The RIA said it wasn't possible to quantify financial benefits flowing from the various options that were put before you, and I wondered if you have, by experience, encountered unanticipated savings or efficiencies. Could you give us an update on this now, in the light of the history that you've got under your belt?

[315] **Mr Blaker:** Just to clarify the question, this is in relation to the function of the organisation.

[316] **Neil Hamilton:** Yes. Whether there are unanticipated benefits that have flowed from it, or whether it's possible, now, to make any estimates of cost-benefit.

[317] **Mr Blaker:** I think, given the nature of our work, it's quite difficult to be able to do that, because many of the benefits aren't financial. One of our principal aims is about public confidence, so we think it's really important that people have confidence in qualifications and the qualification system. I think the real benefits that we're delivering relate to that. Clearly, we're in the middle of reforms of general qualifications—for GCSEs and A-Levels—at the moment. We've completed those on time, albeit to a very tight timescale. We've started looking at vocational qualifications and we've come up with some fairly profound things that we're doing with health and social care, in terms of commissioning a bespoke suite of qualifications for Wales. So, I think it's those sorts of things that are our primary benefits rather than benefits that you would be able to monetise in a conventional way.

[318] **Neil Hamilton:** Yes. One of the things I was thinking of is that simplification of the qualifications market should reduce the amount of officer time spent, quotes,

[319] 'understanding, making comparison between and monitoring the differences in qualifications of the same name.'

[320] So, a simplification of the process should, in time certainly, reduce the amount of administrative time that is spent.

[321] **Mr Blaker:** Absolutely, and I think there are other smaller things that one can draw on. So, we have a centre support team of three people who work directly with schools all around Wales. They're very much working with exams officers to improve their efficiency within schools. Now, that will have process efficiency benefits for schools. It also stops them making mistakes, and we would hazard that Wales has been subject to fewer security breaches and the like this year than England has, and we would hope that the efforts of the centre support team might be a contributing factor to that.

[322] **Neil Hamilton:** My second question is whether you are likely to set up a trading arm before 2019–20, and what the implications of this might be for the financing of Qualifications Wales.

[323] **Mr Blaker:** The board has considered the options of a trading arm, and we've made a decision to not have that as a principal focus at the moment. Frankly, I think it's more important that we're looking at establishing our capability for our core purpose at the moment, and we're still doing some of that. So, there is some project work that we're going to be doing this year that builds our operational independence so that we're not dependent on other regulators to fulfil some purposes. Also, it's got to be remembered that everything that we might do through a trading arm would have to be in addition to what we do in our core purposes, so it wouldn't be able to supplement any core funding. It's to avoid state-aid issues. So, the sorts of areas where we might be able to do that would be in things like international consultancy on regulatory matters in relation to qualifications. We're probably not ready for that yet. We're building a good reputation and I can see that there may be opportunities in the future. Indeed, I have had one approach about that not too recently, but we have to think about our staffing as well. So, to do that, we would either have to use our existing staff or bring more staff in. Our existing staff are operating at full capacity at the moment. You'd need to have a more regular line of sight about what business opportunities might be out there before you established a trading arm and brought the staff in for that.

[324] **Neil Hamilton:** I see, right. Thank you.

[325] **Simon Thomas:** David Rees.

[326] **David Rees:** Thank you, Chair. In February 2016, your chair wrote to the Welsh Government, indicating that you'd made prudent use of the resources, and therefore allowing the Government to reallocate some of the—I'm assuming—savings, but you would make full use of the resource of the following year, effectively. Then, for 2017–18, you've indicated that you've agreed a 4 per cent reduction. So, what's changed to allow you to have full use of resources from 2016–17 to a 4 per cent reduction in 2017–18?

[327] **Mr Blaker:** Our accounts for 2016–17 will show some underspend still, and that's very much a consequence of a number of decisions that we've made. But it's about that building of the capability of the organisation over a period of time. A prime example would be that in filling our organisation structure, we didn't fill all of the roles straight away. We needed to first of all build our competence and establish our systems. Also, I wanted to keep a little bit of flexibility so that if an organisation design that was established in abstract, in effect, didn't work, we needed to have some blocks that we could move around to fine-tune the structure. In the other areas I've already mentioned—about research, and our investment in research function—we decided that, with pressures like the GQ reform process, we would prioritise those areas before prioritising the recruitment of our research function. So, what we ended up doing was recruiting those mid-year in the 2016–17 financial year. So, salary costs that we were anticipating didn't come through, and, actually, by the time that team had taken up post and become established, we didn't have as much direct spend on external research as we were anticipating.

[328] In terms of the 4 per cent moving forward, clearly, as you move forward you understand what your costs are in more detail. So, we understand our building costs. We anticipate that—. The RIA has estimates across different categories of spend. So, we anticipate that we will be overspending against our staff allocation relative to the RIA over time. So, we've already indicated that in the accounts. Given the fact that we're a new organisation, we've taken staff in at the bottom of pay spines. So, over the period of three years you'll see that body of staff moving through those pay spines, which will have an effect on our pay budget over time.

[329] But we've got things that are changing. So, we did have quite a large allocation in relation to qualifications reform, which those programme costs—. Well, we're certainly moving towards the close of the GQ reforms,

and we're allocating finances towards finishing those off this year, and also looking at the vocational qualifications in health and social care—so the reforms that we're introducing there. From what we can see at the moment of those reform activities, they will cost us a little bit less in the future. So, it's those sorts of things that have allowed us to look at that 4 per cent cut.

[330] **David Rees:** Can I ask a question? Are you therefore doing anything differently to the RIA as a consequence, or are you simply identifying that the costs to do the job that were previously identified are less?

[331] **Mr Blaker:** With programme spends, there's always some discretion around them. So, we have main areas of spend. The largest area of spend that we have is in making grants to awarding bodies to support Welsh-medium assessment. So, we don't want to reduce those grants and we anticipate that we'll carry on making those grants. But in areas like qualification reform, from what we can see of reform at the moment, those activities are dropping off.

[332] What we need to do is we need to be conscious that there is pressure on the public purse and to make savings where we believe that we can make savings. We have frozen a couple of posts, so we reduced our ambitions in terms of staff slightly. So, we've made a number of small changes to what we might have done to be able to accommodate a 4 per cent cut. What we are very keen on is for it to be known that that 4 per cent reduction in our grant is something that, if it were to go above that, it would start to curtail our activities. It doesn't change anything at the moment of what we're doing, but if there are any further cuts we'd have to look at what we were able to fund.

[333] **Ms Standfast:** I think, if I might also add, our conversations with Welsh Government have been around: if we need to do additional activity because of policy changes, then we would also need to re-discuss funding in those cases.

[334] **David Rees:** I understand, for additional activity, that wasn't originally in the RIA. I suppose the question that wants to come is: you've just highlighted that that is the limit, effectively, and any other cut would impact upon what the RIA expected you to do as part of your original functions.

12:00

[335] **Mr Blaker:** Absolutely.

[336] **Simon Thomas:** Steffan.

[337] **Steffan Lewis:** Very quickly—[*Inaudible.*—the annual cuts of 2015–16 had the Welsh Government grant of £5.6 million, but that was revised down to £5 million. How was that agreed and accommodated?

[338] **Mr Blaker:** Kerry, you're probably best placed to answer that.

[339] **Mr Price:** Yes. We've established quite a good working relationship with the sponsor unit and finance colleagues. So, this, effectively, underspend was forecast relatively early on in our life, really, and so we had this discussion and dialogue with them. And it gave them the opportunity—. Clearly, I understand that Qualifications Wales is a line on a budget that is considerably larger, and those that are responsible for managing the bigger picture were able to utilise that then for other purposes. So, there was that dialogue that enabled them to utilise that.

[340] **Simon Thomas:** Okay. Eluned Morgan.

[341] **Eluned Morgan:** I just want to ask you a question on the database. That cost almost £600,000 to set up. Was that foreseen in the expenditure at the beginning? That's a lot of money for a database, but, you know, you have to do it.

[342] **Ms Standfast:** The activity was foreseen. The cost wasn't—. So, some of the costs were in the RIA, but not all of the cost.

[343] **Eluned Morgan:** How far out was it?

[344] **Ms Standfast:** We spent about twice as much as was in the RIA. However, the reasons for that were the work to—. So, the previous database, which was called DAQW, was in very old technology and not very functional—in fact, possibly inaccurate—and Welsh Government had intended to replace it for some time. It really needed to be re-programmed and a bespoke piece of work done. So, whilst consultancy work was done on working out the needs and what it should look like during the RIA period, the actual project to deliver it had to take to take place within Qualifications Wales.

[345] When the RIA was being put together, we were envisaging the in-house developer—that is a post within Qualifications Wales—actually doing

some of that work, and therefore at a lower cost. However, that wasn't able to be recruited at the beginning and the time period was shorter, so we had to go to market and use consultants to do it. We did deliver it, and what it gives us is independence from Ofqual—the previous database had to be fed through the work that Ofqual do, so it's not a like-for-like replacement—and it's given us a lot of benefits in terms of efficiency and the ability to build on it. So, yes, it's a large amount of money but it has set us in good stead for the future, and is working well.

[346] **Mr Blaker:** It's more than just a database, it does quite a lot of process management, and as we move forward, we're going to use that as a fundamental bit of IT architecture to be able to build out more processes. So, as an example, the one area where we still have dependency on Ofqual from an operational perspective is in collecting data and doing statistical reports. We're moving over the next year to being able to do that ourselves and we'll be developing a data collection capability, but we'll be reusing QiW as the mechanism for awarding bodies to submit data to us. So, it becomes more than just a database—it actually becomes the principal interface with awarding bodies.

[347] **Ms Standfast:** And I should add we now have the in-house developer who's able to do the bulk of the work with it. It also calculates performance points for Welsh Government and a number of other things.

[348] **Eluned Morgan:** So, that amount is what was paid to the consultant, or was it about half, or—

[349] **Ms Standfast:** That amount was paid to the consultant.

[350] **Eluned Morgan:** So, £600,000.

[351] **Ms Standfast:** Yes. And a team of around 10 people working for about three to four months fully with us.

[352] **Simon Thomas:** Okay. Nick Ramsay.

[353] **Nick Ramsay:** Diolch. Good morning—afternoon—it is now, isn't it? How do you anticipate that your costs will develop over the remainder of the implementation period?

[354] **Mr Blaker:** Accepting the 4 per cent cut, we think our costs will build

slightly. So, I've already talked about the fact that we're building up a head of steam, so to speak, as we become fully staffed and as we do more research activity and the like. So, we anticipate that over the remainder of the life of the RIA that we'll be fully spending the allocation. But as I've already mentioned, some of those things will change in terms of staff costs being higher than anticipated in the RIA.

[355] **Nick Ramsay:** So, you've got an initial idea, but I understand that that's not set in stone. In terms of the post-implementation review within the RIA, that suggests that a review of the various impact assessments may be undertaken by the sponsor unit. What monitoring of the impact assessments is undertaken?

[356] **Mr Blaker:** It's quite early on in our life, I think, for Welsh Government to be able to undertake some of that. Clearly, we're in a position where we've got a good relationship with our sponsors, and we're more than happy to be able to support them in that analysis. And clearly we've got a very open and transparent relationship not only with sponsorship but with the finance teams in Welsh Government, so we'll look forward to co-operating with them when they want to undertake something.

[357] **Nick Ramsay:** At the appropriate time. In terms of working with other bodies, have you shared any lessons learned from your development with other bodies? That's probably one for you, isn't it, as a start?

[358] **Ms Standfast:** Yes, indeed. We do, and we're very open about that. The Welsh Revenue Authority teams have visited a number of times and taken quite a lot of information from us in terms of both costs but also lessons learned and lessons about the project, not just about what it costed or how we went about it. We've talked to the project manager for the tertiary authority and we also work quite closely with our other sponsor bodies, through networks. So, where they're looking at changes that we've actually implemented, which may not be the whole set-up, but it might be, particularly around the IT, we share information there, also.

[359] **Nick Ramsay:** Are there any particular lessons that are particularly memorable that you could give us as an example?

[360] **Ms Standfast:** Well, yes—many. I think Philip's already alluded to it, but having the chief executive in place early if he wants to do implementation right and quickly is probably almost essential, actually, I would say. You're

never going to get all of the costs right in the RIA, but it's a reasonable process. I think, looking at the timing between when you put the initial plans together and how long the implementation is, you need to build that factor in. We were quite quick. We were six weeks after the actual legislation was finally passed, but a lot of other legislation will be probably a year since, and obviously costs will change now, I think—

[361] **Nick Ramsay:** That was quite a quick turnaround.

[362] **Mr Blaker:** I was going to say that the principal challenge during the set-up of the organisation was time. I think it was 5 August that the Qualifications Wales Act 2015 was passed.

[363] **Nick Ramsay:** And you transferred over then, didn't you?

[364] **Ms Standfast:** I seconded at the end of August, yes.

[365] **Nick Ramsay:** So, that helped—the fact that you'd been there for the initial phase.

[366] **Ms Standfast:** And Philip, obviously, and a few other staff. There were a couple of corporate staff who we managed to start early, and some, like Kerry, who gave us his time free before he started properly.

[367] **Nick Ramsay:** Free?

[368] **Ms Standfast:** Very generous.

[369] **Mr Blaker:** I think one of the assumptions that was in the RIA was that the majority of staff would transfer from Welsh Government into Qualifications Wales. In reality, only six regulatory staff transferred into the organisation, which meant that one of our principal challenges was recruiting a whole cadre, or virtually a whole cadre, of people. But it's quite difficult to recruit into something where the enabling Act hasn't been passed yet and where you can't be an employer. It's very difficult to make somebody an offer of employment when you can't guarantee employment. So, that sequencing was very challenging and we relied on a lot of goodwill from people and we clearly had to cover it off legally in how we were making offers or how we were proposing to make offers to people.

[370] But that timeline also meant that, if you imagine from the beginning of

August, when the Act was passed, through to the beginning of September when we had staff joining us, to actually taking our functions up and the baton being passed to us on 21 September, it was very challenging for everybody involved—for staff at Qualifications Wales and for the project staff within Welsh Government—to be in a position where we had a building, systems, people, and an idea of how we were going to go about things in just a matter of weeks. So, it really is a real credit to the people involved that we managed to get up and running so quickly.

[371] **Simon Thomas:** I was on the Bill committee, but you'll have to remind me: is there a formal review period for Qualifications Wales in terms of—is Welsh Government reviewing you after three years or whatever? I can't remember if that was part of the Act or not.

[372] **Mr Blaker:** We don't have that. Clearly, we're accountable for our functions to the Assembly rather than to Welsh Government, and we complete an annual report at the end of August, which gets laid before the Assembly, in December, usually. And then we go to the Children, Young People and Education Committee.

[373] **Simon Thomas:** Yes, okay. Thank you very much. That concludes our session. Diolch yn fawr iawn i chi. There will be a transcript for veracity. I thank you for today, but also for last week—I know that Alison Standfast came to help us at the stakeholder event as well. So, diolch yn fawr iawn. Thank you.

[374] Can I propose we take a short five-minute break, and then resume at quarter past?

Gohiriwyd y cyfarfod rhwng 12:10 ac 12:16.

The meeting adjourned between 12:10 and 12:16.

Ymchwiliad i'r Amcangyfrifon Ariannol sy'n cyd-fynd â Deddfwriaeth: Sesiwn Dystiolaeth 6

Inquiry into the Financial Estimates Accompanying Legislation: Evidence Session 6

[375] **Simon Thomas:** Croeso nôl i'r **Simon Thomas:** Welcome back to the Pwyllgor Cyllid. Rydym yn symud at y Finance Committee. We move on now sesiwn dystiolaeth olaf gyda Rent to the final evidence session with

Smart Wales, Rhentu Doeth Cymru, a Bethan Jones. Prynawn da, croeso atom ni. Rent Smart Wales, and Bethan Jones. Good afternoon and welcome to the committee.

[376] **Ms Jones:** Prynawn da. **Ms Jones:** Good afternoon.

[377] **Simon Thomas:** A ydych chi'n barod? **Simon Thomas:** Are you ready to start?

[378] **Ms Jones:** Bron iawn. **Ms Jones:** Nearly.

[379] **Simon Thomas:** Bron iawn. **Simon Thomas:** Nearly. Okay. Océ.

[380] **Ms Jones:** Jest yn cael fy mhapurau allan. **Ms Jones:** I'll just get my papers out.

[381] **Simon Thomas:** Jest cwestiwn cyntaf i osod y cyd-destun, mewn ffordd. Mae Rhentu Doeth Cymru wedi'i sefydlu i fod yn cynnal ei hun, i fod hunan-gynhaliol yn ariannol. A ydy hynny bellach wedi cyrraedd? Pryd wnaethoch chi gyrraedd y sefyllfa yna? **Simon Thomas:** The first question, just to set the context, in a way. Rent Smart Wales was established to be self-financing and self-sustaining, financially. Has that been reached? When did you reach that situation?

[382] **Ms Jones:** Os yw'n olréit efo chi, fe wnaf i siarad yn Saesneg. **Ms Jones:** If you don't mind, I'll speak in English.

[383] **Simon Thomas:** Ie, mae croeso i bob iaith fan hyn. **Simon Thomas:** Yes, we welcome every language here.

[384] **Ms Jones:** Rent Smart Wales is, yes, self-financing. We did have some set-up grant from Welsh Government to start off, and that funding was available in the first half year and last year, but we don't have anything planned for this financial year. That said, Rent Smart Wales is more than just the activities delivered through the single licensing authority, based at Cardiff council. Obviously, we're working in partnership with local authorities across Wales, and they are receiving some Welsh Government funding, but it's kind of ancillary to the main activity of processing and administering registration and licence application.

[385] **Simon Thomas:** Mae'n amlwg, **Simon Thomas:** Obviously, from what we've seen, there is some difference between the private rented scheme that was described in the Bill and in the explanatory memorandum and what has had to be implemented in truth. Could you just outline the main changes between the two things and the impact on the costs or the budget in that context?

[385] **Simon Thomas:** Mae'n amlwg, rwy'n meddwl, o beth rydym wedi gweld, fod peth gwahaniaeth rhwng y cynllun rhentu preifat a oedd yn cael ei ddisgrifio yn y Bil a'r memorandwm esboniadol a beth sydd wedi gorfod cael ei weithredu mewn gwirionedd. A fedrwch chi jest amlinellu beth yw'r prif newidiadau rhwng y ddau beth a'r effaith ar y costau neu'r gyllideb yn y cyd-destun hwnnw?

[386] **Ms Jones:** Okay. When the memorandum of understanding was first developed, it was very much based on a voluntary accreditation scheme that was in place prior to legislation being brought in. That was effectively a scheme where people volunteered to undertake training. So, the memorandum of understanding that was prepared was really based on a registration scheme where landlords told us of the fact that they were landlords and the properties that they owned and training that was associated with that. But, of course, as the legislation was developed, that very much became more of a licensing scheme, which required far more checks and balances to be put in place and a cost regime associated with that.

[387] During this period as well, there was a court case, *Hemming v. Westminster*, that impacted how fees could be charged for registration and licensing schemes, and that also had an impact on where those charges could be made. Cleary—

[388] **Simon Thomas:** Because that, in effect, didn't allow you to charge upfront, is that right?

[389] **Ms Jones:** You have to charge in reality, for actually what you're doing. So, I believe that the memorandum of understanding was effectively frontloading the fees to cover what they thought was going to be a licensing regime as well, but in reality what we've had to do is to charge separately for those two things.

[390] **Simon Thomas:** Sut mae hynny **Simon Thomas:** How has that

wedi effeithio, felly, ar yr *actual* affected the actual income compared *income* wrth gymharu â beth oedd yn to what was estimated that was going cael ei amcangyfrif oedd yn mynd i to be the income?
fod yr incwm?

[391] **Ms Jones:** Okay. So, Cardiff council has developed its own financial model, and if you exclude the contingency that is built into that financial model, then the estimation of income over a five-year period is about £19 million. Obviously, the purpose of that financial model is very different to the purpose of the income estimated in the MOU. The purpose of the Cardiff council financial model was to set fees, and so it disregards opportunity costs and things like that that may have been included in the memorandum of understanding.

[392] **Simon Thomas:** Would it be fair to say, then, that, by dint of different legislation and the situation you've found yourself in, you've had to go beyond the RIA and really produce a new financial model for your operation as it is now on the ground?

[393] **Ms Jones:** Yes, absolutely. We had to do that because we had to have some comfort that Cardiff council and local authorities weren't taking any risks in taking on this additional burden. Because it was clear from the beginning that, whilst there was going to be a Welsh Government set-up fee and that kind of thing, the intention was that it should be self-financing, and so we needed some certainty around that and we put an awful lot of effort into making sure that that was as robust as possible, and we worked on the basis of the maximum numbers that we had at the time. In reality, 18 months into the scheme, it looks like that was potentially an overestimation of the total landlord population, but obviously we're refining that model all of the time.

[394] **Simon Thomas:** Indeed. Thank you. David Rees, then, please.

[395] **David Rees:** Thank you, Chair. Can you give us an answer, perhaps, as to the costs associated with the RIA? Because I notice that the number of staff employed initially is not just double, it's quadruple, basically.

[396] **Ms Jones:** Yes.

[397] **David Rees:** How do you see the original RIA examination of cost compared to the reality on the ground, and were they really well short?

Because they didn't get it right. They didn't actually anticipate the workload that would happen as a consequence of all the registrations under that timescale. I know that, for example, one of the ways you wanted to resolve it was to extend the period of registration, which might have reduced costs because the pressures would have been better. Is there any consideration with you as to that impact upon Rent Smart Wales?

[398] **Ms Jones:** I think it was very difficult for Welsh Government to put together a robust financial plan at that time because so much was changing and the legislation didn't reflect what was assumed to be the case when that MOU was developed. A lot of the assumptions that were relied upon have also been relied upon by Cardiff council in putting together the financial model, but, of course, Cardiff council developed that financial model in conjunction with a whole host of local authority stakeholders, and took evidence from local authorities about how long it would take to undertake minute aspects of the registration and licensing process, which we knew was going to be implemented because by this time the Act had received Royal Assent. So, we were in a very different position a year later to the time when this MOU was developed. There isn't an awful lot of information in the MOU about how the staff estimate was arrived upon, so I would agree with you in that regard and it would have been helpful, I guess, to have had further conversations with local authorities about estimations of time.

[399] **David Rees:** Obviously there would have been—. I know there wouldn't have been accurate estimations as to the number of properties that would be on the register because it's not always clear, but a reasonable figure would have been gained, I would have assumed, so it's surprising to actually—. When you saw those original figures, did you think they could be achieved?

[400] **Ms Jones:** I was personally surprised when I went through the detail of working out, and what we did was to break down every process that had to be completed, made estimates about how many applications came in online, how many applications came in by paper, and we broke every process down into how many calls we thought we'd have, how long it would take in terms of minutes to process an application and to deal with reset passwords. All of those kinds of things were broken down into minute detail for our financial model, which clearly wasn't done for a Welsh Government model. It was only after we went through that process that we realised that the staff required would be far, far more.

[401] **David Rees:** And is that similar for the enforcement action? Because,

obviously, I know that's just starting, that process, in that sense, but the forecast for the enforcement action, has that similarly been underestimated?

[402] **Ms Jones:** The Cardiff council financial model includes—. We've done exactly the same process of going through it in minute detail as to what we think is required, and so our estimation of £19 million for the five-year period is based on that included in there. But there wasn't an awful lot of information in the MOU, in the risk assessment, about the costs of enforcement other than the costs to the court system and the residential property tribunal.

[403] **David Rees:** Do you have any understanding as to why they seem to be so light on some of those—? Did they engage thoroughly enough to produce them?

[404] **Ms Jones:** I think it's because at the time of writing that impact assessment, the scheme was very much seen to be one of registration and training, even though it's called licensing. There is a little bit of confusion about terminology there, but because it was mainly registration and training, and licensing came later on in the legislation, those elements that come with licensing like compliance and enforcement activities weren't properly built in.

[405] **Simon Thomas:** Just remind us: what was the initial estimate for staffing levels and what do you actually have now? Because there is a considerable difference, isn't there?

[406] **Ms Jones:** Yes. So, in the Welsh Government—

[407] **Simon Thomas:** In the initial assessment—the impact assessment.

[408] **Ms Jones:** In the initial impact assessment undertaken by Welsh Government it's 10.

[409] **Simon Thomas:** And you have about seven times that, is it?

[410] **Ms Jones:** Yes. In the Cardiff council financial modelling it varies every year, depending on what the activities are that we've estimated for that time, with the highest level required, close to 100, not just in Rent Smart Wales but across Wales, to deliver enforcement activities. So, an awful lot of flux between years there.

[411] **Simon Thomas:** So, what's the minimum to run—? At the steady state for this Rent Smart scheme, what would be the minimum number of staff that you would roughly estimate? Is it around 60 to 70?

[412] **Ms Jones:** I would say that, if you averaged it out over the five-year period, it would be about 50.

[413] **Simon Thomas:** About 50. Okay. You also mentioned to David Rees the enforcement costs, and in your evidence you say that the courts, and we've only had a few cases, but you suspect that the courts are not awarding full costs, so presumably therefore there is a cost to enforcement that you have to bear within this overall envelope, which means that good landlords are carrying the can for poor landlords. Is that something that you've had to take into account in the five-year plan as well?

[414] **Ms Jones:** Well, what we've done in our financial model is just to look at the costs of registration and licensing.

[415] **Simon Thomas:** Right.

[416] **Ms Jones:** Separately from that, Rent Smart Wales delivers a training programme, which isn't included in our financial model. So, the idea is that any income that is generated from the training provision that we do offsets the risk in terms of—

[417] **Simon Thomas:** And is it early days to be sure that—

[418] **Ms Jones:** Early days. Too early to really say at the moment.

[419] **Simon Thomas:** But that's the intention.

[420] **Ms Jones:** Yes. We hope that the number of cases that we have to take to court is going to be quite low.

12:30

[421] **Simon Thomas:** Diolch. Good training would help there, obviously.

[422] **Ms Jones:** Yes.

[423] **Simon Thomas:** Mike Hedges.

[424] **Mike Hedges:** You talked about costs, and I'm now going to talk about fees, which is the other side of the coin, isn't it? If I look at agents—the agents licensing fee system has changed from an anticipated £250 to become licensed, to the current system where agents pay between £1,890 and £6,600. The agents think that's a substantial increase, and I think it would be not unfair to say that the agents consider that it's a lot more than they had any expectation of paying. Two questions relating to that: one, are we stopping at that, or is it likely to go up again, and, secondly, why was it so different? I think that you're probably going to mention the costs on the other end.

[425] **Ms Jones:** It's so different because we've worked it out in a huge amount of detail as part of the financial model. As part of that licensing regime now, which wasn't in the original impact assessment, what we've assumed is that, as part of the compliance with the licence, there will be a level of complaint coming in from tenants, and we'll have to respond to those complaints to investigate complaints against licence conditions. So, that's the part, really, that is quite significant in relation to agent applications, which doesn't apply in the same way to a landlord licence application. What we've assumed is that a landlord licence application—in general, landlords have, maybe, one to two properties, so the number of complaints that you'll have in relation to that portfolio is small. However, with an agent licence application, the number of complaints that you have against the portfolio is going to be quite significant. So, that's where the difference comes.

[426] **Mike Hedges:** We also have some landlords who are substantial owners of properties—something that is well known with Robbie Fowler, for example, who is a former Liverpool footballer who owns hundreds of houses, which led to a well-known football chant. You've decided to move away from a landlord register system that took account of the number of properties to just a standard one. There are some landlords who own large numbers, and there are people who are landlords of one property, and sometimes accidental landlords who buy one or two properties instead of paying into a pension pot. But there are some substantial landlords owning lots of properties. Why aren't they paying more?

[427] **Ms Jones:** Well, when we first issued the fee structure, the agents were going to be paying a set fee—you know, one fee to cover all agent types. That was badly received because of the amount, and so we reconsidered. But

the reality is that we really struggled to do that, because we had no information on how many agents managed how many properties. That's the difficulty: when you're setting a fee structure, if you have no information you're taking a risk. So, with landlords, because we were able to work out that a landlord would have 1.4 properties, on average, we decided that that was a safe bet in terms of us being able to set a fee for that group of people. We will have more information for the future, and in the future we might be better able to make a distinction between a portfolio landlord and an individual landlord. With agents, because we knew they managed so many, we had to do something different, which is what we did in the end.

[428] **Mike Hedges:** Okay, thank you.

[429] **Simon Thomas:** Steffan Lewis.

[430] **Steffan Lewis:** One of the things that the RIA did not account for was the system that allows applicants to complete certain activities online at a cheaper rate than they would otherwise. How did that affect the financial modelling?

[431] **Ms Jones:** Well, the RIA talks about registration being £50 per landlord plus £10 per property. When we looked at the actual costs that would be involved for registration, we obviously came up with a fee of £33.50 if you did it online and £80.50 if you did it through a paper-based application. We were making assumptions there about the number of people that would apply online and not online. Our assumption was that 15 per cent of people would apply by a paper application, but, in actual fact, 98 per cent of our clients do. So, in the fullness of time, that will impact our model as well.

[432] **Steffan Lewis:** Sorry—do 98 per cent do it on paper?

[433] **Ms Jones:** Online.

[434] **Steffan Lewis:** Online. I see.

[435] **Ms Jones:** The two processes have been done completely separately and independently of each other. We didn't take account of the Welsh Government RIA when we developed the financial model at Cardiff council. We used some of the same data, because those were the best data to use, but we didn't allow that to influence what we were developing.

[436] **Steffan Lewis:** Right, so it didn't really have an impact.

[437] **Ms Jones:** No.

[438] **Steffan Lewis:** Okay.

[439] **Simon Thomas:** If it had, you would've been out of pocket.

[440] **Ms Jones:** We would have been, yes.

[441] **Steffan Lewis:** By quite a bit. Do you anticipate, or are you planning, any further changes to the licensing or registration scheme charges?

[442] **Ms Jones:** We have committed to reviewing the charges every year. That just means that we collate the information that is available to us to test the financial model, because, obviously, we need to make sure that the scheme is self-financing in the long term. Up until now, we haven't had sufficient information to make any changes to the fee structure, and it's unlikely that any change will occur this coming year either, but, in the long term, we will refine our modelling to be based on actual information, and that might impact the fees.

[443] **Steffan Lewis:** Okay, thank you.

[444] **Simon Thomas:** Okay. Eluned Morgan.

[445] **Eluned Morgan:** I just wonder if you could expand on the review and evaluation scheme that's been undertaken by the PACEC, is it?

[446] **Ms Jones:** PACEC, yes. Well, that's a research piece that Welsh Government have commissioned. As I understand it, it's taking part in three phases. The first phase was completed and published at the end of the last calendar year, and is available for you to view on the Welsh Government website. Broadly speaking, it concluded that things were developing as they anticipated they would for that period, in the implementation. There were some concerns, or some recommendations, around marketing and communication, and also arrangements that should be in place to ensure enforcement of the scheme in partnership with local authorities. So, those are the key areas, I think. The second phase is ongoing, but I haven't seen any report or interim report in relation to that yet.

[447] **Eluned Morgan:** Will they be considering costs in that?

[448] **Ms Jones:** I don't think that costs were included within the brief.

[449] **Eluned Morgan:** Okay, thank you.

[450] **Simon Thomas:** Any other questions from Members? No. In which case,

[451] diolch yn fawr iawn. Diolch am y dystiolaeth a diolch yn arbennig am esbonio mor glir y penderfyniadau rydych chi wedi gorfod eu gwneud yn sgil yr RIA, yn hytrach na beth oedd ynddo fe. Mae hynny wedi bod o gymorth i'r pwyllgor. Fe fydd yna drawsysgrif yn cael ei gyrru atoch chi, jest i chi tsieco, rhag ofn, eich bod chi'n hapus gyda hynny. Diolch yn fawr iawn i chi.

thank you very much. Thank you for the evidence, and thank you especially for explaining so clearly the decisions that you've had to make in the wake of the RIA, rather than what was in it. It's been of great help to the committee. There will be a transcript sent to you, just for you to check it and ensure that you are happy with it. Thank you very much.

[452] **Ms Jones:** Océ, diolch yn fawr.

Ms Jones: Okay, thank you very much.

[453] **Simon Thomas:** Os caf i ddweud wrth y pwyllgor, rŷm ni nôl i sesiwn breifat nawr, fel rŷm ni wedi penderfynu.

Simon Thomas: If I could tell the committee that we're going to back into private session, as we've already decided.

Daeth rhan gyhoeddus y cyfarfod i ben am 12:39.
The public part of the meeting ended at 12:39.