

Shan Morgan  
Ysgrifennydd Parhaol  
Permanent Secretary



Llywodraeth Cymru  
Welsh Government

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

25 September 2018

Dear Mr Ramsay,

I wrote to you on 17 January this year to tell you about the work which we were taking forward around the relationship between the Welsh Government and its Arm's-length Bodies, following our review "Delivering Together". As you requested in your letter of 2 February this year, I am now writing to give the Committee the autumn update which you requested.

I suggest that it might be most helpful to the Committee for me to group my update around the eight key recommendations in our review which I picked out in my earlier letter since together they encompass the thrust of the work. The headings below are therefore taken from the bullet points which appeared in my previous correspondence.

***Recommendation 1 - "To establish greater central capacity, via a Public Bodies Unit which would take over some sponsorship functions, act as a centre of excellence, a source of consistent advice and provide greater transparency and assurance to me. This will be cost-neutral and funded through a re-alignment of resources from sponsor teams which will enable us to do the things we do now better and also give some capacity to undertake new functions"***



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The Public Bodies Unit has been established and is operating its role as recommended. It is located within the Permanent Secretary's Group and reports to the Director of Corporate Services who in turn reports to me. It is now fully staffed with officials taken from across the organisation through a realignment of resources. All of these were previously carrying out a sponsorship or relevant policy function in relation to an Arm's-length Body and, as envisaged, this has been a cost-neutral exercise. We have been able to build in some capacity to undertake functions better and more cost-effectively, so the Unit also has responsibility for the Welsh Government's oversight of pay and conditions of Arm's-length Bodies and also incorporates the operation of the honours system in the Welsh Government. New arrangements in hand include:

- The removal of 'Calling-in Procedures' i.e. a requirement for our Arm's-length Bodies to refer to us for approval for particular categories of decision, such as single tenders above a specified threshold or issues which are novel and contentious. This will result in an efficiency saving to the Welsh Government in time spent providing advice and approvals and allow Chief Executives to take decisions which are properly their responsibility in their roles as Accounting Officers.
- The development of an induction arrangement for Boards of public bodies. This is being rolled out across our public bodies to coincide with their board meetings. In addition, it forms a part of induction training of new Accounting Officers. Recent sessions have included Social Care Wales, Sport Wales, RCAHM and the National Council for Educational Leadership.
- The design of a Tailored Review process for use with our Arm's-length Bodies to provide assurance to Ministers, the Principal Accounting Officer and Leaders of the bodies themselves on whether our bodies remain fit for purpose and are well governed and properly accountable. The review process will be proportionate to the size of the Arm's-length Body and flexible in terms of timing and approach. We have developed a risk tool, which we will refine with the Leaders of our Public Bodies, to identify when a review of an Arm's-length Body would be beneficial. That tool will be used by the Welsh Government in conjunction with Arm's-length Bodies to agree the risk profile of the organisation and help inform discussions with Ministers as to the timing of the review of the organisation. I hope that the review process will be in place by April next year.
- Public bodies' pay, reward and recognition. I saw this as an opportunity to align arrangements across the public service and provide a single 'go-to' point for these bodies. The aim is to provide advice on best practice across the sector, recognising that while consistency is important, one size does not necessarily fit all. We are currently developing proposals on Arm's-length Bodies' pay remit guidance and on pay systems, reward and severance advice. Moving this work



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into a dedicated unit is already enabling a greater focus on gathering intelligence and understanding the issues; Senior Pay Transparency and Gender Pay Gap reporting requirements; Welsh public sector pay policy; and pension changes.

- We are establishing a Sponsor network for Welsh Government officials to meet regularly and share best practice. This will be managed and led by the Public Bodies Unit. This will be in place by November. I have agreed that lead sponsors must be at least Deputy Director level and that they will perform an enhanced relationship role. This relationship management role is now being built into the competency and performance framework for the Senior Civil Service. The Public Bodies Unit is developing with Academi a learning and development programme on Building Effective Relationships for our new relationship managers

***Recommendation 2 - "To develop proposals with our Arm's-length Bodies to join up the provision of the back office functions of the Welsh Government Arm's-length Bodies and making better use of large framework contracts to drive out efficiency savings."***

We are making some progress with this recommendation although implementation will take some time and will probably need to be spread over a number of years. Arm's-length Bodies are generally locked-into contracts of their own in the short term which could not be set aside without incurring significant penalties. But we have begun a dialogue with our bodies about where the best and quickest opportunities might be for achieving efficiency savings through framework contracts.

The Chief Executives collectively are keen to focus on the efficiency agenda and had started to look at their activities and resources - people, energy and commitment not just money - and how, working together, they could liberate these to increase public value. There have been very positive discussions and a general agreement that we will continue to work together on the shared services agenda on a 'pick and mix' evolutionary basis. I recognise that we might need different models and approaches across Wales, depending upon individual circumstances.

An early opportunity is the provision of internal audit services. Most of our Arm's-length Bodies do not operate their own internal audit services, but instead contract out individually, mostly to the private sector. There are models in the NHS in Wales, and Government Departments in Whitehall, which demonstrate that a shared internal audit service can be delivered both effectively and efficiently across a range of participating bodies. The Head of Internal Audit for the Welsh Government is leading on this particular aspect of the proposals for us though we are treating it as a joint project with



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the Arm's-length Bodies themselves. I would hope that by April next year we would have concrete plans for implementation.

***Recommendation 3 - "To assess the cost effectiveness of Welsh Government officials providing 'secretariat' services to the 16 committees, appeals panels and tribunals and make proposals to consolidate this resource".***

I have established a common secretariat, overseen in my own office, for the major internal Welsh Government official committees which operate underneath my Executive Committee. I am expecting these new arrangements to lead to efficiency savings and to the more effective operation of the key decision-making groups supporting me in the running of the Welsh Government. Once this has bedded in we will take the learning from it and seek to apply it to consolidating secretariat services on a wider scale across the Welsh Government.

***Recommendation 4 - "To streamline the administration of the payment of grant-in-aid whilst maintaining rigorous scrutiny".***

I have put in place a Grants and Assurance work-stream to identify grants which have similar or overlapping remits or responsibilities, and/or other grounds for consolidation, rationalisation or cessation of work if appropriate. The work is being led by the Grants Centre of Excellence supported by a Grants Working Group. The Grants Working Group have developed a Target Operating Model which reflects the end to end processes of applying for and managing a grant.

Good Progress has been made in developing a Grants Assurance Panel which is now implemented. The Panel has been established to provide advice, challenge and assurance to grant managers when setting up their grant schemes. The first meeting of that panel took place in September.

I have agreed to the establishment shortly of a Central Due Diligence Team to provide a corporate "health check" on the organisations that we fund with the aim of improving consistency, delivering greater support to policy areas and to providing more uniformity in how Welsh Government deals with external bodies.

We are currently looking to improve consistency, compliance, reduce the administrative burden for stakeholders and to improve the audit trail throughout. My grants team are investigating an ICT solution which would be suitable as a digital application.

***Recommendation 5 - "To move away from 'annual' remit letters, budget awards and business plans to a 'Term of Government' approach that will facilitate longer***



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***term planning and provide greater stability for our Arm's-length Bodies, improve efficiency and effectiveness of the oversight arrangements”.***

This move to a more strategic relationship, which will link the activities of each individual body to the contribution which it can make to the Government's Programme and encourages more joined-up working between bodies, has been widely welcome by Chairs and Boards as a positive step forward. The aim is to have first round of Term of Government letters being issued by the end of the financial year.

***Recommendation 6 - “To establish a Public Leaders Forum (networks for Chairs, Chief Executives and sponsors and policy leads) to facilitate improved communication and sharing of information that will lead to more efficient planning and better decision making”.***

The first meeting of the Public Leaders Forum, attended by Chairs and CEOs of most of the Welsh Government's Arm's-length Bodies, took place in March. I was very pleased to be able to be there myself and to be one of the contributors to the event, since I regard this as a very welcome and important development. Some consistent themes emerged for us to collectively think further about:

- respecting each organisation's 'independence' while also recognising our mutual interdependence;
- improving two-way communication;
- mutual support – a true partnership;
- collective working – “Team Wales”;
- sharing resources for both back office and front line staff;
- individual, board induction and governance awareness sessions;
- understanding the Welsh Government Delivery Model for Prosperity for All;
- diversity; and
- sharing problems, solutions and best practice.

Feedback from the attendees was very enthusiastic and positive and the next Public Leaders Forum meeting is scheduled to take place in Aberystwyth later this year where we will discuss some of these issues in more detail.

***Recommendation 7 - “To develop a Welsh Government ‘Governance Portal’ to facilitate opportunities for cross-sector working by providing a platform on which to share Arm's-length Bodies' business plans and remit letters, and to provide an on-line discussion forum”.***



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The Public Bodies Unit is exploring with sponsors, the Cabinet Office and the Public Leaders what information would be useful to share to enable the Welsh Government to facilitate improved cross-sector working. Once this work has been completed we will develop the platform to enable this to take place – “form follows function”. I will aim to get this in place by the start of the next financial year.

***Recommendation 8 - “To build in additional capacity in the Public Appointments Unit to enable the development of a ‘talent pipeline’ of potential candidates for appointments to boards, improving succession planning and diversity in appointments”.***

The Public Appointments Unit has been strengthened and is now part of the Public Bodies Unit. We have developed the capacity for managing public appointments centrally within the Public Bodies Unit and from 1 November we will be running all campaigns from within the team.

We have moved 6 appointment campaigns into the Public Bodies Unit, as a soft launch, to test our resource resilience and to ensure that we have the capacity and capability to run these appointments effectively and efficiently when we take them all over.

Its first priority, requested by Ministers, is to put work in hand to increase the diversity of the pool of candidates coming forward for public appointments. I have appointed an ‘Outreach’ manager who has the responsibility for creating a pipeline of diverse applicants for future appointments and to develop coaching and mentoring arrangements for current appointees and those who wish to be considered for appointments in the future.

The Public Bodies Unit is devising an action plan which will include wider communication of opportunities on Boards, greater emphasis on encouraging people from diverse backgrounds to apply and following-up “near misses” of appointments. As one of its first activities the Public Appointments Unit has arranged a seminar on 24<sup>th</sup> September to which it has invited members of Public Boards who have disclosed disabilities through the appointments process to discuss their experiences of applying for their roles and taking up the appointments.

The Unit will also be concentrating on seeking to get a more equitable diversity balance of public appointments in Wales and will be advised in this work by Kathryn Bishop, the Chair of the Welsh Revenue Authority and also a former Civil Service Commissioner.



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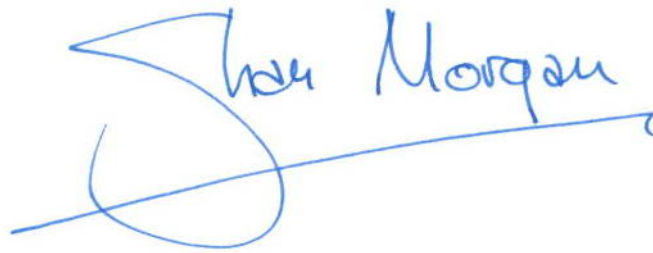
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I hope that this update serves to give the Committee a flavour of the progress which we are making. I will, of course, be very happy to go into each of the recommendations in the report in more detail when I appear before you on 15 October if the Committee would find that helpful.

Yours sincerely,



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