

## **Welsh Government Response to the Report of the National Assembly for Wales Public Accounts Committee on the Welsh Government's Acquisition and Action to Dispose of the Former River Lodge Hotel, Llangollen**

We welcome the findings of the report and offer the following response to the twenty-one recommendations contained within it.

### **Recommendation 1:**

*We recommend that the Welsh Government reviews its processes to minimise a risk that a rush to spend money before the end of a financial year will impede efforts to ensure value for money. The rationale for all financial expenditure, including that at the end of a financial year, must be robust in achieving value for money.*

### **Response: Accepted.**

The Welsh Government processes to monitor expenditure is on-going throughout the financial year. Monthly meetings led by the Director of Finance and Procurement and attended by departmental Heads of Finance are held in order to monitor expenditure and challenge and scrutinise forecasts. These meetings are designed to ensure that expenditure decisions are taken in pursuit of achieving value for money. During the final quarter of the financial year the frequency of these meetings is increased to a weekly basis to ensure that the overall annual spend is contained within expenditure limits utilising end year flexibility arrangements.

### **Recommendation 2:**

*We recommend that the Welsh Government publishes a list of each Minister's agreed financial delegations, in the interests of transparency.*

### **Response: Accept in Principle**

Each Director General is responsible for agreeing a set of arrangements with their Minister(s) for making decisions relating to the work of their directorate and its expenditure. These arrangements necessarily differ between portfolios reflecting the differing priorities associated with meeting Programme for Government objectives and the flexibility required during periods of financial constraint. We will devise an overarching framework to enable DG's to reach agreement with their respective Minister(s) on their arrangements which will have due regard to the Carltona principle. We will publish the agreed framework on our website by October.

### **Recommendation 3:**

*We recommend that the Welsh Government ensures that any new Minister is clearly briefed on the schemes of delegations that have previously been established within their department.*

**Response: Accepted.**

We will review our procedures immediately for briefing new Ministers to ensure that they are made aware of the arrangements agreed between the previous Minister and responsible Director General.

**Recommendation 4:**

*We recommend that the Welsh Government applies a consistent policy when acquiring any land or property on vacant possession. Terms of occupation must be determined prior to the purchase of a property.*

**Response: Accepted.**

As a general rule the Welsh Government does not purchase properties or sites where it is uncertain as to the status regarding a property occupier. Relevant property professionals and Legal Services are engaged at an early stage to establish agreed heads of terms including clarifying any occupier's legal status.

If there is a requirement to obtain vacant possession of an occupied property which is the subject of an occupation and it will cost money to obtain vacant possession, the purchase price will reflect this identified cost.

For large road schemes, Transport colleagues use Compulsory Purchase Order (CPO) powers and serve relevant Notices to Treat and Enter. In practice this means that the land will be occupied from the first day of the scheme works but the legal transfer of land occurs some time later when compensation terms are agreed. Any persons with an eligible interest in the land affected by the CPO have an opportunity to negotiate compensation with the acquiring authority.

There may be occasions where acquisitions take place in advance of a CPO - these are properties that are "blighted" by the proposal of a road scheme. In these relatively rare cases, pre-completion inspections are undertaken on the day of legal completion (either in person or through one of our valuation agents) to ensure vacant possession and if there are any doubts, completion is delayed or halted until vacant possession has been secured.

**Recommendation 5:**

*We recommend that the Welsh Government ensures that in circumstances where legal and policy officials are in disagreement over a decision (including decisions that have been delegated to officials by a Minister) the Minister should be made aware of such disagreement before any final decision is taken.*

**Response: Accepted**

In the circumstances where legal and policy officials disagree over a decision, we would normally expect this position to be resolved by escalating it to a senior manager or, ultimately, the Permanent Secretary to resolve the position prior to advice being submitted to the appropriate Minister. We will revise our guidance on submitting advice to Ministers to reflect this position by October.

**Recommendation 6:**

*We recommend that the Welsh Government reviews its HR policies on the use of e-mail accounts to ensure that there is always the maximum possible clarity on which organisation an official is representing.*

**Response: Accepted.**

The Welsh Government Security Policy states explicitly that staff cannot use their official e-mail address for matters that do not relate to the work of the Welsh Government unless it is of a limited and, normally, urgent nature. We will reinforce this guidance to staff.

**Recommendation 7:**

*We recommend that the Welsh Government reviews its internal processes, so that if concerns are expressed about a potential conflict of interest for a member of staff, senior managers seek an explicit rationale as to why it is thought that the potential conflict of interest is being effectively managed. We consider that that the adequacy of that rationale should then be independently tested, outside the member of staff's line-management chain.*

**Response: Accepted.**

The Welsh Government's Financial Dealings and Conflicts of Interest policy requires all staff to notify and discuss with their line manager any potential conflict of interest and any action proposed to address this as soon as it arises. Following that discussion, the individual must complete a Business and other Potential Conflicts of Interest Form and summarise mitigating actions where appropriate. The Deputy Director will then consider whether to approve the individual continuing with the activity.

Anyone who is permitted to undertake an activity which is a potential conflict is required to complete the Business and other Potential Conflicts of Interest Form every twelve months in order to seek approval to continue with the activity on an on-going basis. This process requires discussion on each occasion as to whether it is appropriate to allow the individual to continue and any necessary mitigating actions. Individuals must also notify their new line manager and seek permission to continue with the activity if they move to a new role. This is because activities which might be permissible in one business area may not be acceptable in another.

Once the Deputy Director has approved a declaration, this and any supporting documentation is retained on a registered file relating to all declarations within the Department in which an individual is employed.

Currently this process does not require consideration by an independent manager but we will consider by October whether this might be appropriate in significant cases where concerns are raised.

**Recommendation 8:**

*We recommend that the Welsh Government reviews its HR policies to ensure officials are discouraged from sitting on external boards, unless they have written permission from their Director that it is explicitly considered to be in the best interests of the Welsh Government for them to do so. We anticipate that there may be exemptions to such a policy (to enable- for example- sitting on a school governing body).*

**Response: Accepted.**

In general, it is not anticipated that individuals who volunteer will do so in the capacity of members of boards unless it is as, for example, a member of a school governing body. However, where such activity is anticipated then the normal requirements for completion of the Business and other Potential Conflicts of Interest Declaration form would apply. This includes measures to mitigate against a conflict of interest.

In December 2012, the Principal Accounting Officer reviewed the guidance available to staff around membership of external boards. He then issued procedural guidance that must be followed regarding taking up membership of a board not on a volunteering basis but, for example, by invitation or because an individual holds a particular role in Welsh Government. Where such situations arise, the individual must produce and submit a business case for consideration by line management as to whether it is in the interests of the Welsh Government for them to take up the membership. Such business cases and the responses to them are retained with the Departmental Register of Interests.

Where it is agreed that it is in the Welsh Government's interests to become a board member, there will be a documented agreement drawn up with the external board or committee on the role of the Welsh Government official and, in particular, the limitations of that role.

**Recommendation 9:**

*We recommend that the Welsh Government reviews, on an annual basis, whether it remains in the Welsh Government's best interests for individual members of staff to remain on external companies' boards.*

**Response: Accepted.**

This is already required under the procedures for declaring an interest referred to in the response to recommendation 7 above and submitting business cases in response to recommendation 8 above.

**Recommendation 10:**

*We recommend that Welsh Government develops a central database for storing the information of all officials registered interests, and the actions taken to mitigate against the potential for conflicts of interests. Such a database should be publicly available.*

**Response: Accepted.**

As indicated in the response to recommendation 7, a requirement exists to record on a departmental level all declarations of potential conflicts of interest. We will make clear in our Financial Dealings and Conflict of Interest Policy that we will place in the public domain information on all memberships of external boards held by Welsh Government staff. This will include those that are held in the interests of the Welsh Government, and have been authorised as such, and those that are held in a private capacity, except where these entail such matters as membership of school governing bodies or similar arrangements. We will make these changes by the end of October.

**Recommendation 11:**

*We recommend that the Welsh Government reviews its processes to ensure that the production of an internal report is every bit as robust as those associated with the production of an external report.*

**Response: Accepted.**

We will continue to strive to ensure that our processes in respect of internal reports are consistent with the standards which it adopts with respect to external reports.

**Recommendation 12:**

*We recommend that the Welsh Government review its systems for handling Ministerial correspondence, so that concerns about a conflict of interest (or the conduct of an official) are not responded to by the person who is being complained about or their line manager.*

**Response: Accepted.**

We have amended our procedures so that any Ministerial correspondence which raises concerns about a conflict of interest/conduct of an official is allocated to the relevant Director General. They will decide on the most appropriate way of handling the correspondence. If the Director General is the focus of the concerns in the correspondence, it will be allocated to the Permanent Secretary.

**Recommendation 13:**

*We recommend that the Welsh Government publicly clarifies how Assembly Members correspondence is handled, particularly if an Assembly Member has written correspondence repeatedly on a particular issue.*

**Response: Accepted.**

We have published on the Welsh Government website a note setting out our procedure for handling correspondence from Assembly Members and other elected representatives. This can be accessed using the following link:

<http://wales.gov.uk/about/cabinet/writingtoministers/correspondence-from-elected-reps/?lang=en>

**Recommendation 14:**

*We recommend that the Welsh Government reviews its convention, to enable Ministers to have access to papers considered by their predecessors.*

**Response: Accepted.**

It is an established UK Government convention that Ministers of the current administration may not generally see documents of a former administration of a different political party. We will, however, review this with our UK government colleagues.

**Recommendation 15:**

*We recommend that Welsh Government civil servants ensure that incoming Ministers are fully briefed on all aspects of their new portfolios, including on-going and outstanding correspondence. We consider that this should include seeking feedback from Ministers on the effectiveness of such briefing.*

**Response: Accepted.**

When they take up office, incoming Ministers are comprehensively briefed by the appropriate Director(s) General. We will review our procedures immediately for briefing new Ministers to ensure that they are made aware of all the major and contentious aspects of their new portfolio, including on-going and outstanding correspondence. We will seek feedback from them on the quality of the briefing.

**Recommendation 16:**

*We recommend that the Welsh Government publicly clarifies the process by which an asset is declared surplus.*

**Response: Accepted.**

There are a number of different property holding departments within the Welsh Government. We will review the process adopted for declaring an asset as surplus to ensure that a consistent approach is taken across the organisation and publish it on the Welsh Government website.

**Recommendation 17:**

*We recommend that the Welsh Government reviews its systems to enable any long term project or policy development to have in-built opportunities for options appraisals (considering value for money), peer review and reassessment.*

**Response: Accepted.**

Good and effective management and control of programmes and projects is essential to the successful delivery of government objectives. The Welsh Government has set up the Integrated Assurance Hub to provide assurance and delivery confidence to the Senior Responsible Owner (SRO) of a programme or project. The Integrated Assurance Hub is accredited by Cabinet Office to undertake assurance reviews such as OGC Gateway, to provide the SRO with real time information so that action can be taken to address live issues and re-direct the programme or project towards successful delivery.

The process examines programmes and projects at key decision points in their lifecycle. It looks ahead to provide assurance that they can progress successfully to the next stage. It is mandatory for all Welsh Government projects and programmes to be assessed and for all medium and high risk programmes and projects to have some form of independent assurance applied. The review provides an independent analysis of a programme or project, but fundamentally seeks to answer the following questions:

- Is there a compelling case for change?;
- Does the recommended option optimise public value?;
- Is the potential deal achievable and attractive to the market place?;
- Is the spending proposal affordable?;
- How will the proposal be delivered successfully?

The process also ensures all governance aspects are robust and in place and that the identified benefits were on track to be realised.

**Recommendation 18:**

*We recommend that Welsh Government departments review their systems to enable effective peer reviews to take place on all material purchasing arrangements, giving consideration to the system in the department for Business Enterprise Transport and Science.*

**Response: Accepted.**

The role of the departmental operations teams will be examined following completion of the Permanent Secretary's review of complexity which is expected to be completed by October. The governance and management arrangements in place for all material purchases will be considered including the option to introduce peer reviews similar to those in operation in ES&T.

**Recommendation 19:**

*We recommend that if the Welsh Government merges with another body in the future, it sets out a clear, well evidenced purpose for the merger, accompanied by consistent communication and direction to staff during the period of change, which is consistent with Ministers public announcements.*

**Response: Accepted.**

Any proposal of this kind would require the development of a business case as a first step. Within the Welsh Government we use the Five Case Model to provide with the framework and tools to enable us to make effective decision making. This allows for the robust and thorough scoping and planning of the proposal. It requires consideration of the strategic, economic, commercial, financial and management case for taking forward the proposal and follows best HM Treasury practice.

In taking forward any proposal, we would develop a communications plan to communicate with users, staff and stakeholders throughout the merger process to keep them informed, help plan and implement the mergers and to ensure that existing services delivered are not adversely affected.

**Recommendation 20:**

*We recommend that the Welsh Government publicly sets out its overarching rationale for determining whether briefings are Ministerial Briefings (MB) or Submission Folders (SF).*

**Response: Accepted.**

We will publish the rationale on the Welsh Government website. However the process for providing Ministerial advice is currently being reviewed as part of the Permanent Secretary's Complexity Review. We will implement this recommendation once the review has been completed in October and will take into account the findings of this report as part of the review.

**Recommendation 21:**

*We recommend that the Welsh Government reviews the effectiveness of the Government Business Unit in improving the quality and accuracy of briefings by surveying Ministers opinions and introducing inter-departmental peer reviews.*

**Response: Accepted.**

The Government Business Unit is a part of ES&T and does not service the Welsh Government as a whole. Much has been done within ES&T to improve the quality of Ministerial Submissions since the time of those relating to the River Lodge referred to in the Report. All Submissions are cleared both financially and in regard to governance implications and are not submitted until approved by management in the policy area. In addition and where necessary the Director General's Office reviews draft material to ensure quality, consistency and accuracy.

The processes for Ministerial briefings and submissions are currently being considered as part of the Permanent Secretary's review of complexity and this element is expected to be completed by October.