



**Cynulliad Cenedlaethol Cymru
The National Assembly for Wales**

**Y Pwyllgor Cyfrifon Cyhoeddus
The Public Accounts Committee**

**Dydd Mawrth, 23 Medi 2014
Tuesday, 23 September 2014**

**Cynnwys
Contents**

Cyflwyniadau, Ymddiheuriadau a Dirprwyon
Introductions, Apologies and Substitutions

Adroddiad Blynnyddol a Chyfrifon Comisiwn y Cynulliad 2013-14
Assembly Commission Annual Report and Accounts 2013-14

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

Cofnodir y trafodion yn yr iaith y llefarwyd hwy ynnddi yn y pwyllgor. Yn ogystal, cynhwysir
trawsgrifiad o'r cyfieithu ar y pryd.

The proceedings are recorded in the language in which they were spoken in the committee. In
addition, a transcription of the simultaneous interpretation is included.

**Aelodau'r pwyllgor yn bresennol
Committee members in attendance**

Keith Davies	Llafur (yn dirprwyo ar ran Sandy Mewies) Labour (substitute for Sandy Mewies)
William Graham	Ceidwadwyr Cymreig Welsh Conservatives
Alun Ffred Jones	Plaid Cymru The Party of Wales
Darren Millar	Ceidwadwyr Cymreig (Cadeirydd y Pwyllgor) Welsh Conservatives (Committee Chair)
Julie Morgan	Llafur Labour

Jenny Rathbone	Llafur Labour
Aled Roberts	Democratiaid Rhyddfrydol Cymru Welsh Liberal Democrats

Eraill yn bresennol
Others in attendance

Peter Black	Aelod Cynulliad, Democratiaid Rhyddfrydol Cymru, Comisiynydd, Comisiwn y Cynulliad Assembly Member, Welsh Liberal Democrats, Commissioner, Assembly Commission
Nicola Callow	Cyfarwyddwr Cyllid, Comisiwn y Cynulliad Finance Director, Assembly Commission
Claire Clancy	Prif Weithredwr a Chlerc i'r Cynulliad, Comisiwn y Cynulliad Chief Executive and Clerk to the Assembly, Assembly Commission
Richard Harries	Swyddfa Archwilio Cymru Wales Audit Office
Huw Vaughan Thomas	Archwilydd Cyffredinol Cymru Auditor General for Wales

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

Richard Bettley	Y Gwasanaeth Ymchwil Research Service
Claire Griffiths	Dirprwy Glerc Deputy Clerk
Michael Kay	Clerc Clerk

Dechreuodd y cyfarfod am 09:03.
The meeting began at 09:03.

Cyflwyniadau, Ymddiheuriadau a Dirprwyon
Introductions, Apologies and Substitutions

[1] **Darren Millar:** Good morning, everybody. Welcome to today's meeting of the Public Accounts Committee. I will make just a few housekeeping notices. The National Assembly for Wales is a bilingual institution, and Members and witnesses should feel free to contribute to today's proceedings in either English or Welsh, as they see fit. There are headsets available for translation and sound amplification. I encourage Members and witnesses to switch off their mobile phones, as these can interfere with the broadcasting equipment. There are no fire drills planned, but if an alarm sounds, then we should follow the instructions of the ushers. We have received apologies this morning from Sandy Mewies, who has absented herself from today's meeting due to her responsibilities as an Assembly Commissioner, but I am very pleased to be able to welcome the honourable Keith Davies to the committee for today. Welcome, Keith.

09:04

Adroddiad Blynyddol a Chyfrifon Comisiwn y Cynulliad 2013-14
Assembly Commission Annual Report and Accounts 2013-14

[2] **Darren Millar:** This is the first such session that the Public Accounts Committee has held in respect of the Commission's accounts, and I am very pleased to be able to welcome Peter Black AM, one of the members of the Commission; Claire Clancy, the chief executive and clerk to the Assembly; and Nicola Callow, the director of finance. Welcome to you all. You will be aware that this evidence session has arisen as a result of some of the changes in working practices that have been adopted by the committee within the last 12 months.

[3] We understand, Peter, that you are subbing for Angela Burns AM this morning, who would usually be the Commissioner attending the committee, but who cannot attend for health reasons. So, thank you very much for stepping into the breach.

[4] Members have obviously seen a set of the accounts and the annual report, which has been prepared by the Commission and, naturally, we have a number of questions. May I ask one specific question before we move on to Members? Paragraph 33 of the report highlights a fraud incident during the year and I understand that that remains under investigation. I appreciate that you may not be able to talk about it in any particular detail, but there appears to be an entry on page 109 of the accounts that suggest that £71,000 under 'Losses of Accountable Stores'. Can you tell us whether the fraud case and that particular amount in the accounts are linked?

[5] **Peter Black:** Yes, they are. You are right, there was a fraudulent incident, which is very much regrettable and which resulted in £104,000 being paid to a fraudulent bank account. Note 16, as you say, mentions losses and special payments, and page 109 is where the £71,000, affecting 2013-14, is disclosed. This fraud occurred over a period of four months and will therefore also appear in the 2014-15 accounts, because it is spread over two financial years. On becoming aware of the fraud, the Commission took action to introduce more stringent controls. This has included third-party verification for change requests in relation to bank accounts. Committee members are already aware that this is an ongoing police investigation, so, while an arrest warrant and subsequent arrest have been made, it is highly unlikely that we will recover any of the £104,000. The scam we fell for was part of a bigger scheme, but, hopefully, you will be reassured that we have responded appropriately, that we have had assurances that this is an isolated incident and that we have changed our processes to make sure that it will not happen again.

[6] **Darren Millar:** Are you able to share with the committee some details of the follow-up work that you have done as the Commission in respect of that particular case, so that you can demonstrate to us that the governance arrangements have changed sufficiently well?

[7] **Mrs Clancy:** Yes, it was something that the Wales Audit Office in the run-up to the signing of the accounts paid particular attention to. It had to be completely satisfied that it was an isolated incident and that the changes that we made were satisfactory. So, yes, we have that information that we can let you have, for sure.

[8] **Darren Millar:** Okay, thank you for that update. I am going to come straight to Alun Ffred Jones.

[9] **Alun Ffred Jones:** Diolch, **Alun Ffred Jones:** Thank you, Chair. I want Gadeirydd. Rwyf eisiau gofyn cwestiwn to ask a question about the costs of ynglŷn â chostau cyfieithu. Rwy'n cymryd translation. I take it that these are external mai costau cyfieithu allanol yw'r rhain, sy'n translations costs, which show an increase dangos cynnydd rhwng 2011-12 a 2013-14. between 2011-12 and 2013-14. Could you

A allwch chi esbonio'r rheswm dros y cynnydd a pha ymdrechion ydych chi'n eu gwneud i reoli'r angen i fynd y tu allan i brosesau mewnol y Comisiwn? explain why there has been an increase and what efforts you are making to manage the need to go outside the internal processes of the Commission?

[10] **Peter Black:** I am not sure of the exact reason, but I guess that that is to do with the change in the way we deliver the Record of Proceedings in relation to Plenary. I think that we did have a policy change, but I am not entirely fully aware of the reason for that. Nicola might have more detail.

[11] **Ms Callow:** I do have more details. Yes, you are absolutely right that the translation costs for 2013-14 show an increase from those in 2012-13. This particular part of the expenditure for the Translation and Reporting Service is specifically to do with an external contract, which is used to help with the peaks and troughs of work that happen within the service. In particular, the change from last year's expenditure arises from the increase in legislation and committee papers that needed additional help. Of course, since then, we have been making great inroads into our enhanced bilingual services and changing how we can provide the capacity. So, it is one of the areas where we expect to get greater flexibility.

[12] **Mrs Clancy:** As you know, we launched in February the Microsoft Translator tool and, from the beginning of this year effectively, we have been using translator tools more extensively, including in the translation by the team. We expect that to follow through into savings that can be ploughed back into enhanced services for all Members, so that we have a better range of bilingual services and, in particular, services for committees, so that they are more tailored for individual Members and can be done faster and with more options for Members. There has been a saving of about 20% because of the capacity that is freed up by using those tools, which mostly has come along since the end of the financial year that we are reporting on, but that will be ploughed back into new and additional, better services for Members.

[13] **Alun Ffred Jones:** A fydd y prosesau newydd hyn rydych wedi eu mabwysiadu yn golygu y bydd y gost honno o fynd tu allan i'r Comisiwn am wasanaethau cyfieithu yn gostwng yn y blynyddoedd nesaf, yn ychwanegol at ehangu'r gwasanaeth i Aelodau? **Alun Ffred Jones:** Will these new processes that you have adopted mean that that costs of going outside the Commission for translation services decrease in the next few years, in addition to expanding the services to Members?

[14] **Peter Black:** I think that, to a large extent, that depends on how we develop our bilingual services. If we make any changes to the way that the Record of Proceedings is produced—for example, we do not automatically translate our committee Record of Proceedings—that may well increase the call on those resources, but those are decisions that we have not taken yet. As Claire says, it gives us an additional 20% capacity, which enables us to manage peaks and troughs better as a result and also to offer additional services. However, at the same time, we may still have to resort to outside translation where we have a particular demand on our time that means that we cannot meet the various deadlines that we have. So, we try to manage the resources as best we can, in accordance with the demand that is put on that particular service.

[15] **Alun Ffred Jones:** Yn olaf, Gadeirydd, rwy'n cefnogi'r newidiadau hyn sydd yn rhoi capasiti ychwanegol. Yr hyn rwy'n ofyn yw: a ydych yn credu bod y cynnydd rydym wedi'i weld mewn defnydd o gyfieithwyr allanol yn mynd i ostwng yn y **Alun Ffred Jones:** Finally, Chair, I support these changes that provide additional capacity. What I am asking is: do you believe that the increase that we have seen in the use of external translators is going to decrease in the next few years?

blynyddoedd nesaf?

[16] **Peter Black:** I cannot give you an absolute assurance on that, but I would hope that the fact that we have increased capacity will enable us to manage more of this translation in-house. However, it depends, again, on how we develop our services over the next few years, particularly in terms of the Record of Proceedings, which is a huge call on that resource, but also other bilingual services. We want to ensure that Members are able to work through the language of their choice and that may require changes in policy as we develop that particular option.

[17] **Jenny Rathbone:** I support our ability to work in both languages, and I think that the translation provided into English is really excellent. I want to look at the efficiency with which we do these things, because I continue to ponder why we record committee meetings with chisel and slate when we could be using laptops. That would, in itself, make the Record of Proceedings available earlier and, therefore, the translation available earlier, because you make the point that if you have to get overnight translation, obviously, it costs more for people to work out of hours. I just wondered how we could streamline the process, what is the purpose of the overnight translations, who gets to look at them and that sort of thing.

[18] **Mrs Clancy:** The Commission asked us, just before Christmas, to carry out a full review of the Record of Proceedings; that review is under way at the moment. There are various pilot schemes and tests being done to trial different ways of producing the Record of Proceedings. I think that there is a trial happening at the moment where we are continuing with the traditional way of recording particular elements of proceedings by being present, but testing whether we can manage without that in order to deliver some efficiencies. However, what is of paramount importance is getting an accurate Record of Proceedings and delivering the services that Members need. So, we are trialling that at the moment. A report is going to the Commission in a few weeks' time on the outcome of that, and we expect to see a raft of changes linked to the translation tools and the new technology that can help us that should allow us to release resource again to provide other services for Members. However, we will only do that if we can be confident that we are going to give the quality that is needed for the Record of Proceedings. So, we agree with you basically and we are testing it at the moment.

09:15

[19] **Peter Black:** We do make the Record of Proceedings available as early as possible to allow Members to reference it in the appropriate meetings. That is why we try to get the record of Plenary available within 24 hours of Plenary finishing.

[20] **Jenny Rathbone:** So, it is for the benefit of Members rather than the public.

[21] **Peter Black:** That is right, yes. In terms of the fully bilingual record, it obviously takes a bit longer to put in place, and that is a balance between getting bilingual resource and the cost of producing that. It could be produced earlier if we spent more money and it could be produced later and we would save money. So, it is really about getting the balance right in terms of when we make the fully bilingual record available. However, the 24-hour record in terms of Plenary will have the record of the language spoken with the English translation of the Welsh, which I think comes off the verbatim and the translation process in the Chamber itself.

[22] **Darren Millar:** You referred to a 20% increase in capacity as a result of the extra spend this year, but you have spent 35% more. Is that right?

[23] **Mrs Clancy:** No. The 20% is what has been released through the use of translation tools. So, that is within the same budgets. The use of the tools allows 20% more work to be

done by the same people in the same time, effectively.

[24] **Peter Black:** We spent £40,314 developing that software to give us that saving.

[25] **Darren Millar:** However, in terms of the additional contract that allows you the pressure overflow, as it were, how do you monitor value for money? When are you going to evaluate its impact?

[26] **Mrs Clancy:** That is also part of the review of the Record of Proceedings. So, the whole cost of production is part of the review that the Commission asked us to do and which is nearing its completion.

[27] **Darren Millar:** Fair enough. I am going to come to William Graham now and then Aled.

[28] **William Graham:** Thank you very much, Chair. I understand, as a former chair of the Business Committee and Commissioner responsible for budgets, that I need to be a little bit circumspect in my questioning, so I am going to stick to the future, if I may. May I ask you about the expected increased costs of the principal civil service pension scheme for Commission staff? I note that, on page 95, there is a short note about it. The revaluation in 2014 is presumably for the next financial year. No amounts are given there, but they are presumably elsewhere in the accounts. Presumably you have made provision for this. Is it likely to be considerable and are the demands likely to be greater in future?

[29] **Peter Black:** I will pass that question to Nicola to answer.

[30] **Ms Callow:** We have indeed been keeping a very close eye on what has been happening. This is particularly relevant for our 2015-16 budget, which will be laid later this week. The actuarial valuation for the civil service pension scheme is now out and available and the figure for the impact on us as employers is less than we were originally anticipating. Therefore, we fully expect to be able to manage this within the existing budget requirements.

[31] **Mrs Clancy:** Just to be clear, this is a UK-wide issue that is completely beyond our control. At one stage, the Cabinet Office was saying that there was likely to be a 7% additional charge on all Government departments right across the UK. For us, that could have been an additional £1 million cost for the present year—not the year that has gone. However, we now know that it is going to be around £300,000. When we appear in front of the Finance Committee next week, we will be saying that we intend to absorb that within our costs and not ask for additional funding.

[32] **William Graham:** That was really the reason for my question, because you are unable to influence it. So I wanted to make sure that you were aware of what the figures will be. Do you have continuing discussions on that for the year after? Are those contributions likely to be the same? You referred to the 7% previously indicated.

[33] **Ms Callow:** They most certainly will not change until another actuarial valuation has been done in the same way of all pension schemes. We keep track of the fairly regular meetings that happen at Whitehall. We also keep track of the changes that are happening through a Cabinet Office forum called employer pension notices. So, there is a multitude of ways in which we keep track of what is happening and, of course, of all the changes that are happening within the civil service pension scheme anyway and we are making sure that we properly plan for when those changes start to take effect.

[34] **Darren Millar:** Aled is next, and then I will come to Mike.

[35] **Aled Roberts:** Mae gennyf ddau bwynt. Wrth edrych ar y datganiad llywodraethu, mae'n sôn am reoli prosiectau. Mae cyfeiriad yn arbennig at un project lle roedd diffygion yn ystod y flwyddyn. A wnewch chi esbonio beth ddigwyddodd yn union yn y fan honno, beth oedd yr effaith ar y Comisiwn a pha gamau ydych chi wedi eu cymryd i sicrhau nad yw problemau o'r fath yn codi yn y dyfodol?

Aled Roberts: I have two points. In looking at the governance statement, it mentions project management. There is a reference in particular to one project where there were deficiencies during the year. Can you explain what happened exactly, what impact it had on the Commission and what steps have you taken to ensure that such problems do not arise in the future?

[36] **Peter Black:** On the one hand, we have had stunning success in the ICT future service project, and that continues elsewhere in the organisation with other projects learning from examples and best practice. However, it does not always go according to plan. Our governance statement does reflect that risk and that issue. The HR payroll project has been at risk during the 2013-14 financial year. Appropriate steps have been taken to bring delivery back in line with expectations. There have been compromises, such as the slower delivery of bilingual service provision, and there have been changes to overcome, such as project personnel changes.

[37] The positive news is that our processes have picked these issues up, and we are addressing these. The audit and risk assurance committee is apprised of our work, and this is providing additional and specific reassurance.

[38] **Mrs Clancy:** May I add to that, Chair? A specific detailed audit report has been done by the internal auditors and an independent external expert. That report will go to the audit and risk committee in November, so it will be scrutinising that report at that point. My management board is looking behind that, so that we have a very clear understanding of what went wrong. We need to understand better why it went wrong, because in an organisation where, nine times out of 10, standards are excellent, we need to understand what happened here.

[39] I had a meeting with two of the board directors of the company that we are contracted with for the product—the company is Northgate Information Solutions—last week to hold them to account. The shortcomings are in part ours, in the way that we managed the project, particularly in the early stages, but it is also that the company has not delivered; it has had internal issues and has been stretched too widely and too thinly across other organisations. So, the problems have been compounded because it has not delivered what it was contracted to deliver for us. We had a very constructive meeting. The board directors were apologetic—that does not really get us anywhere, but at least they were acknowledging the deficiencies and came to us with a plan for how they intend to sort that out.

[40] One of the most disappointing aspects has been the delays in delivering the system bilingually, which was within the contract. There was a commitment that it would be there from the outset, to comply with our official languages scheme, and it is still not there and will not be there in full until next summer. So, that is one of the most disappointing aspects, which has largely been out of our control. We now have to ask ourselves whether we should have been able to identify earlier on that the information that we were being provided with during the procurement process was not as sound as it appeared to be. However, I have reviewed all of the documentation, and I do not know why you would have called into question what we were being told. So, it is a mixed picture.

[41] I think that the key lessons for us are about getting the initial business case and specification right, and then making sure that you have the projects resourced with the right skills at the right time.

[42] **Aled Roberts:** Rydych wedi awgrymu na fydd y project yn gyflawn o ran dwyieithrwydd tan haf y flwyddyn nesaf. A oes costau ychwanegol y bydd y Comisiwn wedi eu derbyn?

Aled Roberts: You have suggested that the project will not be completed in full in terms of bilingualism until next summer. Are there any additional costs that the commission will receive?

[43] **Mrs Clancy:** The project is costing more than the original budget. In terms of the elements that were in the contract that the company has failed to deliver, we will not incur additional cost for that in terms of the contractor, because it is obliged to deliver for us. However, whenever a project takes longer to complete, you then expect internal resource costs and, unfortunately, the bilingual aspect is just one of them. In order to ensure that the system runs without errors, we have had to do quite a lot of internal workarounds. So, the HR team and Nicola's finance team have had to work very hard to back up the system, and there have been resource costs there. Nicola, have you got the exact increase in the budget?

[44] **Ms Callow:** Not to hand.

[45] **Mrs Clancy:** It is a fairly sizeable budget increase compared with the initially agreed figure, which I think was around £400,000.

[46] **Ms Callow:** It was £405,000.

[47] **Mrs Clancy:** Yes, £405,000 and I think that it will be about £100,000 in total more than that by the time we have completed it, but the investment and resources board has not yet approved the next phases of the project because, until the first phase had been successfully completed, we were not prepared to contemplate the further expenditure needed for the final phases. So, we do not actually have the final likely budget until we have agreed what will be in those phases.

[48] **Aled Roberts:** Felly, i fod yn eglur, a ydych yn dweud mai'r £100,000 ychwanegol yr ydych yn sôn amdano o fewn rhan 1 yw'r gost a fydd yn syrthio ar y Comisiwn, neu ai dyna fydd y gost yn ei chyfanrwydd ac y bydd trafodaethau rhwng y contractwyr a'r Comisiwn ynghylch pwy sy'n gyfrifol am ba gost?

Aled Roberts: Just to clarify, are you saying that the additional £100,000 that you mentioned in phase 1 is the cost that will fall on the Commission or is that the cost as a whole and that there will be discussions between the contractors and the Commission with regard to who is responsible for what cost?

[49] **Mrs Clancy:** No, those costs will fall to the Commission for the entire project, once we have agreed what we will be doing in phases 2 and 3.

[50] **Darren Millar:** Obviously, this was a problem that was in the last financial year, but you have indicated that you are not going to receive a further report, or that the audit and risk management committee is not going to receive a report on this until November. Why is there such a time delay in sorting this problem out?

[51] **Mrs Clancy:** The project was always over a longer period of time, and in terms of the audit, there has not really been a delay. You have got to wait until a certain point of completion before it is worth looking at how the job was done and what lessons were learned. So, there has not really been a delay in getting that report to the auditors.

[52] **Darren Millar:** So, when was the initial problem identified?

[53] **Mrs Clancy:** The project started slipping last autumn, and there was a report to the

audit committee in February, so this is not the first audit report. It has been an iterative process, and the audit committee at every single one of its meetings has discussed this project. It is just that the latest audit report was the one that looked at the project in its entirety. So, it is the latest piece of work that has not yet gone to the audit committee, but it has looked at it at every meeting.

[54] **Aled Roberts:** Hoffwn symud ymlaen at nodyn 12, sy'n dangos bod goblygiadau sylweddol i'r Comisiwn o ran rhyw £50 miliwn ar gyfer adeiladau, gan gynnwys rhent a'r les. A oes unrhyw fath o astudiaeth gwerth am arian wedi'i chwblhau i weld a yw'n iawn inni geisio prynu adeiladau yn hytrach na'u rhentu?

Aled Roberts: I would like to move on to note 12, which shows that the Commission has some significant liabilities in terms of some £50 million for buildings, including rent and the lease. Was any kind of value-for-money study carried out to see whether it is right for us to try to purchase buildings rather than rent them?

[55] **Peter Black:** We are carrying out regular reviews of our leasehold operations, and at some stage we have discussed, for example, buying Tŷ Hywel, but of course that is a substantial investment, and given the current financial climate, although it makes good financial sense, I do not think that we can acquire the up-front capital to do that. I am sure that Nicola has more details on the discussions around the leases and stuff.

[56] **Ms Callow:** Yes. You have picked up on the one substantial commitment that we have, which is to do specifically with the Tŷ Hywel office blocks. We have a robust process in place with the landlord to make sure that we keep our rent and so on under regular review. So, we have that process that helps us to ensure that we have value for money and we have negotiations that enable us to talk about such things. However, Peter is also right: when there have been some opportunities in the past—two that I am aware of—when we could have purchased, with the opportunity that it was going to come on to the market, as Peter has already explained the actual upfront capital costs to do that were not available to us. We keep such items under regular review, and we take every opportunity that we can, but—

09:30

[57] **Aled Roberts:** Jest er mwyn i'r cyhoedd wybod, pryd oedd y cyfleoedd hynny, ac o ble y byddech chi'n ceisio'r arian?

Aled Roberts: Just for the public to know, when were those opportunities, and where would you seek the money?

[58] **Peter Black:** The building has changed hands at least twice, I think, in the last few years. I think that the last time was within the last year. Is that right? I think that we had an opportunity to purchase then, and we did make an approach to the Welsh Government to see whether it was prepared to provide that capital to make that purchase, but it declined that offer.

[59] **Mrs Clancy:** We did a formal business case the last time the building came on the market, which was, I think, early last year. The previous time was in about 2008 or 2009, I think, which, unfortunately, coincided with the UK-wide clampdown on capital expenditure. So, at that point, it would have been particularly good value for money to purchase the building, but the capital simply was not available. However, we did a business case at that point in, I think, 2008 or 2009, and, again, last year.

[60] **Aled Roberts:** Felly, mae'r achos busnes wedi dweud bod cyfiawnhad dros brynu'r adeilad, yn hytrach na'i rentu, ond nid yw'r arian wedi bod ar gael oherwydd

Aled Roberts: So, the business case has shown that there is justification for purchasing the building, rather than renting it, but the money has not been available because

polisiâu, un ai ar lefel Brydeinig neu of policies whether on a UK level or because oherwydd ymateb Llywodraeth Cymru i'r of the Welsh Government's response to the cais gan y Comisiwn? Commission's request?

[61] **Peter Black:** In value-for-money terms, over a long period of time, it would actually make a saving to us to actually have purchased the freehold, but the money has not been available to do that.

[62] **Alun Ffred Jones:** A oes gan y **Alun Ffred Jones:** Does the Commission Comisiwn yr hawl i fenthg arian ar y have the right to borrow money on the marchnadoedd arian? financial markets?

[63] **Peter Black:** No.

[64] **Mike Hedges:** I refer you to page 101, on the ICT costs. I note that the revenue and consumables has trebled in cost. Can you tell me what you mean by 'revenue'—I know what you mean by 'consumables'—and what is the split between them, and why has that happened?

[65] **Ms Callow:** The ICT consumables are exactly as you expect them to be. So, they are small-value items: printers, ink cartridges—

[66] **Mike Hedges:** Paper.

[67] **Ms Callow:** No, paper would be in our stationery budget. They are specific ICT-related items, so power packs et cetera. The reason that they have increased quite significantly is purely because we have been changing the nature of the service that we have been providing. So, in undertaking the project to move our service from being a contracted-out service to bringing it completely in-house, there have been various items of expenditure that have been needed, and that is why the cost has increased. However, you do need to set that in the wider picture of £4.4 million-worth of expenditure on ICT, and we are now delivering that in-house at a much lower cost and creating our own investment fund for such purchases.

[68] **Mike Hedges:** If I can ask the same question again, but perhaps slightly differently, what is the split between revenue and consumables? You did say that there was an increasing cost for consumables because you have brought things in-house, so where do I see the massive reduction—the £200,000 reduction—somewhere else?

[69] **Ms Callow:** You will not see our reduction in the 2013-14 accounts, because we actually exited the contract in 2014-15, so 2013-14 represents the period where we were still under the contracted-out service with the Merlin contract. We were also implementing the change, so we had both functions going on in 2013-14. As far as the split between revenue and consumables is concerned, I do not have that exact split for you. They are the same type of thing. We use the terminology to mean those items that we would not be capitalising, so low-value items.

[70] **Mike Hedges:** I am just getting more confused. So, we spent an extra £200,000 on consumables and revenue items, which are roughly the same, when we had it currently being run by Merlin, ready for moving over. The last answer I got was that we moved over in 2014-15, and in 2013-14 we were still under Merlin, so I did not see a reduction. I am just saying that if we did not see the reduction, where am I seeing the costs?

[71] **Peter Black:** Although we pressed the big red button in 2014-15 to move out of that contract and bring the management of the service in-house, there were at least 12 months of running the programme and project management to get to that point. It involved taking on

additional staff, purchasing additional equipment, and putting everything in place, so that when we actually exited the contract, effectively at the end of July 2014, we were able to do so straight away. Of course, the preparation costs of that exit are all reflected in the accounts that you have in front of you, and some of it will be reflected in the current year's accounts but you will also start seeing the savings of that decision in the current year's accounts as well.

[72] **Mike Hedges:** I just do not understand why a printer would be a consumable. I have always treated printers as capital items. Do you treat printers, for example, as consumables, even though they are not normally considered as such?

[73] **Peter Black:** You can treat a printer in a number of different ways. You can treat it as capital, you can treat it as a lease, or you can treat it as revenue expenditure. So, for the purposes of this particular account, we have treated it in that way.

[74] **Mike Hedges:** Do you feel that it is consumable or revenue expenditure? I am not making much progress on this. Would it be possible to have a note explaining exactly how that £292,000 was made up?

[75] **Ms Callow:** Yes, of course.

[76] **Mike Hedges:** I have another quick question. I did not expect that one to take quite so long. The licence and maintenance costs have gone up by another £160,000. Why?

[77] **Peter Black:** Because, as part of the exit strategy, we have taken on a number of licences that were previously managed by Atos on our behalf. Some of those licences, we have gotten rid of and others we have renewed, and we have also taken on additional licences as part of that strategy. It is all part of the project management of that exit. Within context, of course, we have made significant savings as part of that.

[78] **Mike Hedges:** I am a great fan of moving away from contracting things out. With virtually everything, in general and certainly in ICT, it is almost always the best route, so I am not critical of that, but looking at this, it seems that we were paying double for some of these licences? Are you saying that we were paying Atos for their licence, and paying extra money for buying licences in?

[79] **Peter Black:** I think that one of the main drivers for coming out of the Atos contract was the fact that virtually everything that we did with them had management and technical resource costs of between 30% and 50%, which we had to pay. That resource is now available to us either to put as a saving or to reinvest.

[80] **Mike Hedges:** I agree with the moving out, but coming back to the question that I asked, does that £160,000 mean that we were double-paying?

[81] **Ms Callow:** May I answer that? No, we were certainly not double-paying. One of the other benefits that we get from changing our service from being contracted out to bringing it in-house is far better information about where our costs are coming from. So, we get clarity over what our costs are.

[82] **Mike Hedges:** I have no problem with that. I am a great fan of what you have done. I think that the decision that you made was the right one. What I am trying to do is make sense of these accounts, and if what you said just now is true when will I see that £160,000 coming off? Should it not be netting off somewhere? What was the additional £160,000 for? Perhaps, again, a note might be helpful to see why it has gone up.

[83] **Peter Black:** We can give you a detailed note on the licence cost, but I think that the context here is that, as part of the in-sourcing of ICT, we have increased our staffing costs because we have taken on additional members of staff, we have increased our licensing costs because we have taken on those licences ourselves, and in some cases, we have taken that in-house, but we have made savings against that in terms of the resource cost that we were paying to Atos. The total savings expenditure for 2013-14 was £752,587, when the allocated budget was £1.58 million, so that has given us 58% of the planned budget. So, we have made savings, but we have had to have extra costs in order to do that, because we have taken things in-house.

[84] **Mike Hedges:** Sorry, in which paper would I find those netted-off costs?

[85] **Ms Callow:** Those were the costs for the actual project to deliver the transition that Peter quoted.

[86] **Mike Hedges:** Yes. Finally, the only numbers I see on page 101 are that the IT contracted out service has gone up by £210,000.

[87] **Peter Black:** That is because, for 2013-14, we were effectively running two systems side by side as part of the transition. There was a budgeted amount for that transition and we actually delivered under budget for that transition process.

[88] **Mike Hedges:** So, you parallel ran it for a year.

[89] **Peter Black:** Yes. We had to manage it that way. We had to make sure that when the project ended, we could deliver a service on day 1 and that is why we had to run the two services in parallel. However, there was a budget for that and that budget projected savings over a four-year period.

[90] **Mike Hedges:** I am a big fan of parallel running, but I would suggest that a year was a very long time to parallel run.

[91] **Mrs Clancy:** We were not parallel running for a year, we were preparing for the exit. The costs in the contracted out service are the ATOS costs, which continued beyond the end of this financial year.

[92] **Peter Black:** We were taking on staff and putting in place and entering into negotiations with the Welsh Government and ATOS. We were looking at systems and taking systems apart and trying to understand what was in place—

[93] **Mrs Clancy:** So, we were not parallel running, but we had to prepare. We could not get to a day when suddenly Atos would stop and there had been no preparation to start.

[94] **Peter Black:** We were employing project managers and transferring licences. It was a very complex project.

[95] **Mike Hedges:** I have no problem with any of that. In fact, I have not asked any questions about that. I am happy with that. The questions I was looking at were about the three figures that I have mentioned up until now. How long did you parallel run for?

[96] **Mrs Clancy:** We did not, really.

[97] **Peter Black:** We did not parallel run, as such. We actually—

[98] **Mrs Clancy:** One week, I think.

[99] **Peter Black:** For one week, yes. Near the very end, we actually had to, just to give us that assurance.

[100] **Ms Callow:** Would it help if I just mentioned that, in accounting terms, what you have reflected in the accounts here will be the normal operating costs for ICT, but in addition, the project costs for delivering the transition? Where those are not capital items, they will be reflected in our other administration costs.

[101] **Darren Millar:** Just to help the committee here, if you could send us a note demonstrating the split between the ordinary annual costs that you would have anticipated in any case, in addition to the project-related costs—splitting the two—so that we can see what the actual project cost was within the figures—

[102] **Mrs Clancy:** We will clearly explain the year-on-year changes, so that you can see what has made the changes, year on year.

[103] **Darren Millar:** I think that would be helpful.

[104] **Peter Black:** All that paperwork came before the Commission, so that is possible, yes.

[105] **Darren Millar:** Mike, do you have any further questions?

[106] **Mike Hedges:** I do not think I am going to get any further.

[107] **Darren Millar:** Julie Morgan is next and then we can come to Jenny Rathbone.

[108] **Julie Morgan:** Thank you very much. There were three areas that I wanted to cover. The first is the increase in staff, which I think is about 30 full-time equivalents that you show in the report. Is that mostly ICT staff?

[109] **Peter Black:** Yes.

[110] **Julie Morgan:** Do you have the figures—the breakdown of that?

[111] **Peter Black:** It was mostly ICT staff. I do not think that there is any significant number elsewhere in the Commission.

[112] **Mrs Clancy:** We set up a strategic transformation team and there was a one or two staff member increase in there. Sorry; I have it here somewhere.

[113] **Ms Callow:** We had some project manager posts that we have recruited to and a programme manager post, which we have recruited to. The full-time equivalent numbers that you have in the annual accounts are a snapshot in time, as well. Other operating changes will be reflected in those numbers as well, so the normal turnover of staff will also be in there.

[114] **Peter Black:** At the start of 2013-14, there were 12 members of staff in ICT. We currently have just over 40 and there are operational savings, which mean that we are still spending less on ICT. The strategic transformation team has recruited a project manager and a programme manager, and finance recruited to a new management accountant post.

[115] **Julie Morgan:** So, nearly all of those posts can be accounted for by ICT.

[116] **Peter Black:** Yes.

[117] **Julie Morgan:** Thank you. I just have a question about the gender balance, because I know that the Commission and the Assembly have been great promoters of more women in different public positions. Could you tell us about the gender balance across the different grades? Obviously, there is a higher proportion of female staff generally, but is that reflected across all of the grades?

[118] **Mrs Clancy:** I have supplied those figures to the Finance Committee in the past. I do not think that we actually have them with us. Do you have them, Nicola?

[119] **Ms Callow:** No, I do not have them to hand. However, I can add that in our annual equality report that we do—and the latest one was published in July 2014—we present the full details of the gender split.

09:45

[120] **Julie Morgan:** So, we can get that information.

[121] **Ms Callow:** That information is publicly available and, of course, we can get copies to you as soon as possible. Part of the review that we do in preparing the annual equality report is reviewing any areas where there could potentially be discrepancies and understanding what is causing those and what we can do to influence them. So, yes, there will be areas where there is gender imbalance. One of the acknowledged ones is within the security service and there are different steps, therefore, that we have identified that we can take.

[122] **Julie Morgan:** So, you have proposals to address that.

[123] **Peter Black:** We are taking significant strides to try to make our workforce as diverse as possible, and we are very proud that we were named as one of *The Times* top-50 employers of women in the UK. However, as Nicola says, there are areas of staff where we do need to address that gender imbalance and we are working on that.

[124] **Julie Morgan:** Yes; I know you have a great reputation. To go on to youth, and the youth engagement strategy, you have obviously done a lot of work on this, and in your report you have the plans of how you are going to reach out more to young people and the education department is going to get youth work skills. How will that be paid for?

[125] **Mrs Clancy:** It is from the existing engagement budget. It is from within the budget that had been allocated to us by the Assembly and it will feature in the plans that we are taking to the Finance Committee next week for 2015-16.

[126] **Julie Morgan:** So, there will not be any additional money spent on this.

[127] **Peter Black:** What we are doing is refocusing the existing education team and also developing online resources to try to reach out to young people and to improve our outlook in terms of our engagement with young people. However, we are trying to do everything within the existing budgets and we are committed to keeping our budgets within a certain frame over the rest of this Assembly term. We are not proposing to significantly increase expenditure in that particular area.

[128] **Julie Morgan:** Obviously, this is even more important now because of the possible closure of Funky Dragon. So, you do not really see yourselves in any way replacing some of the functions of Funky Dragon.

[129] **Peter Black:** Funky Dragon is a Government-funded organisation—

[130] **Julie Morgan:** Yes, I know that.

[131] **Peter Black:** I think that we all very much regret its demise. Obviously, we did consider in the Commission whether we should promote a youth parliament, but we came to the conclusion after extensive consultation, including with young people across Wales, that the most effective way of getting engagement with the widest possible number of young people—and we are not just talking about 16 to 18 year-olds, but 16 right up to 25 and so on—was through the sort of programme that we are now putting in place in terms of outreach and encouraging people to engage with us here in the Assembly and through online resources. That is the path that we chose to go down.

[132] **Julie Morgan:** Thank you. I have a third area. Do you want me to do that now?

[133] **Darren Millar:** Yes; go ahead, Julie.

[134] **Julie Morgan:** I am absolutely delighted that you have developed in the car park an area of flower-growing with the support of staff and, I understand, at minimal cost. This is something that is very good for the welfare of the staff and for the sustainability of the estate. I saw all the bees around it in the summer and it was absolutely fantastic. I wondered whether you had made any sort of allowances in your accounts for continuing or developing that.

[135] **Peter Black:** Those sorts of enhancements we can contain within the estate budgets, which we have. Those sorts of developments came from a question you yourself asked in Plenary, and we are obviously very happy to work with you, Julie, on any other suggestions that you have to improve that delivery of more vegetation and so on around the estate.

[136] **Julie Morgan:** I am really, really pleased.

[137] **Mrs Clancy:** This is perhaps an opportunity to mention that our estates and facilities management team has prepared a 10-year plan for the estate, which shows all the necessary maintenance that will have to be done on every aspect of the building—it is ever so impressive—over the next 10 years. What that helps us to do is to schedule our expenditure. So, the investment and resources board looks on a fortnightly basis at our spend, which is why we managed last year to steer our budget in with an underspend of £34,000 against a budget of around about £50 million. So, we have that plan always available to us and the team is able to accelerate work that is going to be necessary. So, if money becomes available in this financial year and there is work that we know is going to be required, say next year, and there is an opportunity to do it, then we can. The reason why it is relevant to the garden is that one of the things that we would have liked to do was put plants onto one of the external roof areas. However, repair work needs to be done to make it safe for that purpose and we have not been able to make the money available within the budget for that. However, we will manage the budget, so that might be possible. So, yes, we have these things in mind. If we get to a point where those repairs can be done, then a rooftop area for sustainability reasons might also be possible.

[138] **Julie Morgan:** Thank you very much.

[139] **Jenny Rathbone:** I am sure that the bees will be delighted. Just going back to buildings management and looking at the sustainability agenda, could you just tell us what the energy efficiency rating is of both the Senedd and Tŷ Hywel?

[140] **Peter Black:** I do not have that information. Do you?

[141] **Mrs Clancy:** I do know it, but I cannot think of it off the top of my head—

[142] **Peter Black:** We will have to get back to you on that.

[143] **Mrs Clancy:** I can say that we just got our Green Dragon level 5 award again. That was confirmed a week or two ago. However, the ratings—. We do know them. They are on the wall.

[144] **Jenny Rathbone:** However, would I be right in assuming that the energy efficiency of the Senedd building is better than that of Tŷ Hywel?

[145] **Peter Black:** Yes, you would be right in that. The Senedd is a newer building that was designed with that in mind, whereas Tŷ Hywel was built in 1992 or something like that.

[146] **Jenny Rathbone:** Just focusing back on Tŷ Hywel now, a building that we do not own—we have covered that—I am surprised to see that the Commission had to pay for the repair on the roof, which you covered on page 36, because I would normally expect the landlord to pay for repairing the roof.

[147] **Peter Black:** We work within the terms of the lease. I suspect that the lease required us to carry out that repair.

[148] **Ms Callow:** It is a full repair and maintenance lease, so we need to treat that building as though it is ours and put things right.

[149] **Jenny Rathbone:** Thank you for that clarification. Was it an opportunity to increase the insulation of the roof, as we had to send people up there to fix the leak, or was that not considered?

[150] **Mrs Clancy:** I am not an expert on this, but I do not think so. They were kind of putting tarmac on the roof rather than getting into it.

[151] **Peter Black:** I think that if we were going to do that we would carry out a full insulation of the roof rather than just do the part we patched. We would have to do the whole roof and that would have to be part of the planned maintenance programme.

[152] **Jane Rathbone:** I think that the improvements to the heating controls are definitely beneficial because, at one point, the heating was just unbearable, in my bit of the building anyway. I think that it is excellent that we harvest rain water for sanitary use and building washing and that, in the Senedd, that accounts for 74% of our water requirements. However, presumably, it is not possible to flush the loos with rain water in Tŷ Hywel. You cannot use the rain water captured in the other building, is that right?

[153] **Peter Black:** This is technical and I do not know. I know that we do it in the Senedd. I suspect that Tŷ Hywel has not been set up in that way. We are trying to make more use of rain water, and I would guess that we will be looking at that particular aspect as part of the sustainability agenda over the next five to six years.

[154] **Jenny Rathbone:** Okay. Obviously, that has to be the way forward for everybody, so that we do not just flush it into the sea.

[155] **Peter Black:** Absolutely.

[156] **Jenny Rathbone:** That is good. Can you just explain why the biomass consumption suffered a very significant dip in 2013-14 compared to 2012-13? Is that to do with the

weather or is it to do with the functioning—

[157] **Peter Black:** We have been fortunate in having fairly mild weather over the last year and that has been reflected in our fuel costs as well. So, although we have had an increase in fuel costs of 9% or so, we have managed to reduce the total money we spend on gas and electricity by around £5,000 over a year. We have been working very hard to make more efficient use of our resources in that regard.

[158] **Jenny Rathbone:** Is it not possible to make the biomass boiler work harder and then reduce our gas and electricity consumption even more?

[159] **Peter Black:** The issue in terms of the biomass boiler is making it work smarter, and that is one of the things that we did in this building. We have added things to the biomass boiler to make it more efficient, and we carried out enhancements in the committee rooms as well to ensure that we get constant heat. So, it is about the smarter use of the biomass, rather than making it work harder.

[160] **Jenny Rathbone:** In the Chamber, I asked you to do an analysis of the efficiency of the biomass heater, because that is something that is of great interest to academics.

[161] **Peter Black:** We have made a number of changes to the biomass boiler to make it more efficient. It was not designed as a modern biomass boiler would have been, and we have had to make changes to bring it up to that standard, which we have done.

[162] **Jenny Rathbone:** So, in terms of evaluating the way in which it functions and its efficiency, is that something that is being done by an outside organisation?

[163] **Peter Black:** We will constantly review that. We have recently employed consultants to give us a detailed plan regarding how we can improve the sustainability of the Assembly estate, which looked at a range of issues, such as energy, the layout of the office and changes to the office to try to reduce our emissions. We have already had quite considerable success in emission reduction, and we have set very ambitious targets for the next five years.

[164] **Jenny Rathbone:** That is very good. In terms of the effectiveness of the ground-source heat pump, is that something that could be made available to academics who are interested in this?

[165] **Peter Black:** I am sure that we can provide information on that. I am not saying that I would understand that information, but I am sure that we can make available the information on that.

[166] **Jenny Rathbone:** I do not think that most of the public would understand it, but there are academics who really need to know how well these things work in order to improve future generation.

[167] My last question is on smoking in public places. One of the things that is not such a great advertisement for our building is that, when visitors park behind Tŷ Hywel, as they go up to reception, they see all of these people smoking in the space just by the entrance. Have you considered applying the same rules that we have in our NHS premises, where people cannot smoke anywhere on the estate?

[168] **Peter Black:** The area outside the front of Tŷ Hywel is a public highway, so we have no control over that.

[169] **Jenny Rathbone:** No, I was thinking of the back. The visitors who arrive by car

would park in a visitor space and then come up those back steps, I assume.

[170] **Mrs Clancy:** I do not think that they should come up the back steps, actually, unless they are escorted.

[171] **Peter Black:** You cannot come in through that entrance unless you have a badge. However, there is a smoking shelter there, of course.

[172] **Jenny Rathbone:** Yes, so we still have the smoking shelter, but NHS premises would not have a smoking shelter. What is our position?

[173] **Peter Black:** The current policy is that we will provide a smoking shelter for those members of staff and Assembly Members who wish to use it. There is a smoking area in this building as well for Assembly Members, and there is a smoking shelter at the rear of Tŷ Hywel. That is the current policy.

[174] **Jenny Rathbone:** Okay, thank you.

[175] **Darren Millar:** I call on Keith Davies.

[176] **Keith Davies:** Byddaf yn gofyn fy nghwestiwn yn Gymraeg. Mae eich targed chi am werth am arian wedi codi yn sylweddol rhwng y llynedd a'r flwyddyn rydym yn ei hystyried yn awr i £0.5 miliwn. Fodd bynnag, un rheswm am hynny yw nad ydych wedi bod yn llenwi swyddi, ac rydych wedi cadw'r targed ar gyfer eleni. A ydym yn dweud bod gormod o swyddi yma ac y gallwn gael gwared â swyddi, os byddwch yn cyrraedd y targed eto eleni?

Keith Davies: I will ask my question in Welsh. Your target for value for money has increased significantly between last year and the year that we are considering now to £0.5 million. However, one reason for that is that you have not been filling posts, and you have kept the target for this year. Are we saying that there are too many posts here and that we can get rid of some posts, if you meet the target once again this year?

[177] **Peter Black:** We keep our budget and our staffing under constant review and, when opportunities arise through a vacancy, we will sometimes review the structure of a department and change that so that we can continue to provide excellent services. Clearly, we also manage our vacancies very carefully as well, because we have income targets to meet. However, I think I can safely say that the staff that we have in place at the moment are essential to our day-to-day business and we have no surplus staff or staff we can do without at the moment. However, we always review the structures and how we deliver those services. Claire is in charge of doing that, of course.

10:00

[178] **Mrs Clancy:** Yes, and I can say a bit more in a minute about how we make sure that all of the vacancies that we fill are all approved by investment and resources board. There is a business case for every post. We also have a process for reviewing capacity across the piece—a new capacity management process to make sure that we do not have existing posts that we could do without to free up resources for new priorities. So, we have quite a sophisticated and detailed process for that. However, our emphasis in recent years has been on trying to drive more value-for-money savings in other areas, and particularly through contract procurement work. We delivered £113,000 in savings, which will be recurring savings year on year, through value for money on things like the mobile phone contract. There are some very fruitful further changes of that sort, such as the move to Sharepoint, which will allow us to make other value-for-money savings. The change that we are going to be able to make to the phone system, now that we are outside of the Atos contract, is also

going to deliver very significant value-for-money savings. So, over time, we are going to see the balance between the value for money being delivered through staff savings and through other savings changing.

[179] **Peter Black:** In fact, we have made £44,000 of savings on IT software support licences as well, mostly perhaps not through renewing or changing them.

[180] **Keith Davies:** Becso oeddwn i achos eich bod yn sôn am beidio llenwi swyddi. Mae'r ateb yr ydych wedi ei roi yn fwy derbyniol. **Keith Davies:** I was just concerned because you talk about not filling posts. The response that you have given is more acceptable.

[181] **Darren Millar:** I now call Aled.

[182] **Aled Roberts:** Rwyf am fynd yn ôl at y cyfrifon. Mae eich gwariant ar hyfforddiant a chostau datblygu wedi cynyddu o ryw 50% yn ystod y flwyddyn. Sut ydych yn gwerthuso'r cynnydd yn y gwariant hwnnw? **Aled Roberts:** I want to go back to the accounts. Your expenditure on training and development costs has increased around 50% during the year. How do you evaluate the increase in that expenditure?

[183] **Ms Callow:** For starters, we certainly do evaluate our training, but I might just unpick the figures a little bit more for you. Yes, there has been an increase. It comprises of two parts. There is the corporate training side of it, and there is also the Assembly Member training and development spending. So, in terms of the scheme that the Commission and Member Support Service provides to all Assembly Members and their support staff, the costs are also reflected here. So, it reflects the investment not just in Commission staff, but in Assembly Member support staff and Assembly Members themselves. So, that is the type of expenditure that is here.

[184] As far as evaluation is concerned, within the Commission staff, the human resources team has a thorough process of evaluating all training that we do. As an example, all training requests need to have originated from your performance reporting discussion with your manager. So, the need has to have been identified, and then a training course is identified to help with that training and development request.

[185] Also, similarly, on the Assembly Member side, within the professional and support team, there is a thorough review of the value and the quality of the training that has been provided, and therefore changes that are made to subsequent offerings.

[186] **Aled Roberts:** Felly, roeddech chi wedi cynllunio ar gyfer cynnydd o 50%. A oedd hynny o fewn y cynllun ar gychwyn y flwyddyn? **Aled Roberts:** Therefore, you had planned for an increase of 50%. Was that within the plan at the beginning of the year?

[187] **Peter Black:** A significant sum was put into the budget at the beginning of this Assembly as a result of the recommendations in terms of Assembly Member and support staff training. I think that a large chunk of that is reflected in that particular budget. So, there was a planned increase in that respect.

[188] **Aled Roberts:** Felly, nid ydym yn sôn am orwariant; roedd hyn yn rhan o gynllun lle'r oeddech yn newid y patrwm o hyfforddiant a datblygiad proffesiynol. **Aled Roberts:** Therefore, we are not talking about an overspend; this was part of a plan where you were changing the pattern of training and professional development.

[189] **Peter Black:** Absolutely. Yes.

[190] **Aled Roberts:** A gaf i droi, felly, at yr incwm hefyd? Yr ydych wedi datgelu eich bod wedi derbyn rhyw £281,000 o ran incwm, ar dudalen 85. Sut ydych yn adolygu'r costau yr ydych yn eu codi o ran llety a phethau fel parcio ceir i wneud yn siŵr bod y lefelau rydych yn eu codi yn rhai masnachol?

Aled Roberts: Can I also turn, therefore, to look at the income? You have revealed that you have received around £281,000 in terms of income, on page 85. How are you reviewing the costs that you charge in terms of accommodation and things such as car parking to ensure that the levels you charge are commercial?

[191] **Ms Callow:** We do indeed review the levels of income we receive. Specifically on the car park, we keep track of how much it is costing, or the net cost, to the Commission. In comparison with 2012-13, 2013-14 has seen us increase the recovery by 50%, so we are making far better use of the facilities that we have available to us. As I am sure you know, what we do with the car parking is to spread the cost of the car park that we need to pay for over the free spaces that we have available here within Tŷ Hywel. We do that through a mechanism whereby staff are charged £30, £20 or £10 a month in order to pay for that fee.

[192] The last review we did is still ongoing. We are having a look again to see whether we need to revise any of the charges we make to employees because the cost of paying for the car park facility will increase over time—good old inflation hitting the contracts. Specifically on car parks, yes, of course we do.

[193] We also take a similar look at the other big part of the £281,000 that we generated, which is to do with the room space that we lease to other organisations here within the Assembly. We have again had a look at that to see whether that fits the needs.

[194] **Mrs Clancy:** In fact, those leases were up for renewal this year, so they have just been renegotiated. The renegotiation is about not just the price they are paying, but the amount of space they need. So, there are going to be some adjustments, for example with two of the main occupiers, to the amount of space and therefore to the income that we receive.

[195] **Peter Black:** The operating income from that is £116,000 currently. We have just renegotiated those leases and there is also money coming in from the shop.

[196] **Aled Roberts:** Wrth sôn am y siop, rydych wedi adleoli'r siop yn ystod y flwyddyn. A yw incwm y siop o fewn cyrraedd i'r hyn roeddech yn ei ddisgwyl? **Aled Roberts:** Talking of the shop, you relocated the shop during the year. Is the income from the shop within reach of what you were expecting?

[197] **Ms Callow:** Yes, it is. It is level over the two financial years that we have here. It has been at a similar level for both years. Working alongside the café and having that facility close by is most certainly helping us contain costs. It is seen as quite a good visitor attraction as well. It is becoming more of a place where people meet.

[198] **Mrs Clancy:** Certainly the income has improved since it was combined with the café. It is doing better than it was when it was tucked away. We had an expert come down from the House of Lords/House of Commons recently to help us because we are still not satisfied that the offering is hitting the mark. We think there is potential, and the Commissioners, in particular Sandy Mewies, have been pressing us to do more. It is not primarily about generating income; it is about covering the costs, as it is also about making sure that it is part of the service that we offer to visitors when they come here. We think we have more to do on that and we have had some expert help.

- [199] **Darren Millar:** Is there any chance of the shop being online as well as—
- [200] **Mrs Clancy:** It is online.
- [201] **Darren Millar:** What proportion of the revenue is online?
- [202] **Mrs Clancy:** Very little. That is another thing we need to up our game on. It is clearly not prominent enough, because we should be selling you lots more.
- [203] **Darren Millar:** I will expect a commission, of course, from the Commission. *[Laughter.]*
- [204] May I just ask about your budgeting processes, because one of the interesting things from page 82 of your report, where you have the analysis of net resource outturn, is that there are huge variances on some of the lines in terms of the budget compared with the outturn? That concerns me because it suggests that, for those particular items, there has been inappropriate budget setting in the first place. Do you want to give me a comment on that?
- [205] **Peter Black:** One of those is ICT, where we set a budget.
- [206] **Darren Millar:** But, you were planning that anyway, Peter. You told us that that was all planned.
- [207] **Peter Black:** Yes, but we set a budget and we made huge savings against that budget in terms of the way that the project was managed. Clearly, when we were moving through an uncertain period, we had to allow a certain amount of leeway and we brought it in well under budget. I am sure that Nicola could comment on some of the other significant outturns, but I think that that makes a huge—
- [208] **Darren Millar:** Why did you set your budget so high, then, if you were not planning to spend it all?
- [209] **Peter Black:** It was because we had to make sure on day 1 that you had a service. We set a plan and we delivered on that. As we reviewed the contracts and the systems that Atos had set up and started to unravel and simplify those, we found significant savings that we had not anticipated when we set that budget, because of the way that the system had been set up. We are still finding those savings as we continue to unravel that system.
- [210] **Mrs Clancy:** I think we do have to be very careful not to underestimate the skill and quality of the work that was done in reducing the costs of that project. At the outset, I think, if anything, we were sceptical about whether it would be sufficient because of our experience of IT projects and the way that costs can go. I have to pay tribute to Dave Tosh and the team for delivering that; they really did screw the costs out.
- [211] **Darren Millar:** That is one line of the budget, but what about other lines such as ‘promoting awareness and understanding’, which has a budget of £452,000 and an outturn of £217,000? Were you over-egging the budget to give you more flexibility on other spending areas where you have overspent? I can see you smiling, Nicola; do you want to respond?
- [212] **Ms Callow:** If I may. Of course, what you have in front of you for the analysis of net resource outturns is a specific point of the revised budget and, obviously, then what actually happened at the end of the year. There is a process completely behind this that keeps track of where we set out the budget allocations, and, when we give the delegations to our budget managers at the start of the year, that sets out what they are expecting their budget to be—what they think it needs to be. Then there is quite a process that is gone through monthly for

most quarters, where we review the forecasts for each of those service areas and for each of the key expenditure areas, what is happening with the operational spend, but also, more importantly, what is happening with the project spend. A lot of our project expenditure is revenue-based, not capital-based. We keep track of all of those changes and manage those throughout the year to ensure that our year-end target is as low as we can possibly get it.

[213] What you see in front of you is a snapshot of a revised budget done at the supplementary stage, versus the outturn. So, it is a snapshot taken at a particular time. Yes, it does show differences—

[214] **Darren Millar:** They are wildly different for a number of them.

[215] **Ms Callow:** Of course it does. We see that as good in the way we manage our budgets, because what it means is that we have identified changes quite early in the process and put them someplace else. What we have not done is continually revised the budget and kept that moving. We prefer an approach where we say, ‘This is what we started out the year with’, which is your analysis of the approved budget—that is what we were expecting to happen. There is a snapshot of the revised budget where we needed to change the items; it is actually linked with the supplementary budget. We then track against that as to how we are actually performing.

[216] The number of projects that we have and our process of making sure that we keep flexibility in our system so that we can address changing needs in projects—. They are quite variable items, these projects, and, when they cross over a financial year end, we need to be particularly clever at making sure that we can get the resources matched with what is happening with projects. We do not want the financial year end to stop work from happening.

[217] **Darren Millar:** With some of these, however, there would have been specific reasons. You had more than doubled the promoting awareness and understanding budget, for example: there was a reason, I assume, why that came in so differently in terms of the final outturn, compared with the budget. What was not spent?

[218] **Ms Callow:** If you look at note 3—

[219] **Peter Black:** It is on page 101.

10:15

[220] **Ms Callow:** It is still—. Sorry, no; I am misleading you. That is not going to give you the breakdown; it just confirms the figure. Let me just have a quick look here. Specifically, what we did within the year that was not planned at the outset was the promoting Women in Public Life campaign, and there was also an increase in the school visits to the Commission that saw a small increase in reimbursements there. In fact, we had 81 new schools visit us in 2013-14. So, again, some of the expenditure lines are demand-led and we will be meeting those—

[221] **Peter Black:** We also changed our approach on youth engagement, which, I think, would fall within that budget.

[222] **Darren Millar:** Okay. In terms of the outturn, you aim to spend within 1% of your budget. Why do you do that? Presumably, if you could spend 85%, that would be better, because it would save the taxpayer money, would it not?

[223] **Mrs Clancy:** Not as long as we are delivering value-for-money services that are required by the Assembly, so—

[224] **Darren Millar:** Is there not an incentive there simply to spend for the sake of spending? If you find that you are in the final month and you have a big whack of cash in the bank or in the budget line, is there not an incentive to spend unnecessarily if you are aiming for always being within 1%?

[225] **Mrs Clancy:** We absolutely would never spend unnecessarily, and that, as I was saying earlier, is the job of the investment and resources board. We have the Commission's priorities, which it set out for us—in April, it met to confirm what its priorities were for the remainder of this Assembly. We have to prioritise within that, so we are unlikely to be able to deliver—partly because we are going to be tracking the reductions in the Welsh block—absolutely everything. So, we prioritise, but, if something cannot be done for whatever reason, then there are other priorities that we are ready to deliver.

[226] **Peter Black:** There was a good example of how we did that when we had a significant rate rebate, which came in, I think, in the last month of the financial year, which we largely gave back to the Welsh Government to spend on public services.

[227] **Mrs Clancy:** Yes. So, in that case, we gave it back, but—

[228] **Darren Millar:** You always aim to be within 1%, however, regardless of whether you can save money to the taxpayer and the public purse.

[229] **Peter Black:** If we are able to save money, then we will obviously pay it back to the consolidated fund.

[230] **Darren Millar:** So, why have a policy of aiming to be within 1%?

[231] **Mrs Clancy:** Because it is good management of the resources—

[232] **Darren Millar:** No, not necessarily. It could demonstrate that you are spending money unnecessarily.

[233] **Mrs Clancy:** Well, it could, but it does not.

[234] **Peter Black:** We have a budget that is set out according to what we understand to be the needs of the Assembly in a particular financial year, and we aim to deliver that budget over the period of that year as closely as possible to make sure that those services are delivered. If, at the end of that, we have savings, then we will refund them to the Welsh consolidated fund.

[235] **Darren Millar:** Provided that it is less than 1%. Do you not recognise that there could be a perverse incentive as a result of that policy in encouraging profligate spending towards the end of the financial year, simply to be within the aimed 1%?

[236] **Mrs Clancy:** Most targets have perverse incentives written into them. Most targets do. You have to rely on the integrity and the priorities of the Commission, which are to deliver high-quality services that match the needs of Assembly Members and the Assembly, and deliver, at the same time, best value for money. That is what each and every one of us is aiming to achieve. We have no interest whatsoever in spending taxpayers' money unnecessarily.

[237] **Peter Black:** In fact, I would invite you to scrutinise our accounts and identify where you think that we have done that.

[238] **Darren Millar:** So, why not scrap that policy of aiming always to be within 1% altogether?

[239] **Ms Callow:** Because we find that it does help us—

[240] **Darren Millar:** To spend money.

[241] **Ms Callow:** No, it helps us to deliver our targets. The other thing that I would add to this is that it is not just the one-year cycle that we are looking at. We operate in a multi-year cycle, so we are not just looking at what happens in one particular financial year, we are also looking at impacts over future financial years. You have heard Claire reference the estate's 10-year rolling programme of what needs to be done. Likewise, the ICT team is coming up with a similar approach. So, that is what provides the assurance that we are not doing what you are, quite rightly, identifying as a possible risk. There are also other mechanisms through the regular controls and assurance framework that we have in place that prevent that from happening. The delegation instruments that we provide to our budget managers set out very clearly what the money that has been allocated to them is to be used for. We have a budget management framework that claws back underspends, again to bring them back into the centre, and I am now going to say something to which you will quite rightly say, 'Yes, and that can be used the other way', but what we do is bring that back into the centre so that the investment and resourcing board can assess what it has got available to it and when it is going to have it available to it and therefore what plans we can adjust to meet those needs.

[242] **Mrs Clancy:** May I also say, Chair, that the Commission has an approach, which is to be totally open and transparent. We have absolutely nothing to hide. We think, on the whole, that we run a very tight organisation that delivers both high-quality services and value for money. We publish three times a year a corporate performance report. The latest one is about to go to the Commission and will then be published. I think it is an example of how you can lay open all aspects of what we are delivering and what we are spending the money on, and anybody can look at this and see that we are delivering the outcomes that you would expect to see for the budget that we are spending.

[243] **Peter Black:** May I also say that there is an advantage to having an even approach to budgets on a year-by-year basis in terms of the investment and maintenance obligations that the Assembly has in respect of its estate and the equipment that we use as Assembly Members every year? So, the fact that we are able to put savings into the investment board and invest in the buildings—we have just refurbished the toilets in Tŷ Hywel, for example, and we are looking at renewing some of the ICT equipment in the Chamber next year—means that we keep everything as the best possible service for Members and the public, as a public-facing organisation. That evenness enables us to do that.

[244] **Darren Millar:** We are drawing to a close now. Alun Ffred is next.

[245] **Alun Ffred Jones:** A gaf i ofyn cwestiwn ynglŷn â'r adeilad hwn? Mae'n ymddangos i mi fod gwaith parhaol yn digwydd ar do yr adeilad hwn fel petai problem sylfaenol yn bodoli, a phan mae'n bwrw glaw yn drwm, mae bwcedi yn ymddangos mewn coridorau ac yn y blaen. Nid yw hynny'n adlewyrchu'n dda iawn ar yr adeilad, wrth gwrs. A ydych chi'n ffyddiog bod ffabrig yr adeilad hwn yn gadarn ac y bydd yn parhau i fod yn gadarn i'r dyfodol?

Alun Ffred Jones: May I ask a question about this building? It appears to me that there is always work going on on the roof of this building as though there is a fundamental problem, and, when it rains heavily, buckets appear in corridors and so forth. That does not reflect well on the building, of course. Are you confident that the fabric of this building is robust and that it will continue to be robust in the future?

[246] **Peter Black:** We are as confident as we can be that the fabric of the building that the Welsh Government handed over to us is as secure as it possibly can be. [Laughter.] There have been problems, you are right, with the roof above this committee room and there have been problems with the roof by the lift. A lot of those problems were dealt with as part of the contract process in terms of the building, so we have been getting the contractor back to fix those. Clearly, we have an ongoing maintenance obligation with regard to this building and we will continue to invest in it to make sure that we get the best possible value and the best possible use of it.

[247] **Alun Ffred Jones:** Mae gennyf un sylw. Mewn hen adeiladau fel ysgolion, nid yw'n anarferol gweld bwcedi'n cael eu rhoi yn y coridorau pan mae'n bwrw glaw yn drwm, ond nid ydych yn disgwyl gweld hynny mewn adeilad cymharol newydd. A yw'r broblem honno'n mynd i barhau neu a ydych yn meddwl eich bod wedi gallu ei goresgyn?

Alun Ffred Jones: I have one comment. In old buildings such as schools, it is not unusual to see buckets being put in the corridors when it rains heavily, but you do not expect to see that in a relatively new building. Is that problem going to continue or do you think that you have been able to overcome it?

[248] **Peter Black:** We think that we have largely overcome it. I am aware of problems in new buildings. I worked in the Land Registry building in Swansea and from day one the roof was leaking in the new building there, which is now, I think, part of the University of Wales Trinity Saint David. They sorted that out eventually, but new buildings do have problems as well and new buildings do have maintenance obligations that we have to keep on top of or they will build up problems for the future. So, we are fairly confident that we have got on top of the issues in this building. Certainly, this committee room has not leaked for some time and I am not anticipating it doing so. So, I think we are on top of it, yes.

[249] **Darren Millar:** I just have one final question. The Commission gave a commitment to ensure that the living wage was implemented for all members of staff employed by the Commission. Can you provide us with an update on the implementation of that and particularly whether that commitment extends to workers who are here under contract by different providers and suppliers of the Commission?

[250] **Mrs Clancy:** Yes, it does.

[251] **Darren Millar:** Excellent. Thank you very much indeed. On that positive note, that concludes our oral evidence session. Thank you very much indeed, Peter Black, Claire Clancy and Nicola Callow for attending. We look forward to receiving the additional information that you have agreed to provide the committee and, of course, the clerks will be in touch about that in due course. Thank you very much indeed.

10:24

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

[252] **Darren Millar:** I move that

the committee resolves to exclude the public from the remainder of the meeting in accordance with Standing Order 17.42(vi).

[253] Does any Member object? There are no objections.

*Derbyniwyd y cynnig.
Motion agreed.*

*Daeth rhan gyhoeddus y cyfarfod i ben am 10:25.
The public part of the meeting ended at 10:25.*