



Cynulliad Cenedlaethol Cymru The National Assembly for Wales

Y Pwyllgor Cyfrifon Cyhoeddus The Public Accounts Committee

**Dydd Mawrth, 22 Tachwedd 2011
Tuesday, 22 November 2011**

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Cofnodir y trafodion hyn yn yr iaith y llefarwyd hwy ynndi yn y pwyllgor. Yn ogystal,
cynhwysir cyfieithiad Saesneg o gyfraniadau yn y Gymraeg.

These proceedings are reported in the language in which they were spoken in the committee.
In addition, an English translation of Welsh speeches is included.

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

Mohammad Asghar	Ceidwadwyr Cymreig Welsh Conservatives
Andrew R.T. Davies	Ceidwadwyr Cymreig (yn dirprwyo ar ran Darren Millar) Welsh Conservatives (substitute for Darren Millar)
Mike Hedges	Llafur Labour
Julie Morgan	Llafur Labour
Gwyn R. Price	Llafur Labour
Jenny Rathbone	Llafur Labour
Aled Roberts	Democratiaid Rhyddfrydol Cymru Welsh Liberal Democrats
Leanne Wood	Plaid Cymru The Party of Wales

Eraill yn bresennol**Others in attendance**

Michael Hearty	Cyfarwyddwr Cyffredinol Cynllunio Strategol, Cyllid a Pherfformiad, Llywodraeth Cymru Director General for Strategic Planning, Finance and Performance, Welsh Government
Mark Jeffs	Swyddfa Archwilio Cymru Wales Audit Office
Reg Kilpatrick	Cyfarwyddwr, Llywodraeth Leol a Gwasanaethau Cyhoeddus, Llywodraeth Cymru Director, Local Government and Public Service, Welsh Government
Y Fonesig/Dame Gillian Morgan	Ysgrifennydd Parhaol, Llywodraeth Cymru Permanent Secretary, Welsh Government
June Milligan	Cyfarwyddwr Cyffredinol Llywodraeth Leol a Chymunedau, Llywodraeth Cymru Director General for Local Government and Communities, Welsh Government
Huw Vaughan Thomas	Archwilydd Cyffredinol Cymru Auditor General for Wales

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

Dan Collier	Dirprwy Glerc Deputy Clerk
Alun Davidson	Clerc Clerk
Joanest Jackson	Uwch-gynghorydd Cyfreithiol Senior Legal Adviser

Dechreuodd y cyfarfod am 9.25 a.m.

The meeting began at 9.25 a.m.

Cynnig i Ethol Cadeirydd Dros Dro Motion to Elect Temporary Chair

[1] **Mr Davidson:** Good morning. The first item on the agenda is the appointment of a temporary Chair for this meeting and the next meeting of the committee on 6 December. Are there any nominations?

[2] **Mohammad Asghar:** I nominate Andrew R.T. Davies.

[3] **Mr Davidson:** Are there any other nominations? I see that there are none. Therefore, Andrew R.T. Davies is duly appointed as temporary Chair of the committee in accordance with Standing Orders.

*Penodwyd Andrew R.T. Davies yn Gadeirydd dros dro.
Andrew R.T. Davies was appointed temporary Chair.*

9.26 a.m.

Cyflwyniad, Ymddiheuriadau a Dirprwyon Introductions, Apologies and Substitutions

[4] **Andrew R.T. Davies:** Good morning, everyone. We have apologies from Darren Millar. Looking around the table, it looks full, and we have not had any other apologies or substitutions. I will refer to the normal housekeeping rules for health and safety. The Assembly is a bilingual institution. Welsh to English translation is available through the headsets on channel 1. Amplification of sound is available on channel 0. Please turn off all mobile phones and BlackBerrys because they interfere with the microphones. We are not anticipating a fire drill, so if the alarm sounds please follow the directions of the ushers who will escort you to the nearest fire escape.

9.27 a.m.

Darlun o Wasanaethau Cyhoeddus 2011: Yr Heriau Ariannol Allweddol a Wynebair gan Wasanaethau Cyhoeddus yng Nghymru— Tystiolaeth gan Lywodraeth Cymru A Picture of Public Services 2011: The Key Financial Challenges Facing Welsh Public Services—Evidence from the Welsh Government

[5] **Andrew R.T. Davies:** Dame Gillian Morgan, the Permanent Secretary, will be joining us a little later because of Cabinet commitments. She is due to be with us at 10.15 a.m.. I am led to believe that her colleagues who have joined us are able to answer any questions that might fall into her area or need an answer from her. Welcome to all three of you. For the record, could you state your names and then we will move into the questioning session? A paper has been circulated to Members and they are familiar with it, having read it.

[6] **Mr Hearty:** Michael Hearty.

[7] **Ms Milligan:** June Milligan.

[8] **Mr Kilpatrick:** Reg Kilpatrick.

[9] **Andrew R.T. Davies:** Could you also note your positions?

[10] **Mr Hearty:** I am the director general for strategic planning, finance and

performance.

[11] **Ms Milligan:** I am the director general for local government and communities.

[12] **Mr Kilpatrick:** I am the director of local government and public service.

[13] **Andrew R.T. Davies:** Thank you. We will move straight to questioning. I will direct my first question to Michael in relation to the challenges that you face. In the paper that has been provided to us by the Auditor General for Wales, there is talk of unprecedented challenges over the next couple of years. What are you doing to help support the Welsh Government in facing those challenges and to lead on them?

[14] **Mr Hearty:** There is a critical role for finance professionals in the years ahead. The work that we have been doing with the Welsh Government breaks down into two or three areas. The first is around the structural underpinning of the organisation, and by that I mean putting in place a strategic framework for looking at what the future finance vision is, and the future vision for the organisation and the Welsh Government. On business planning and how to put a delivery plan in place, we have used those two things to think about how we allocate resources that meet the Government's priorities, and have started to think about how to gain a sense of performance. We have started to think about how those three things link together to make more informed decisions going forward.

[15] To illustrate, we have published a programme for government, which sets out the Government's ambitions for the next five years. On the basis of that, we are working through the budget at the moment and it will be tabled next week—that is the resource allocation linked to the strategy, if you like.

9.30 a.m.

[16] Within the organisation, we are thinking about a delivery plan to support that. So, we are doing a great deal of work around business planning—outcome-focused activities within the organisation and within the policy area as well. The First Minister's ambition is that, in 12 months' time—on the anniversary of the programme for government—he will issue an annual report to say what progress has been made. So, the finance professionals are key people throughout the organisation to ensure that we have absolute clarity about those things and that they all work together as a comprehensive set rather than as independent pieces of machinery.

[17] **Andrew R.T. Davies:** You obviously have a leadership role in Government. There are other partners in the public sector that are obviously facing an equal challenge. In any partnership, you need both sides to work to have a successful outcome. What are you doing to support your partners in the public sector? You might have the capacity within the Welsh Government, but they might find it to be a more challenging environment or they might not buy in to some of the policies that are being brought forward.

[18] **Mr Hearty:** I will start by explaining what we are doing within the Welsh Government and then I will go into how we are using that to start to work with the wider finance community in Wales. Within the Welsh Government, we have a delegated budget framework, so all of the budgets are pushed out to the portfolios. The accountability is there to make decisions on where to spend the money within the overall strategic framework. In order to support people's thinking on that, we have a heads of finance network. So, embedded within each of the portfolios are professionally qualified accountants who understand how the whole thing fits together.

[19] At the same time, within the wider public service, there is a finance directors' leadership network, which meets quarterly. I chair that. We get together to talk about the sorts

of issues that I think you want to explore today around collaboration, best practice and sharing services, in order to be able to ensure that the sort of thinking and the sorts of things you need to put in place as a modern finance function are explored and discussed in the widest possible way across the public service in Wales. On the agenda most recently—the last time we met was about a month ago—was public service reform, the challenges involved and the sort of work that is going on in order to try to ensure that the reform agenda builds on the original efficiency and innovation programme. That is so that people are aware that this is a real agenda and that there is collaboration and that we have to drive this sort of thing through and in order to have a conversation as professionals about the leadership on finance across Wales.

[20] **Andrew R.T. Davies:** Just for clarification, you referred to the annual benchmarking and performance targets that the Government has set for itself. I think that you said that it would be 12 months from the anniversary of the First Minister presenting the programme for government. I thought that the anniversary would be in May, a year from when the Government came into being. Is that not the case?

[21] **Mr Hearty:** Apologies, Chair, yes, I think it is in May. The other thing to clarify is that they are not targets; they are indicators. We will report progress against the indicators.

[22] **Julie Morgan:** Without challenging what the priorities are that the Government has chosen, can you explain your role in providing the background analysis to support the priority setting?

[23] **Mr Hearty:** I will take as an example the work that we did around the spending review in 2010. The finance centre worked with the Minister for Finance and the First Minister to establish their priorities for the spending review. We did that piece of work a good 12 months before the results of the spending review. We used the strategic steer that we got from Ministers in order to work with finance colleagues within the organisation to set really prudent criteria for people's planning for the forthcoming spending review. As a result of the fact that we set such prudent challenges, when the spending review results came through, we were in a position to advise Ministers on the choices they had to make to ensure that the spending review outcome and how that played through into the budgets was not a salami-slicing exercise, which is what people were expecting, and that the Government could make some choices about where the best places to apply its resources were. So, for example, one thing that emerged was that there was greater investment in social services than would have been expected, if we had just looked across the piece with regard to the budget and said, 'The whole thing is coming down by x per cent, so we'll just take x per cent off the top'. I felt the finance profession took a step forward to help work with Ministers to translate their ambitions and objectives for the coming five years into something that they could start to work with.

[24] **Julie Morgan:** You referred to the fact that the position was perhaps not as bad as had been feared. However, the auditor general's report warns against complacency. What are you doing to ensure that that does not happen?

[25] **Mr Hearty:** The programme for government has been quite a significant step forward. It has set the Government's priorities for the next five years, so the whole of the public sector in Wales has a clear steer from the Government about the importance of identifying where we ought to spend the money going forward. I am an accountant, so understanding where we are at any point in time with regard to the financials and how that will work out over the next few years are important.

[26] What we are trying to do within the Welsh Government is not just to work with the existing finance professionals, because I expect them to know a lot of these things, but with the wider community in the organisation to drive up financial management expertise, so that

they have a good grasp of what the financial position is at that point in time. That is starting to show some benefits. If you look at the Welsh Government outturn for 2010-11, on the resource side, we underspent by 0.14 per cent, which is about £18 million across an overall total of about £13.6 billion. The outturn on the capital side was an underspend of about 0.2 per cent, which is £3.4 million against a total of £1.7 billion. That does not just happen, but takes people having a very good handle on the data, working with the processes and systems and working together across the finance community to ensure that we make the best use of the money that is available to us. That will be more and more important as we go on.

[27] **Andrew R.T. Davies:** Does any other witness want to say anything on this? I see that you do not. We now move on to Oscar.

[28] **Mohammad Asghar:** The auditor general's report refers to the short-term financial gaps facing the NHS. Following the recent draft budget, the Minister announced more funding for the NHS this financial year and in future years. Do you have contingency plans should the NHS need even more funding, and what would happen if the NHS deficit exceeded the levels of reserve that you have available?

[29] **Mr Hearty:** Gosh, there is an awful lot in that question. In the short term, the Minister for Health and Social Services announced some additional funding for health during 2011-12. At the same time, the financial management controls that we have just been talking about are quite well embedded in the health service. There are existing efficiency plans in place across the whole of the health service, with the aim of ensuring that the health service lives within its means in the short term. I am pretty confident that the controls that are in place and the efficiency plans that are being worked through will ensure that the health service delivers against its budget in the short term. For example, its performance with regard to savings in 2010-11 was around £313 million, and it has plans in place to achieve savings of £300 million in 2011-12. My understanding is that, at the moment, seven months into the year, it has achieved about 42 per cent of that saving, which is about £129 million. So, you would logically expect it to have achieved half of the savings, given that we are halfway through the year, but these plans tend to work their way through towards the end of the year, rather than on an even spread. So, I am not surprised that it is not quite at 50 per cent, given that we are 50 per cent through the year. However, I am pleased that it has already achieved about £130 million in savings.

[30] In the longer term, you would rightly ask how sustainable those savings plans are going forward. Some of the plans are absolutely critical on two fronts. One is the work of the overall public service reform agenda, which plays into the whole collaboration piece. A lot of the detail that you would see in those plans is around shared services, back-office functions, collaboration and so on, however, they are important frameworks and building blocks for the more important piece of work, which is the delivery of the five-year vision for health, which should be the strategic direction so that health can live within its means in the longer term, as well as thinking about its efficiency plans in the short term.

[31] **Mohammad Asghar:** I think that you are saying that the saving is a good number—£129 million. So, do you really need the extra funding?

[32] **Mr Hearty:** One of the things that we have recognised is that, in the past, the pattern within the health service has been that pressures have emerged as it has started to struggle with its savings agenda and then the Welsh Government has drawn from its reserves in order to make the position right at year end. What we are now trying to do with the funding is to put the money into the health service at a time when it can make effective use of it and meet the Government's ambitions going forward. So, I do not think that the funding is about trying to help it to live within its means; it is about giving the right amount of funding to the health service going forward.

[33] **Andrew R.T. Davies:** Three Members have indicated that they have supplementary questions. I just draw Members' attention to the fact that we will be looking at another report in January specifically on NHS funding and finances, so we do not want to go into too much detail on the NHS. Mike first, then Jenny and Aled.

[34] **Mike Hedges:** You talked about the savings and not being up to 50 per cent. I can understand that. Do you have a profile of how the savings are expected to occur during the year and do you have an early-warning system if one or more NHS trusts are in a situation in which they are likely to overspend?

[35] **Mr Hearty:** So, the first question is whether we have a profile. I am not sure, but I can give you a note on the ones available. The second question was—

[36] **Mike Hedges:** Do you have an early-warning system if one or more NHS trusts appear to be in a situation in which they are likely to overspend?

[37] **Mr Hearty:** The additional accounting officer for health will manage this on a very tight basis. At the same time, because the health budget is tied up with the overall Welsh Government budget, the heads of finance, on a monthly basis, collectively look at the overall Welsh Government position and, as part of that, the health position, because it is part of the overall picture. If pressures are emerging there, we look at what is driving them on.

[38] **Jenny Rathbone:** What evidence can you give us that the local health bodies have the leadership skills required to do more than salami slicing? Historically, there has always been a huge hospital lobby, which has impeded looking afresh at how to reshape services to better meet people's needs. The auditor general, in his report, refers to the need for exceptional leadership in health to deliver a better health service with a lot less money, but not inflation-proofed money.

[39] **Mr Hearty:** Do you mean the financial professional leadership or the leadership that the—

[40] **Jenny Rathbone:** I mean the board members who will make the decisions.

[41] **Mr Hearty:** That is a question for the accounting officer for health, rather than me.

[42] **Jenny Rathbone:** Okay.

[43] **Aled Roberts:** Yr oeddwn i'n mynd i fynd ar ôl pwyntiau Jenny, ond mae'n debyg bod y rhan fwyaf o'm cwestiynau yn fwy priodol i reolwyr o fewn y gwasanaeth iechyd. Fodd bynnag, nid ydych wedi ymateb i ail ran cwestiwn Oscar ynglŷn â'r hyn sydd yn mynd i ddigwydd. Yr ydych wedi dweud bod yr arian wedi mynd i'r gwasanaeth o flaen llaw i'w helpu i ymdopi gyda'r sefyllfa, ond beth sydd yn mynd i ddigwydd ym mis Ionawr neu Chwefror, pan mae'r gwasanaeth iechyd wedi arfer cael arian ychwanegol gan y Llywodraeth? A ydych yn mynd i wrthod ei geisiadau? A oes gennych ddigon o arian wrth gefn i ymdopi â'r sefyllfa os bydd angen arian ychwanegol ar y gwasanaeth iechyd?

Aled Roberts: I was going to pursue Jenny's point, but it seems that most of my questions are for the managers within the health service. However, you have not responded to the second part of Oscar's question in relation to what will happen. You have said that the money will go to the service in advance to help it to cope with the situation, but what will happen in January or February, at which time the health service has become used to receiving additional money from the Government? Will you reject its applications? Do you have enough money in reserve to cope with the situation if the health service needs additional money?

9.45 a.m.

[44] **Mr Hearty:** I am confident that we have the right financial management in place in order to be able to monitor the situation throughout the remainder of the financial year. The track record of the Welsh Government, which we have maintained over recent years in order to be able to land the budgets in the right place, is sufficient. There is a speculative question about the size of the budget deficit and about where those resources would be drawn from. At the moment, I do not think that that is an issue. So, it is not an area that I want to get into at the moment.

[45] **Aled Roberts:** Faint o arian **Aled Roberts:** How much additional money ychwanegol a dalwyd i'r gwasanaeth iechyd was paid to the health service last year as a flwyddyn diwethaf oherwydd colledion yn ei result of losses in its accounts? gyfrifon?

[46] **Mr Hearty:** I do not have that detail to hand, but we can provide you with a note on that.

[47] **Andrew R.T. Davies:** Are there any further points on that question? I see not. Julie, would you ask question 4, please?

[48] **Julie Morgan:** This question is for June Milligan. Why did you replace the efficiency and innovation programme with the new public services leadership group?

[49] **Ms Milligan:** First, I would like to say how much we welcome the follow-up report of the auditor general on the picture of public services, because it has, once again, helped to set a clear foundation for the transformation work that is now part of the public service leadership group, rather than the efficiency and innovation board. The transition from one to the other has been an evolution and a development, building on what we had. The auditor general's report clearly identifies, looking back, some of the same things that we had identified in our planning as the things that we should focus on. So, we have learned from what we had put in place previously in terms of shaping a programme to go forward.

[50] Building on the foundations, it was important to us to maintain the engagement of public service leaders across Wales. This is essentially a collaborative leadership programme in which all public service leaders across Wales had become engaged and we were keen for them to remain engaged with it. Indeed, we have expanded that engagement. We ensured continuity through the three new national programmes, which are mentioned in the evidence paper, around assets and procurement, organisational development, and the Simpson review. We have taken the work that was done previously and have brigaded it carefully into work programmes and, alongside those, we have put in place a measurement framework, which means that we have certainty, looking forward, regarding exactly what will be covered—the milestones, the targets, and how we will measure progress against those. They reflect the recommendations in the auditor general's report regarding the engagement of leadership, but also ensure governance for the transformational activity.

[51] In moving into what we see as a new phase, we have gone from a phase of mobilisation in efficiency and innovation into delivery, hence the stronger focus on work programmes. The work programmes for those three national programmes were agreed when the public service leadership group met yesterday. So, they are now in place alongside the forward work programme.

[52] We also wanted to provide greater integration of the work on public service reform—the work on structures and collaboration, if you like—with the Government's priorities on

delivery. So, we now have stronger integration with the work on education and social services reform alongside the Simpson reform agenda, which is about what is best delivered where at a national, regional or local level. So, we were seeking the integration of those programmes.

[53] Finally, in terms of building on the platform, we have also sought to build a stronger regional dimension, which reflects what was happening on the ground anyway, particularly in north Wales and greater Gwent. Leaders coming together above the level of the local service boards that had already been in place, to direct, at a regional level, work on a cross-public service basis, was something that we wanted to bring into the governance arrangements for the public service leadership group.

[54] Finally, I will just mention the reforming of the local government partnership council. The Minister was very keen to bring the political leadership and the executive leadership of this into dialogue, so the partnership council, when it meets on 5 December, will look at proposals that will connect it with a scrutiny role in relation to the public service leadership group and the performance on work programmes there.

[55] **Julie Morgan:** So, was there a political input in previous arrangements?

[56] **Ms Milligan:** There was a political input, but it was represented in the local service boards and the regional work, and less so in the national work. Therefore, what the review of the partnership council is suggesting is that that is made explicit as part of the work of the partnership council going forward. It was something that was discussed in the July partnership council, and with which the leaders who were present there were pleased and asked for us to do further work. It is that further work that will go back now to the December meeting and will suggest a relationship between the partnership council and the public service leadership group.

[57] **Julie Morgan:** You describe it as a process of moving from one way of working to another. Are you able to evaluate what you achieved in the efficiency and innovation programme?

[58] **Ms Milligan:** Yes, we are. We had already begun to put in place the measurement framework for efficiency and innovation, and that is what we are building on now. Within that, we had a very large number of individual achievements under the work programmes. If you would like, I could say what some of those have been.

[59] **Julie Morgan:** Can you give a few examples?

[60] **Ms Milligan:** Yes, of course. You will recall that procurement and asset management work also came under that programme; work on new models has been taken forward into the effective services work stream; and we worked specifically around transforming the business, the ICT workforce and leadership. So, I will pick some examples from within them. In terms of the leadership, which was seen as an important underpinning element of the transformational change, four cohorts of senior leaders went through a coaching programme; two cohorts went through a practice for change programme, and seven public service manager leaders went through a managing change programme. Those are carrying on now as part of the work of Public Service Management Wales.

[61] Under the workforce stream, a memorandum of understanding was agreed between the Government and local government, and a programme called Adapt was put in place, which provides support for workers who are transitioning from particular jobs in the public service to other jobs. It provides a wage subsidy for those who employ those workers, as well as training, so that people can take up the opportunities. Under the ICT strand, a land and property gazetteer was developed, which does not sound terribly exciting, but it has provided

a way of tracking and tracing, across public services, individual properties, and has allowed local authorities to bring in unbilled receipts that would not have been received. There is also a data centre strategy, which has prevented the sporadic investment in data centres and which has a much more systematic approach.

[62] The new models work was focused around best practice and sharing that practice. Guidance was produced on three particular areas that were disseminated throughout Wales and to all local service boards in particular. This was around independent living for frail and elderly people; young people not in education, employment or training; and around the team around the family approach, which had been developing elsewhere. Those good practice guides moved beyond saying there is good practice here that could be adopted elsewhere and said, 'What we are going to do is distil what makes that practice a success and allow people to adapt it to local circumstances'. So, that was quite an important step forward.

[63] I will briefly mention asset management and procurement. On asset management, the drive that the programme and the national focus provided allowed us to move from 1,100 or so properties and assets registered on a national register in March 2010, to 12,000 by September 2011. So, that is a very significant gathering of intelligence that allows strategic decisions to be made about the use of the public estate. Also, on procurement, a large number of savings were realised under Value Wales—£13.5 million in 2010-11—and, for procurement services in health, there were cashable savings of £5.96 million. There are a number of separate strands of procurement that have been accounted for using an audited methodology.

[64] **Julie Morgan:** Thank you for all those examples. The first one that you mentioned was about people who went on leadership courses. How do you measure the value of those leadership courses?

[65] **Ms Milligan:** You start by asking why we would send people on those courses. We know that it is those at middle-management level and senior-management level across the public service who drive change. So, we brought together cohorts that would be able to develop a common community of practice, because it can be very lonely trying to drive change in an individual service area. So, sometimes that was done on a basis of services, bringing together a community of practice across services. Those have continued even after the end of the courses. So, that is one way of saying that those were successful, because people have seen value in them.

[66] We were also saying that there are some skills about the management of change that can be given and shared. Those were secured. Some of those programmes were accredited. Therefore, people have evidence that they have secured those skills. The other thing that the programmes tried to do, alongside those, was to broaden people's experience. So, a number of the programmes involve taking people into organisations quite different from their own, so some private sector organisations, and taking local government managers into health organisations so that they can see that others face challenges as stark as the ones that they face, in a different environment, and learn from that.

[67] **Andrew R.T. Davies:** Before Leanne asks her supplementary question, I welcome the Permanent Secretary, who has now joined us.

[68] **Leanne Wood:** I have a question about procurement. You say in your paper, on page 3, that the aim is

[69] 'to drive savings and wider value from the £4.3 billion spent annually through procurement by public services'.

[70] However, there is a drive from the Government to procure more locally. So, big savings have been made here, but does not that aim go against making contracts bigger, presumably, in order to save money on them?

[71] **Ms Milligan:** That is a tension that we recognise and have been giving some thought to. Indeed, at yesterday's public service leadership group the corporate director of Newport City Council, Tracey Lee, who is leading this group, talked about the fact that she thought that there would be a trade-off between some national programmes and some regional programmes, which were tailored in such a way and at a scale that would allow us, first of all, to offer those contracts to companies in Wales with employees in Wales. Also, they would be at a scale where capacity could be built, so that, over time, one would hope that if we moved to a national level to buy things once for Wales, some of those companies would then be in a position to bid. So, the intention to develop the supply chain for procurement is built into it.

[72] **Aled Roberts:** There is a regional procurement unit in north Wales. Have you done any mapping of how much of that work has been retained locally, because there was a lot of criticism last year, when some of the school capital projects were announced? The very few that had gone through the regional route were awarded to companies based in Wales.

[73] **Ms Milligan:** I do not have any mapping of that here today. That is what was driving the discussion yesterday. There were people from north Wales present at that public services leadership group discussion. Everyone is trying to learn from their experience. Sometimes, when things are put out to procurement quite quickly, the supply chain is not there. Therefore, within the programme, we are trying to mainstream the opportunity to build that as we go.

10.00 a.m.

[74] **Jenny Rathbone:** The public services leadership group meets under the umbrella of the local government partnership council. There is some anxiety that this may encourage the focus to drift much more towards the agenda outlined in the Simpson review rather than maintaining the overarching position of the efficiency and innovation programme. Could you speak about that?

[75] **Ms Milligan:** I do not think that that should be the case, because of the three work programmes. The Simpson focus is within one of the work programmes. It is a really important priority for us. Within the Simpson compact arrangements, there will be 10 areas of work that local government itself has brought to the table, saying that it thinks that there are opportunities here for us. We must focus on that and support and enable it. However, the other programmes—and indeed that programme—involve leaders from right across the public service in their membership of the programme group. All of the work streams have that breadth of cross-sectoral representation. The other two programmes are focused on what can be done across the sectors, collaborating to address the challenges.

[76] **Jenny Rathbone:** I have a particular interest in the interface between health and social services. How well are we working on looking at, for example, the issues around bed blocking and the opportunity for dumping costs on one or the other in a very tight financial environment?

[77] **Ms Milligan:** There are a number of strands within the national work, but also within the local work, that are directed particularly at that. A number of the local service boards, which work in each individual local authority area and involve health and local authorities working very closely together have taken delayed transfers of care and focused projects around them, sometimes with really good success in terms of driving those numbers down in exactly that way. They are using a shared appreciation of the needs in the area and targeting the appropriate resources to it, moving from a situation where responsibility for that is

contested to a situation where the responsibility is seen as a shared one that needs to be addressed with the appropriate resources. That work is within the scope of the programme and available to share.

[78] **Jenny Rathbone:** What powers do you have where one or the other party refuses to engage?

[79] **Ms Milligan:** We are trying to enable all of that—

[80] **Jenny Rathbone:** One example is that best practice is to plan people's discharge from the day they arrive, but some local authorities are not necessarily engaging with that and are not making available the appropriate personnel to enable that to happen.

[81] **Ms Milligan:** As I say, we are trying to move this along on a collaborative basis, so that it is a problem solved together. The contested situation that I referred to includes within it the powers that individual organisations—be they the health organisations or the local authorities—have to, in some cases, take legal action against each other for failing to engage. So, there is a remedy available to them at the local level.

[82] **Jenny Rathbone:** That is the nuclear option though, is it not?

[83] **Ms Milligan:** It was an option that was being exercised in some places before we moved on to a collaborative footing. It is not one that we would want to go back to, but that power lies with them rather than us. We are trying to build a more mature model of shared need.

[84] **Mr Kilpatrick:** I just want to add a bit on the partnership council, because part of our public service reform is to look again at the role of the partnership council, which has traditionally been very focused on the relationship between the Welsh Government and local government. Clearly, in a world where we are encouraging collaboration across public services, it is important that we bring health, police and others into those partnership council arrangements in a way that will enable more scrutiny and accountability and more collaborative working at the very top level.

[85] **Mohammad Asghar:** There have been challenges in getting public services to take up and adapt or adopt the ideas and good practices that have already been identified by the old efficiency and innovation programme—as noted in the Auditor General for Wales's report. How will the public services leadership group address the challenge of getting a more widespread uptake of the ideas and practices that the efficiency and innovation programme has already identified?

[86] **Ms Milligan:** Good practice is everywhere in Wales, but it is not necessarily consistently applied. That is one of the challenges that the public services leadership group faces. We want to identify good practice, make it known, and encourage uptake—which is often about adaptation to local circumstances rather than mirroring what has been done elsewhere. The approach that was taken under the new models work stream, and is now being taken under the effective services for vulnerable groups work stream, is to identify the characteristics of good practice and make them available.

[87] On the subjects that I mentioned earlier, the information has already been drawn together in a systematic way and given to those who are empowered to deliver it. We focused on getting it out through the local service board chairs, from whom there has been a lot of interest in how that is done. Andrew Goodall, as chair of the new models group, has sent out, as it has become available, the work that has been undertaken on each work stream. That is planned into the work programme going forward. The leadership has an important role to

play.

[88] Earlier this month, we drew together a meeting of public service leaders from across Wales who have responsibility for spending a lot of the Government's money, and for securing the delivery of good services and contributing to wider prosperity and wellbeing. At that meeting, we invited leaders to share concerns or good practice that they were passionate about. The chief executive of Rhondda Cynon Taf local authority, Keith Griffiths, shared with us work that it had been undertaking as part of the team around the family programme. That was an area of work that had been disseminated to local service board chairs. On that day, Keith shared in depth and gave an insight into the way in which it was improving services and saving costs, as well as avoiding costs. He stressed the preventive work that was being undertaken with gave real-life examples.

[89] Importantly for the group, which wants to know what is in it for it, there was discussion of a prototype tool that is being developed to capture savings—even though people may be in different sorts of interventions, or in interventions in different situations or with different families—in a way that they could be compared so that progress could be seen, and could be transferred along with good practice. There was so much interest in that that we are going to run something early next year, again to allow practitioners to get into issues in further depth. I hope that we would be able to do the same with some of the other subjects, because we are beginning to build up expertise on tackling what are some of the really wicked issues that cannot be tackled by a local authority or a health board alone, but where they need to collaborate to find practical ways of doing so in a way that can be applied locally.

[90] That method of distilling good practice is the same method that is used on the Wales Audit Office good practice exchange website. There are case studies on that about what is happening in a particular locality, and work has also has been done to distil what are the characteristics of good practice in a way that makes it transferrable.

[91] **Mohammad Asghar:** That was a very wide answer. The main areas that you mentioned are sharing good practice and transferring knowledge. Good practice must extend across all sectors of the NHS system. What role do you expect the public service leadership group to play in this regard?

[92] **Ms Milligan:** The public service leadership group has within it the work on effective services for vulnerable groups—that is where the work is now done on new models for service delivery. So, that particular work stream is charged with addressing the wicked issues, and it will support projects and then distil the good practice to make it available; that is the specific responsibility. We are challenging the wider leadership community to look at systematically testing their practice against it and then apply it, adapting as necessary to their area.

[93] **Aled Roberts:** Are you also looking at best practice, say in England and Scotland? We introduced team around the child in Wrexham due to experiences that we saw in England that were clearly working.

[94] **Ms Milligan:** Yes. Everyone is facing the same challenges. Therefore, it is not surprising that people are looking to the same areas for solutions. We have been looking at work that is going on in Westminster, for example. There is also team around the family work in Swindon, which takes a completely different approach. We asked our knowledge and advisory services over the summer to undertake a review of good practice that had been written up in the academic literature, so that we could take it a step further and understand some of the methodology behind it, and we have also made it available in the programme.

[95] **Aled Roberts:** Moving on, the auditor general's report identifies that collaboration

has been on the agenda for quite a long time, even before the current scenario. He identifies that there are very few examples, especially until recently, where it has been taken up as a live model. I am aware that whole-system approaches have been adopted, such as lean thinking, and I have been to a number of presentations on the Kafka Brigade and so on. What kind of work is being done to stimulate that kind of approach in the public sector?

[96] **Ms Milligan:** We have used both of the methods that you have mentioned, both Kafka and the lean approach. I will say a little about how we have taken them forward.

[97] Kafka is one of the best-established ways of getting citizen engagement in the design of public services. During 2007-08, so some time ago, we engaged the Kafka Brigade to undertake some work in support of the local service boards addressing wicked issues. It undertook pilot projects. In Swansea and Cardiff, the pilot projects were around young people not in education, employment or training and truancy. In Bridgend, the project was to do with transitions for children with disabilities, and in Rhondda Cynon Taf, and later in Merthyr Tydfil, it was to do with domestic abuse. I will concentrate on the last one, which has been successful in the sense that it has engaged local practitioners by bringing them face to face with a representative citizen view, which, in this area, is a quite an emotional engagement when it takes place.

[98] In Rhondda Cynon Taf, after they had undertaken the Kafka Brigade sessions with someone who had been subject to domestic abuse, and changed their practices so that they provided joined-up delivery, there was an attributable drop of 12 per cent in the minor violent incidents reported during the following quarter. That was an immediate impact, but, more importantly, it led them to review how they were working and to take a much more joined-up approach to the way that they delivered the services. They began to generate some evidence on areas where they could improve their practice, around management of housing policy in social services, the use of the safe houses, the management of the multi-agency risk assessment conference process, which looks at repeat offenders, the use of cross-sectoral referrals and how they were managed between agencies, and the provision of advisory and support services. Together, those became a package of a new practice that they have been testing out. The development of that has now led us beyond the intervention of Kafka to start to design a new way of approaching domestic abuse services across Wales.

10.15 a.m.

[99] Within this programme, as a Government, we now have a project called 10000 Safer Lives, because it also draws on the experience from the 1000 Lives work done in health. We are enshrining that practice, which we believe could provide a much safer environment across Wales, and is a much better practice for those who are handling those who are at risk of domestic abuse in particular. So, that is somewhere where we have taken the method, learned lessons locally and seen some benefits locally. We have tried to distil what it is that makes the practice better and then tried to apply it consistently and make it available for use right across Wales through a targeted project. So, that is Kafka, and it has been successful.

[100] Work is also going on in the other strands that I mentioned. It is important to note that our approach would have tended to have been to say, 'That was great and it had an immediate impact; let's do it 22 times across Wales'. However, what we actually said was, 'No, we don't need to do it 22 times across Wales, because if we can distil the learning, then we can take the learning and apply it more systematically'. Do you want me to say something about lean thinking?

[101] **Aled Roberts:** Can I get you on Kafka first—I do not mean 'get' you, but you know what I mean. [*Laughter.*] I say this sincerely, because I went to quite a few of the presentations. I think that a lot of people would be quite surprised that it took the Kafka

Brigade coming in to re-design the service around the citizen. Most people on the outside would think that, for the service to be responsive to its citizens, a lot of that is common sense. I appreciate that it has now been rolled out, but there is perhaps a challenge for us to challenge managers who are not adopting that approach in the first place.

[102] **Ms Milligan:** The pursuit of common sense is a tricky one, is it not? You know it when you see it. What this has catalysed was professionals coming together to hear from the citizen. So, whereas previously there was interface with the citizen for each individual service provider, and those professionals thought that they were doing a really good job in their own professional sphere, what Kafka did was to bring everyone into one room. So, citizens then said, 'You're offering me this, but someone else is offering me this, and I don't know which way to turn, because those are not necessarily co-ordinated as well as they might be'. So, it was that joint learning that took place in those Kafka sessions that was important.

[103] **Andrew R.T. Davies:** Some people have indicated to me that they have supplementary questions, but because I want to reach the questions to the Permanent Secretary, we will come on to those at the end, if we have time. I will make a note beside the questions to which people have indicated they have supplementary questions. I want to try to work through our specific questions before dealing with those supplementary questions. So, June, you were going to talk about lean thinking, were you not?

[104] **Ms Milligan:** Yes. We are fortunate in Wales to have the Lean Enterprise Research Centre at Cardiff University. We have linked up with that in this programme, and, indeed, I know that the Wales Audit Office has also linked up with it, so that we have three-way learning going on there. The centre has supported our work with some research, and it is important to recognise that, given that it is situated in Wales.

[105] There are examples of lean thinking across the public service, demonstrating improvements in process streamlining and savings made in that way, given that that is the focus of the lean methodology. It is an area where we have communities of practice springing up for the sharing of learning. However, in terms of illustrating what has been achieved, it might be useful this morning for me to talk about what we have achieved closer to home, which is what we have been doing in the Welsh Government.

[106] So, within my own department, we used lean methodology to look at the local government settlement process—the annual process by which we take in evidence and then determine the distribution of resource across Wales. As a result, we managed to improve response time efficiencies by 28 per cent; we saved 66 person days; we managed the data collection 17 per cent ahead of schedule; and we had an 8 per cent reduction in running costs, which allowed us to deploy a member of staff elsewhere. That was done by looking at the processes that we used, but also the processes that we engaged with externally, so we involved Welsh Local Government Association staff who help us in that data collection.

[107] Another externally focused one that we worked on within the Welsh Government related to Farming Connect, where the lean approach was taken and customer waiting times were reduced by 80 per cent, which was extraordinary, and people were getting a response within two to three days rather than two to three weeks. That was something that we recognised in the Welsh Government staff awards this year, because they had taken the methodology and really applied it to make significant improvements. They reduced the time taken to register by 33 per cent and they made some environmental savings because of the way in which they were able to do their business. I have lots of examples, but I will stop there. However, we have found—

[108] **Andrew R.T. Davies:** Can you supply us with a note on the Farming Connect figures that you gave? I would be most interested in that, as Chair, as I have personal experience of it.

I declare an interest, because I have used Farming Connect, so I have a pretty good idea of how that figure was arrived at.

[109] **Ms Milligan:** Of course, I will provide a note on that; I will be very happy to do so.

[110] **Aled Roberts:** May I raise an issue from my personal experience? When talking about best practice in local government, for example, Neath Port Talbot was cited as an exemplar as far as disabled facilities grants were concerned, which our authority was not particularly good at, to be honest. So, we went there to learn what was being done. The problem is that, where there are direct service implications as a result of putting in lean systems thinking, although it can lead to huge improvements, as it did in our area, Neath Port Talbot was not able to move to full implementation, and we could not move to full implementation, because we could not afford the initial surge in dealing with the built-up demand. So, we had a situation in which we knew that we could become more efficient and give a better experience to the citizen, but the reality was, because of the potential cost implications in the first 12 months of clearing the backlog, we could not do it.

[111] **Dame Gillian Morgan:** Have you mentioned the invest-to-save fund? It was established a couple of years ago exactly for that purpose. It is based on the assumption that if you want to make a system change, it often costs you more to get the money out. That fund is accessible and is being accessed by local authorities, the health service and other public bodies. Michael has information on that if you want it.

[112] **Aled Roberts:** We had probably used all our credits on that, I guess. [*Laughter.*]

[113] **Mr Hearty:** We are always open to good ideas.

[114] **Andrew R.T. Davies:** Okay, let us move on from that question. I propose to take questions 9 and 11 together, because I am keen that, at 10.30 a.m., we move to questioning the Permanent Secretary. If we have time, we will come back to the remaining questions in this section.

[115] **Gwyn R. Price:** The auditor general's report refers to the workforce challenges across all services, with job reductions, real-terms wage cuts, potential skills gaps and the need to keep staff engaged in finding ways to improve services and find savings. Could you show us the impact of these cuts? I am more concerned about the job reductions, the real-terms wage cuts and the potential skills gaps. How many jobs do you think have been cut or will be cut, and how are the wages affected? Have the unions been fully on board with these processes?

[116] **Ms Milligan:** Okay, there were a number of questions there. As part of transitioning from the efficiency and innovation focus to the public service leadership work, we have moved the responsibility, or the governance structure, at least, for the workforce work into the workforce partnership council, which the Welsh Government hosts and which is chaired by the First Minister. That existed previously, but there was also a workforce work stream under efficiency and innovation, so we have brought them together to streamline that governance.

[117] That work has a number of work streams within it: a health sub-group, an education sub-group and a local government sub-group, which is the one that produced that memorandum of understanding to which I referred earlier. That workforce partnership council involves trade unions from the range of interests that you would expect them to cover. So, they are present at the table and are directly involved in the work of the workforce partnership council. The Wales TUC also has a presence in the public service leadership group, because we recognise that there may well be workforce implications from the work that is undertaken by the public service leadership group, regardless of the implications from the wider

economy, and we want to make sure that they can be channelled into the workforce partnership council so that we do not lose that connectivity. That has enabled us to broaden the scope of its work beyond that.

[118] In terms of the reductions, at the time of the Welsh budget last year, there were a number of forecasts around, because there are a number of independent forecasters involved. The estimate over the spending period was that 30,000 jobs could be affected by the fiscal constraints and economic conditions. Every month, we see new economic news. In fact, what we have seen is around 10,000 jobs in the public sector affected over the past year, from March 2010 to March 2011, so there is a serious challenge for us in managing that. There have been many responses across the public service. Some organisations, like ours, have been able to make sizeable reductions in workforce through offering voluntary packages to staff and then managing the consequences, rather than resorting to compulsory moves. The Adapt programme, which came out of the efficiency and innovation board, provides support for organisations that are having to manage that transition. It provides training for individuals and wage subsidies for those who are willing to take on people who have been displaced through circumstances, but it also has a helpline number for the staff themselves, which has been made available through the public service and other organisations so that staff can access direct support as they go through a period of employment transition. What we are trying to do, in sum, is to maintain a dialogue that includes the employer and the trade union sides—the workforce partnership council, with the First Minister’s leadership, is the forum for that. There is also a programme of activity that recognises the challenge that organisations face and supports them. Work is happening on a human resources community of practice that is similar to the finance community of practice that Michael referred to earlier—there is a lot of work going on there. In addition, specific schemes like Adapt can be drawn on both by the employers and the employees when they face those circumstances.

[119] **Gwyn R. Price:** I will follow up on that. You are talking about huge reductions—30,000 and 10,000—so how do you think that that will affect services? You cannot get rid of all these staff and not affect services.

[120] **Ms Milligan:** That is exactly the link into the public service leadership group and the work on effective services, transforming services, lean, Kafka and so on. The intention is to maintain an effort to improve services even though we are facing reductions. Therefore, we are looking at ways of integrating the effort available, such as the health and social services work, to address challenges differently—for example, like the team around the family work—and the ways in which the back office can take advantage of modern methods like lean thinking to speed up processes and use less effort.

[121] **Mike Hedges:** What work are you doing to provide certainty on the costs and benefits of collaboration between local authorities? Do you share any of my concerns that, like the fire authority, you may lose some democratic control and the involvement of both local councillors and citizens when you start having these collaborative bodies?

[122] **Ms Milligan:** Accountability is really important, and there is work being done on that. We have also picked up the work that has been done by the Chartered Institute of Public Finance and Accountability on governance models—it has four different models, which I am sure you will be familiar with, around joint committees and so on. We are saying that, when regional collaborations in particular are established, we have to ensure that we do not allow a complexity of governance models to emerge. One way in which we are doing that is by making clear a footprint on cross-public service delivery that we would expect on collaboration, and I think that you will have seen that—it was published by the Government in July in response to a request from local government for clarity in exactly the areas that you talked about, namely how we can ensure that we do not end up with collaboration here and there on a lot of different models. So, what we were saying in the footprint was that

governance areas and geographical areas are already established through the health board boundaries and police force boundaries, and when you draw those on a map, it would be good to have any future collaborations based on those same areas. That would enable the work being done across the public service to be part of the same governance arrangements.

10.30 a.m.

[123] That clarity about expectation should enable people to devise governance arrangements that make sense and do not add complexity, because complexity does not aid transparency and does not help the citizen to see where the services are being delivered. That was discussed at the public service leadership group meeting yesterday, with those from north Wales in particular saying that they wanted a focus on some governance work as they introduce what is for them a very ambitious programme of regional collaboration across services and back office functions.

[124] **Andrew R.T. Davies:** We now have a set of questions to the Permanent Secretary. I will ask Aled to lead on them.

[125] **Aled Roberts:** Yr wyf am droi yn ôl at y gostyngiad yn nifer y swyddi. Cafwyd tystiolaeth yn ddiweddar yn ein hymchwiliad i gytundeb Merlin fod y Llywodraeth yn credu bod ganddi 1,000 o swyddi technoleg gwybodaeth yn llai. Yr ydym yn awyddus i ddeall beth yn union yr ydych wedi ei wneud i asesu bylchau sgiliau yn y gwahanol adrannau. Hefyd, a ydych wedi ystyried ffactorau cymdeithasol ac economaidd ehangach y gostyngiad o 10,000 o swyddi yn y sector cyhoeddus yng Nghymru yn y flwyddyn ddiwethaf? Yr ydym yn sôn efallai am ostyngiad o 30,000 yn nifer y swyddi yn y pen draw.

Aled Roberts: I want to return to the reduction in the number of jobs. We received evidence recently during our inquiry into the Merlin contract that the Government believes that it has reduced the number of ICT posts by 1,000. We are keen to understand exactly what you have done to assess skills gaps in the various departments. Also, have you considered the wider social and economic factors of the loss of 10,000 jobs in the public sector in Wales over the past year? We are perhaps talking ultimately about a reduction of 30,000 in the number of jobs.

[126] **Dame Gillian Morgan:** In our organisation, we have concentrated very much on moving people through on a voluntary basis. So, the reduction of roughly 1,000 people is across the whole organisation, and not just in ICT. There were two reasons for this, really. The first is that the Government took the view that, if we were to be in a position of seeing reductions, it was really important that the civil service, at its heart, was an exemplar in percentage reduction. Therefore, the administration costs of the Welsh Government have been the cost line that has seen the greatest reduction over the three-year period. I support that; I think that it is absolutely appropriate. One thing that we want to be as a Government is an exemplar. So, we have moved roughly 1,000 people out on voluntary severance.

[127] What that means is both good and bad. The good bit is that people made a choice to go, and we have been able to do it in a pretty cost-effective way. We now know that the savings that we have made per year by reducing our staff costs are about £28 million, as a contribution to the £42 million that we need to take out. It is £77 million in real terms, but £42 million in cash. So, we have done it that way.

[128] The downside is that you lose people, because they wish to go. We have been quite successful in encouraging some people who were felt to be not as productive to leave. At the end of the day, however, you are left with the people who go. We are now in the position of knowing that we have released enough people from the organisation to balance and deliver the £42 million reduction that we need to make in year 3. That is the good news.

[129] The problem is that we have some skill gaps. We also have an issue in that the way that we have traditionally worked as an organisation—which has been very silo-based and has involved staffing up departments to deal with work as it comes in—will not and cannot exist in the future. We have 1,000 fewer people and we have not stopped doing certain things, so, as well as the reduction in numbers, we have had to build in things like changes to the way in which we look at performance management, efforts to re-skill staff in areas where we know there are shortages, and insisting on people moving to larger teams rather than very small groups of three or four people. We have been delayering, namely reducing the number of individual hierarchical reports, because sometimes there could have been 10 reports between me and front-line staff. This will now reduce to four. All of these things will release time. The lean approach talks about waste, and it is wasted time. So, that is the sort of work that we are doing to increase flexibility.

[130] We are doing two things in addition to that. Bits of work come in, they build up, and then go down; that is the nature of Government work, particularly with a legislative programme. We need to consider how to have more flexibility. Let us not staff the departments to handle the work and then keep the staff even when the workload goes down. Let us have more people who are flexible and can move in and out. We are doing that through the use of our Solutions pool—our internal employment agency—which we have used to redeploy people who do not want to leave the organisation but the job they did has gone. We are using that very actively.

[131] We are also identifying some skills that are absolutely critical to us for the future. In my view, we are short of a number of things. We are short of some good, old-fashioned management. That is very important if you are running an organisation that is as complex as ours, with 20 devolved areas. We have the lowest number of senior managers. A report by the Office for National Statistics showed the different departments, and if you take out the big departments that are running the same thing repeatedly, such as the Department for Work and Pensions and the Jobcentre, and compare us with Whitehall departments, the figures show that our management level is 1.2 per cent; Scotland is 2.4 per cent, and the Department for Culture, Media and Sport in Whitehall is 14 per cent. We are under-managed. We have a big programme on how we develop the management skills of the people we have, so that we can be better and more effective at taking forward the learning.

[132] The second thing that we are short of is programme management. If we are going to work more flexibly, it is important to have people who can handle complex teams, often working with inputs from more than one department. So, we are investing, and will continue to invest early in the new year, in taking 30 people to add to our cohort of 80 people who have programme management skills. We will boost that, because it is a ubiquitous set of skills.

[133] We are short on high-level policy making. That is crucial to us as we deal with more legislation. Once again, we have people with the capacity and capability; it is about our training systems and processes. We will be investing in such skills.

[134] There is another set of skills that we know we are short of, but it makes no sense for us to begin to have them in-house, because they change. Merlin is our opportunity in this regard. We would be stupid to try to maintain the IT skills of the people working in Merlin, because our people would become de-skilled because they would not have the workload and the volume to keep the skills at the right level. So, we are thinking about those things.

[135] Finally, our senior management numbers are even more denuded than the figures show. Of our people in the senior civil service, about a third are professionals, such as doctors and nurses. If they were in Whitehall, they might work in a department where 200 doctors come together in the Department of Health. We have a very small number. It is a real issue

for us. We need high-level expertise, but we pull people in from the service and we de-skill them over a period of time. They lose the connections. So, we are thinking differently about the way in which we engage with the public service. To get the nursing and medical skills that we need, we pull people in on secondment. We are interlinked with the public service, so we do not have to develop professional, large departments to allow us to keep continuous professional development. We will do it in harmony with the rest of the public service. So, a number of strands are being looked at simultaneously to pick up that.

[136] **Aled Roberts:** Yr ydym wedi etifeddu'r gyfundrefn draddodiadol Brydeinig. Yr ydych wedi sôn bod angen hyblygrwydd o fewn y gwasanaeth sifil. A oes unrhyw ystyriaeth wedi ei rhoi i fodel Cymreig, lle mae mwy o hyblygrwydd o fewn y sector cyhoeddus? Er enghraifft, gallai fod un adran o fewn llywodraeth leol, un adran yn y gwasanaeth sifil ac un adran yn y gwasanaeth iechyd lle mae pobl â'r sgiliau hyn yn gallu symud o un adran i'r llall.

Aled Roberts: We have inherited the traditional British system. You have said that there needs to be more flexibility in the civil service. Has any consideration been given to a Welsh model, where there is more flexibility within the public sector? For example, there could be one department within local government, one department within the civil service and one department within the health service where people with these skills can move from one department to the other.

[137] **Dame Gillian Morgan:** Absolutely. However, the conversation that is happening says that we need two things. The first is that we need a dynamic Welsh public service where people can move back and forth. Many of the skills and expertise that we need sit in that box. June talked about the HR group, which is beginning to talk about what we have to do to enable that. It is often about simple things such as terms and conditions of employment, pensions and a whole set of things like that.

[138] However, we are a Government and we need top-rate civil service skills, which are not the same as the skills available in the public service. So, we are trying to have a both/and debate, and rather than say that we need a Welsh public service or a Welsh civil service, we are trying to say that we need both. In the civil service box, we are trying to look at things like the professionals. It is a big issue for us because we are small. It is not an issue in London, where a department can have large teams of professionals and can therefore have large numbers of people paid and rewarded at senior civil service levels, but we cannot do that. So, we are trying to negotiate with Whitehall what parts are different about us. For example, we are currently in discussion about long-term secondments. The civil service commissioners believe that secondments should only be for two years. We believe that if we are to make them effective in Wales, we want them for five years. So, we are having those types of discussions about that.

[139] Ultimately, we want high-quality policy people, but we also want high-quality policy people from London to want to come to work in Wales, partly to bring in new ideas—which may or may not be very good in our setting—but also because it enriches, renews and gives people different things to think about. My opinion is that it would be detrimental if we were to break away entirely from Whitehall, but we must have more flexibility around some of the areas to help us to achieve what we need to achieve in our particular environment. Those are active and ongoing debates.

[140] **Mike Hedges:** The Welsh Government relies on many other organisations to effectively deliver what it hopes to deliver. How is it working to improve relationships with its partners, especially local government, which itself has a democratic mandate?

[141] **Dame Gillian Morgan:** June talked very eloquently about the partnership approach that we are trying to take. We are trying to do some things to help the debate, because I am

very aware that if people had characterised Government people in the past, they would have said that we were not organised around thinking about the citizen. We are very pleased that our latest staff survey shows that more of our staff believe that their job is to organise around the citizen. We hold regular discussions and surveys with people in the outside world about how they perceive us, and we have seen a steady improvement in the way in which we want to work in partnership and negotiate, and the way in which we want to pull people in early in the policy-making process so that we do things jointly, rather than wait until the end of the process when we lob out a document that sets all the antibodies running, and we then change the document. We are trying to do it in a more dynamic way. That is at the heart of what the partnership council and the leadership council are about: changing the dynamic of the relationship, while recognising that Government can legitimately expect and demand a lot of things, but that local government also has democratic responsibilities that are different and may not be the highest priority for Government. We must have much more discussion and negotiation around that, and that is what we are trying to put in place.

[142] **Leanne Wood:** The auditor general states that efficiency savings alone are unlikely to bridge the funding gap, and that some priority-based reductions in services or projects might need to be put in place. Are there any services or projects that the Welsh Government has had to stop or scale back, or are there any in the pipeline that you plan to stop or scale back? If so, what will happen in terms of mitigating the effects of the consequences of such reductions?

10.45 a.m.

[143] **Dame Gillian Morgan:** If you are talking about the Welsh Government and the internal civil service, there is a different answer to what we are trying to do and how we work with the outside world. To take the civil service bit, we have not had to stop doing anything. The reason is because we have put in all the other changes, so we have been looking at all the things that we have done where we have been less effective than we might have been. Some of it is around the silo working; some is about more flexibility in how we use teams; some of it is about being lean; and some is about retraining people. So, we are pretty confident at the moment that we are in a position where, as of today, nothing has stopped. The issue for us is that we have to start doing additional things. We need to produce more legislation and make more of an effort. So, what we are currently looking at, although we have not stopped areas, is those areas that are significantly overstretched. We deliberately allowed more people than we needed to go, so that we would be in a position, when we identify where those areas are, and when they have demonstrated through lean and systems thinking that they have taken out all the efficiencies, to start to invest back in some additional staff in some areas. So, for example, one area about which we are absolutely clear that we need more staff is legislation. It is not that we have stopped doing anything, but we have become slower because we have fewer people. We need more lawyers to ensure that the Assembly is properly supported and that the Bills are of the quality that we want. We will be investing in those sorts of people. It is another example of what we are doing around skills shortage.

[144] For us as an organisation, because of all the other changes, we are in a pretty reasonable position at the moment. We will have some areas that start to grow and then we will have the capacity to put small numbers of people back, supported by more flexible working.

[145] **Leanne Wood:** What about Government-delivered projects and services?

[146] **Dame Gillian Morgan:** For everything that is within our own control—those things that we deliver directly—we have not stopped doing anything. Obviously, we have changed how we do some things. For example, the economic renewal programme was a major restatement of how we would work with the outside world. So, we have changed things, but

that has been from priority and discussion and a belief that we should move more to loans than grants. So, that sort of thing has happened, but that has not been because of the reduction in the numbers of staff; it is because of political choices that have been made.

[147] **Leanne Wood:** So, what about the future, when the auditor general says that efficiency savings will not bridge that gap?

[148] **Dame Gillian Morgan:** The particular bit that the auditor general was talking about, it seemed to me, was not so much about how you run the process of government; it was very much about what you do if you need to make reductions in a particular service area, and the balance between investment by Government—we set the policy—and how much we should be involved in what local authorities, the health service and other institutions actually do and what they stop doing. That is a really difficult question. If Government takes a decision to stop a programme, then that is quite clearly our decision; we take it and that is a set of political decisions and a set of political trade-offs.

[149] Where we decide to continue with a programme, it is not our business to tell individual organisations how to deliver efficiencies and how to look at doing things. We are doing things: the Simpson review and the Simpson activities are partly in response to the fact that if you look at some of the services we provide only occasionally, they are not big numbers of staff in any organisation. All the evidence suggests that if you pool your autonomy and do it jointly, you will get efficiencies out of that without stopping service. That is a perfectly appropriate decision for us to be involved in, in saying that we want you to take out efficiencies at that sort of level. However, we cannot get into second-guessing the management of individual organisations at a very detailed level. We can do it if we decide to stop a programme, but we cannot do it if we are talking about how you deliver more effectively in Blaenau Gwent or Anglesey. We do not know enough, nor should we, because we would then be blurring the responsibility lines, which is exactly what the challenge was, between central Government and local government, and that is not our role.

[150] **Gwyn R. Price:** Are you sure that we need more lawyers?

[151] **Dame Gillian Morgan:** At this moment, I am. I have some clever wheezes for how we get our lawyers to do more for less, but you always start off with asking whether you can do everything with what you have; whether you can reorganise what you have; or whether you need more. Having gone through the step, we need to change the balance of what our lawyers do, but I am absolutely convinced that to deliver the legislative programme, we need more.

[152] **Julie Morgan:** With the legislative programme coming in, how many more staff do you anticipate needing for that, aside from lawyers?

[153] **Dame Gillian Morgan:** We are currently collecting the information about what each department believes it has and what it needs. In fact, some of this is more about the programme management capacity when you have a piece of legislation. The audits we have done over the past few years have shown that successful on-time legislation that meets your requirements involves really good policy people and sufficient legal time to ensure that things are drafted, but that the critical factor is proper programme management at sufficiently senior level to keep all the complicated strands together. That is one of the reasons why we are going to invest in training more of our own staff to have those skills. When we have done that, I will be able to come back and say, 'We've done that, we've put an extra 30 people in, we're still short of some of those skills, this is now what we need to do'; it is part of the continuing journey. We are trying to do this without throwing staff at it in the old traditional way, by squeezing all the efficiencies, new ways of working and transformation. All of those are equally important internally. It is a sort of iterative process.

[154] **Andrew R.T. Davies:** Leanne, I think that you have a specific question on jobs.

[155] **Leanne Wood:** Yes, I want to go back to the point Gwyn asked you about earlier. You said that 10,000 jobs have been lost in the past year. Do you know whether any of those have been compulsory redundancies, or have they all been non-compulsory?

[156] **Ms Milligan:** I do not have that information. I do not think it is available to us, because we are reliant on the overall labour force data. From the work of the workforce partnership council, which, as I said, involves the Wales Trades Union Council as well, we are not hearing of a lot of compulsory redundancies. We are hearing mostly about organisations seeking to manage the workforce in the way that we have. Some are moving faster than others, but, at the moment, that is the situation.

[157] **Leanne Wood:** Have you heard anything about equality issues? What I am picking up from lower paid public sector workers is that there have been cuts to their terms and conditions. However, the same cuts to terms and conditions are not affecting the upper layers of management. Are you doing anything to ensure that, when reductions are introduced, it is done equally across the board? Or, if that is not an issue in reality, can you tell us what you are doing to address the perception that it is a problem?

[158] **Ms Milligan:** I had not heard that, although it is worrying. The memorandum of understanding that was agreed as part of the workforce partnership council's work between the Welsh Government, employers and trade union side was all about ensuring that the correct steps were taken. That was guidance on exactly how we would go about taking the right steps—

[159] **Leanne Wood:** That is process—

[160] **Ms Milligan:** It is process, but it should have helped to guard against a failure of process, if you see what I mean, by setting out in the form of a memorandum of understanding to which people were signed up and committed.

[161] **Andrew R.T. Davies:** I am anxious to allow Jenny to ask her supplementary question before we draw the session to close.

[162] **Dame Gillian Morgan:** I just want to put something on record about compulsory redundancies. We have done this through voluntary severance. We have had three compulsory severance payments, which were all overseas because we shut offices. They were all locally employed people. So 1,000 people have gone, but three of those were compulsory.

[163] **Jenny Rathbone:** To go back to the Kafka Brigade and the care of the frail elderly, who obviously have difficulty advocating their needs, the older persons commissioner's report cites one person as saying, 'I don't know why I'm here, what's going to happen to me or when I'm going home'. Has much work been done on that? It seems to me that we really need to think radically about doing things differently.

[164] **Ms Milligan:** It is not an area that was one of the Kafka Brigade pilot projects. However, it is an area where the leaders who came together in greater Gwent made a priority, and they applied for, and were successful in getting, one of the earliest rounds of the invest-to-save funding for something that we have called the Gwent frailty project. That project is about supporting different ways of working among staff from different organisations, so health visitors and social services go into old people's own homes and work together to maintain the individual's independence, whenever possible, by using their resources more flexibly, and therefore avoid transfer to hospital or residential care. That is quite well

advanced now, and has involved a whole series of things. However, there are arrangements with the trade unions, too, about professional areas of working. It has involved work with the regulators about what they would expect with regard to different standards of care. So, it is becoming quite well developed. I hope that it will be one of the areas that we could distil as good practice, and push through the process that I described earlier.

[165] **Andrew R.T. Davies:** Thank you all for your attendance today. There are three questions that we did not get to. We will write to you with those questions. There are two for June and one for you, Dame Gillian. A written response would be most helpful to the committee's inquiry. There is no further business. The next meeting is on 6 December, when we will be taking evidence from the Welsh Local Government Association.

Daeth y cyfarfod i ben am 10.56 a.m.
The meeting ended at 10.56 a.m.