

Agenda – Public Accounts Committee

Meeting Venue:	For further information contact:
Committee Room 3 – Senedd	Fay Bowen
Meeting date: Monday, 13 February 2017	Committee Clerk
	0300 200 6565
Meeting time: 13.00	SeneddPAC@assembly.wales

1 Introductions, apologies, substitutions and declarations of interest

(13.15)

2 Paper(s) to note

(13.15 – 13.20)

(Pages 1 – 4)

Governance Review of the National Library for Wales: Welsh Government response to the Auditor General for Wales' Report (2 February 2017)

(Pages 5 – 7)

Scrutiny of Accounts 2015–16: Letter from the Welsh Government (2 February 2017)

(Page 8)

3 Inquiry into Regulatory oversight of Housing Associations: Evidence Session 5

(13.20 – 14.05)

(Pages 9 – 29)

Research Briefing

Amanda Davies – Chief Executive, Pobl

Wendy Bourton – Chair, Pobl

4 Inquiry into Regulatory oversight of Housing Associations: Evidence Session 6

(14.05 – 14.50)



Cynulliad
Cenedlaethol
Cymru

National
Assembly for
Wales

Walis George – Chief Executive, Grŵp Cynefin
John Arthur Jones – Chair, Grŵp Cynefin

(Break 14.50 – 15.00)

**5 Inquiry into Regulatory oversight of Housing Associations:
Evidence Session 7
(15.00 – 15.45)**

Anne Hinchey – Chief Executive, Wales and West Housing Association
Sharon Lee – Chair, Wales and West Housing Association

**6 Inquiry into Regulatory oversight of Housing Associations:
Evidence Session 8
(15.45 – 16.30) (Pages 30 – 32)**

Research Briefing
PAC(5)–06–17 Paper 1 – Consultation response from Newport City Homes

Ceri Doyle – CEO, Newport City Homes
Jane Mudd – Chair, Newport City Homes

**7 Motion under Standing Order 17.42 to resolve to exclude the
public from the meeting for the following business:
(16.30)**

Item 8

**8 Inquiry into Regulatory oversight of Housing Associations:
Consideration of evidence received**

(16.30 – 17.00)

Concise Minutes – Public Accounts Committee

Meeting Venue:

Committee Room 3 – Senedd

Meeting date: Monday, 6 February 2017

Meeting time: 14.00 – 16.22

This meeting can be viewed

on [Senedd TV](#) at:

<http://senedd.tv/en/3910>

Attendance

Category	Names
Assembly Members:	Nick Ramsay AM (Chair) Mohammad Asghar (Oscar) AM Neil Hamilton AM Mike Hedges AM Neil McEvoy AM Rhianon Passmore AM Lee Waters AM
Witnesses:	Debra Carter, Welsh Government Graham Hinchey, City of Cardiff Council Reg Kilpatrick, Welsh Government Jon Rae, Welsh Local Government Association (WLGA)
Wales Audit Office:	Huw Vaughan Thomas – Auditor General for Wales Nick Selwyn – Wales Audit Office Dave Thomas – Wales Audit Office
Committee Staff:	Meriel Singleton (Second Clerk) Claire Griffiths (Deputy Clerk)



Transcript

[View the meeting transcript \(PDF 999KB\)](#) [View as HTML \(999KB\)](#)

1 Introductions, apologies, substitutions and declarations of interest

- 1.1 The Chair welcomed Members of the Committee and extended his welcome to Jennette Arnold, Deputy Chair of the London Assembly and Katie Smith, Head of Scrutiny at the London Assembly.
- 1.2 There were no apologies.
- 1.3 Neil McEvoy declared an interest as a Councillor on the City of Cardiff Council and knowing Graham Hinchey from the City of Cardiff Council.

2 Paper(s) to note

- 2.1 The papers were noted.
- 2.2 The Committee agreed to raise concerns about the Welsh Government's counter-fraud measures with the Permanent Secretary later in the term.

2.1 Valedictory session: Letter from Sir Derek Jones, Permanent Secretary, Welsh Government (24 January 2017)

2.2 Financial Reporting Advisory Board Report 2015–16

3 The strategic approach of councils to income generation and charging: Evidence session 1

3.1 The Committee scrutinised Jon Rae, Director of Resources, Welsh Local Government Association and Graham Hinchey, Cabinet Member for Corporate Services &

Performance, City of Cardiff Council on the strategic approach of councils to income generation and charging.

3.2 Jon Rae agreed to check and send further information on any schemes across Wales that are generating income for local authorities.

3.3 Graham Hinchey agreed to send financial details of schemes introduced by the City of Cardiff Council since 2012 that are generating income for the local authority together with examples of innovative schemes that the local authority has introduced which are benefitting other local authorities through the sharing of good practice.

4 The strategic approach of councils to income generation and charging: Evidence session 2

4.1 The Committee scrutinised Reg Kilpatrick, Director, Local Government and Debra Carter, Deputy Director, Local Government Finance Policy, Welsh Government on the strategic approach of councils to income generation and charging.

4.2 Reg Kilpatrick agreed to send details of examples of good practice in England where a number of local authorities have taken a novel approach to creating trading companies to generate income.

5 Motion under Standing Order 17.42 to resolve to exclude the public from the meeting for the following business:

5.1 The motion was agreed.

6 The strategic approach of councils to income generation and charging: Consideration of evidence received

6.1 Members considered the evidence received and agreed to write to the Equality, Local Government and Communities Committee with comments as part of their consideration of the Local Government White Paper.

7 Hospital Catering and Patient Nutrition: Consideration of draft report

7.1 Members considered the draft report and made a number of suggestions which will be incorporated into a further draft version. This will be scheduled for further consideration in Committee.

Grwp yr Economi, Sgiliau a Chyfoeth Naturiol
Economy, Skills and Natural Resources Group

Dirprwy Ysgrifennydd Parhaol • Deputy Permanent Secretary



Llywodraeth Cymru
Welsh Government

Mr Huw Vaughan Thomas
Auditor General for Wales
Wales Audit Office
24 Cathedral Road
Cardiff
CF11 9LJ

2 February 2017

Dear Huw

National Library of Wales: A Review of Governance report

We welcome the publication of this report on 5 December 2016. The Report recognises recent progress made by the National Library of Wales, and provides practical recommendations for further improvements to increase the organisation's resilience and sustainability.

Most of the recommendations contained in the Report are for the National Library to consider. The Welsh Government will monitor the Library's progress on the implementation of agreed actions through the existing mechanisms in place between the National Library and its sponsor division.

Our response to the two specific recommendations for the Welsh Government is attached.

Please do not hesitate to contact me if you require any further information.

Yours sincerely,

James Price

Copied to: Chair of the Public Accounts Committee (via SeneddPAC@Assembly.Wales)
Cabinet and Plenary Mailbox (Government.Committee.Business@wales.gsi.gov.uk)
Welsh Government's Corporate Governance Unit mailbox (cgu@wales.gsi.gov.uk)



BUDDSODDWYR | INVESTORS
MEWN POBL | IN PEOPLE

Canolfan QED • QED Centre
Y Brif Rodfa • Main Avenue
Trefforest • Treforest
Cardiff, CF37 5YR

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Ffôn • Tel 02920 826646
james.price@wales.gsi.gov.uk
Gwefan • website: www.wales.gov.uk

Response to the Auditor General Wales' report: *National Library of Wales: A Review of Governance* (December 2016)

We welcome the findings of the Report. Most recommendations contained in the Report are for the National Library of Wales. The Welsh Government will monitor the Library's progress on the implementation of agreed actions through the existing mechanisms in place between the National Library and its sponsor division.

The following recommendations contained within the Report are specific to the Welsh Government, and our response to these recommendations is provided below.

Recommendation 1:

We recommend that the Welsh Government clarifies its position in response to the Public Accounts Committee's recommendations that:

- **There should be greater clarity around the Library's insurance arrangements; and**
- **Those insurance arrangements should be reviewed**

Response: Accepted

General guidance concerning insurance for sponsored bodies, including the National Library, is provided in *Managing Welsh Public Money*. This document was reissued during 2016, following a major update. General issues concerning insurance arrangements are also applicable to other arms length organisations and need to be considered in a wider context.

The National Library's current funding agreement with the Welsh Government (the Framework Document) specifies that advance approval must be obtained from the Welsh Government prior to the use of public funds to purchase any commercial insurance which covers particular operational issues above and beyond that which is required by statute.

Whilst we have agreed to the Library taking out commercial insurance on a limited basis for some very specific risks, there is no intention it should take out commercial insurance for its buildings, and indeed we have had no request to this effect. To do so would have implications across the estate of the Welsh Government and its funded bodies, and would be a major departure from the fundamental principle that the Government insures itself.

The Library did seek guidance from us some time ago regarding the pursuit of litigation against other parties in respect of the fire. We have been working jointly with the Library and their legal advisers on this matter.

Recommendation 8:

In order to support the Library in fulfilling its statutory duty to plan for a sustainable future, the Welsh Government should consider:

- **Notifying the Library of its annual funding allocation at the earliest opportunity in the preceding financial year; and**
- **Resume the practice of providing indicative budgets to the Library once the UK Government confirms indicative levels of future funding to the Welsh Government**

Response: Partially Accepted

We always inform the National Library of their budget on the day on which the Welsh Government's Draft Budget is published. This is subject to confirmation in the Final Budget.

Budgets since 2015-16 have been developed against the backdrop of unprecedented uncertainty. Our intention throughout summer 2016 was to publish a budget for a three year horizon, which would have provided our partner organisations with greater certainty in planning for a longer budget period. However, the lack of clarity about the revenue resources available beyond 2017-18 meant this ambition was not possible. As a result, we were able to only lay a one-year revenue budget, with capital budgets for four years.

As we consider future Welsh Government budgets, we will continue to work with partners to provide the available indicative information to inform their forward financial planning. Our aim is always to provide a longer run of budgets whenever possible.

Agenda Item 2.2

Sir Derek Jones KCB
Ysgrifennydd Parhaol
Permanent Secretary



Llywodraeth Cymru
Welsh Government

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

Dear Nick,

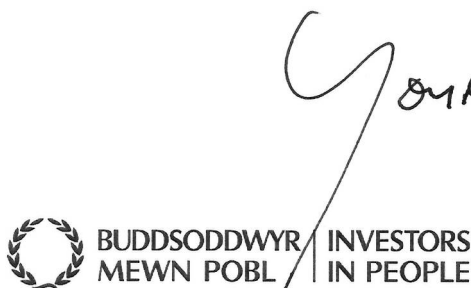
2nd February 2017

I wrote to you on 21 November 2016 undertaking to update the Committee on the outcome of the management action taken in respect of the £1.25m fruitless payment recorded in the 2015-16 Annual Accounts.

You will recall that, in accordance with employment law advice, the members of staff on the evaluation panel and members of staff in the management chain (who had responsibility for ensuring that this procurement exercise was run in accordance with the standards expected) were formally interviewed by the Deputy Director, HR and the Director of Governance to establish whether further action should be instigated, on an individual basis, in accordance with the Welsh Government's HR policies and procedures.

This process has now concluded and identified a number of collective and individual failings. These centre around poor information management and a lack of oversight which, ultimately, weakened the position of the Welsh Government not only in terms of public perception of the robustness and transparency of the procurement process, but at the point where the Welsh Government was required to defend itself in subsequent litigation proceedings. The Committee will wish to note that there is no evidence that anyone received personal gain from the procurement exercise.

Whilst you will understand that I am unable to comment on matters involving individual members of staff, I can inform the Committee that formal management action is now being progressed in relation to the staff members involved in accordance with employment law advice.



Parc Cathays • Cathays Park
Caerdydd • Cardiff
CF10 3NQ

Ffôn • Tel 02920 823289
PS.PermanentSecretary@wales.gsi.gov.uk
Gwefan • Website: www.wales.gov.uk

Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

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We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding

Document is Restricted

Newport City Homes' (NCH) contribution to: Inquiry into Regulatory Oversight of Housing Associations

1. The effectiveness of the current Regulatory Framework for Housing Associations Registered in Wales

- 1.1. NCH supports the new Regulatory Framework launched on 1 December 2016, which the sector has influenced and has been a positive experience and was co-ordinated via Community Housing Cymru (CHC).
- 1.2. Whilst recognising the importance of regulation, NCH questions who regulation intends to serve. NCH welcomes the impact of the new regulatory approach, as currently there is a lack of clarity on whether regulation is serving Welsh Government, residents or lenders.
- 1.3. The NCH Board takes a degree of assurance from the Regulatory Opinion. However, the Board's main assurance is generated from the NCH Assurance Framework which includes risk, VfM and internal audit. NCH lenders were disappointed that they were not able to have access to the NCH's very positive regulatory opinion in draft form and questioned why co-regulation didn't extend to their £112m investment in NCH. Feedback from residents suggests that the presentation of the Regulatory Opinion does not necessarily meet their needs.
- 1.4. The housing sector is evolving and, in the same way that it has to ensure boards are suitably skilled to deliver their strategic vision, there is a responsibility on the Welsh Government to demonstrate that the new Regulatory Framework is effectively and appropriately resourced.
- 1.5. Many of the Audit, Inspection and Regulatory bodies were reviewed by the WG AIR Review published in February 2015. NCH is unsure as to whether the housing sector was included in this review. Is there an opportunity that learning embedded from this review could support the Regulation team to provide assurance of its approach to Housing regulation?

- 1.6. Given the scale of housing associations being regulated are we adequately sharing best practice from the outcomes of co-regulation and guarding against the potential variation in the way co-regulation is conducted.

2. The effectiveness and quality of governance arrangements

- 2.1. The importance of governance in the sector is evolving eg governance specific roles and the regulatory focus on skills and experience of Board and Executive is welcomed. However, the recent high profile cases requiring regulatory intervention, could suggest the quality of governance requires improvement in some parts of the sector and learning from regulatory intervention in relation to those cases would be welcomed.
- 2.2. The introduction of the CHC Code of Governance, its adoption by the NCH Board, and expected compliance by WG is raising awareness of what good governance means within NCH. However, a sector wide definition of good corporate governance could strengthen the sector's approach.
- 2.3. The housing sector appears to adopt a varying approach to who holds the role of Company Secretary. Reiteration for the need for boards to secure impartial advice with appropriate segregation of duties in line with good governance would be welcomed.

3. Whether the current regulatory regime is effective in managing and mitigating sector wide risks

- 3.1. Whilst recognising Welsh Government has issued a sector risk paper. Risk is managed at NCH by its Board who incorporate sector risks at a strategic, corporate or operational level as appropriate.

4. The effectiveness of the co-regulatory approach in practice

- 4.1. The clarity provided by the new Performance Standards is welcomed and NCH looks forward to seeing the systematic application across the sector.
- 4.2. It is imperative that those employed by the Regulator continue to understand the strategic context within which boards are operating.

5. The remuneration of senior executives of housing associations.

- 5.1. Housing associations provide an essential role in communities alongside other public sector bodies. Within the context of the current austerity measures, housing associations are increasingly providing a vital leadership role in communities. In addition, Housing Associations are complex social businesses with significant annual turnover and innovative loan arrangements that require appropriate strategic and corporate skills from their senior executives.
- 5.2. In NCH the accountability for senior executives' financial packages rests with the Board. The Board in turn, have delegated the review of senior executive packages to its Remuneration Committee which acts on independent advice, and benchmarking both within and outside of the sector.
- 5.3. Executive structures vary across the sector. The NCH Board, acting on advice, has recently reviewed its executive structure from 5, one Chief Executive and four Directors to one Chief Executive and two Executive Directors.
- 5.4. As a Board with accountability for a multi-million pound social business, providing essential services to the people of Newport, NCH is ultimately accountable to its residents. It is therefore essential that the NCH Board is able to justify the decisions it makes to both assess and set salaries to attract and maintain the senior leaders required to deliver NCH's strategic objectives, which is carried out annually.