

Dame Gill Morgan DBE
Ysgrifennydd Parhaol • Permanent Secretary



Llywodraeth Cynulliad Cymru
Welsh Assembly Government

Angela Burns AM
Chair – Finance Committee
National Assembly for Wales
Cardiff Bay
Cardiff
CF99 1NA

13th August 2010

Dear Angela,

Welsh Assembly Government Staff Numbers and Costs

Thank you for your letter of 23 July. The Committee have requested further information following my evidence at the Finance Committee; where appropriate this information is contained in Annexes. Taking your questions in turn.

- a. **You said in the meeting that you had given evidence to the UK Government about the things it needed to think about before bringing organisations into central Government. You referred to the benefits and disbenefits in terms of operational delivery. The Committee would very much like to see that evidence.**

My letter to Fiona Adams-Jones, Director of the Wales Office is attached at Annex A.

- b. **We discussed the amount of time that individuals spend in the central postings pool and you said that the average for an individual was 3 months. You also said you thought the longest was just over a year but would check. You agreed to provide the Committee with a detailed breakdown of the times that people stay in the pool before being posted to new substantive roles.**

This information is not ready for me to provide in full at this time. The current recording system produces limited Management Information. The underpinning data, which is based on individual records can provide the information and is being prepared for transfer to an enhanced system as part of our project to improve pool arrangements. Our analysis based on the work carried out so far on 90 per cent of the records is shown in Annex B. I will write to you again when the full information is available.



BUDDSODDWR MEWN POBL
INVESTOR IN PEOPLE

Parc Cathays • Cathays Park
Caerdydd • Cardiff
CF10 3NQ

Ffôn • Tel 02920 823289
Ffacs • Fax 02920 825649
gill.morgan@wales.gsi.gov.uk

- c. **The Committee discussed the £2.3m that was spent on the bonus scheme over the last three years and you agreed to let the Committee know how many managers in the Department for Economy and Transport received variable pay.**

As mentioned in my previous letter, bonuses are more appropriately described as variable pay awards as it is a requirement to offer a scheme covering a set proportion of the Senior Civil Service (SCS).

The information for Department for Economy and Transport is below:

2007-2008	16 ¹
2008-2009	14 ¹
2009-2010	5 ²

The target of 65% to receive pay awards is set by Cabinet Office and applied by the WAG SCS Remuneration Committee. For 2009-10, despite the Senior Salaries Review Board (SSRB) recommendation and the commitment made by the previous Prime Minister to reward 65% of the SCS, we decided that, as a scheme must be offered, only the highest performing (25%) staff would receive variable pay awards.

- d. **You also agreed to provide the Committee with the percentage of male and female employers who receive variable pay, and the information you have obtained from monitoring gender balance, disability and ethnic origins of the recipients of variable pay.**

The percentage of male and female employees who have received variable payments over the last three years is as follows:

Year	% of male SCS	% of female SCS
2007/08	74.7	82.7
2008/09	85.7	78.8
2009/10	19	26.6

¹ Approximately 65% of staff received variable pay awards

² Only 25% of the SCS within the Welsh Assembly Government have received a variable pay award for 2009-2010

The percentage of disabled employees who have received variable pay over the last three years is as follows:

Year	% of disabled staff ³
2007/08	60
2008/09	71.4
2009/10	14.3

We rely on individuals to complete an equality questionnaire, which is based on self declaration in terms of disability and BME status. Whilst we currently have 92% of SCS members who have completed their questionnaires only one person has declared themselves as BME. As such, it would not be appropriate to provide information on variable pay related to BME employees as this would, in effect, disclose an individual's pay details.

You will need to be aware that the information provided in the above tables for 2009-2010 is not comparable with the previous years. This is because the criteria for awarding variable pay has changed and, for 2009-2010, only up to 25% of the SCS cadre were paid an award.

- e. **You agreed to provide a short briefing paper on the make up of the £15.9m, it would have cost to have made the people in the central postings pool redundant.**

A briefing paper is attached at Annex B.

- f. **The Median level of earnings in the Welsh Assembly Government is over £28,000 which is significantly higher than the Welsh median of £22,800. What is the justification for this difference?**

The Welsh Assembly Government has a highly skilled, qualified and well motivated workforce, acknowledged by our first place in a recent benchmarking exercise across Government of all skills strategies. The pay statistic mainly reflects the fact that average pay rates in Wales are lower than the rest of the UK. There is, however, a standard and comparable pay scale for all Civil Servants across Government Departments irrespective of where they work. Of course, in Wales we do not pay weighting allowances as is the practice in many other Government Departments. In addition, the workforce in Wales has fewer graduates than elsewhere in the UK whilst the percentage of graduates in the Civil Service in Wales is directly comparable to Whitehall Departments and other Devolved Administrations. A comparison of Civil Service pay levels, which was previously shared with the Committee, shows our wage levels to be at the lower end for comparable policymaking Government Departments.

³ The numbers of disabled staff are very small and the percentage figures are affected by the Permanent Secretary waiving her variable pay award for 2008-9 and 2009-10

- g. In the note you brought to the committee on 29 April you said that you maintained 10 per cent of staffing on a non-permanent basis in order to meet the requirement for flexibility. If the levels of non-permanent staffing were reduced as a result of funding cuts, would this lead to an increase in average wages and by how much (or would it result in staff being downgraded?)**

This would depend on which group of non-permanent staff left the organisation. If casual team support staff left then average wage costs would increase. If more senior staff left then the costs would probably decrease. Fixed term appointees, working on European and other time limited projects are more likely to be based at the centre of the pay scale and their departure would probably have minimal impact on average wage costs.

- h. Recently, in a response to a question from the Members' Research Service (15 March 2010) the First Minister's Private Office said that in 2008-2009, £11.2m was spent on external consultants of which £9.8m was for management consultancy. In your recent letter (4 June) to the Finance Committee you said you had set a target to reduce the use of consultancy by 50 per cent. Where do you things stand in relation to 2009-10?**

The final Welsh Assembly Government accounts for 2009-2010 will be signed off by the Wales Audit Office later this month. I will then be in a better position to respond to this point and I will write further.

The target of a 50% reduction is for 2010-11 and it is too early to report on this as expenditure is sporadic rather than smoothly distributed.

- i. And if you do reduce the use made of consultancy, what work will be stopped?**

A climate of reducing budgets makes it necessary to critically review both business priorities and ways of working, in order to deliver the required savings. Whilst there will always be a need for highly specialised technical advice to be sourced from outside the organisation, we have identified that there is also room for delivering savings. We have introduced tighter control mechanisms in relation to management consultancy spend, which now requires the personal sign-off of Director Generals. They will ensure that, as well as the usual value for money analysis, the skills are not available within the organisation and that any spend is consistent with their revised priorities. The aim will be to remove external consultancy and move to more internal consulting with expertise being developed and shared across the Welsh Assembly Government.

j. How do you manage and monitor senior management in terms of their effectiveness and their personal development?

We have a Senior Civil Service performance management process in place. All members of the SCS have mid-year and end-year performance appraisals with their line managers. This is standard practice in business and the NHS as well as the Civil Service.

We also have a Moderating and Succession Planning Committee which meets twice a year to discuss the performance of all SCS members. The Committee's members are the Permanent Secretary and Director Generals. The Committee's recommendations on performance and variable pay awards for SCS members are submitted to the SCS Remuneration Committee for final agreement. In addition, we identify the relative strengths of individuals and gaps in their CVs by use of a 9 box grid, a copy is attached at Annex C. This is reported to the Cabinet Office and allows us to plan and manage career moves actively.

k. How many of the newly created Director General posts have been filled internally by the previous Directors of the respective Departments? Where there were new appointees, what happened to the previous Directors? Did they resign or go into the central postings pool or what?

Prior to 1 April 2009 there were 4 posts at Director General level: Chief Executive/Head of the Health and Social Services Department, Head of the Department for Economy and Transport, Head of DCELLS, and the Senior Director post. The Senior Director took up a secondment with Cardiff University in May 2008 and this post was replaced by one of the new posts.

Four new Director General posts were established on 1 April 2009. This was however a net increase of three posts. The four posts were:-

Director General, People, Places and Corporate Services;
Director General, Public Services and Local Government Delivery;
Director General, Finance
Director General, Sustainable Futures

The structures were approved by the First Minister and Cabinet, and by the Senior Leadership Committee (SLC) in Whitehall, in October 2008. The SLC must approve all significant changes at SCS level.

All of these posts went through a full and open recruitment process also agreed by the SLC. Each post received a variety of applications from both internal and external candidates. Each panel was chaired by a Civil Service Commissioner and each panel had an independent member. All appointments were approved by the Prime Minister.

As a result of the interviews, the then HR Director was successful for the post of Director General, People, Places and Corporate Services; the then Finance Director was successful for the post of Director General, Finance; the then Director for Social Justice and Local Government was successful for the post of Director General, Public Services and Local Government Delivery; and an external appointment was made to the post of Director General, Sustainable Futures.

Each Director General considered his/her area and, at that stage, the posts of HR Director and Finance Director were not filled. The post of Director for Social Justice and Local Government was filled by an internal recruitment process whilst the Director, Public Service and Performance post was removed. This was subsequently redefined and funded separately by reducing the number of SCS posts in this area from 11 to 4, saving an additional £521,860. The number of Directors in the Department of the First Minister and Cabinet were also reduced. The Sustainable Futures area retained its Directors.

There is some confusion with the nomenclature used for Civil Service posts with the suggestion that Director General is a new level for the Welsh Assembly Government. This is wrong. The posts were previously described as Pay Band 3, Grade 2 or Deputy Secretary. In 2008 Sir Gus O'Donnell asked that the Civil Service avoid confusion by moving to a standard definition.

Posts had previously been defined as:-

Pay Band 3, Grade 2 or Deputy Secretary – now DG

Pay Band 2, Grade 3 or Under Secretary – now Director

Pay Band 1, Grade 5 or Assistant Secretary – now Deputy Director

I hope that you and your Committee find this further information helpful.

Yours Sincerely



GILL MORGAN

Dame Gill Morgan DBE
Ysgrifennydd Parhaol • Permanent Secretary



Llywodraeth Cynulliad Cymru
Welsh Assembly Government

Fiona Adams-Jones
Director of the Wales Office
Gwydyr House
Whitehall
London
SW1A 2NP

9 July 2010

Dear Fiona

One of the Coalition Government's priorities is to reduce the number and costs of "Quangos". I understand that an initial statement is expected shortly and that it is likely to spell out a radical programme of change. My reasons for writing to you are twofold. Firstly to alert you and the Secretary of State of the potential impact any changes may have on Wales and secondly to provide information and advice on some of the tough lessons we learned when we merged our largest "quangos" into the Welsh Assembly Government in 2006.

On the first point there are a number of bodies which have a locus in England but also operate across the geographical boundaries in Wales and there are others whose demise could impact also Wales. I attach a list of the major organisations which could affect us.

You will see the list covers a wide range of organisations. We clearly have an interest in those which operate across England and Wales, but also those which on the face of it are England only. Changes in legislation may affect the legislation governing the Wales equivalent or because consequential changes might affect a body which does operate in both countries. For example we would need to be clear on the impact of any changes to English Nature on the Countryside Council for Wales and certainly if there were any changes to the Environment Agency. I am also aware that legislation will sometimes require Welsh Assembly Government consent to any changes, for example the Consumer Council for Wales. It is vital, therefore, that we are brought into discussions at a very early stage.

The second area is more to do with advice and a warning to approach this with some care. You may recall that our mergers story began with an announcement by the First Minister in July 2004 that the WDA, Elwa, Wales Tourist Board and ACCAC would merge into the Welsh Assembly Government on 1 April 2006. This timetable will no doubt appear leisurely compared with what the coalition have planned, but nonetheless our experience was that it was a very tight timescale to achieve all the necessary legislative and organisational changes. An evaluation report was produced which was generally positive but which in reality only looked at our approach



and what worked well or not! If you would like to refresh your memory I have attached a copy of the report. Key messages were about; working closely with the Trades Unions; communicating extensively and having a clear governance structure to run the 'programme' with clear responsibilities and accountabilities.

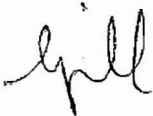
Much more relevant, however, were the obstacles we encountered during the merger process. The list below is not exhaustive, but I think the main issues were:

- **Pay and Conditions.** We brought in 1800 people into the Welsh Assembly Government from 4 organisations with 4 different grading structures, pay and conditions. Research suggests that successful mergers in the private sector stress the importance of harmonising pay and conditions at the outset and writing off the cost as part of the merger process. This was not possible for us and with one of the organisations having at least 20% pay lead over comparable staff in the Welsh Assembly Government we inherited a long-term potential equal pay time-bomb which we have had to work extremely hard to try to eradicate.
- **Pensions.** The Cabinet Office guidance on bulk transfers into the Civil Service allows for entry into the Civil Service Pension Scheme. However, this was written in the days before pension scheme deficits. When we attempted to transfer staff from WDA and Wales Tourist Board into PCPCS we were informed that we would have to pay up front our share of the specific Local Government and English Tourist Board schemes deficits. At the time this was in excess of £45m. Representations to HM Treasury were unsuccessful and therefore we had no choice but to retain staff on their pre-merger schemes and to establish procedures to make the necessary pension access arrangements. Each subsequent year we are required to make additional contributions to settle our part of the pension scheme deficits which are impossible to forecast and make accounting difficult. The advice therefore is not to make any promises about pensions until the position is clear. It may well be that consideration needs to be given to some primary legislation to help easier movement between public sector schemes.
- **ICT systems.** The ability to communicate and operate on common technology platforms is essential for any organisation. Again, we inherited a complex mix of computer systems, software, telephony and financial and HR systems which made business life very difficult in the early days. Investment will of course sort this out, but the coalition are looking to cut costs not make additional investments.
- **Trades Unions.** We are proud of our Partnership with the Civil Service Unions, but mergers brought in UNISON into our organisation. The Council of Civil Service Unions will not allow UNISON or other unions

to be part of the collective bargaining framework and this caused us significant difficulty in the early days. If there are unions other than CCSU in the Quangos then I would suggest that this issue should be confronted quickly with CCSU to help ease the transition.

There are a number of other areas where we can share our learning and I am very happy to arrange discussions with anyone you feel may be helpful.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Gill', written in a cursive style.

GILL MORGAN

Public Bodies: HSSDG Involvement / Interest

Body Name
Appointments Commission
Alcohol Education and Research Council
Council for Healthcare Regulatory Excellence
Human Fertilisation and Embryology Authority
Health Protection Agency
Medicines and Healthcare Products Regulatory Agency
Human Tissue Authority
NHS Business Services Authority
The supply of organs by NHS Blood and Transplant
The supply of blood and tissues by NHS Blood and Transplant in North Wales
National Institute of Health and Clinical Excellence
National Patient Safety Agency: National Research Ethics Service
National Patient Safety Agency: National Clinical Assessment Service
National Patient Safety Agency: Patient Safety Division
Advisory Committee on Antimicrobial Resistance and Healthcare Associated Infection
Joint Committee on Vaccination & Immunisation (JCVI)
Advisory Committee on the Safety of Blood, Tissues and Organs (SaBTO)
Human Genetics Commission
NHS Pay Review Body
Doctors and Dentists Remuneration Body
Advisory Group on Hepatitis
National Information Governance Board for Health and Social Care (NIGB)
Health & Social Care Information Centre
SAGE (the Stakeholder Advisory Group on Extremely Low Frequency Electromagnetic Fields)
National Patient Safety Agency (NPSA) Steering Group overseeing the National Confidential Inquiry into Suicide and Homicide by People with Mental Illness (NCISH)
Food Standards Agency (FSA)

In addition, we fund and have regular contact with the Skills for Health (SfH) UK Sector Skills Council for Health, who is hosted by the Universities Hospitals Bristol NHS Foundation Trust. The Sector Skills Council's remit for Social Care is undertaken by the Care Council for Wales as part of the UK Skills Care and Development collaboration.

Annex B

Evaluation of the performance of the Central Postings Pool

Financial Year	Number placed via CPP ¹	Cost of CPP ²	Estimated savings through cost avoidance	
			Media Advertising ³	Severance ⁴
08/09	303	£1.4m	£89,000	£15.9m
09/10	112	£1.3m	£33,500	£5.8m
10/11 (to date)	22	TBC	£6,000	£1.1m
Total	437	£2.7m	£128,500	£22.8m

¹ Of the 437 who have been placed via the pool since April 2008, 408 have been assigned to roles within the organisation or have been successful in internal competition for vacant substantive roles. The remaining 29 have either left the organisation or elected for a career break. The pool currently contains 24 staff engaged in short term roles across the organisation until more permanent roles can be found (this has increased since the letter of 4th June due to more people entering the pool. The numbers vary from week to week).

² The CPP budget up to 1 April 2010 covers;

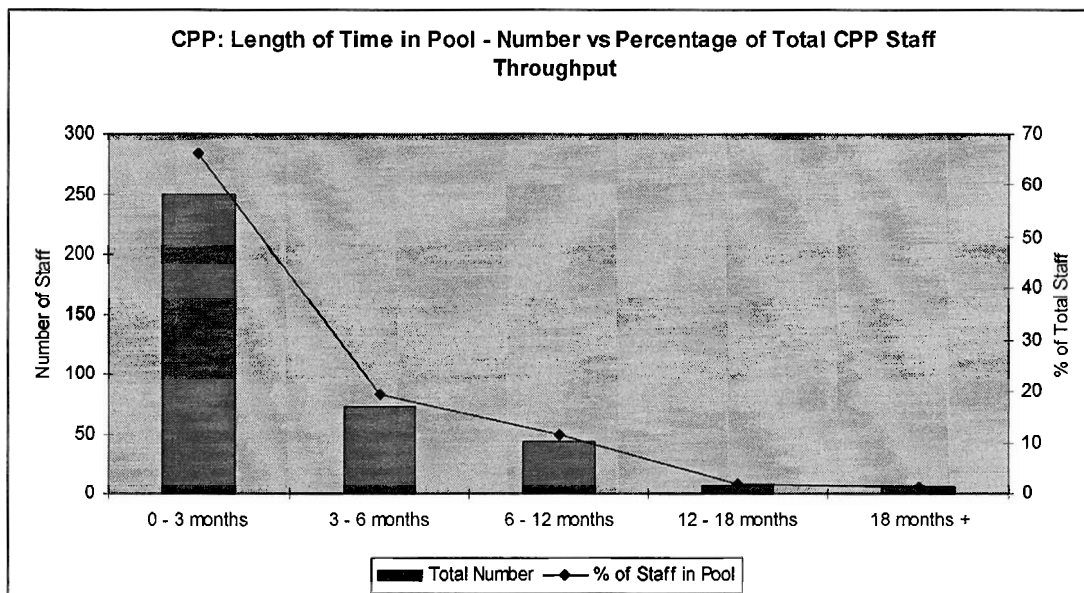
- staff costs for running the CPP;
- staff who are returners from maternity leave or secondments who are not leaving a substantive role as they enter the pool;
- staff for whom PPCS agreed during 2007-2009 to take on funding after they had been in the CPP for 2 months (this arrangement ceased in Oct 2009);
- staff for whom we have negotiated with Departments to provide suitable temporary projects where no substantive role at their grade is available.

³ Based on recruitment advertising trends from 2008/09 to date, it is likely that if the CPP had not been in operation, then a proportion of posts (around 15%) filled internally by the CPP mechanism would have proceeded to external advert. Of this number, the vast majority (95%) would have been placed in specialist publications at an average cost of approx £2k per advert with the remainder placed in general media (e.g. Western Mail) as 'signpost' adverts at an approximate cost of £1.5k per advert. It should be noted that there are other recruitment costs and overheads that have not been included in this calculation.

⁴ Based on an assumption that all staff not found posts by the CPP mechanism would have been released on early severance and taking the unit cost of severance using an average figure from recently run schemes of £52k per head.

Average time spent in Central Postings Pool

The majority of staff who enter the central postings pool are matched to substantive posts within 3-4 months (based on 10% sample).





Note: This is based on 87% of CPP staff for which data is readily available - the full data set will be provided in due course

Prior to permanent placement, some central postings pool staff are used as an internal consultancy resource, to help address short notice and short term business priorities. Some examples of the sorts of areas central postings pool staff have been engaged with include:

- Swine Flu / HEPU and Comms - short term emergency planning;
- Greening Operation – the attainment of environmental targets to reach published standards and avoid penalty levies;
- Procurement - Value Wales – assisting with all-Wales project to reduce procurement expenditure across the Welsh public sector;
- Human Resource Information System (SAP) Project – used to define requirements for developing system, in place of costly external consultants;
- Horizon Project – used in place of costly external consultants to develop further Assembly Government web presence; and
- Economic Summits – providing support for the all-Wales, multi-sector approach to confronting the economic downturn.

The severance terms for Civil Servants are set at UK level and the Welsh Assembly Government has no ability to alter them.

	High	Early Promise Click here to insert names(s)	High Potential Click here to Insert name(s)	Star Performer Click here to insert name(s)
	Medium	Under Achiever – Good Start Click here to insert names(s)	Solid Contributor Click here to Insert name(s)	Strong Performer Click here to insert name(s)
	Low	Under Performer Click here to insert names(s)	Satisfactory Contributor Click here to Insert name(s)	Good Performer Click here to insert name(s)
		Low	Medium	High
				

*indicates someone in their first 12 months in post
 **high potential long tem (eg. real star who has perm sec qualities but is still early at grade)



Information contained in this document is subject to exemptions to the Data Protection Act 1998 relating to: personal references provided by the Cabinet Office to third parties unless the author has consented; national security, management & planning forecasts; negotiations; or honours & dignities. It need not be released.

DEFINITIONS



High

Medium

Low

<p>Early Promise</p> <p>High potential with strong initial impact, but new or inexperienced in current role? Wrong role or competence? Action: Evaluate if in right role. Identify & address root cause of performance issue. Invest in development. If new, use the DG Assessment Tool.</p>	<p>High Potential</p> <p>Frequently achieves challenging & stretching goals with strong demonstration of potential. Performance continually improving? Adaptable to change? Acknowledged as a leader? Potential being realised quickly enough? Action: Coach to enhance performance. Set stretching goals/assignments. Seek further development. Lateral move?</p>	<p>Star Performer – ready now</p> <p>An exceptional performer who stands out from their peers. Realised potential, ready for/will be successful at next level now. Acknowledged as skilled leader & role model. Action: Development to prepare for step up. Exposure to key players & active corporate roles.</p>
<p>Under Achiever – good start</p> <p>Demonstratable gap in performance compared with expectations. Has ability, but is under achieving. Coasting? Lacks confidence? Action: Evaluate if in the right role. Focus on how to stimulate higher level of contribution & leadership. Tailor development to build confidence & experience. Define end date for intervention</p>	<p>Solid Contributor</p> <p>Valued at this level & in this role. Performance is good achieving normal high expectations, and has the potential to keep developing and to deliver more in either scale or complexity. How much more to give? Action: Coach to enhance performance. Encourage to make a wider contribution.</p>	<p>Strong Performer</p> <p>A consistently strong performer, delivering excellent value. Acts as leader & role model. Exhibits some behaviours & competences beyond current level but not all? Action: Use stretching assignments to test potential. Lateral move?</p>
<p>Under Performer</p> <p>Over promoted? Failed to change with organisation or to meet new challenges? Hasn't developed? Has competency gaps or behavioural style issues which require immediate resolution. Action: Support to address issues and improve performance. Support for reassignment or outplacement.</p>	<p>Satisfactory Contributor</p> <p>Valued at this level. Meets normal performance expectations, but low demonstration of potential to lead at the next level. At limit of professional & leadership capability? Coasting? Too long in role? Action: Work on improving or re-energising performance in current role in short term. Put timed plan in place for acceptable improvement in performance. Define end date for intervention.</p>	<p>Good Performer</p> <p>Highly valued at this level & in current role. A consistently strong performer who is a core team member but low demonstration of potential to lead at next level. Seen as a leader in specialised role or has reached potential? Action: Ensure retention plan in place. Keep expertise at leading edge. Use as coach to develop successors.</p>

Low

Medium

High

PERFORMANCE

*in new post (where successors to a specific role)
**high potential long term (that performance should be taken to mean 'performance in the round')



Information contained in this document is subject to exemptions to the Data Protection Act 1998 retaining to: personal references provided by the Cabinet Office to third parties unless the author has consented; national security, management & planning forecasts; negotiations; or honours & dignities. It need not be released.