Cynulliad Cenedlaethol Cymru

Pwyllgor Archwilio

The National Assembly for Wales

Audit Committee

Contract Menter Cyllid Preifat OSIRIS
OSIRIS Private Finance Initiative Contract

Cwestiynau 1-194
Questions 1-194

Dydd Iau 21 Tachwedd 2002
Thursday 21 November 2002

Aelodau o’r Cynulliad yn bresennol: Dafydd Wigley (Cadeirydd), Eleanor Burnham, Alun Cairns, Janet Davies, Jocelyn Davies, Alison Halford, Ann Jones, Val Lloyd.

Swyddogion yn bresennol: Syr John Bourn, Archwilydd Cyffredinol Cymru; Gillian Body, Swyddfa Archwilio Genedlaethol Cymru; Lew Hughes, Swyddfa Archwilio Genedlaethol Cymru; David Powell, Swyddog Cydymffurfio Cynulliad Cenedlaethol Cymru.

Tystion: Syr Jon Shortridge, Ysgrifennydd Parhaol Cynulliad Cenedlaethol Cymru; Nigel Finlayson, Pennaeth Is-adran Systemau Busnes a Gwybodaeth Cynulliad Cenedlaethol Cymru; Bryan Mitchell, Pennaeth Cyfarwyddiaeth Rheoli Busnes a Gwybodaeth Cynulliad Cenedlaethol Cymru; David Richards, Prif Swyddog Cyllid Cynulliad Cenedlaethol Cymru.

Assembly Members present: Dafydd Wigley (Chair), Eleanor Burnham, Alun Cairns, Janet Davies, Jocelyn Davies, Alison Halford, Ann Jones, Val Lloyd.

Officials present: Sir John Bourn, Auditor General for Wales; Gillian Body, National Audit Office Wales; Lew Hughes, National Audit Office Wales; David Powell, National Assembly for Wales Compliance Officer.

Witnesses: Sir Jon Shortridge, Permanent Secretary, National Assembly for Wales; Nigel Finlayson, Head of Business and Information Systems Division, National Assembly for Wales; Bryan Mitchell, Head of Business and Information Management Directorate, National Assembly for Wales; David Richards, Principal Finance Officer, National Assembly for Wales.

Dechreuodd y sesiwn cymryd tystiolaeth am 1.30 p.m.
The evidence-taking session started at 1.30 p.m.

[1] **Dafydd Wigley:** Croesawaf Aelodau, tystion a’r cyhoedd i’r cyfarfod hwn o’r Pwyllgor Archwilio.

I remind everyone that this Committee operates bilingually. Members and witnesses may speak in Welsh or English. Simultaneous translation of Welsh contributions will be available through the headphones. If anyone has difficulty hearing, as is sometimes the case in our Committee rooms, the live feed can be better heard through the headphones.

[1] **Dafydd Wigley:** I welcome Members, witnesses and the public to this meeting of the Audit Committee.

Yr wyf yn atgoffa pawb bod y Pwyllgor hwn yn gweithredu’n ddwyieithog. Gall Aelodau a thystion siarad yn y Gymraeg neu’r Saesneg. Bydd cyfieithu ar y pryd o gyfraniadau Cymraeg ar gael drwy’r clustffonau. Os oes unrhyw un yn cael anhawster clywed, fel sy’n digwydd weithiau yn ein hystafelloedd Pwyllgor, gellir clywed y sain byw yn well drwy’r clustffonau.

Yr wyf wedi derbyn ymddiheuriad gan Janice Gregory, nad yw'n gallu bod yn bresennol heddiw. Fel arall, mae'r tîm yn llawn. Gobeithiwn gael egwyl tua 2.45 p.m., yn dibynnu ar sut y bydd y sesiwn yn mynd yn ei blaen.

I have received an apology from Janice Gregory, who cannot be with us today. Otherwise, our team is complete. We hope to have a break at about 2.45 p.m., depending on how well the session is progressing.

Symudwn ymlaen at y gwaith dan sylw. Ein prif orchwyl heddiw yw cymryd tystiolaeth ar 'OSIRIS: Y Contract Menter Cyllid Preifat (PFI) ar gyfer Technoleg Gwybodaeth yng Nghynulliad Cenedlaethol Cymru'—adroddiad a gyhoeddwyd ar 18 Hydref gan Swyddfa Archwilio Genedlaethol Cymru ar ran Archwilydd Cyffredinol Cymru. Diolchaf i dîm y Swyddfa Archwilio Genedlaethol am ei waith dyfal a thrwyadl wrth baratoi'r adroddiad. Croesawaf y tystion a gofyn iddynt, trwoch chi, Sir Jon, gyflwyno eu hunain er mwyn y cofnod.

We move on to the work in hand. Our main remit today is to take evidence on 'OSIRIS: The PFI Contract for Information Technology in the National Assembly for Wales'—a report which was published on 18 October by the National Audit Office Wales, on behalf of the Auditor General for Wales. I thank the National Audit Office team for its diligent and thorough work in preparing the report. I welcome the witnesses and ask them to introduce themselves for the record through you, Sir Jon.

Sir Jon Shortridge: I am Sir Jon Shortridge, the Permanent Secretary. May I introduce my fellow witnesses, as it will help to put them into context? David Richards, with whom you are all familiar, is the principal finance officer. He was a member of the negotiating team on the renegotiation of the OSIRIS contract. On his right is Nigel Finlayson, who has the operational responsibility from our side for managing the contract. On my left is another familiar figure, Bryan Mitchell, who was heading the negotiating team that I put in place in April 1999.

Syr Jon Shortridge. Fi yw Syr Jon Shortridge, yr Ysgrifennydd Parhaol. A gaf i gyflwyno fy nghyd dystion, gan y bydd o gymorth i'w gosod mewn cyd-destun? Yr ydych i gyd yn gyfarwydd â David Richards, y prif swyddog cyllid. Yr oedd yn aelod o'r tîm negodi a fu'n ailnegodi contract OSIRIS. Ar y dde iddo mae Nigel Finlayson, sydd â'r cyfrifoldeb gweithredol o'n hochr ni am reoli'r contract. Ar y chwith i mi mae wyneb cyfarwydd arall, Bryan Mitchell, a oedd yn arwain y tîm negodi a gafodd ei gynnull gennyf yn Ebrill 1999.

[2] **Dafydd Wigley:** Diolch. Wrth eich gwahodd i'ch cyflwyno eich hun, yr oeddwn yn bwriadu ichi gyflwyno'r holl dîm.

[2] **Dafydd Wigley:** Thank you. In inviting you to introduce yourself, I had intended for you to introduce the whole team.

Byddaf yn gofyn y cwestiynau cyntaf. Tynnaf eich sylw at baragraff 2.20 yn yr adroddiad, sy'n datgan bod y costau arfaethedig wedi codi 25 y cant, a hynny cyn datganoli a sefydlu'r Cynulliad, a chyn ymestyn contract OSIRIS. Tynnaf eich sylw hefyd at baragraff 3.24, ble y nodir i'r amcangyfrif o gost contract OSIRIS ar ôl ymestyn y contract—ar ôl sefydlu'r Cynulliad—godi 39 y cant yn uwch na'r amcangyfrif. Yr oedd y gost wreiddiol o £16 miliwn ar gyfer system OSIRIS wedi codi i £64 miliwn, sy'n bedair gwaith y swm gwreiddiol. Pam, ddywedech chi, y bu hi mor anodd amcangyfrif yn gywir beth fyddai cost y contract?

I will ask the first questions. I draw your attention to paragraph 2.20 of the report, which states that the projected costs rose by 25 per cent, even before devolution and the creation of the Assembly, and before the OSIRIS contract was extended. I also draw your attention to paragraph 3.24, where it is stated that the estimated cost of the OSIRIS contract following the extension of the contract—after the establishment of the Assembly—rose 39 per cent above the estimate. The original cost of £16 million for the OSIRIS system had risen to £64 million, which is four times the original sum. Why, would you say, did it prove so difficult to accurately forecast what the cost of the contract would be?

Sir Jon Shortridge: I think that the first thing to say is that the cost of the contract is primarily sensitive to price, because the charge is, essentially, based on the number of users, so, obviously, the price of the contract goes up the more people you have using it. In the case of paragraph 2.20, where you refer me to the 25 per cent increase, when the contract was originally put in place, it was envisaged that the service would not be available to all staff in what was then the Welsh Office. Junior staff below executive officer grade were not to have access to it, and the staff in the agricultural divisional offices were not to have access to it. As we got used to the system and realised that there was a very strong business need that everyone should have access to it—coupled with the fact that we did not want any Welsh Office staff to be seen as, and to regard themselves as being, somehow second-class citizens because they did not have access to the same technology—a decision was taken to significantly increase the number of people who would have access to it. That kicked into the cost, and that was an informed decision at the time.

Syr Jon Shortridge: Credaf mai'r peth cyntaf i'w ddweud yw bod cost y contract yn dibynnu'n bennaf ar y pris, oherwydd bod y tâl, yn ei hanfod, yn seiliedig ar nifer y defnyddwyr, felly'n amlwg mae pris y contract yn codi po fwyaf o bobl sydd yn ei ddefnyddio. Yn achos paragraff 2.20, lle'r ydych yn fy nghyfeirio at y cynnydd o 25 y cant, pan roddwyd y contract ar waith yn wreiddiol, rhagwelwyd na fyddai'r gwasanaeth ar gael i'r holl staff yn y Swyddfa Gymreig bryd hynny. Nid oedd staff iau a oedd yn is na gradd swyddog gweithredol yn mynd i gael mynediad iddo ac nid oedd staff yr adrannau amaethyddiaeth rhanbarthol yn mynd i gael mynediad iddo. Wrth i ni ddod i arfer â'r system a sylweddoli bod angen busnes cryf iawn i bawb gael mynediad iddo—yn ogystal â'r ffaith nad oeddem am i unrhyw aelod o staff y Swyddfa Gymreig gael eu hystyried, ac ystyried eu hunain, yn ddinasyddion eilradd mewn rhywfodd neu'i gilydd am nad oedd ganddynt fynediad i'r un dechnoleg—penderfynwyd cynyddu'n sylweddol nifer y bobl a fyddai'n cael mynediad iddo. Cyfrannodd hyn at y gost, ac yr oedd hwnnw'n benderfyniad goleuedig ar y pryd.

In terms of the position following the establishment of the Assembly, again, the cost is dependent upon the number of users. That is because, obviously, the more users you have, the more it does cost to provide the systems. We were, all of us—Members and officials alike—in a state of particular uncertainty, I think, in the first year of the Assembly in seeking to form a view as to how large the official end of the Assembly would ultimately be. Following the negotiation and the revised contract, a series of decisions were taken which affected staff numbers that I do not think that anyone would have anticipated.

O ran y sefyllfa ar ôl sefydlu'r Cynulliad, eto, mae'r gost yn dibynnu ar nifer y defnyddwyr. Yn amlwg, mae hyn oherwydd po fwyaf o ddefnyddwyr sydd gennych, po fwyaf y gost i ddarparu'r systemau. Credaf ein bod i gyd—yn Aelodau a swyddogion—yn ansicr iawn ym mlwyddyn gyntaf y Cynulliad o ran ceisio penderfynu pa mor fawr fyddai ochr negodi swyddogol y Cynulliad yn y pen draw. Yn dilyn y negodi a'r contract diwygiedig, gwnaethpwyd cyfres o benderfyniadau a oedd yn effeithio ar niferoedd staff y credaf na fyddai neb wedi eu rhagweld.

[3] **Dafydd Wigley:** Can I just get this clear in my own mind, Sir Jon? When the original contract was being drafted, in or around May 1996 I think—although I do not think that it kicked in until January 1997—am I right in saying that no consideration whatsoever was given to the possibility of there being an Assembly?

[3] **Dafydd Wigley:** A gaf i wneud hyn yn eglur i mi fy hun, Syr Jon? Pan ddrafftiwyd y contract gwreiddiol, yn neu oddeutu mis Mai 1996, yr wyf yn credu—er nad wyf yn credu iddo gael ei roi ar waith tan Ionawr 1997—a wyf yn iawn i ddweud nad ystyriwyd o gwbl y posibilrwydd o Gynulliad yn cael ei sefydlu?

Sir Jon Shortridge: None at all, no. Obviously, as officials, we read the newspapers, so we know the way the political current is going, but we act in accordance with the requirements of the Government of the day.

Syr Jon Shortridge: Na, dim o gwbl. Yn amlwg, fel swyddogion, yr ydym yn darllen y papurau newydd, felly yr ydym yn ymwybodol o gyfeiriad y llif gwleidyddol, ond yr ydym yn gweithredu yn unol â gofynion y Llywodraeth ar y pryd.

[4] **Dafydd Wigley:** Given that you were, as you say, reading the newspapers and, indeed, given the declared intention of the main opposition party, which had a 20 per cent lead at that point in time, is there not some convention by which, in the last few months before an election—and certainly by January 1997—there would have been an exchange of information with the main opposition party to make sure that there was some harmonisation of policy?

[4] **Dafydd Wigley:** O ystyried eich bod, yn eich geiriau eich hun, yn darllen y papurau newydd ac, yn wir, o ystyried bwriad datganedig y brif wrthblaid, a oedd ar y blaen o 20 y cant ar y pryd, onid oes trefn, yn y misoedd olaf cyn etholiad—ac yn ddi-ffael erbyn Ionawr 1997—i gyfnewid gwybodaeth gyda'r brif wrthblaid i wneud yn siwr bod rhywfaint o gysondeb o ran polisi?

Sir Jon Shortridge: There were discussions under the usual conventions, certainly, with the then leader of the Labour Party but, to the best of my knowledge, this was not an issue which arose in that context.

Syr Jon Shortridge: Bu trafodaethau dan y drefn arferol, yn sicr, gydag arweinydd y Blaid Lafur ar y pryd, ond hyd y gwn i, nid oedd hwn yn fater a godwyd yn y cyd-destun hwnnw.

[5] **Dafydd Wigley:** So although it was general knowledge that it was the intention of an incoming Labour government to have an Assembly—and, in fact, until July 1996, that was not subject to a referendum even; it was in July 1996 that the decision to hold a referendum was taken—that was ignored with regard to this project although, quite clearly, it could have a significant impact if it came into being during the duration of the contract?

[5] **Dafydd Wigley:** Felly er bod pobl yn ymwybodol mai bwriad y llywodraeth Lafur newydd fyddai cael Cynulliad—ac, yn wir, tan fis Gorffennaf 1996, ni fyddai hynny'n amodol ar refferendwm hyd yn oed; ym mis Gorffennaf 1996 y gwnaethpwyd y penderfyniad i gynnal refferendwm—anwybyddwyd hynny mewn perthynas â'r prosiect hwn er, yn amlwg, y gallai gael effaith sylweddol pe cai ei sefydlu yn ystod cyfnod y contract?

Sir Jon Shortridge: I have to choose my words carefully, because I was not directly involved at the time, and I have not checked the files, so I would not want to say absolutely that it was ignored, but I think that I could well understand it if it was. We were acting under a particular Government at the time, and seeking to implement an information and communications technology procurement process in accordance with its wishes, and we were seeking to put in place arrangements which met the known requirements at the time.

Syr Jon Shortridge: Mae'n rhaid i mi ddewis fy ngeiriau'n ofalus, oherwydd nad oeddwn yn uniongyrchol gysylltiedig â hyn ar y pryd, ac nid wyf wedi gwirio'r ffeiliau, felly nid wyf am ddweud yn bendant ei fod wedi'i anwybyddu, ond yr wyf yn credu y gallwn ddeall yn iawn pe bai hynny wedi digwydd. Yr oeddem yn gweithredu dan Lywodraeth benodol ar y pryd, ac yn ceisio rhoi proses gaffael technoleg gwybodaeth a chyfathrebu ar waith yn unol â'i dymuniadau, ac yr oeddem yn ceisio rhoi trefniadau ar waith i fodloni'r gofynion a oedd yn hysbys ar y pryd.

[6] **Dafydd Wigley:** I note the carefully-chosen words that you have used, Sir Jon. What steps have you taken, or do you plan to take, to improve the Assembly's ability to manage costs where there is an uncertain environment, as has been the case over the period of this contract?

[6] **Dafydd Wigley:** Yr wyf yn nodi'r geiriau gofalus a ddefnyddiwyd gennych, Syr Jon. Pa gamau yr ydych wedi'u cymryd, neu'n bwriadu eu cymryd, i wella gallu'r Cynulliad i reoli costau os oes amgylchedd ansicr, fel sydd wedi bod yn wir yn ystod cyfnod y contract hwn?

Sir Jon Shortridge: I obviously take very seriously the need to manage costs and always seek to do so in the circumstances in which I find myself. So in the case of the procurement of the Merlin contract, we are putting in place—or will be putting in place through the negotiations—a whole series of new and different ways to assist us in managing costs. I—and perhaps Nigel—can go into that at a later point in the evidence session, if you so wish. It is not always possible to manage costs exactly as you would like to do so and, in the case of this contract—certainly in the renegotiation, for reasons which I am sure I will come onto later—the flexibility that we had and the opportunity that we had to manage the costs was really so limited as to be non-existent in some cases. The other thing I want to say is that, obviously, one of the things that we are increasingly doing in terms of managing cost is seeking to much more formally manage risk than used to happen in the past.

[7] **Dafydd Wigley:** I am sure that that is important. Val, would you like to come in now?

[8] **Val Lloyd:** Sir Jon, figure 1 on page 7 clearly displays the potential benefits and disbenefits of PFI contracts in general. To what extent has the PFI approach on OSIRIS provided good value for money?

Sir Jon Shortridge: As the report says, I do not think there is any doubt at all that, in the first few years, we got significant value because there was evidence that risk had transferred in a financial way to Siemens, and it had to carry costs that it had not anticipated or expected. More generally, I think that, if you take the contract as a whole, running ICT systems is not a core competence of the civil service, so it is obviously very advantageous if you can find a commercial arrangement with a professional supplier who

Syr Jon Shortridge: Yr wyf yn amlwg yn ystyried yr angen i reoli costau o ddifrif o hyd ac yn ceisio gwneud hynny ym mhob amgylchiad. Felly yn achos caffael contract Merlin, yr ydym yn rhoi ar waith—neu am roi ar waith drwy gyfrwng y negodiadau—gyfres gyfan o ffyrdd gwahanol a newydd i'n cynorthwyo i reoli costau. Gallaf i—a Nigel o bosibl—fanylu ar y pwynt hwnnw yn ddiweddarach yn y sesiwn tystiolaeth, os mai hynny yw eich dymuniad. Nid yw'n bosibl o hyd i reoli costau yn union fel ag y byddech yn dymuno ac, yn achos y contract hwn—yn sicr yn yr ailnegodi, am resymau y byddaf yn eu hegluro'n ddiweddarach yr wyf yn siwr—yr oedd yr hyblygrwydd a'r cyfle a gawsom i reoli'r costau mor gyfyngedig fel nad oeddynt yn bodoli mewn rhai achosion. Y peth arall yr wyf am ei ddweud yw, yn amlwg, un o'r pethau yr ydym yn ei wneud fwyfwy o ran rheoli costau yw ceisio rheoli risg yn llawer fwy ffurfiol nag yn y gorffennol.

[7] **Dafydd Wigley:** Yr wyf yn siwr bod hynny'n bwysig. Val, a ydych chi am ofyn cwestiynau yn awr?

[8] **Val Lloyd:** Syr Jon, mae ffigur 1 ar dudalen 7 yn dangos yn glir fanteision ac anfanteision posibl contractau PFI yn gyffredinol. I ba raddau y mae'r ymagwedd PFI ar OSIRIS wedi darparu gwerth da am arian?

Syr Jon Shortridge: Fel y nodir yn yr adroddiad, nid wyf yn credu bod amheuaeth o gwbl, yn y blynyddoedd cyntaf, ein bod wedi cael gwerth sylweddol am arian oherwydd bod tystiolaeth bod risg wedi'i throsglwyddo'n ariannol i Siemens, ac yr oedd yn rhaid iddo gwrdd â chostau nad oedd wedi'u rhagweld na'u disgwyl. Yn fwy cyffredinol, os ydych yn ystyried y contract yn ei gyfanrwydd, credaf nad yw cynnal systemau TGCh yn gymhwysedd craidd i'r gwasanaeth sifil, felly mae'n amlwg yn

can do this on your behalf in partnership. So, to just slightly adjust your question, I am very convinced that there is potentially a lot of intrinsic advantage in operating through partnership in the provision of services like this. The extent to which PFI is, necessarily, always the best partnership approach is something on which I would have more reservations.

fanteisiol iawn os gellir dod i drefniant masnachol gyda chyflenwr proffesiynol a all wneud hyn ar eich rhan mewn partneriaeth. Felly, i addasu eich cwestiwn fymryn, yr wyf yn gwbl argyhoeddedig bod llawer o fanteision cynhenid posibl o weithredu drwy bartneriaeth i ddarparu gwasanaethau fel hyn. Byddai gennyf fwy o amheuon ynglyn ag i ba raddau mai PFI yw'r dull partneriaeth gorau o hyd.

[9] **Val Lloyd:** I take your point about core competencies. However, I am sure you would agree that achieving good value for money should be a core competency. How do you measure and assess value for money on this contract?

[9] **Val Lloyd:** Yr wyf yn derbyn eich pwynt am gymwyseddau craidd. Fodd bynnag, yr wyf yn siwr y byddech yn cytuno y dylai sicrhau gwerth da am arian fod yn gymhwysedd craidd. Sut yr ydych yn mesur ac yn asesu gwerth am arian y contract hwn?

Sir Jon Shortridge: Essentially, the way we get value for money is by having a sufficiently well-qualified and intelligent manager of the contract at our end. Obviously, the contract needs to be managed in such a way as to ensure that we take full benefit from it. The other way you get value for money is through the competitive process you use in procuring the contract in the first instance and, as I think this report indicates, in paragraph 2.11, when SBS's bid is compared with that of the other bidder, we got significant value for money in that sense. The other way that you seek to get value for money—and again this goes to other parts of the report—is that you make sure that, where, as in our case, you have to renegotiate a contract in very difficult circumstances, you take as much professional advice as you can through that process and you put your most senior and skilled negotiators onto the job.

Syr Jon Shortridge: Yn y bôn, yr ydym yn cael gwerth am arian drwy gael rheolwr deallus a chanddo gymwysterau digonol i reoli'r contract o'n hochr ni. Yn amlwg, mae angen rheoli'r contract mewn ffordd a fydd yn sicrhau ein bod yn cael y fantais lawn ohono. Y ffordd arall o gael gwerth am arian yw drwy'r broses gystadleuol a ddefnyddir i gaffael y contract yn y lle cyntaf a, fel y mae'r adroddiad yn nodi fe gredaf, ym mharagraff 2.11, pan gaiff cynnig SBS ei gymharu ag un y cynigiwr arall, cawsom werth sylweddol am arian yn yr ystyr hwnnw. Y ffordd arall o geisio sicrhau gwerth am arian—ac eto mae hyn yn berthnasol i rannau eraill o'r adroddiad—yw drwy wneud yn siwr eich bod, os ydych yn gorfod ailnegodi y contract dan amgylchiadau anodd iawn, fel yn ein hachos ni, yn cael cymaint o gyngor proffesiynol â phosibl gydol y broses ac eich bod yn defnyddio eich negodwyr mwyaf profiadol a medrus.

[10] **Dafydd Wigley:** To pick up on what Val said, if I understand it correctly, she asked how you measured and assessed value for money. It is one thing that you beat a contract that was some 49 or 50 per cent higher, but how do you actually measure and assess within the context of the contract itself?

Sir Jon Shortridge: I think that, normally, the first thing you seek to do when you are procuring services is to establish a good competition, and then seek to pick the best contractor or tenderer from that process. Often, but not always, the best will be the lowest tender. That gives you some assurance that you are certainly getting good value in the sense of price. The other element is quality, and there you are trading price against the other qualitative information that you are getting through the tendering process. We will certainly be going through a very thorough and complex approach to tender evaluation in the case of Merlin.

[11] **Dafydd Wigley:** I am sorry that I interrupted you, Val; please continue.

[12] **Val Lloyd:** You mentioned partnership in your answer to my original question, Sir Jon. Do you consider seven years a sufficiently long contract time to develop a meaningful partnership?

[10] **Dafydd Wigley:** I ymhelaethu ar yr hyn a ddywedodd Val, os wyf yn deall yn iawn, gofynnodd sut aethoch ati i fesur ac asesu gwerth am arian. Un peth yw curo contract a oedd 49 neu 50 y cant yn uwch, ond sut ydych yn mesur ac yn asesu o fewn cyd-destun y contract ei hun?

Syr Jon Shortridge: Yr wyf yn meddwl mai’r peth cyntaf i’w wneud fel arfer wrth gaffael gwasanaethau yw sefydlu cystadleuaeth dda, ac yna ceisio dewis y contractwr neu’r cynigiwr gorau o’r broses honno. Yn aml, ond nid bob tro, y cynnig isaf fydd y gorau. Mae hynny’n rhoi peth sicrwydd i chi eich bod yn siwr o gael gwerth am arian o ran y pris. Yr elfen arall yw ansawdd, ac o ran hynny yr ydych yn cydbwyso pris a’r wybodaeth ansoddol arall a gesglir drwy’r broses dendro. Byddwn yn sicr yn defnyddio dull trylwyr a chymhleth iawn i werthuso tendrau yn achos Merlin.

[11] **Dafydd Wigley:** Mae’n ddrwg gennyf am dorri ar eich traws, Val; ewch yn eich blaen os gwelwch yn dda.

[12] **Val Lloyd:** Yr ydych wedi crybwyll partneriaeth yn eich ateb i’m cwestiwn gwreiddiol, Syr Jon. A ydych yn ystyried saith mlynedd yn gontract digon hir i ddatblygu partneriaeth ystyrlon?

Sir Jon Shortridge: I think that it partly depends on the circumstances. In the case of Merlin, I think that we will be looking for a 10-year partnership. However, it cuts both ways. If you find yourself committed to one supplier for too long and for whatever reason something goes wrong with that supplier, you can then be presented with a fairly long-term difficulty. If you have a partnership which is just too short and where no-one feels that there is any value in investing in that partnership to try to find new and better ways of doing things, then I think that you have missed an opportunity.

Syr Jon Shortridge: Credaf ei fod yn dibynnu'n rhannol ar yr amgylchiadau. Yn achos Merlin, credaf y byddwn yn edrych ar bartneriaeth 10 mlynedd. Fodd bynnag, mae dwy ochr i'r geiniog. Os ydych yn cael eich clymu i un cyflenwr am ormod o amser a bod rhywbeth yn mynd o'i le am ryw reswm gyda'r cyflenwr dan sylw, byddwch yn wynebu problem eithaf hirdymor. Os oes gennych bartneriaeth sy'n rhy fyr a lle nad yw pobl yn ystyried bod unrhyw werth mewn buddsoddi yn y bartneriaeth honno i geisio dod o hyd i ffyrdd newydd a gwell o wneud pethau, credaf eich bod yn methu cyfle.

[13] **Val Lloyd:** Figure 3 on page 9 describes the allocation of risk under the OSIRIS contract, and risk management is fundamentally important to any PFI contract. Although you have alluded to it already, how well do you think that risk has been allocated at various stages of the OSIRIS contract?

[13] **Val Lloyd:** Mae ffigur 3 ar dudalen 9 yn disgrifio'r dyraniad risg dan gontract OSIRIS, ac mae rheoli risg yn hanfodol bwysig i unrhyw gontract PFI. Er eich bod wedi cyfeirio at hyn yn barod, yn eich barn chi, pa mor dda mae'r risg honno wedi'i dyrannu mewn gwahanol gyfnodau yng nghontract OSIRIS?

Sir Jon Shortridge: I might invite Nigel to come in on this because he is much more closely involved in the day-to-day management of it. The OSIRIS contract was the first PFI contract of this nature, and so the first occasion when risk was transferred in this way. So I think, in that sense, this was not a particularly sophisticated contract. For the future, there are a number of things which can be done to allocate risk more precisely and also to ensure that both sides of the contract have opportunities intrinsic to the contract to manage risk. Certainly, my own personal view—I have to say that because I do not want to appear to be prejudging the Merlin procurement—is that if you can establish a relationship with your supplier that is on a risk and reward basis, whereby there is total open-book accounting and both sides are incentivised to get the best value out of the contract, it is the ideal situation to end up in. Nigel, do you want to comment further on this?

Syr Jon Shortridge: Efallai y gwahoddaf Nigel i gyfrannu at y drafodaeth ar y pwynt hwn oherwydd ei fod yn ymwneud yn llawer agosach â rheolaeth y contract o ddydd i ddydd. Y contract OSIRIS oedd y contract PFI cyntaf o'i fath, ac felly'r tro cyntaf i risg gael ei throsglwyddo yn y ffordd hon. Felly, yn y synnwyr hwnnw, nid oedd hwn yn gontract soffistigedig iawn yn fy marn i. Ar gyfer y dyfodol, mae nifer o bethau y gellir eu gwneud i ddyrannu risg yn fwy cywir a hefyd i sicrhau bod dwy ochr y contract yn cael cyfleoedd cynhenid yn y contract i reoli risg. Heb os, yn fy marn bersonol i—mae'n rhaid i mi ddweud hynny am nad wyf am ymddangos fel petawn yn rhagfarnu proses gaffael Merlin—os y gallwch sefydlu perthynas gyda'ch cyflenwr ar sail risg a gwobrwyo, lle mae cyfrifo llyfr agored llwyr gyda'r ddwy ochr yn cael cymhelliant i gael y gwerth gorau o'r contract, dyna'r sefyllfa ddelfrydol i fod ynddi. Nigel, a ydych am roi

sylwadau pellach ar hyn?

Mr Finlayson: One of the basic difficulties of the OSIRIS contract is that the Welsh Office, at the time that the contract was let, did not have large-scale processing, such as paying benefits and issuing passports, driving licences and so on, whereby it is much easier to transfer the risk on a risk and reward basis to the supplier. So, I think that was one of the constraints on the effectiveness of the contract. However, in the early stages of OSIRIS, there were considerable risk transfers. Siemens Business Services was faced with quite substantial bills for putting in extra servers and redesigning the network. We had a very serious e-mail crash in the second year of the contract, which resulted in a substantial outage and a compensation payment to the Welsh Office. Even today, SBS is, at the moment, putting in additional storage capacity to cope with the volume of storage that we now have on the system. That is at its risk. There is no consequential expenditure to us.

Mr Finlayson: Un o anawsterau sylfaenol contract OSIRIS yw nad oedd gan y Swyddfa Gymreig, pan ddyfarnwyd y contract, wasanaeth prosesu ar raddfa eang, fel talu budd-daliadau a chyhoeddi pasbortau, drwyddedau gyrru ac ati, a fyddai'n golygu ei bod yn llawer haws trosglwyddo'r risg ar sail risg a gwobrwyo i'r cyflenwr. Felly, credaf mai dyna oedd un o'r cyfyngiadau ar effeithlonrwydd y contract. Fodd bynnag, yn nyddiau cynnar OSIRIS, yr oedd trosglwyddiadau risg sylweddol. Yr oedd SBS yn wynebu biliau eithaf sylweddol am osod gweinyddwyr ychwanegol ac ailgynllunio'r rhwydwaith. Cafwyd problem e-bost ddifrifol yn ail flwyddyn y contract, a arweiniodd at doriad pwer sylweddol a gorfod talu iawndal i'r Swyddfa Gymreig. Hyd yn oed heddiw, mae SBS, ar hyn o bryd, yn gosod capasiti storio ychwanegol i ymdopi â maint y storfa sydd ar y system erbyn hyn. SBS sy'n cymryd y risg honno. Nid oes gwariant canlyniadol i ni.

[14] **Dafydd Wigley:** Alun, do you want to pick up a point on that specifically before Val takes on the questioning?

[14] **Dafydd Wigley:** Alun, a ydych am ymhelaethu ar hyn yn benodol cyn i Val fynd ymlaen â'r cwestiynau?

[15] **Alun Cairns:** Certainly, I would like to explore risk somewhat further, Cadeirydd. Figure 3 on page 9 shows the allocation of risk under the original OSIRIS contract. It shows us which risks were transferred to Siemens Business Services, which risks were retained by the Welsh Office, and which risks were shared. Under the shared risks, it highlights the usage, and states that if numbers declined, SBS's revenue would also reduce. Was there ever a prospect, in reality, that the numbers of the users of the computer system would decline?

[15] **Alun Cairns:** Ar bob cyfrif, hoffwn edrych ymhellach ar y risg, Gadeirydd. Mae ffigur 3 ar dudalen 9 yn dangos dyraniad risg dan y contract OSIRIS gwreiddiol. Mae'n dangos i ni pa risgiau a drosglwyddwyd i SBS, pa risgiau a gadwyd gan y Swyddfa Gymreig, a pha risgiau a rannwyd. Dan y risgiau a rannwyd, mae'n amlygu'r defnydd ac yn nodi pe bai nifer yn lleihau, y byddai refeniw SBS hefyd yn gostwng. A oedd posibilrwydd erioed, mewn gwirionedd, y byddai nifer defnyddwyr y system gyfrifiadurol yn lleihau?

Sir Jon Shortridge: At the time of the original contract, that was definitely the expectation, which was shared by the Welsh Office officials concerned and by Siemens. This was in the context of the Government of the day looking to reduce the size of the civil service and the Welsh Office, and possibly to move certain things that were currently being undertaken in the Welsh Office out of the Welsh Office itself.

Syr Jon Shortridge: Ar adeg y contract gwreiddiol, dyna'n sicr y disgwyl, ac roedd y farn hon yn cael ei rhannu gan swyddogion y Swyddfa Gymreig dan sylw a chan Siemens. Yr oedd hyn yng nghyd-destun y Llywodraeth ar y pryd yn ceisio gostwng maint y gwasanaeth sifil a'r Swyddfa Gymreig, ac, o bosibl, i symud pethau penodol a oedd yn cael eu cyflawni ar y pryd gan y Swyddfa Gymreig allan o'r Swyddfa Gymreig.

[16] **Dafydd Wigley:** I would just like to be clear about what you are saying there, Sir Jon, as it is a fairly far-reaching statement. There was, at that point in time, an active programme, which was important enough to be taken into consideration in a decision such as this, for there to be downsizing of the Welsh Office and thereby a significant reduction in the potential uptake of this equipment?

[16] **Dafydd Wigley:** Yr wyf am fod yn glir ynglyn â beth yr ydych yn ei ddweud yma, Syr Jon, gan ei fod yn ddatganiad eithaf pellgyrhaeddol. Yr oedd, ar yr adeg dan sylw, raglen weithredol, a oedd yn ddigon pwysig i'w hystyried mewn penderfyniad fel hwn, i leihau maint y Swyddfa Gymreig ac felly ostwng yn sylweddol defnydd posibl o'r cyfarpar hwn?

Sir Jon Shortridge: I would not say an active programme. I think that there was an expectation—a view—at the time whereby, certainly, certain Ministers in the Welsh Office were looking to make Government smaller in the sense of the Welsh Office itself, not necessarily the public sector more generally.

Syr Jon Shortridge: Ni fyddwn yn dweud bod rhaglen weithredol. Credaf fod disgwyl—neu farn—ar y pryd ac felly bod, yn bendant, rai Gweinidogion yn y Swyddfa Gymreig yn bwriadu lleihau'r Llywodraeth o ran y Swyddfa Gymreig ei hun, nid y sector cyhoeddus yn fwy cyffredinol o reidrwydd.

[17] **Dafydd Wigley:** And that was sufficiently important a dimension to base a contract such as this upon it?

[17] **Dafydd Wigley:** Ac yr oedd hyn yn ddimensiwn digon pwysig i seilio contract fel hwn arno?

Sir Jon Shortridge: It clearly informed negotiations at the time. Nigel may want to comment further, but the view at the time was that this was a likely outcome. It was in the context, remember, that this was investing in ICT to reduce the amount of clerical work that was being done in the organisation in order to get—and so part of the business case for this contract was to get—further efficiency.

Syr Jon Shortridge: Yn amlwg fe fwydodd y negodiadau ar y pryd. Efallai y bydd Nigel am roi sylwadau pellach, ond y farn ar y pryd oedd mai hwn oedd y canlyniad tebygol. Yr oedd yn y cyd-destun, cofiwch, mai buddsoddi mewn TGCh ydoedd hwn i leihau'r gwaith clerigol a oedd yn cael ei wneud yn y sefydliad er mwyn sicrhau—ac felly rhan o'r achos busnes ar gyfer y contract hwn oedd sicrhau—mwy o effeithlonrwydd.

[18] **Dafydd Wigley:** Yes, I can well understand that when you are justifying any capital investment, you try to show that there is going to be a revenue gain out of it, and that by making people work more efficiently, you do not need so many officials perhaps. We could argue whether or not this would deliver that, but the actual downsizing of the operation is quite a significant point. I note what you say and, no doubt, the Committee does.

[18] **Dafydd Wigley:** Gallaf ddeall yn iawn eich bod, wrth gyfiawnhau unrhyw fuddsoddiad cyfalaf, yn ceisio dangos y bydd elw refeniw yn deillio ohono, a thrwy wneud i bobl weithio'n fwy effeithlon, nad ydych angen cymaint o swyddogion o bosibl. Gallem ddadlau ynglyn ag a fyddai hyn yn cyflawni hynny ai peidio, ond mae lleihau'r gweithgareddau yn bwynt eithaf pwysig. Yr wyf yn nodi'r hyn a ddywedwch ac yr wyf yn siwr bod y Pwyllgor yn gwneud hynny hefyd.

Sir Jon Shortridge: Just to be clear, downsizing is either by having the same work done by fewer people, or having certain things currently done here moved outside into other organisations such as the Welsh Development Agency, for example.

Syr Jon Shortridge: Er mwyn bod yn glir, mae lleihau yn ymwneud naill ai â chael llai o bobl i wneud yr un gwaith, neu symud pethau penodol a wneir yma allan i sefydliadau eraill fel Awdurdod Datblygu Cymru, er enghraifft.

[19] **Alun Cairns:** I would like to press that further, Chair, if I may. We have had two distinct answers: one is the downsizing of the Welsh Office as it stood, and, secondly, talking about increased efficiency, if you like. However, if we are going to go for increased efficiency, is it not likely that more computers would be used to deliver that efficiency rather than, perhaps, the clerical system that previously existed? Therefore, there may be inconsistency in your argument on that point. Secondly, if we are talking about the downsizing of the Welsh Office as it stood, that is a great surprise to me and, I am sure, to other Committee members. Can you refer to which stated policy existed at the time to downsize the Welsh Office, because it is important to hammer a nail in this point?

[19] **Alun Cairns:** Yr wyf am ddilyn y pwynt hwn ymhellach, Gadeirydd, os y caf. Yr ydym wedi cael dau ateb gwahanol: un yw lleihau'r Swyddfa Gymreig fel ag yr oedd ar y pryd, ac yn ail, sôn am gynyddu effeithlonrwydd, os y mynnwch. Fodd bynnag, os ydym yn mynd i ddewis cynyddu effeithlonrwydd, onid yw'n debygol y byddai mwy o gyfrifiaduron yn cael eu defnyddio i sicrhau'r effeithlonrwydd hwnnw yn hytrach nag, efallai, y system glerigol oedd yn bod cyn hynny? Felly, efallai fod anghysondeb yn eich dadl ar y pwynt hwnnw. Yn ail, os ydym yn siarad am leihau'r Swyddfa Gymreig fel ag yr oedd ar y pryd, mae hyn yn syndod mawr i mi, ac i aelodau eraill y Pwyllgor yr wyf yn siwr. A allwch gyfeirio at ba bolisi penodol a oedd yn bodoli ar y pryd i leihau'r Swyddfa Gymreig, gan ei bod yn bwysig deall y pwynt hwn yn iawn?

Sir Jon Shortridge: In 1995, I undertook the senior management review of the Welsh Office. Reviews of this nature were undertaken in all Government departments at that time, and the object and intention of those reviews was to essentially reduce the number of people in the senior civil service and, as a result, to reduce the structure of the organisations. My review was one of the last to be undertaken, but that process must have informed the negotiations that were taking place at the same time.

Syr Jon Shortridge: Yn 1995, cynhaliais adolygiad uwchreoli o'r Swyddfa Gymreig. Cynhaliwyd adolygiadau o'r math hwn ym mhob adran yn y Llywodraeth ar y pryd, a nod a bwriad yr adolygiadau hyn oedd gostwng nifer y bobl yn yr uwch-wasanaeth sifil ac, o ganlyniad, lleihau sdrwythur y sefydliadau. Fy adolygiad oedd un o'r rhai olaf i'w cyflawni, ond mae'n rhaid bod y broses honno wedi bwydo'r negodiadau a oedd yn cael eu cynnal ar yr un adeg.

[20] **Dafydd Wigley:** Val, Janet wants to come in with a quick question on this. I am sorry to interrupt the flow, but these are important questions.

20] **Dafydd Wigley:** Val, mae Janet am ofyn cwestiwn cyflym ar hyn. Mae'n ddrwg gennyf am dorri ar draws, ond mae'r rhain yn gwestiynau pwysig.

[21] **Janet Davies:** Sir Jon, can I ask was this known publicly in any way, or was this totally within the civil service and the Government at the time?

[21] **Janet Davies:** Syr Jon, a gaf i ofyn a oedd hyn yn hysbys i'r cyhoedd mewn unrhyw ffordd, neu a oedd hyn yn llwyr o fewn y gwasanaeth sifil a'r Llywodraeth ar y pryd?

Sir Jon Shortridge: I would be very surprised if it was not known publicly. I do not think that it was necessarily a big public issue at the time, but I do not think that there was any suggestion that this was being done privately and without the public being informed about it. I would have to check, but I imagine that Parliament was well aware that every Government department was being required to review its senior staffing structure.

Syr Jon Shortridge: Byddai'n syndod mawr i mi pe na bai'n wybodaeth gyhoeddus. Nid wyf yn credu bod hyn o reidrwydd yn fater o bwys cyhoeddus ar y pryd, ond nid wyf yn credu bod unrhyw awgrym bod hyn yn cael ei wneud yn breifat a heb i'r cyhoedd wybod amdano. Byddai'n rhaid i mi wirio hynny, ond tybiaf y byddai'r Senedd wedi bod yn hollol ymwybodol bod gofyn i bob adran yn y Llywodraeth adolygu ei sdrwythur staffio o ran aelodau uwch o staff.

[22] **Dafydd Wigley:** I have some recollection that there may have been policies because some members of the Government of the day felt that Government was too large and so on. I had not, I must admit, interpreted it to have a likely, direct bearing on the functional size of the Welsh Office. Val, we interrupted you. We will now return to your questions.

[22] **Dafydd Wigley:** Mae gennyf frith gof bod rhai polisïau'n bodoli efallai oherwydd bod rhai o aelodau'r Llywodraeth ar y pryd yn teimlo bod y Llywodraeth yn rhy fawr ac ati. Nid oeddwn, mae'n rhaid i mi gyfaddef, wedi dehongli'r polisi fel un a fyddai'n cael dylanwad tebygol, uniongyrchol ar faint swyddogaethol y Swyddfa Gymreig. Yr ydym wedi torri ar eich traws, Val. Yr ydym am ddychwelyd yn awr at eich cwestiynau.

[23] **Val Lloyd:** I was going to ask how effectively the Assembly managed the key risks. Of course, the key risk was the users, but I think that that has been adequately covered now. If I could move on to paragraph 2.8, the decision to proceed with the PFI deal depends on the value for money of the PFI option compared with conventional procurement. Paragraph 2.8 identifies that, although the Welsh Office identified that the net present value of PFI was higher than conventional procurement, no formal public sector comparator was produced. Can you explain how the Welsh Office decided that PFI offered better value for money than conventional procurement?

[23] **Val Lloyd:** Yr oeddwn am ofyn pa mor effeithiol oedd y Cynulliad wedi rheoli'r risgiau allweddol. Wrth gwrs, y risg allweddol oedd y defnyddwyr, ond credaf fod hyn wedi cael sylw digonol bellach. Os symudwn ymlaen at baragraff 2.8, mae'r penderfyniad i fynd ymlaen â'r contract PFI yn dibynnu ar werth am arian yr opsiwn PFI o'i gymharu â chaffaeliad confensiynol. Mae paragraff 2.8 yn nodi, er bod y Swyddfa Gymreig wedi cydnabod bod gwerth net presennol PFI yn uwch na chaffaeliad confensiynol, na chynhyrchwyd cymharydd sector cyhoeddus ffurfiol. A allwch egluro sut y penderfynodd y Swyddfa Gymreig bod PFI yn cynnig gwell gwerth am arian na chaffaeliad confensiynol?

Sir Jon Shortridge: I have sought to research this further in preparing myself for this hearing. My understanding is that what the Welsh Office did at the time was to undertake a conventional investment appraisal, which it put to the Treasury, and the Treasury approval to proceed with the OSIRIS contract was informed by its consideration of that appraisal. My present understanding is—I have not been able to check it absolutely, but I would be surprised if I am wrong—that, at that time, there was no requirement from the Treasury for a public sector comparator. This was still in the fairly early days of PFI, and public sector comparators came in slightly later than that in a revision of the green book. However, I think that the key thing is that, whatever you call it, there was an investment appraisal, which informed the process. The other thing that was going on at the time was that I think there was a particular policy interest in employing the PFI options whenever they seemed available and appropriate, and that also informed the decision-making process.

Syr Jon Shortridge: Yr wyf wedi ceisio ymchwilio i hyn ymhellach wrth baratoi fy hun ar gyfer y gwrandawiad hwn. Yr wyf ar ddeall mai'r hyn a wnaeth y Swyddfa Gymreig ar y pryd oedd cynnal gwerthusiad buddsoddiad confensiynol, a gyflwynodd i'r Trysorlys, a bod ystyriaeth y Trysorlys o'r gwerthusiad hwn wedi bwydo'i gymeradwyaeth i fynd ymlaen â'r contract OSIRIS. O'r hyn a ddeallaf ar hyn o bryd—nid wyf wedi gallu gwirio hyn i sicrwydd, ond byddai'n syndod gennyf pe bawn yng anghywir—nid oedd y Trysorlys yn ei gwneud yn ofynnol ar y pryd i gael cymharydd sector cyhoeddus. Yr oedd hyn yn nyddiau cynnar PFI a chyflwynwyd cymaryddion sector cyhoeddus ychydig yn ddiweddarach mewn diwygiad o'r llyfr gwyrdd. Fodd bynnag, credaf mai'r ffactor allweddol yma yw, beth bynnag yr ydych am ei alw, bod gwerthusiad buddsoddi wedi'i gynnal, a fwydodd y broses. Y peth arall a oedd yn digwydd ar y pryd oedd bod diddordeb polisi penodol, fe gredaf, mewn defnyddio'r opsiynau PFI pryd bynnag yr ymddangosai eu bod ar gael ac yn briodol, ac yr oedd hynny hefyd yn bwydo'r broses o wneud penderfyniadau.

[24] **Val Lloyd:** The report also states that roll-out under PFI was faster than a phased roll-out under conventional procurement. Why could you not roll-out OSIRIS conventionally as quickly as PFI?

Sir Jon Shortridge: Nigel may want to comment further, but I think that the position is that, if this had been a conventional procurement, as the Welsh Office we would have had to incur a lot of capital expenditure on the necessary equipment. We did not have a budget for that, so the capital procurement would have had to be spread over a series of years. Indeed, I think that the figure that I have seen is that it would have extended over a period of four years, so we would have still been procuring the equipment at the time that the Assembly came into being. Nigel, you may want to amplify on that.

[25] **Dafydd Wigley:** Hold on. As you were not taking into account the fact that the Assembly was being established when you were making these decisions, that would not have been valid, would it?

Sir Jon Shortridge: Sorry, I was connecting two unconnected thoughts.

[26] **Dafydd Wigley:** Sorry to connect them, Sir Jon.

Sir Jon Shortridge: What I have said is that the expectation in the Welsh Office was that a conventional procurement would have taken something like four years to complete. As it happened, if that had been the situation, the Welsh Office would still have been undertaking this procurement at the time that the Assembly was established. That is the only point I am making.

[24] **Val Lloyd:** Mae’r adroddiad hefyd yn nodi bod darparu’r system dan PFI yn gynt na’i darparu’n raddol dan gaffaeliad confensiynol. Pam na allech ddarparu OSIRIS yn gonfensiynol mor gyflym â PFI?

Syr Jon Shortridge: Efallai y bydd Nigel am wneud sylwadau pellach, ond credaf mai’r sefyllfa ydyw, pe bai hwn wedi bod yn gaffaeliad confensiynol, fel y Swyddfa Gymreig, byddem wedi gorfod gwario llawer o wariant cyfalaf ar y cyfarpar angenrheidiol. Nid oedd gennym gyllideb ar gyfer hynny, felly byddai’r caffaeliad cyfalaf wedi gorfod cael ei rannu allan dros nifer o flynyddoedd. Yn wir, credaf mai’r ffigur a welais yw y byddai wedi gorfod cael ei rannu allan dros gyfnod o bedair blynedd, felly byddem dal wedi bod wrthi’n caffael y cyfarpar pan sefydlwyd y Cynulliad. Nigel, efallai eich bod am ymhelaethu ar hyn.

[25] **Dafydd Wigley:** Arhoswch am funud. Gan nad oeddech yn ystyried y ffaith bod y Cynulliad yn cael ei sefydlu pan oeddech yn gwneud y penderfyniadau hyn, ni fyddai hynny wedi bod yn ddilys, na fyddai?

Syr Jon Shortridge: Mae’n ddrwg gennyf, yr oeddwn yn cysylltu dau fater digyswllt.

[26] **Dafydd Wigley:** Mae’n ddrwg gennyf am eu cysylltu, Syr Jon.

Syr Jon Shortridge: Yr hyn yr wyf wedi’i ddweud yw bod pobl yn y Swyddfa Gymreig yn disgwyl y byddai caffaeliad confensiynol wedi cymryd tua pedair blynedd i’w gwblhau. Fel y bu pethau, pe bai hynny wedi digwydd byddai’r Swyddfa Gymreig dal wedi bod wrthi’n gwneud y caffaeliad hwn pan sefydlwyd y Cynulliad. Dyna’r unig bwynt yr wyf yn ei wneud.

Mr Finlayson: I have two points, one that may help the Committee to understand the context. The original business case for OSIRIS was first prepared in 1993 and was submitted to the Treasury at the end of that year. The decision to proceed was given to us by the Treasury in early 1994, which was quite some time before the actual contract was let. It is also important to remember that we were not replacing like with like. The Welsh Office at that time had no comprehensive IT provision. It had no wide area network and it did not even have anything like the size of the organisation that I now head for the management of the contract. We had no facility to roll-out a system of this kind without having not only incurred the capital expenditure, but also undertaken a considerable period of recruitment in order to recruit staff to be able to carry out this task. The big advantage of the PFI route and the OSIRIS contract was, of course, that the contractor provided the resources to be able to deliver the system in the timeframe that was achieved.

Mr Finlayson: Mae gennyf ddau bwynt, un a allai gynorthwyo'r Pwyllgor i ddeall y cyd-destun. Paratowyd yr achos busnes gwreiddiol ar gyfer OSIRIS am y tro cyntaf yn 1993 ac fe'i cyflwynwyd i'r Trysorlys ar ddiwedd y flwyddyn honno. Rhoddwyd y penderfyniad i ni fynd ymlaen â'r gwaith gan y Trysorlys yn gynnar yn 1994, a oedd gryn amser cyn dyfarnu'r contract dan sylw. Mae hefyd yn bwysig cofio nad oeddem yn cyfnewid yr hyn a oedd gennym am rywbeth yn union yr un peth. Nid oedd gan y Swyddfa Gymreig ar y pryd ddarpariaeth TG gynhwysfawr. Nid oedd ganddi rwydwaith eang ac nid oedd ganddi hyd yn oed gyfundrefn debyg o ran maint i'r un yr wyf yn ei harwain yn awr i reoli'r contract. Nid oedd gennym gyfleuster i gyflwyno system o'i math heb orfod defnyddio'r gwariant cyfalaf ac ymgymryd â chyfnod sylweddol o recriwtio er mwyn recriwtio staff i allu cyflawni'r dasg hon. Mantais fawr llwybr PFI a'r contract OSIRIS, wrth gwrs, oedd bod y contractwr yn darparu'r adnoddau i allu darparu'r system o fewn yr amserlen a gyflawnwyd.

[27] **Val Lloyd:** If I can project forward, if Merlin is procured through PFI, will there be a public sector comparator and, if not, how will you ensure that PFI provides the best value for money?

[27] **Val Lloyd:** Os caf i feddwl ymlaen, os yw Merlin yn cael ei gaffael drwy PFI, a fydd cymharydd sector cyhoeddus ac, os nad fydd, sut byddwch yn sicrhau bod PFI yn rhoi'r gwerth gorau am arian?

Sir Jon Shortridge: We are not absolutely committed to it being a PFI, but I am sure that we will have a public sector comparator.

Syr Jon Shortridge: Nid ydym yn gwbl ymrwymedig iddo fod yn PFI, ond yr wyf yn siwr y bydd gennym gymharydd sector cyhoeddus.

Mr Finlayson: The nature of the contract that Merlin will provide will be entirely different. First of all, it will be a framework covering a whole range of services, and the current planning is that we will have different pricing mechanisms and payment methods for different types of service. Some of those may be PFI, if that is appropriate. It remains to be seen what the suppliers' proposals will say. Current Treasury investment guidance on this has now changed quite considerably. When the new green book is published next year, the appraisal approach which that advocates is to move away from public sector comparators towards looking at lifetime whole costs. In particular, Peter Gershon, the head of the Office of Government Commerce has been pushing the message very strongly recently that, from the PFI point of view or the IT services point of view, the cheapest option is not always the best. Departments must look much more closely at what the whole lifetime costs are and what the benefits of particular services are. In those circumstances, the strict public sector comparator is not particularly helpful. It is also very difficult in our circumstances to have a public sector comparator the second time around because whatever comparator we had was effectively given away when the OSIRIS contract was let first time round. We have nothing to compare it to.

Mr Finlayson: Bydd natur y contract a ddarperir gan Merlin yn hollol wahanol. Yn gyntaf, bydd yn fframwaith a fydd yn cwmpasu ystod eang o wasanaethau, a'r bwriad ar hyn o bryd yw y bydd gennym fecanweithiau prisio a dulliau talu gwahanol ar gyfer gwahanol fathau o wasanaethau. Gall rhai o'r rhain fod yn PFI, os yw hynny'n briodol. Amser a ddengys beth fydd cynigion y cyflenwyr. Mae canllawiau buddsoddi'r Trysorlys ar hyn wedi newid yn sylweddol bellach. Pan fydd y llyfr gwyrdd newydd yn cael ei gyhoeddi y flwyddyn nesaf, y dull gwerthuso y bydd yn ei argymell yw symud i ffwrdd o'r cymaryddion sector cyhoeddus ac edrych ar gostau cyfan oes. Yn benodol, mae Peter Gershon, pennaeth Swyddfa Masnach y Llywodraeth, wedi bod yn datgan y neges yn uchel yn ddiweddar mai nid yr opsiwn rhataf, o safbwynt PFI neu o safbwynt y gwasanaethau TG, yw'r opsiwn gorau bob tro. Mae'n rhaid i adrannau edrych yn fwy gofalus ar gostau cyfan oes a beth yw manteision gwasanaethau penodol. Dan yr amgylchiadau hyn, nid yw'r cymharydd sector cyhoeddus caeth yn arbennig o ddefnyddiol. Mae'n anodd iawn hefyd dan ein hamgylchiadau ni i gael cymharydd sector cyhoeddus ar yr ail gynnig oherwydd bod pa bynnag gymharydd a ddefnyddiwyd wedi'i wrthod pan ddyfarnwyd y contract OSIRIS y tro cyntaf. Nid oes gennym ddim i'w gymharu ag ef.

[28] **Dafydd Wigley:** Has the next question been covered, Val, or do you have another angle on it?

[28] **Dafydd Wigley:** A ydym wedi rhoi sylw i'r cwestiwn nesaf, Val, neu a oes gennych ogwydd arall ar y cwestiwn?

[29] **Val Lloyd:** No. I do not have another angle on it. I think that we covered it earlier.

[29] **Val Lloyd:** Na. Nid oes gennyf ogwydd arall arno. Credaf ein bod wedi ei drafod yn gynharach.

[30] **Dafydd Wigley:** Yes. Sir Jon has acknowledged that there was no requirement for a public sector comparator at the time when this started. You said that you were digging into that, Sir Jon, and if you come up with any further evidence on it, we would be glad to have a written memorandum. It is a little surprising and, I suppose, to that extent, our friends in the National Audit Office would not find any evidence if that was not policy at the time?

Sir Jon Shortridge: I think that its report is absolutely accurate. I was just surprised that our files did not appear to be sufficiently complete, which is why I wanted to probe further as to what had happened. As I say, my present understanding—and I will give a memorandum if I am wrong—is that the requirements at the time were not those that exist now, which are shortly to be changed further. However, clearly, investment appraisals do often involve, or can involve, comparisons with alternative types of supply.

[31] **Dafydd Wigley:** No doubt Sir John Bourn will also have heard that exchange and will advise us, if appropriate.

[32] **Alun Cairns:** Sir Jon, how many civil servants were employed by the Welsh Office in January 1997 when the contract was agreed?

Sir Jon Shortridge: I do not think that I have that information with me now.

[33] **Alun Cairns:** What would be your best estimate?

Sir Jon Shortridge: I would expect it to have been in the range of 2,000 to 2,500.

[30] **Dafydd Wigley:** Do. Mae Syr Jon wedi cydnabod nad oedd angen cymharydd sector cyhoeddus pan ddechreuodd hyn. Yr oeddech yn dweud eich bod yn ymchwilio i hyn, Syr Jon, ac os ydych yn dod o hyd i unrhyw dystiolaeth newydd yn ei gylch, byddem yn gwerthfawrogi memorandwm ysgrifenedig. Mae’n dipyn o syndod, ac mae’n debyg, i’r graddau hynny, na fyddai ein cyfeillion yn y Swyddfa Archwilio Genedlaethol yn dod o hyd i unrhyw dystiolaeth os nad oedd hynny’n bolisi ar y pryd?

Syr Jon Shortridge: Credaf fod ei hadroddiad yn hollol gywir. Yr oedd yn syndod i mi nad oedd ein ffeiliau’n ymddangos fel pe baent wedi’u cwblhau’n ddigonol, a dyna pam fy mod am archwilio ymhellach i’r hyn a ddigwyddodd. Fel y dywedais, fy nealltwriaeth i ar hyn o bryd—a byddaf yn cyflwyno memorandwm os wyf yn anghywir—yw bod y gofynion ar y pryd yn wahanol i’r rhai sy’n bodoli’n awr, ac a fydd yn cael eu newid ymhellach yn fuan. Fodd bynnag, yn amlwg, mae gwerthusiadau buddsoddi yn aml yn cynnwys, neu’n gallu cynnwys, cymariaethau gyda gwahanol fathau o gyflenwad.

[31] **Dafydd Wigley:** Yr wyf yn siwr bod Syr John Bourn wedi clywed y geiriau hyn hefyd a bydd yn ein cynghori, os yw hynny’n briodol.

[32] **Alun Cairns:** Syr Jon, faint o weision sifil yr oedd y Swyddfa Gymreig yn eu cyflogi yn Ionawr 1997 pan gytunwyd ar y contract?

Syr Jon Shortridge: Nid wyf yn credu bod gennyf y wybodaeth hon gyda mi yn awr.

33] **Alun Cairns:** Beth fyddai eich amcangyfrif gorau?

Syr Jon Shortridge: Byddwn yn disgwyl iddo fod rhwng 2,000 a 2,500.

[34] **Alun Carins:** So, bearing in mind the estimated figure that you just gave, why did you only calculate the sensitivity analysis on the basis of 1,875 users at most?

[34] **Alun Carins:** Felly, gan gofio'r ffigur a amcangyfrifwyd gennych yn awr, pam y bu i chi gyfrif y dadansoddiad sensitifrwydd ar sail 1,875 o ddefnyddwyr yn unig?

Sir Jon Shortridge: Are you asking why the Welsh Office did that?

Syr Jon Shortridge: A ydych yn gofyn pam wnaeth y Swyddfa Gymreig hynny?

[35] **Alun Cairns:** Yes.

[35] **Alun Cairns:** Ydw.

Sir Jon Shortridge: Because, as I said, at that time, the proposition was not that everyone working in the Welsh Office should have use of this equipment.

Syr Jon Shortridge: Oherwydd, fel y dywedais, ar yr amser dan sylw, nid oedd y cynnig yn cynnwys y dylai pawb a oedd yn gweithio yn y Swyddfa Gymreig gael defnyddio'r cyfarpar hwn.

[36] **Alun Cairns:** Figure 5 on page 10 shows us that, in terms of the estimates of the number of users at September 1997, July 1998 and March 1999, the actual number of users far exceeded the estimated number at the time. So how do you reconcile those two points?

36] **Alun Cairns:** Mae ffigur 5 ar dudalen 10 yn dangos, o ran yr amcangyfrif o nifer y defnyddwyr ym mis Medi 1997, Gorffennaf 1998 a Mawrth 1999, bod union nifer y defnyddwyr yn llawer uwch na'r nifer a amcangyfrifwyd ar y pryd. Felly sut ydych yn cysoni y ddau bwynt hynny?

Sir Jon Shortridge: Well, I think that I have largely done that, have I not, in that I have explained that certain decisions were taken during this period to add existing staff onto the system, particularly in the case of the agricultural offices which, as you know, employ several hundred people, or did at that time, and to add junior staff onto the system.

Syr Jon Shortridge: Wel, credaf fy mod wedi gwneud hynny i raddau helaeth drwy egluro bod penderfyniadau penodol wedi'u gwneud yn ystod y cyfnod hwn i gynnwys staff presennol yn y system, yn arbennig yn achos y swyddfeydd amaethyddol sydd, fel y gwyddoch, yn cyflogi cannoedd o bobl, neu'n gwneud hynny ar y pryd, ac i gynnwys staff iau yn y system.

[37] **Alun Cairns:** May I put it to you that the estimate of 1,875 users at the most was at best naive, bearing in mind the way in which modern technology was evolving and involving greater numbers of users, and at worst incompetent. Is that a fair analysis?

[37] **Alun Cairns:** A gaf i gynnig bod yr amcangyfrif o 1,875 o ddefnyddwyr ar y gorau yn naïf, gan gofio'r ffordd yr oedd technoleg fodern yn datblygu ac yn cynnwys rhagor o ddefnyddwyr, ac, ar y gwaethaf, yn ddi-glem. A yw hyn yn ddadansoddiad teg?

Sir Jon Shortridge: I do not think that it is an analysis that I would share. I just repeat that these were decisions taken by the Welsh Office and those responsible for managing and providing political direction for the Welsh Office at that time. Clearly, these were decisions that they thought were appropriate at that time, given that background and given that this was a major development for the Welsh Office. We were going from having no IT system at all to the introduction, at some considerable expense, of an IT system. Clearly, the view taken—or the perception—was that the way to get best value from it was to confine it to people who were in the more senior positions.

Syr Jon Shortridge: Nid wyf yn siwr ei fod yn ddadansoddiad y byddwn yn cytuno ag ef. Yr wyf am bwysleisio eto fod y rhain yn benderfyniadau a wnaed gan y Swyddfa Gymreig a chan y bobl a oedd yn gyfrifol am reoli a chynnig cyfeiriad gwleidyddol y Swyddfa Gymreig ar y pryd. Yn amlwg, yr oedd y rhain yn benderfyniadau a ystyriwyd yn briodol ar y pryd, o ystyried y cefndir a bod hwn yn ddatblygiad pwysig i'r Swyddfa Gymreig. Yr oeddem yn datblygu o fod heb system TG o gwbl i gyflwyno, am gost sylweddol iawn, system TG. Yn amlwg, y farn a gymerwyd—neu'r syniad—oedd mai'r ffordd orau i gael gwerth gorau ohono oedd ei gyfyngu i bobl yn y swyddi uwch.

[38] **Alun Cairns:** Of course, the other point that you highlighted earlier, which might well answer the accusation that I made, was about the downsizing of the civil service, or the Welsh Office specifically. Bearing in mind the trend of the increased powers of the Welsh Office at the time and the transfers of functions that were coming from Westminster on an ongoing basis, would you like to reconsider the statement that you made about downsizing the Welsh Office? Furthermore, if that statement still stands, why then do we think that Sir John Bourn did not pick it up in his investigations?

[38] **Alun Cairns:** Wrth gwrs, yr oedd y pwynt arall a wnaethoch yn gynharach, a allai ateb fy nghyhuddiad, yn ymwneud â lleihau'r gwasanaeth sifil, neu'r Swyddfa Gymreig yn benodol. Gan gofio tuedd pwerau cynyddol y Swyddfa Gymreig ar y pryd a'r swyddogaethau a oedd yn cael eu trosglwyddo o San Steffan yn gyson, a fyddech yn hoffi ailystyried y datganiad a wnaethoch am leihau'r Swyddfa Gymreig? Hefyd, os yw'r datganiad hwn yn sefyll o hyd, pam felly yr ydym o'r farn na roddodd Syr John Bourn sylw i'r mater yn ei ymchwiliadau?

Sir Jon Shortridge: I think that the word 'downsizing' came from the Chair. This report makes it clear that there was an expectation at the time, and it was part of the contract, that there would be year-on-year reductions in staff as a result of the contract. So, it is quite clear that that was the position. What was your final point?

Syr Jon Shortridge: Credaf mai'r Cadeirydd ddefnyddiodd y gair 'lleihau'. Mae'r adroddiad hwn yn nodi'n glir fod disgwyl ar y pryd, a'i fod yn rhan o'r contract, y byddai gostyngiadau blynyddol yn nifer y staff o ganlyniad i'r contract. Felly, mae'n eithaf clir mai dyna oedd y sefyllfa. Beth oedd eich pwynt terfynol?

[39] **Alun Cairns:** Why would Sir John Bourn's staff not have discovered the same point during their investigations?

[39] **Alun Cairns:** Pam na fyddai staff Syr John Bourn wedi darganfod yr un pwynt yn ystod eu hymchwiliadau?

Sir Jon Shortridge: I think that they did sufficiently. I do not think that it is necessary for them to analyse what the policy considerations were that led to the outcome. However, they have recorded the outcome in the report about there being an expectation that staffing numbers would fall back from a particular level.

Syr Jon Shortridge: Credaf eu bod wedi gwneud gwaith digonol. Nid wyf o'r farn bod angen iddynt ddadansoddi beth oedd yr ystyriaethau polisi a arweiniodd at y canlyniad. Fodd bynnag, maent wedi cofnodi'r canlyniad yn yr adroddiad ynglyn â'r disgwyl oedd i nifer y staff ostwng o lefel benodol.

[40] **Dafydd Wigley:** May Alison come in here, Alun, then I will come back to you?

[40] **Dafydd Wigley:** A gaiff Alison gyfrannu yma, Alun, ac wedyn fe ddof yn ôl atoch?

[41] **Alun Cairns:** Yes.

[41] **Alun Cairns:** Iawn.

[42] **Alison Halford:** Sir Jon, I wonder whether you could look at paragraph 1.1 on page 5 of the report. My interpretation of it is that it does not quite square with your suggestion that you were not going to make the system available to all staff. It says here that OSIRIS

'was intended to cover all of the Welsh Office's operations, providing networked hardware and standard office automation software, including electronic mail. Prior to 1997, only half of the 2,000 staff of the Welsh Office had a computer on their desk.'

I read that as saying that it had been accepted that only half had computers. You could therefore argue that you were thinking about giving computers to everybody. That surely flies in the face of the numbers game that Alun has been discussing with you. How would you have actually broken down who was going to get a computer? I cannot understand your answer, to be honest. How on earth would you have worked out who, out of the 2,500 staff, would have access to a computer if you were trying to computerise the whole Welsh Office?

[42] **Alison Halford:** Syr Jon, a wnewch chi edrych ar baragraff 1.1 ar dudalen 5 yr adroddiad? Mae fy nehongliad i o'r paragraff yn awgrymu nad yw'n cyd-fynd yn llwyr â'ch awgrym nad oeddech am sicrhau bod y system ar gael i'r holl staff. Mae'n dweud yma mai bwriad OSIRIS.

'oedd cwmpasu holl weithrediadau'r Swyddfa Gymreig, gan ddarparu caledwedd wedi ei rhwydweithio a meddalwedd awtomatiaeth swyddfa safonol, gan gynnwys post electronig. Cyn 1997, dim ond hanner y staff o 2,000 yn y Swyddfa Gymreig oedd â chyfrifiadur ar eu desg.'

Yr wyf yn ystyried bod hyn yn dweud eu bod yn derbyn mai dim ond hanner oedd â chyfrifiaduron. Gallech ddadlau felly eich bod wedi ystyried rhoi cyfrifiaduron i bawb. Does bosib bod hynny'n mynd yn erbyn y niferoedd y mae Alun wedi bod yn eu trafod â chi. Sut byddech chi'n penderfynu mewn gwirionedd pwy fyddai'n cael cyfrifiadur? Nid wyf yn deall eich ateb, i fod yn onest. Sut ar wyneb y ddaear y byddech wedi penderfynu, allan o'r 2,500 aelod o staff, pwy fyddai'n cael mynediad i gyfrifiadur os oeddech yn ceisio cyfrifiaduro'r Swyddfa Gymreig i gyd?

Sir Jon Shortridge: I will invite Nigel to give you the full detail to the answer, but I think that he will just elaborate on the basic point that I made, namely that it was not the intention initially that all staff should have the equipment.

Syr Jon Shortridge: Yr wyf am wahodd Nigel i roi manylion llawn ar yr ateb, ond credaf y bydd yn ymhelaethu ar y pwynt sylfaenol a roddais, sef nad y bwriad yn y lle cyntaf oedd rhoi'r cyfarpar bob aelod o staff.

Mr Finlayson: That is quite correct. The contract was let on the basis that executive officers and above would be provided with the equipment and that it would not be provided to the staff in divisional agricultural offices. They would stay with the existing computer systems that they had at that time. There would be no networking between the divisional offices and the main Welsh Office headquarters in Cardiff. Sir Jon's predecessor rescinded that decision when she took up the post of Permanent Secretary. She decided that the contract should be extended to provide equipment to all Welsh Office staff, including rolling it out to the agricultural divisional offices.

Mr Finlayson: Mae hynny'n hollol gywir. Dyfarnwyd y contract ar y sail bod swyddogion gweithredol ac uwch swyddogion yn cael y cyfarpar ac na fyddai'n cael ei ddarparu i staff yn y swyddfeydd amaeth rhanbarthol. Byddent yn parhau i ddefnyddio'r systemau cyfrifiadur presennol a oedd ganddynt ar y pryd. Ni fyddai rhwydweithio rhwng y swyddfeydd rhanbarthol a phrif bencadlys y Swyddfa Gymreig yng Nghaerdydd. Diddymodd rhagflaenydd Syr Jon y penderfyniad hwn pan ymgymerodd â'i swydd fel Ysgrifennydd Parhaol. Penderfynodd y dylid ymestyn y contract i ddarparu cyfarpar i holl staff y Swyddfa Gymreig, gan gynnwys y swyddfeydd amaeth rhanbarthol.

[43] **Dafydd Wigley:** At what date was that?

[43] **Dafydd Wigley:** Pryd yn union oedd hyn?

Mr Finlayson: I did not join the Welsh Office until 1998, so I am not aware of the precise date. However, the roll-out to the divisional offices was in fact taking place during 1998, during the time of my arrival.

Mr Finlayson: Ni ymunais â'r Swyddfa Gymreig tan 1998, felly nid wyf yn ymwybodol o'r union ddyddiad. Fodd bynnag, cyflwynwyd y system i'r swyddfeydd rhanbarthol yn ystod 1998, yn ystod y cyfnod y cyrhaeddais.

[44] **Alun Cairns:** Sir Jon, do you think that a contract based on user numbers was a sensible foundation for charging?

[44] **Alun Cairns:** Syr Jon, a ydych yn meddwl bod contract ar sail nifer defnyddwyr yn sylfaen synhwyrol ar gyfer costau?

Sir Jon Shortridge: That was certainly the view that was taken at the time. I think that what we have to remember here is that, essentially, what we were paying for was an IT platform as opposed to an IT contract whereby you are using the system to deliver a service, such as income tax returns and so on. So, there is no obvious output measure that you can use to cost the contract. Clearly, at the time, the view was taken that the use of this annual charge was the appropriate way of doing it. Indeed, in preparing myself for this hearing, I have looked at an evaluation that was prepared at the time by the Central Communications and Telecommunications Agency, I think, which commended the approach that we had adopted.

[45] **Alun Cairns:** Do you not accept that the addition of the last computer, say the thousandth computer, would have a much, much lower marginal cost than that of the first, and therefore, how is it that a user-charging structure was the most sensible for the Welsh Office?

Sir Jon Shortridge: Again, I will invite Nigel to comment in more detail, but I think the point about it is that you do not have some monolithic investment to which, without actually having to incur any more expenditure, the operator can just simply add infinite numbers of people. What you have in this sort of contract is a whole series of incremental or threshold points where it has to make further investment in order to meet the costs of the additional users. So while I would, I think, accept your general proposition that the more users you have the marginal costs reduce, you have to see it in that wider context of a continuous process of investment, which is affecting the average cost profile. Nigel, do you want to comment further?

Syr Jon Shortridge: Dyna'n sicr oedd y farn ar y pryd. Credaf mai'r hyn sydd angen i ni ei gofio yma yw ein bod yn talu am lwyfan TG yn hytrach na chontract TG lle'r ydych yn defnyddio'r system i ddarparu gwasanaeth, fel datganiadau treth incwm ac ati. Felly, nid oes dull amlwg o fesur allbwn y gallwch ei ddefnyddio i bennu cost y contract. Yn amlwg, ar y pryd, y farn oedd mai defnyddio'r tâl blynyddol hwn oedd y ffordd briodol o'i wneud. Yn wir, wrth baratoi fy hun ar gyfer y gwrandawiad hwn, yr wyf wedi edrych ar werthusiad a baratowyd ar y pryd gan yr Asiantaeth Ganolog Cyfathrebu a Thelathrebu, yr wyf yn credu, a oedd yn cymeradwyo'r dull yr oeddem wedi'i fabwysiadu.

[45] **Alun Cairns:** Oni dderbyniwch y byddai ychwanegu'r cyfrifiadur olaf, y milfed cyfrifiadur ddywedwn ni, yn arwain at gost ffiniol yn llawer is na'r cyntaf, ac felly, pam mai'r sdrwythur codi pris ar sail nifer y defnyddwyr oedd yr un mwyaf synhwyrol i'r Swyddfa Gymreig?

Syr Jon Shortridge: Unwaith eto, yr wyf am wahodd Nigel i wneud sylwadau fwy manwl, ond credaf mai'r pwynt yma yw nad oes gennych ryw fuddsoddiad monolithig lle gall y gweithredwr yn syml, heb orfod gwario mwy, ychwanegu nifer diddiwedd o bobl. Beth sydd gennych mewn contract fel hwn yw cyfres gyfan o ychwanegiadau neu bwyntiau trothwy lle mae'n rhaid buddsoddi ymhellach er mwyn talu am ddefnyddwyr ychwanegol. Felly er fy mod, yr wyf yn credu, yn cytuno â'ch cynnig mai po fwyaf o ddefnyddwyr a geir po fwyaf fydd y costau ffiniol yn gostwng, mae'n rhaid ichi ystyried hyn mewn cyd-destun ehangach o broses fuddsoddi barhaus sy'n effeithio ar broffil cyfartaledd costau. Nigel, a ydych am wneud sylwadau pellach?

Mr Finlayson: I think that there are a number of points. First, again, coming back to the points that Sir Jon made earlier, this was a very early example of an attempt to contract for IT services and the experience of Government was limited. This was a full European Union procurement process, but because PFI was being chosen, the method of financing and the basis of payment were not prescribed in the EU notice—that was left to suppliers to respond to. The fact was that no supplier put in any bid for a payment structure other than on the basis of user numbers. Since we had no other bids—we had completed a full EU competition—I assume that the Welsh Office took the view at the time that it needed to proceed on the basis of the bids that it had received. Its only other alternative would have been to abandon the procurement and to choose another path, and obviously the decision was taken at the time that that was not a feasible or realistic proposition.

[46] **Dafydd Wigley:** Or to do it directly, of course.

[47] **Alun Cairns:** Sir Jon, I was quite surprised by your answer to the Cadeirydd earlier when you said that you had not checked the file about the discussions with the possible incoming Government in January 1997 to ensure a seamless transition to the new Government by May 1997. Do you think that the possibility of a changing Government and its intention to establish an Assembly could have had an influence on the number of computers and users within the system?

Mr Finlayson: Credaf fod nifer o bwyntiau yn ymwneud â hyn. Yn gyntaf, unwaith eto, gan ddod yn ôl at y pwyntiau a wnaeth Syr Jon yn gynharach, yr oedd hon yn enghraifft gynnar iawn o ymgais i lunio contract ar gyfer gwasanaethau TG ac nid oedd gan y Llywodraeth lawer o brofiad. Yr oedd hon yn broses gaffael lawn yr Undeb Ewropeaidd, ond oherwydd mai PFI a ddewiswyd, ni chafodd y dull o gyllido a sail y costau talu eu rhagnodi yn hysbysiad yr UE—gadawyd hynny i gyflenwyr ymateb iddo. Ni chyflwynodd yr un cyflenwr gynnig am sdrwythur talu ar wahân i un ar sail niferoedd defnyddwyr. Gan na dderbyniwyd cynigion eraill—yr oeddem wedi cwblhau cystadleuaeth UE lawn—yr wyf yn rhagdybio bod y Swyddfa Gymreig wedi penderfynu ar y pryd bod angen iddi barhau â'r gwaith ar sail y cynigion a oedd wedi dod i law. Yr unig ddewis arall oedd rhoi gorau i'r caffaeliad a dewis llwybr arall, ac yn amlwg penderfynwyd ar y pryd nad oedd hynny yn gynnig ymarferol na realistig.

[46] **Dafydd Wigley:** Neu wneud hynny'n uniongyrchol, wrth gwrs.

[47] **Alun Cairns:** Syr Jon, cefais fy syfrdanu gan eich ateb i'r Cadeirydd yn gynharach pan ddywedasoch nad oeddech wedi archwilio'r ffeil am y trafodaethau gyda'r darpar Lywodraeth bosibl yn Ionawr 1997 i sicrhau pontio di-fwlch i'r Llywodraeth newydd erbyn Mai 1997. A ydych yn credu y gallai'r posibilrwydd o Lywodraeth newydd a'i bwriad i sefydlu Cynulliad fod wedi dylanwadu ar nifer y cyfrifiaduron a defnyddwyr y system?

Sir Jon Shortridge: On the first point, as I think Members know, discussions which take place with opposition parties before an election are confidential and are, therefore, not matters that are on the files, so I just would not have a basis of knowledge of that. What I was saying was that I, personally, was not directly involved.

Sir Jon Shortridge: Ar y pwynt cyntaf, fel y tybiaf y mae Aelodau'n gwybod, mae trafodaethau a gynhelir gyda gwrthbleidiau cyn etholiad yn gyfrinachol ac felly, nid oes ffeiliau yn cofnodi'r materion a drafodwyd, felly ni fyddai gennyf sylfaen i'm gwybodaeth am hynny. Yr hyn yr oeddwn yn ceisio ei ddweud oedd nad oeddwn i, yn bersonol, yn ymwneud yn uniongyrchol â hyn.

[48] **Alun Cairns:** Forgive me, Sir Jon, but I was using your phrase that you had not checked the file.

[48] **Alun Cairns:** Maddeuwch i mi, Syr Jon, ond yr oeddwn yn defnyddio'ch geiriau chi pan ddywedais nad oeddech wedi archwilio'r ffeil.

Sir Jon Shortridge: Okay, well, in that case, I apologise; I misled you. What is the case, and what I mean, is that I was not involved in any discussion where those issues were raised. I am not aware of those issues having been raised, but even if I were so aware, given the confidential nature of those discussions, I do not think that I would be able to reveal them here.

Sir Jon Shortridge: Iawn, wel, ymddiheuraf felly; fe'ch camarweiniais. Y pwynt yn y fan hon, a beth yr wyf yn ei olygu, yw nad oeddwn yn rhan o unrhyw drafodaethau lle codwyd y materion hynny. Nid wyf yn ymwybodol i'r materion hyn gael eu codi ond, hyd yn oed pe bawn i, o ystyried natur gyfrinachol y trafodaethau, nid wyf o'r farn y gallwn eu datgelu yma.

[49] **Dafydd Wigley:** Would you agree, however—and I do not want to revisit this because we have touched on it a fair amount—that, if there is a proper sensitivity analysis, based on variation around most likely figures, then that analysis could have taken into account possible developments such as the establishment of the Assembly? If sensitivity was taken in its broadest context, might one have thought that it should have done so?

[49] **Dafydd Wigley:** A fyddech yn cytuno, fodd bynnag—ac nid wyf am roi sylw i hyn eto oherwydd ein bod wedi trafod y mater am gryn amser bellach—os y ceir dadansoddiad sensitifrwydd trylwyr, ar sail amrywio'r ffigurau mwyaf tebygol, y gallai'r dadansoddiad fod wedi ystyried datblygiadau posibl fel sefydlu'r Cynulliad? Pe bai sensitifrwydd wedi'i ystyried yn ei gyd-destun ehangaf, a fyddai'n deg meddwl y dylai hyn fod wedi digwydd?

Sir Jon Shortridge: It would have been open to the officials at the time to give some consideration to that. It becomes speculative then, the extent to which such considerations would have been regarded as relevant by the decision-makers at the time.

Syr Jon Shortridge: Penderfyniad y swyddogion ar y pryd fyddai ystyried hynny. Damcaniaethu y byddem wrth geisio dweud i ba raddau y byddai ystyriaethau fel hyn wedi bod yn berthnasol i'r swyddogion a oedd yn gwneud penderfyniadau ar y pryd.

[50] **Dafydd Wigley:** Yes, I accept that. Alun, do you want to continue?

Sir Jon Shortridge: Sorry, I missed the second half of the question.

[51] **Alun Cairns:** What steps do you intend to take, Sir Jon, to improve the scope and flexibility of your planning for the Merlin procurement and, bearing in mind the constitutional reports that we are expecting after the Assembly elections, what influence will they have on your decision-making?

Sir Jon Shortridge: In terms of the Merlin procurement, again I will bring in Nigel, but I will just say that we certainly accept all the recommendations in this report in terms of how you can create more flexible contracts. I think that I would also have to say that those were conclusions that we had reached on our own account before the report, but in no way am I challenging those conclusions. In terms of how we will take account of the constitutional environment as it is at the time, I think I cannot do more than to say that we would certainly want to have regard to it. I would also say that the nature of the constitutional position in which we operate within the Assembly is far, far removed from the position that we operated in as the Welsh Office. So I just do not see how, given the nature of the decision-making processes and the engagement that we will have to have on this, certainly with Ministers, and also with the House Committee—I think that those processes will provide certainly some safeguards that these, if I can say, wider considerations, will be taken into account in the way in which the final contract is defined. Nigel, do you want to comment further?

[50] **Dafydd Wigley:** Yr wyf yn derbyn hynny. Alun, a ydych am barhau?

Sir Jon Shortridge: Mae'n ddrwg gennyf, methais ail hanner y cwestiwn.

[51] **Alun Cairns:** Pa gamau ydych yn bwriadu eu cymryd, Syr Jon, i wella ystod a hyblygrwydd eich cynlluniau ar gyfer caffaeliad Merlin a, chan gofio'r adroddiadau cyfansoddiadol yr ydym yn eu disgwyl ar ôl etholiadau'r Cynulliad, pa ddylanwad y byddant yn ei gael ar eich penderfyniadau?

Sir Jon Shortridge: O ran caffaeliad Merlin, eto yr wyf am ofyn i Nigel gyfrannu, ond yr wyf am ddweud ein bod ar bob cyfrif yn derbyn yr holl argymhellion yn yr adroddiad hwn o ran sut gellir creu contractau mwy hyblyg. Credaf y byddai'n rhaid i mi ddweud mai casgliadau oedd y rhain y daethom iddynt cyn yr adroddiad, ond nid wyf yn herio'r casgliadau hynny ar unrhyw gyfrif. O ran sut y byddwn yn ystyried yr amgylchedd cyfansoddiadol fel ag y mae ar y pryd, ni allaf wneud mwy na dweud y byddem yn sicr am ei ystyried. Byddem hefyd yn dweud bod natur y sefyllfa gyfansoddiadol yn y Cynulliad yn dra gwahanol i'r sefyllfa a fodolai yn y Swyddfa Gymreig. Felly ni allaf weld sut, o ystyried natur y broses o wneud penderfyniadau a'r rôl y bydd yn rhaid inni ei chymryd yn hyn, yn sicr gyda Gweinidogion, a hefyd gyda Phwyllgor y Ty—credaf y bydd y broses honno yn darparu peth sicrwydd y bydd yr ystyriaethau ehangach hyn yn cael eu hystyried wrth lunio'r contract terfynol. Nigel, a ydych am wneud sylwadau pellach?

Mr Finlayson: I will make two points, if I may. If we have learnt one lesson from OSIRIS it is the necessity for flexibility. As part of the negotiating team for the change to the contract, I still have the scars on my back of dealing with the inflexibility in the original contract. So that lesson has been very well learned. The second point is that, in the last two years, particularly since the creation of the Office of Government Commerce, a huge amount of work has been done within central Government to provide a range of contractual obligations and contractual mechanisms, which provide departments with mechanisms that were not available when this contract was let for managing extensive change. Given that the trend in Government is to let longer and longer contracts on a strategic partnership basis, these are clearly very relevant, and we are taking full account of all the central Government guidance and best practice which is coming out. In preparing for Merlin, we have conducted extensive research of recent examples of contracting in Government, and we have taken the good points and the bad points. I think that we recognise fully the risks that we now need to manage, and they are all around making sure that we are flexible and that we have adequate mechanisms for handling unexpected change over the life of the contract.

Mr Finlayson: Yr wyf am wneud dau bwynt, os y caf i. Os ydym wedi dysgu un wers gan OSIRIS, yr angen i fod yn hyblyg yw honno. Fel rhan o'r tîm negodi i newid y contract, mae gennyf greithiau o hyd o'r gwaith o ddelio gydag anhyblygrwydd y contract gwreiddiol. Felly, mae'r wers honno wedi'i dysgu'n dda iawn. Yr ail bwynt yw, yn y ddwy flynedd diwethaf, yn arbennig ers creu Swyddfa Masnach y Llywodraeth, mae gwaith helaeth wedi'i wneud gyda'r Llywodraeth ganolog i ddarparu ystod o rwymedigaethau cytundebol a mecanweithiau cytundebol, sy'n cynnig mecanweithiau i adrannau nad oedd ar gael pan ddyfarnwyd y contract hwn ar gyfer rheoli newid helaeth. O ystyried mai'r duedd mewn Llywodraeth yw dyfarnu contractau hirach a hirach ar sail partneriaeth strategol, mae'r rhain yn amlwg yn berthnasol iawn, ac yr ydym yn llawn ystyried pob arweiniad ac arferion da a gyhoeddir gan y Llywodraeth ganolog. Wrth baratoi ar gyfer Merlin, yr ydym wedi ymchwilio'n helaeth i enghreifftiau diweddar o gontractio mewn Llywodraeth, ac wedi ystyried y pwyntiau da a'r pwyntiau gwael. Credaf ein bod yn cydnabod yn llawn y risgiau sydd angen i ni eu rheoli yn awr, ac maent i gyd yn ymwneud â sicrhau ein bod yn hyblyg a bod gennym fecanweithiau priodol i ddelio â newid annisgwyl yn ystod oes y contract.

[52] **Alun Cairns:** Before coming to this meeting I checked how many civil servants the Scottish Parliament has. If any future Government here develops into a parliament similar to that in Scotland, it is feasible to imagine that the number of civil servants would rise accordingly, and that would be to something in excess of 5,500 civil servants. So is it fair now to make the assumption that we will not be charging on a user basis, as we have done to date?

52] **Alun Cairns:** Cyn dod i'r cyfarfod hwn, holais faint o weision sifil sydd gan Senedd yr Alban. Os oes unrhyw ddarpar Lywodraeth yma yn datblygu yn senedd debyg i'r un yn yr Alban, ymarferol yw meddwl y byddai nifer y gweision sifil yn codi o ganlyniad. Byddai nifer y gweision sifil yn codi i fwy na 5,500. Felly, a yw'n deg tybio na fyddwn yn codi pris ar sail defnyddwyr, fel yr ydym wedi'i wneud hyd yma?

Sir Jon Shortridge: I am not prepared to rule anything in or out at this very early stage in the process for negotiating for a replacement for OSIRIS.

Syr Jon Shortridge: Nid wyf yn barod i ddiystyru na chadarnhau dim yn y cyfnod cynnar iawn hwn yn y broses o negodi rhywbeth i gymryd lle OSIRIS.

[53] **Dafydd Wigley:** We are glad to hear that, Sir Jon. We only wish that that had been the case perhaps back in 1997.

[53] **Dafydd Wigley:** Yr ydym yn falch o glywed hynny, Syr Jon. Trueni na ddigwyddodd hynny yn 1997.

[54] **Alun Cairns:** Moving on very quickly, Cadeirydd—I am grateful for your indulgence—paragraph 2.11 focuses on the differences in the net present cost. After going through protracted negotiations, how did one bid come to have a net present cost 43 per cent lower than the other, and did that not raise any concerns?

[54] **Alun Cairns:** Gan symud ymlaen yn gyflym iawn, Gadeirydd—yr wyf yn ddiolchgar iawn ichi am eich goddefgarwch—mae paragraff 2.11 yn canolbwyntio ar y gwahaniaethau yn y gost net bresennol. Ar ôl cynnal negodiadau hirfaith, sut y cyfrifwyd bod gan un cynnig gost net bresennol o 43 y cant yn is na’r un arall, ac onid oedd hynny’n achosi pryderon?

Sir Jon Shortridge: Well, the answer to the first question is that it arose just because one bid was, as you can see from the first sentence of that paragraph, twice as expensive, or virtually twice as expensive, as the other. On the question of whether it raised any concerns, I cannot help you. This was a decision taken by the Welsh Office and, clearly, at the time it considered this to be a safe and prudent decision to take and, as I have said, this contract at the time was held up as being a very good example of an innovative development.

Syr Jon Shortridge: Wel, yr ateb i’r cwestiwn cyntaf yw bod hyn wedi codi oherwydd bod un cynnig, fel y gallwch weld o frawddeg gyntaf y paragraff, ddwywaith mor ddrud, neu bron i ddwywaith mor ddrud, â’r llall. Ynglyn â’r cwestiwn a oedd hyn yn achosi unrhyw bryderon, ni allaf eich cynorthwyo. Yr oedd hwn yn benderfyniad a wnaed gan y Swyddfa Gymreig ac, yn amlwg, ar y pryd yr oedd yn cael ei ystyried yn benderfyniad diogel a doeth ac, fel y soniais eisoes, y farn ar y pryd oedd bod y contract hwn yn enghraifft dda iawn o ddatblygiad arloesol.

[55] **Alun Cairns:** Finally, at this stage, Sir Jon, do you consider that the original contract provided good value for money before it was extended to meet the additional needs of the devolved Assembly, and do you think that there is sufficient expertise within the civil service to negotiate with a hard-headed private sector organisation that is seeking to maximise profit, possibly at the expense of the taxpayer?

[55] **Alun Cairns:** Yn olaf, ar hyn o bryd, Syr Jon, a ydych o’r farn bod y contract gwreiddiol wedi darparu gwerth da am arian cyn iddo gael ei ehangu i fodloni anghenion ychwanegol y Cynulliad datganoledig, ac a ydych yn meddwl bod digon o arbenigedd o fewn y gwasanaeth sifil i negodi gyda sefydliad sector preifat pengaled sy’n ceisio gwneud cymaint o elw â phosibl, efallai ar draul y trethdalwr?

Sir Jon Shortridge: I certainly think that the original contract represented value for money, and I think that anyone reading this report would take the view that the Auditor General believes that as well. On the question of whether civil servants are sufficiently hard-headed to negotiate with the private sector, I certainly have a very high regard for my colleagues. I think that they are very professional, and they operate very effectively. In this particular instance, I personally put together a negotiating team, which comprised Bryan Mitchell, David Richards and Nigel Finlayson, and also Winston Roddick, the Counsel General. I provided back-up to that team in the renegotiation, from the time that I established the team in April 1999 until we concluded the negotiations in December. This was a very intensive, powerful negotiation, where we drew on professional advice. We consulted Counsel on three occasions, and Bryan will explain to you—I am sure, if you give him the opportunity—just how hard-headed we were.

Syr Jon Shortridge: Yr wyf yn bendant yn credu bod y contract gwreiddiol wedi rhoi gwerth am arian, a chredaf y bydd unrhyw un sy'n darllen yr adroddiad hwn yn cytuno bod yr Archwilydd Cyffredinol o'r farn honno hefyd. O ran y cwestiwn a yw gweision sifil yn ddigon pengaled i negodi gyda'r sector preifat, mae gennyf yn sicr feddwl uchel iawn o'm cydweithwyr. Credaf eu bod yn broffesiynol iawn, ac yn gweithredu'n effeithiol iawn. Yn yr achos penodol hwn, ffurfiais dîm negodi fy hun, a oedd yn cynnwys Bryan Mitchell, David Richards a Nigel Finlayson, ynghyd â Winston Roddick, y Cwnsler Cyffredinol. Rhoddais gefnogaeth i'r tîm hwnnw yn yr ailnegodi, o'r adeg y sefydlais y tîm yn Ebrill 1999 tan inni gwblhau'r negodiadau ym mis Rhagfyr. Yr oedd y negodi hyn yn ddwys a grymus iawn a defnyddiwyd cyngor proffesiynol. Ymgynghorwyd â'r Cwnsel ar dri achlysur, a bydd Bryan yn egluro ichi—yr wyf yn siwr, os y byddwch yn rhoi cyfle iddo—pa mor bengaled oeddem.

[56] **Alun Cairns:** Before Bryan does speak on that—

[56] **Alun Cairns:** Cyn i Bryan siarad am hyn—

[57] **Dafydd Wigley:** Quickly, Alun, we need to move on.

[57] **Dafydd Wigley:** Yn gyflym, Alun, mae angen inni symud ymlaen.

[58] **Alun Cairns:** Yes, I appreciate that. At that stage, with the greatest respect, Sir Jon, the agenda had been set, because it was restricted to the original contract. My question is whether the expertise was in place in the Assembly at the original negotiations in order to drive through an efficient deal for the taxpayer.

[58] **Alun Cairns:** Iawn, yr wyf yn gwerthfawrogi hynny. Ar y pryd, gyda phob parch, Syr Jon, yr oedd yr agenda wedi'i gosod, oherwydd ei bod wedi'i chyfyngu i'r contract gwreiddiol. Fy nghwestiwn yw a oedd yr arbenigedd yn y Cynulliad yn ystod y negodiadau gwreiddiol er mwyn sicrhau dêl effeithlon i drethdalwyr.

Sir Jon Shortridge: This was the Welsh Office at the time, not the Assembly.

Syr Jon Shortridge: Y Swyddfa Gymreig oedd hon ar y pryd, nid y Cynulliad.

[59] **Alun Cairns:** Sorry.

[59] **Alun Cairns:** Mae'n flin gennyf.

Sir Jon Shortridge: I understand, but in fairness to my colleagues. I would certainly like to think so. But I cannot give you the same sort of assurances in that case as in the renegotiation, because first, I was not personally involved, and secondly, I have not, in preparing myself for today, examined the files in anticipation of that question.

Syr Jon Shortridge: Yr wyf yn deall, ond er tegwch i'm cydweithwyr. Hoffem feddwl hynny yn sicr. Ond ni allaf roi ichi yr un math o sicrwydd yn yr achos hwn nag yn yr ailnegodi, oherwydd yn gyntaf, nid oeddwn yn rhan o'r negodi fy hun, ac yn ail, nid wyf, wrth baratoi ar gyfer heddiw, wedi archwilio'r ffeiliau er mwyn gallu ateb cwestiwn o'r fath.

[60] **Dafydd Wigley:** Ann, do you want to come in on this?

[60] **Dafydd Wigley:** Ann, a ydych am gyfrannu yn y fan hon?

[61] **Ann Jones:** Yes, it is just a small point. In your opinion, did the Welsh Office actually go out—much as I hate consultants, I have to say—and have professional IT consultants evaluate the bids and look at the value for money from the bids, or was it something that was just looked at internally within the civil service?

[61] **Ann Jones:** Ydw, dim ond pwynt byr sydd gennyf. Yn eich barn chi, a aeth y Swyddfa Gymreig allan—er nad wyf yn hoff o ymgynghorwyr, mae'n rhaid i mi ddweud—a chael ymgynghorwyr TG proffesiynol i werthuso'r cynigion ac edrych ar werth am arian y cynigion, neu a oedd hwn yn fater a ystyriwyd yn fewnol o fewn y gwasanaeth sifil yn unig?

Sir Jon Shortridge: As I said to Mr Cairns, I have not really made a detailed study of the original negotiations as opposed to the renegotiation. I am very confident that the officials at the time will have taken advice from the Central Communications and Telecommunications Agency, and from the Central Information Technology Unit in the Cabinet Office. This would not have been something that officials in Cardiff would simply have signed off without seeking what they would have regarded as appropriate guidance and advice. However, as you have asked this question, and I have not fully prepared myself to answer it, I will let you have a note, Chair.

Syr Jon Shortridge: Fel y dywedais wrth Mr Cairns, nid wyf mewn gwirionedd wedi gwneud astudiaeth fanwl o'r negodiadau gwreiddiol, yn wahanol i'r ailnegodiadau. Yr wyf yn hyderus iawn y bydd y swyddogion ar y pryd wedi derbyn cyngor gan yr Asiantaeth Cyfathrebu a Thelathrebu Ganolog a chan yr Uned Technoleg Gwybodaeth Ganolog yn Swyddfa'r Cabinet. Nid yw hyn yn rhywbeth y byddai swyddogion yng Nghaerdydd wedi ei lofnodi heb ofyn am yr hyn y byddent yn ei ystyried yn gyfarwyddyd a chyngor priodol. Fodd bynnag, am eich bod wedi gofyn y cwestiwn hwn, ac nad wyf wedi paratoi'n llawn i'w ateb, byddaf yn paratoi nodyn, Gadeirydd.

[62] **Dafydd Wigley:** That is very honest of you, Sir Jon, and we will be glad to have a further note. Eleanor, do you want to continue the questioning?

[62] **Dafydd Wigley:** Yr ydych wedi bod yn onest iawn, Syr Jon, a byddwn yn falch o gael nodyn pellach. Eleanor, a ydych am barhau â'r cwestiynau?

[63] **Eleanor Burnham:** Turning to the renegotiation of the OSIRIS contract, Sir Jon, why did the Assembly decide to extend Siemens Business Services's contract to provide the additional services? Surely it was inherently dangerous to procure additional services in a non-competitive environment?

[63] **Eleanor Burnham:** Gan droi ein sylw at ailnegodi contract OSIRIS, Syr Jon, pam y penderfynodd y Cynulliad ehangu contract Siemens Business Services i ddarparu'r gwasanaethau ychwanegol? Onid oedd yn beryglus iawn caffael gwasanaethau ychwanegol mewn amgylchedd anghystadleuol?

Sir Jon Shortridge: We were in a very difficult position at that time. I think that the Comptroller and Auditor General's report sets out that difficulty very fairly for us. Until we knew where the parliamentary end of the Assembly was to be located, we could not really take any serious decisions about the implementation of the ICT arrangements. So that decision was not taken until April 1998. To undertake a proper procurement of a new system would, under normal circumstances, take about two years. So we would not have had time for that procurement, although I would not say that that was necessarily the material consideration. The most material consideration was that we had a contract, and if we had sought to terminate that contract and put in place a further single, unified system, our estimates were—which are in this report—that it would have cost about £12 million to close down one contract and then open another.

Syr Jon Shortridge: Yr oeddem mewn sefyllfa anodd iawn ar y pryd. Credaf fod adroddiad y Rheolwr a'r Archwilydd Cyffredinol yn nodi'r anhawster hwn yn deg iawn i ni. Hyd nes i ni gael gwybod lle'r oedd ochr seneddol y Cynulliad am gael ei lleoli, ni allem wneud unrhyw benderfyniadau pwysig ynglyn â gweithredu'r trefniadau TGCh mewn gwirionedd. Felly ni wnaed y penderfyniad tan Ebrill 1998. Byddai cynnal caffaeliad trylwyr o system newydd, dan amgylchiadau arferol, yn cymryd oddeutu dwy flynedd. Felly ni fyddem wedi cael amser ar gyfer y caffaeliad hwnnw, er na fyddwn yn dweud mai hynny oedd yr ystyriaeth berthnasol o reidrwydd. Yr ystyriaeth fwyaf perthnasol oedd bod gennym gontract, a phe baem wedi ceisio rhoi terfyn ar y contract hwnnw a gweithredu system unigol, unedig pellach, yr oeddem yn amcangyfrif—fel a nodir yr adroddiad hwn—y byddai wedi costio tua £12 miliwn i ddirwyn un contract i ben ac agor un arall.

More important, or as important, was the fact that if we had then sought to retain our existing contract but then procured an entirely separate and different ICT platform for the parliamentary end of the Assembly, chaos would have reigned. I think that everyone who has looked at this, including the Auditor General, agreed that, actually, the Welsh Office was in such a situation at the time that all it could do was seek to extend the existing contract. None of the other options would have got anywhere close to meeting the business case or the value-for-money need.

Yn bwysicach, neu'n llawn mor bwysig, pe baem wedi ceisio cadw ein contract cyfredol ar y pryd ac wedyn caffael llwyfan TGCh hollol ar wahân a gwahanol ar gyfer ochr seneddol y Cynulliad, byddai wedi achosi dryswch llwyr. Credaf fod pawb a edrychodd ar hyn, gan gynnwys yr Archwilydd Cyffredinol, yn cytuno bod y Swyddfa Gymreig yn y fath sefyllfa ar y pryd mai'r unig beth y gallai ei wneud oedd ceisio ymestyn y contract cyfredol. Ni fyddai'r opsiynau eraill wedi dod unrhyw le yn agos at fodloni'r achos busnes neu'r angen am werth am

arian.

[64] **Eleanor Burnham:** I understand that the location was actually immaterial, but I believe that another Member wants to continue along that vein. Does the subsequent cost increase reflect the absence of competition during the renegotiation, and did this allow SBS to get a much better deal than it had under the original contract?

[64] **Eleanor Burnham:** Deallaf fod y lleoliad yn amherthnasol mewn gwirionedd, ond credaf fod Aelod arall am barhau ar y trywydd hwn. A yw’r cynnydd dilynol mewn cost yn adlewyrchu absenoldeb cystadleuaeth yn ystod yr ailnegodi, ac a oedd hyn yn caniatáu i SBS gael gwell bargen na than y contract gwreiddiol?

Sir Jon Shortridge: The negotiation on cost was obviously undertaken without the benefit of competition and, as the Auditor General says in figure 7, the decision that the Welsh Office took at the time—which he actually endorses—left SBS in an extremely strong negotiating position. That was of very considerable concern to me, which was why we put in place the very full and thorough negotiation to which I referred earlier, and from the time I put in place that negotiating team in April 1999, there were eight months of very hard negotiating, which resulted in our getting the cost down by 34 per cent. In my judgment, that represented the best that we could do in the circumstances in which we found ourselves.

Syr Jon Shortridge: Yn amlwg, cynhaliwyd y negodi ar gostau heb fanteision cystadleuaeth ac, fel y mae’r Archwilydd Cyffredinol yn nodi yn ffigur 7, bu i’r penderfyniad a wnaeth y Swyddfa Gymreig ar y pryd—a gadarnhawyd ganddo—adael SBS mewn sefyllfa gref iawn i negodi. Yr oedd hynny’n achos pryder gwirioneddol i mi, a dyna pam y cynhaliwyd y negodi llawn a thrylwyr y cyfeiriais ato’n gynharach, ac o’r amser y sefydlais y tîm negodi yn Ebrill 1999, yr oedd wyth mis o negodi caled iawn a arweiniodd at gael y costau i lawr 34 y cant. Yn fy marn i, yr oedd hynny’n cynrychioli’r gorau y gallem ei wneud dan yr amgylchiadau ar y pryd.

[65] **Eleanor Burnham:** In paragraph 3.8, we see that SBS started work before costs had been agreed. This is most unusual, and perhaps you would like to explain why you thought that this was necessary.

[65] **Eleanor Burnham:** Ym mharagraff 3.8, gwelwn fod SBS wedi dechrau gweithio cyn y cytunwyd ar gostau. Mae hyn yn anarferol iawn, ac efallai yr hoffech egluro pam i chi ystyried bod hyn yn angenrheidiol.

Sir Jon Shortridge: Well, it was obviously fundamentally necessary. I suppose that it is an example of the sort of partnership working that we did, at the operational level, manage to establish under this contract, and the degree of trust. If we had sought to complete the renegotiation of the contract before any work was done on site, there is absolutely no way that Members, when they arrived in the Assembly in May 1999, would have had any IT equipment at all. This was a risk that we took in order to ensure that we provided the services that we expected Members to want. It is certainly my impression that, on the whole, Members have been generally pleased with the systems that we put in place.

Syr Jon Shortridge: Wel, yr oedd hyn yn amlwg yn angenrheidiol yn y bôn. Mae'n debyg ei fod yn enghraifft o'r math o weithio mewn partneriaeth y llwyddasom, ar y lefel weithredol, i'w sefydlu dan y contract hwn, a'r lefel o ymddiriedaeth. Pe baem wedi ceisio cwblhau ailnegodiadau'r contract cyn i unrhyw waith gael ei wneud ar y safle, nid oes ffordd o gwbl y byddai Aelodau, wrth iddynt gyrraedd y Cynulliad ym Mai 1999, wedi cael unrhyw gyfarpar TG o gwbl. Yr oedd hon yn risg a gymerwyd gennym er mwyn sicrhau ein bod yn darparu'r gwasanaethau yr oeddem yn disgwyl y byddai Aelodau am eu derbyn. Credaf, ar y cyfan, bod Aelodau wedi bod yn fodlon ar y cyfan gyda'r systemau a roddwyd ar waith gennym.

[66] **Eleanor Burnham:** I would actually disagree with you on that score, particularly in constituencies. In fact, I have today a difficulty in my constituency office. We have suffered—and I have only been here for 18 months—with considerable difficulties in constituency offices. It drives us completely mad and makes us appear most unprofessional. However, I am sure, Chair, that it will move on.

[66] **Eleanor Burnham:** Yr wyf yn anghytuno â chi o ran hyn, yn arbennig mewn etholaethau. Yn wir, mae gennyf broblem yn fy swyddfa etholaethol heddiw. Yr ydym wedi dioddef—a dim ond ers 18 mis yr wyf yma—anawsterau sylweddol mewn swyddfeydd etholaethol. Mae hyn yn ein gwylltio ac yn gwneud inni ymddangos yn amhroffesiynol iawn. Fodd bynnag, credaf, Gadeirydd, y bydd yn symud ymlaen.

Do you think that SBS's negotiating position was strengthened by its ongoing work on the services that were being provided? Surely, it really had you over a barrel?

A ydych yn credu bod sefyllfa negodi SBS wedi cryfhau oherwydd ei waith cyfredol ar y gwasanaethau a oedd yn cael eu darparu? Oni wnaeth hyn eich rhoi mewn picil?

Sir Jon Shortridge: I think that I will invite Bryan to come in here. It certainly was put in a very strong negotiating position by the particular circumstances in which we found ourselves. However, we sought to limit and minimise its negotiating potential.

Syr Jon Shortridge: Yr wyf am wahodd Bryan i gyfrannu yma. Yn sicr, rhoddodd yr amgylchiadau penodol y cawsom ein hunain ymddynt y cwmni mewn sefyllfa negodi gref iawn. Fodd bynnag, gwnaethom ein gorau i gyfyngu ar a lleihau ei botensial negodi.

Mr Mitchell: I will just explain the position in which we found ourselves, but to answer your specific points first, there was no evidence during the negotiations that SBS attempted to use the fact that it was putting systems in as a negotiating point. My experience of working with SBS at that time was that it was as concerned as we were to ensure that the Assembly was up and running—in particular in the context of the Assembly Chamberweb. It was as anxious as we were for that to be a success. As far as I am concerned, that seemed to be its main motivation in undertaking that preliminary work with us, in the knowledge that, of course, we would be then negotiating with it for the next phase of the contract.

Mr Mitchell: Egluraf y sefyllfa y cawsom ein hunain ynddi, ond i ateb eich pwyntiau penodol yn gyntaf, nid oedd tystiolaeth yn ystod y negodiadau bod SBS wedi ceisio defnyddio'r ffaith ei fod yn gosod systemau fel pwynt negodi. Fy mhrofiad o weithio gyda SBS ar y pryd oedd ei fod mor bryderus â ni ynglyn â sicrhau bod system y Cynulliad ar waith—yn arbennig yng nghyd-destun gwe Siambr y Cynulliad. Yr oedd mor awyddus â ni fod hwnnw'n llwyddiant. O'm rhan i, yr oedd yn ymddangos mai hyn oedd ei brif gymhelliant wrth gyflawni'r gwaith cychwynnol gyda ni, gan wybod, wrth gwrs, y byddem wedyn yn negodi cyfnod nesaf y contract gydag ef.

The position in which we found ourselves was that all the advice was that we had to carry out the negotiation with SBS and continue with the contract. We had the possible threat, if we strayed too far from that contract, of an EU challenge. We could afford neither a negotiation breakdown nor the risk of acrimonious litigation. We needed the common systems to do business and we had to strike a deal with which the new Assembly would be satisfied and which satisfied the Permanent Secretary's concern about value for money.

Y sefyllfa y cawsom ein hunain ynddi oedd mai'r unig gyngor a dderbyniwyd oedd bod yn rhaid i ni gynnal negodiadau gydag SBS a pharhau gyda'r contract. Yr oedd her gan yr UE yn fygythiad posibl, pe baem yn crwydro yn rhy bell o'r contract. Ni allem fforddio'r posibilrwydd naill ai o doriad mewn negodiadau neu'r perygl o ymgyfreithiad chwerw. Yr oeddem angen i'r systemau cyffredin weithredu ac yr oedd yn rhaid i ni daro bargen a fyddai'n bodloni'r Cynulliad newydd ac yn bodloni'r Ysgrifennydd Parhaol o ran gwerth am arian.

[67] **Dafydd Wigley:** So it had you over a barrel, to use the phrase.

[67] **Dafydd Wigley:** Felly, yr oeddech mewn picil, i ddefnyddio'r ymadrodd.

Mr Mitchell: I never approached negotiations with that sort of thing in mind.

Mr Mitchell: Ni chymerais i fyth yr agwedd honno at negodiadau.

[68] **Dafydd Wigley:** No, I note the points that you have made.

[68] **Dafydd Wigley:** Na, yr wyf yn nodi'r pwyntiau yr ydych wedi'u gwneud.

Mr Mitchell: I can go on to explain how we then managed the negotiations so that we had a route out of that position that still represented the best deal that we could get. I would put it in those terms.

[69] **Dafydd Wigley:** We can perhaps deal with that issue as it arises from subsequent questions.

[70] **Eleanor Burnham:** Did the renegotiation give SBS the chance to make up for the fact that it probably had the contract set as a loss-leader?

Sir Jon Shortridge: Again, I will ask Bryan to come in on that.

Mr Mitchell: It may well have done. As a private organisation—it is the same as if you have a plumber in the house—it is going to approach it in that sort of way.

[71] **Eleanor Burnham:** There is a slight difference between the cost of a plumber in your house and this huge cost.

[72] **Dafydd Wigley:** I am not quite sure about that. [*Laughter*.]

Mr Mitchell: Indeed, but in my experience, the negotiating tactics tend to be the same. Again, it may have approached it in that way, but we did not. What we homed in on—and I want to emphasise this throughout all my responses—was price and what price it was going to charge for its various services.

[73] **Eleanor Burnham:** I suppose that the difficulty was that the specification was very difficult and the quality was difficult to assess, as we now know in the constituency offices.

Mr Mitchell: Gallaf fynd ymlaen i egluro sut y gwnaethom fynd ati wedyn i reoli'r negodiadau fel bod gennym ffordd o ddatrys y sefyllfa honno a oedd yn parhau i gynrychioli'r fargen orau bosibl. Dyna sut y byddwn yn disgrifio'r sefyllfa.

[69] **Dafydd Wigley:** Efallai y gallwn drafod y mater hwnnw wrth iddo godi mewn cwestiynau pellach.

[70] **Eleanor Burnham:** A roddodd yr ailnegodi gyfle i SBS wneud iawn am iddo siwr o fod sefydlu contract ar golled?

Syr Jon Shortridge: Eto, yr wyf am ofyn i Bryan gyfrannu yma.

Mr Mitchell: Efallai'n wir ei fod wedi gwneud hynny. Fel sefydliad preifat—y mae'r un fath â chael plymwr yn eich ty—y mae'n mynd i fynd ati yn y modd hwnnw.

[71] **Eleanor Burnham:** Mae ychydig o wahaniaeth rhwng costau cael plymwr yn eich ty â'r gost enfawr hon.

[72] **Dafydd Wigley:** Nid wyf yn hollol siwr o hynny. [*Chwerthin*]

Mr Mitchell: Yn wir, ond yn fy mhrofiad i, mae'r tactegau negodi yn tueddu i fod yr un fath. Unwaith eto, efallai ei fod wedi mynd ati fel hynny, ond ni wnaethom ni. Yr oeddem ni'n craffu—ac yr wyf am bwysleisio hyn yn fy holl atebion—ar y pris a beth oedd y pris yr oedd am ei godi am ei wasanaethau amrywiol.

[73] **Eleanor Burnham:** Mae'n debyg mai'r anhawster oedd bod y manylion yn anodd iawn a'r ansawdd yn anodd i'w asesu, fel y gwyddom yn awr yn y swyddfeydd etholaethol.

Mr Mitchell: Yes, but, of course, if you look at the evidence overall in the Auditor's report, that is what will guide us. So the focus was on both price and deliverability and on a number of assumptions that it was making. Sir Jon pointed out that those negotiations were held over an eight-month period. I became involved in the last four months when they were sharpening up, and the negotiations were split so that we had a very detailed and technical level of discussion on price. So it was not just a straightforward—blunt, if you like—negotiation that held us over a barrel.

Mr Mitchell: Ie, ond, wrth gwrs, os edrychwch ar y dystiolaeth gyffredinol yn adroddiad yr Archwilydd, dyma beth fydd yn ein harwain. Felly, yr oedd y ffocws ar y pris a danfonadwyedd ac ar nifer o dybiaethau yr oedd yn eu gwneud. Cyfeiriodd Syr Jon at y negodiadau hynny a gynhaliwyd dros gyfnod o wyth mis. Yr oeddwn yn rhan o'r negodiadau hyn am y pedwar mis olaf pan oeddent yn dwysáu, a rhannwyd y negodiadau er mwyn i ni gael trafodaeth fanwl iawn ac ar lefel dechnegol ar brisiau. Felly nid oedd hyn yn negodi syml—di-lol, os y dymunwch—a oedd yn ein rhoi mewn picil.

[74] **Eleanor Burnham:** Okay. In paragraphs 3.7 to 3.14, we learn that the negotiations were protracted. Obviously, Sir Jon has just told us about that. We see from paragraph 3.7 specifically that you intended to have agreed an extension by March 1999, but, in fact, the extended contract was not signed until 2000. Have you already, do you think, explained why the negotiations overran so significantly or would you, or Sir Jon perhaps, like to do so now?

[74] **Eleanor Burnham:** Iawn. Ym mharagraffau 3.7 i 3.14, yr ydym yn dysgu bod y negodiadau yn hirfaith. Yn amlwg, mae Syr Jon newydd grybwyll hynny. Gwelwn ym mharagraff 3.7 yn benodol eich bod yn bwriadu cytuno ar estyniad erbyn Mawrth 1999, ond, mewn gwirionedd, ni arwyddwyd y contract estynedig tan 2000. A ydych eisoes, yn eich barn chi, wedi egluro pam fod y negodiadau wedi gor-redeg cymaint neu a fyddech, neu Syr Jon efallai, yn hoffi gwneud hynny'n awr?

Sir Jon Shortridge: Let me start. In March 1999, Siemens came in with this figure of £29 million, as is indicated in paragraph 3.14. That was the month that I became Permanent Secretary. I was just horrified at the situation that I found myself in, and I was very clear that that was an unacceptable position, which is why, in April of that year, I commissioned a very full and thorough negotiation. I put in place a new negotiating team of the sort that I have described, and I provided that team with a very clear remit, which I will share with the Committee, if you want to know what it is.

Syr Jon Shortridge: Gadewch i mi gychwyn. Ym mis Mawrth 1999, cyflwynodd Siemens ffigur o £29 miliwn, fel a nodir ym mharagraff 3.14. Hwn oedd y mis y cefais fy mhenodi'n Ysgrifennydd Parhaol. Yr oeddwn wedi dychryn gyda'r sefyllfa y cefais fy hun ynddi, ac yr oeddwn yn glir iawn fod honno'n sefyllfa annerbyniol, a dyna pam, yn Ebrill y flwyddyn honno, y comisiynais negodi llawn a thrylwyr iawn. Sefydlais dîm negodi newydd o'r math y disgrifiais eisoes, a rhoddais gylch gwaith clir iawn i'r tîm hwnnw a byddaf yn rhannu hwnnw gyda'r Pwyllgor, os ydych am gael gwybod beth ydyw?

[75] **Eleanor Burnham:** Yes, why not? It will add to this.

[75] **Eleanor Burnham:** Iawn, pam lai? Bydd yn ychwanegu at hyn.

[76] **Dafydd Wigley:** Please keep it fairly focused, because we have an enormous agenda. Otherwise, we will run massively over time and we will be here until 6 p.m. at this rate.

[76] **Dafydd Wigley:** Cofiwch gadw at y pwynt, gan fod gennym agenda enfawr. Fel arall, byddwn yn mynd ymhell dros amser a byddwn yma tan 6 p.m. os awn ymlaen fel hyn.

Sir Jon Shortridge: All within the context of securing best value for money, I wanted the team to review the regularity of the procurement; determine whether the contract could still be classified as a PFI contract; determine whether it was affordable; prepare a benchmark or public sector comparator; ensure that the roll-out of new services to the Assembly was not disrupted while negotiations were taking place and protect the continuity of the IT provision to the Assembly as a whole. I also set out guidance on what I thought its negotiating tactics should be. That was a very thorough and comprehensive brief that I gave it in April. I was quite clear that it was not going to come to a quick outcome. However, I was determined that the outcome that it came to would be one that would be satisfactory to me as accounting officer and which I felt, given the constraints under which we were operating—not least the fact that I had to be satisfied that we were not breaching European law—was the best outcome that we could possibly negotiate. I am satisfied that that was achieved.

Syr Jon Shortridge: I gyd o fewn cyd-destun sicrhau gwerth gorau am arian, yr oeddwn am i'r tîm adolygu rheoleidd-dra y caffael; pennu a ellid dosbarthu'r contract fel contract PFI; pennu a ellid ei fforddio; paratoi meincnod neu gymharydd sector cyhoeddus; sicrhau nad oedd cyflwyno'r gwasanaethau newydd i'r Cynulliad yn cael ei darfu tra cynhaliwyd negodiadau a diogelu parhad y ddarpariaeth TG i'r Cynulliad cyfan. Hefyd, darparais arweiniad ar y tactegau negodi y credais y dylai'r tîm eu defnyddio. Yr oedd hwn yn friff trylwyr a chynhwysfawr iawn ac fe'i cyflwynais ym mis Ebrill. Yr oedd yn amlwg iawn nad oedd yn mynd i arwain at ganlyniad cyflym. Fodd bynnag, yr oeddwn yn benderfynol y byddai ei ganlyniad yn foddhaol i mi fel swyddog cyfrifo a'i fod, o ystyried y cyfyngiadau ar ein gweithrediadau—a bod yn rhaid i mi fod yn fodlon nad oeddem yn torri cyfraith Ewrop uwchlaw popeth—y canlyniad gorau y gallwn fod wedi ei negodi. Yr wyf yn fodlon i hynny gael ei gyflawni.

[77] **Eleanor Burnham:** What lessons do you think that officials have learnt for the Merlin procurement from this long, protracted negotiation?

[77] **Eleanor Burnham:** Pa wersi yr ydych yn meddwl y mae swyddogion wedi'u dysgu ar gyfer caffael Merlin o'r negodi hirfaith hon?

Sir Jon Shortridge: Last night, I sat down and asked myself, 'What are the main lessons in the context?', so thank you for the question. I think that we need to have contract flexibility to accommodate unforeseen changes in technology, the organisational structure, numbers and the political environment. We need to have an outcome whereby you can match technology to user need. We have a contract that is essentially a one-size-fits-all contract. I want an outcome that is much more differentiated. We need to have a contract that establishes genuine partnership, where you can have a proper sharing of risk and reward and which involves open-book accounting. I also want a contract where you can develop innovations and improvements together. On all those issues, I think that the contract that I inherited was found wanting. Those, I think, are the lessons that I have learned from the quite searing experience that we went through to ensure that the Assembly could operate effectively with its ICT system, that we did not have a breakdown in the negotiations—which could have resulted in expensive litigation—and that neither I nor the Assembly faced a challenge that we had breached European law.

Syr Jon Shortridge: Neithiwr, eisteddais i lawr a gofyn i fi fy hun, 'Beth yw'r prif wersi yn y cyd-destun?', felly diolch am y cwestiwn. Credaf fod angen i ni gael hyblygrwydd contract i addasu ar gyfer newidiadau annisgwyl mewn technoleg, sdrwythur y sefydliad, niferoedd a'r amgylchedd gwleidyddol. Mae angen i ni gael canlyniad lle gall technoleg fodloni anghenion y defnyddiwr. Mae gennym gontract sy'n gontract addas i bawb yn y bôn. Yr wyf am weld canlyniad sy'n llawer mwy gwahaniaethol. Mae angen i ni gael contract sy'n sefydlu gwir bartneriaeth, lle gellir rhannu risg a gwobr yn iawn ac sy'n ymwneud â chyfrifo llyfr agored. Yr wyf hefyd am gael contract lle gellir datblygu cynlluniau arloesol a gwelliannau gyda'i gilydd. Ar yr holl faterion hynny, credaf fod y contract a etifeddais yn brin. Credaf mai'r rhain yw'r gwersi a ddysgais o'r profiad dwys a gafwyd i sicrhau y gallai'r Cynulliad weithredu'n effeithiol gyda'i system TGCh, nad oedd toriad yn y negodiadau—a allai fod wedi arwain at ymgyfreithiad drud—ac nad oeddwn i na'r Cynulliad yn wynebu her ein bod wedi torri cyfraith Ewrop.

[78] **Dafydd Wigley:** It is worth noting the points that you have made. You had what you described as a 'searing experience' arising from a contract that was found wanting. I think that it is worth the Committee and, perhaps, Sir John Bourn noting that.

[78] **Dafydd Wigley:** Mae'n werth nodi'r pwyntiau a wnaethoch. Cawsoch yr hyn a ddisgrifiwyd gennych fel 'profiad dwys' yn sgîl contract a gafwyd yn brin. Credaf fod yn werth i'r Pwyllgor ac, efallai, i Syr John Bourn nodi hynny.

Sir Jon Shortridge: May I just comment on that? It was found wanting in really quite extreme circumstances. I think that we have to have that caveat.

Syr Jon Shortridge: A gaf i wneud sylw ar hynny? Fe'i cafwyd yn brin dan amgylchiadau gweddol eithafol. Credaf fod yn rhaid i ni gael y cafeat yna.

[79] **Dafydd Wigley:** Okay.

[79] **Dafydd Wigley:** Iawn.

[80] **Eleanor Burnham:** Looking at the negotiation skills that the team had in such a difficult scenario, perhaps it was not really an intelligent customer. Would you like to comment on that?

[80] **Eleanor Burnham:** O edrych ar y sgiliau negodi a oedd gan y tîm dan amgylchiadau mor anodd, efallai nad oedd mewn gwirionedd yn gwsmer deallus. A ydych am wneud sylwadau pellach ar hynny?

Sir Jon Shortridge: No, as I said earlier, I have a very high regard for my negotiating team and I put together people who I thought had the right range of skills. We also, at various points in the negotiation, took appropriate professional advice from within Government and outside to ensure that they and I were being properly informed about how these negotiations were going.

Syr Jon Shortridge: Na, fel y dywedais eisoes, mae gennyf feddwl uchel iawn o'm tîm negodi a chesglais ynghyd bobl oedd â'r amrywiaeth cywir o sgiliau, yn fy marn i. Hefyd, derbyniwyd cyngor proffesiynol priodol, ar wahanol adegau yn ystod y negodi, o fewn y Llywodraeth ac o'r tu allan i sicrhau eu bod hwy a mi yn cael y wybodaeth gywir am ddatblygiad y negodiadau hynny.

[81] **Eleanor Burnham:** I think that we have covered the next question about the EU regulations.

[81] **Eleanor Burnham:** Credaf ein bod wedi rhoi sylw i'r cwestiwn nesaf am reoliadau'r UE.

[82] **Dafydd Wigley:** Yes, Sir Jon has just raised that. Alun, can you take this on, as focused as possible?

[82] **Dafydd Wigley:** Do, mae Syr Jon newydd drafod hynny. Alun, a allwch ymhelaethu ar hyn, gan gadw mor agos i'r pwynt â phosibl?

[83] **Alun Cairns:** Certainly. Figure 4 tells us that SBS underestimated the number of staff it needed under the original contract. The report later advises us that its profit levels were lower than its targets. During renegotiation, it then became apparent that, as well as including higher profit margins and more favourable treatment of inflation, SBS included certain costs in its model that were not part of the cost model used for the original contract. By this I mean things such as director time and staff bonuses. Was this inclusion reasonable under the renegotiation of the contract?

[83] **Alun Cairns:** Wrth gwrs. Mae ffigur 4 yn dweud wrthym bod SBS wedi tanamcangyfrif nifer y staff oedd ei angen arno dan y contract gwreiddiol. Yn nes ymlaen, mae'r adroddiad yn ein cynghori bod ei lefelau elw yn is na'i dargedau. Yn ystod yr ailnegodi, daeth yn amlwg bod SBS, yn ogystal â chynnwys meintiau elw uwch a thriniaeth fwy ffafriol o chwyddiant, wedi cynnwys costau penodol yn ei fodel nad oedd yn rhan o'r model cost a ddefnyddiwyd ar gyfer y contract gwreiddiol. Gyda hyn yr wyf yn golygu pethau fel amser cyfarwyddwyr a thaliadau bonws i staff. A oedd cynnwys pethau fel hyn yn rhesymol wrth ailnegodi'r contract?

Sir Jon Shortridge: Bryan can comment on that but, essentially, these are things that we negotiated out of the contract.

Syr Jon Shortridge: Gall Bryan wneud sylw ar hyn ond, yn y bôn, mae'r rhain yn bethau a gafodd eu negodi y tu allan i'r contract.

Mr Mitchell: The way in which we handled the negotiations was in three parts. There were technical discussions between our technical experts, drawing heavily on the advice of the then CCTA—now OGC—and they were protracted. Then there were discussions on the main assumptions, on profit levels and also on things such as inflation. Then there were what might be called the hard-nosed negotiations on affordability. The technical discussions focused on the sort of things that you mentioned—price, the higher charges for training, the oversight of directors—and our aim was to strip out all things that we regarded as either not relevant or which we believed had been over-egged or where we felt that the prices were overstretched.

Mr Mitchell: Yr oedd y modd y bu inni fynd i'r afael â'r negodi mewn tair rhan. Cafwyd trafodaethau technegol rhwng ein harbenigwyr technegol, gan ddefnyddio llawer o gyngor y CCTA ar y pryd—OGC bellach—ac yr oedd y rhain yn hirfaith. Yna cynhaliwyd trafodaethau ar y prif dybiaethau, ar lefelau elw ac ar bethau fel chwyddiant. Yna cafwyd yr hyn a elwir yn negodiadau di-gyfaddawd ar fforddiadwyedd. Canolbwyntiodd y trafodaethau technegol ar y math o bethau a grybwyllwyd gennych—pris, y costau uwch am hyfforddiant, goruchwylio cyfarwyddwyr—a'n nod oedd cael gwared ar bopeth a ystyriwyd naill ai'n amherthnasol neu a oedd wedi mynd yn rhy bell neu lle'r oedd y prisiau, yn ein barn ni, wedi'u goramcanu.

[84] **Alun Cairns:** So can you confirm what Sir Jon has advised us, that they were stripped out of the negotiations or out of the agreement? The report does not quite advise us whether that is the case or not.

[84] **Alun Cairns:** Felly a allwch gadarnhau'r cyngor a roddodd Syr Jon i ni, sef eu bod wedi eu diddymu o'r negodiadau neu o'r cytundeb? Nid yw'r adroddiad yn ein cynghori'n union ynglyn ag a ddigwyddodd hyn ai peidio.

Mr Mitchell: I cannot recollect the individual items that might have been stripped out. Nigel may have that recollection but, if not, we can provide confirmation of it.

Mr Mitchell: Ni allaf gofio'r eitemau unigol a allai fod wedi'u diddymu. Efallai fod Nigel yn cofio ond, os nad yw, gallwn gadarnhau hyn eto.

[85] **Alun Cairns:** Yes, that would be useful. I am advised by the report again—why is it that, when the service credit regime incentivised SBS to perform well, the basic cost model included payments for staff bonuses?

[85] **Alun Cairns:** Ie, byddai hynny'n ddefnyddiol. Fe'm cynghorir gan yr adroddiad eto—pam, pan oedd y drefn credyd gwasanaeth yn ysgogi SBS i berfformio'n dda, bod y model cost sylfaenol yn cynnwys taliadau bonws i staff?

Mr Mitchell: Can you refer to the particular paragraph, please?

Mr Mitchell: A allwch gyfeirio at y paragraff penodol, os gwelwch yn dda?

[86] **Alun Cairns:** It is paragraph 3.11.

[86] **Alun Cairns:** Paragraff 3.11 ydyw.

[87] **Dafydd Wigley:** There are references to staff bonuses here, and I think that the question is whether these should have been paid for through the service credit payments by the Assembly, which were to reward SBS for exceptional levels of performance.

[88] **Alun Cairns:** I can confirm it is paragraph 3.11, and it is the last sentence.

Mr Mitchell: Yes—

[89] **Dafydd Wigley:** If you do not have a ready answer to that one—

Mr Mitchell: No, as I say, I think this gets back to the point that I was making. This is a specific item and I will come back to the Committee with information as to whether or not that was stripped out.

[90] **Alun Cairns:** Again, the directors' bonuses and so on are contained within the report, so it was news to us that they were stripped out of the negotiations. Therefore, that questions the accuracy of the report, so I would be grateful for a note on that. May I move on to the renegotiation of the contract, and paragraph 3.14, which highlights SBS's original offer of £29 million and the Assembly's estimate of £13.5 million? Why was there such a large discrepancy, when your relationship was supposed to be a partnership?

[87] **Dafydd Wigley:** Mae cyfeiriadau at daliadau bonws i staff yma, a chredaf mai'r cwestiwn yw a ddylai y rhain fod wedi'u talu drwy'r taliadau credyd gwasanaeth gan y Cynulliad, sef gwobrwyo SBS am lefelau perfformio eithriadol.

[88] **Alun Cairns:** Gallaf gadarnhau mai paragraff 3.11 ydyw, a'r frawddeg olaf.

Mr Mitchell: Ie—

[89] **Dafydd Wigley:** Os nad oes gennych ateb parod i hynny—

Mr Mitchell: Na, fel y dywedais, credaf fod hyn yn mynd yn ôl at y pwynt yr oeddwn yn ei wneud. Mae hon yn eitem benodol a byddaf yn dod yn ôl at y Pwyllgor gyda gwybodaeth ynglyn ag a ddiddymwyd hyn ai peidio.

[90] **Alun Cairns:** Unwaith eto, mae taliadau bonws i gyfarwyddwyr ac ati wedi'u cynnwys yn yr adroddiad, fellyn yr oedd yn newydd i ni eu bod wedi'u diddymu o'r negodiadau. Felly, mae hynny'n cwestiynu cywirdeb yr adroddiad, felly byddwn yn gwerthfawrogi nodyn ar hynny. A gaf i symud ymlaen at ailnegodi'r contract, a pharagraff 3.14, sy'n rhoi sylw i gynnig gwreiddiol SBS o £29 miliwn ac amcangyfrif y Cynulliad o £13.5 miliwn? Pam fod cymaint o anghysondeb, pan fo'ch perthynas i fod yn bartneriaeth?

Sir Jon Shortridge: Well, our figure was certainly based on the ICT strategy that we had developed for the Assembly. In the process of the negotiations that we subsequently undertook, we recognised—bearing in mind particularly the changing configuration and size of the Assembly—that that figure was on the low side. The £29 million, as I have indicated, took us all very much by surprise and we just thought it was unreasonable, inappropriate, and unaffordable. I suppose, when I say it took us by surprise, it reflects the fact that we thought that we had a better understanding with Siemens than this indicated.

Syr Jon Shortridge: Wel, yr oedd ein ffigur yn bendant wedi'i seilio ar y strategaeth TGCh a ddatblygwyd ar gyfer y Cynulliad. Yn y broses negodi a gynhaliwyd gennym wedi hynny, yr oeddem yn cydnabod—gan gofio'n arbennig gyfluniad a maint newidiol y Cynulliad—bod y ffigur hwn yn isel. Yr oedd y £29 miliwn, fel y nodais, yn syndod i ni oll ac yr oeddem yn meddwl ei fod yn afresymol, yn amhriodol ac yn rhy ddrud. Tybiaf, pan ddywedaf ei fod wedi'n syfrdanu, bod hyn yn adlewyrchu'r ffaith ein bod dan yr argraff bod gennym well dealltwriaeth gyda Siemens nag y dangosodd hyn.

[91] **Alun Cairns:** In your credit, you did manage to negotiate a 34 per cent discount. However, the cost still remained 42 per cent higher than your original estimate. Again, why did that happen, and was your partnership not strong enough to come much closer together?

[91] **Alun Cairns:** Er clod i chi, fe lwyddoch i negodi gostyngiad o 34 y cant. Fodd bynnag, yr oedd y gost yn parhau i fod 42 y cant yn uwch na'ch amcangyfrif gwreiddiol. Unwaith eto, pam ddigwyddodd hyn, a pham nad oedd eich partneriaeth yn ddigon cryf i ddod yn llawer yn nes at eich gilydd?

Sir Jon Shortridge: I thought that I had just explained why. The original £13.5 million was based on our ICT strategy, which we put together at an earlier stage. As we were going through these negotiations, with the Assembly now up and running, we were, in turn, revising our assumptions about what the needs and costs would be.

Syr Jon Shortridge: Onid wyf newydd egluro pam? Yr oedd yr £13.5 miliwn gwreiddiol wedi'i seilio ar ein strategaeth TGCh, a gyfrifwyd gennym yn gynharach. Wrth i ni gynnal y negodiadau hyn, gyda'r Cynulliad ar waith erbyn hyn, yr oeddem yn ein tro yn adolygu'n tybiaethau ynglyn â beth fyddai'r anghenion a'r costau.

[92] **Dafydd Wigley:** So you both moved together over a period of time. Jocelyn, do you want to carry on with the questioning?

[92] **Dafydd Wigley:** Felly, symudodd y ddau barti gyda'i gilydd dros gyfnod o amser. Jocelyn, a ydych am barhau â'r cwestiynu?

[93] **Jocelyn Davies:** Earlier, Bryan Mitchell said that you had homed in on price. Looking at page 17, it does seem that it proved extremely difficult to assess the reasonableness of SBS's proposed charges during the renegotiations, and the OSIRIS contract itself provided few mechanisms to help you. Did the Assembly simply negotiate until such a time as an offer was made that was affordable within the budget?

Sir Jon Shortridge: Bryan can comment further but, as I think he has already said, we had a sort of three tier set of negotiations going on. At the bottom level, we asked it to expose its cost model. Then we scrutinised and interrogated every element in that model, with a view to challenging its reasonableness, and getting things taken out of it—which we most certainly did. There were then other issues of a more general nature that had to be addressed as well. Essentially, what I was looking for was an outcome that was both affordable and would give value for money. The two things actually do go hand in hand, because we were not really compromising on the product and the quality and we were getting the cost down and, therefore, the value up.

The other thing that we were doing—and which I was insisting that we should seek to do—was, at the end of the process, when we did have a price, to have that tested, as fully as we could test it, externally, so that we could benchmark the extent to which we were getting value. That, as I think this report indicates, proved difficult for us because we could not find, unambiguously, other users who had a similar situation to ours with whom we could make a straight comparison, and we could not find suppliers who were prepared to reveal what they regarded, I imagine, as their confidential costings. Nonetheless, as part of this process, it was not just simply a question of

[93] **Jocelyn Davies:** Yn gynharach, dywedodd Bryan Mitchell eich bod wedi canolbwyntio ar y pris. O edrych ar dudalen 17, mae'n ymddangos ei bod wedi bod yn anodd iawn asesu rhesymoldeb taliadau arfaethedig SBS yn ystod yr ail negodi ac nad oedd y contract OSIRIS, ohono'i hun, yn darparu llawer o fecanweithiau i'ch cynorthwyo. A wnaeth y Cynulliad negodi hyd nes i gynnig gael ei wneud y gellid ei fforddio o fewn y gyllideb?

Syr Jon Shortridge: Gall Bryan wneud sylw pellach ond, fel y credaf ei fod wedi dweud yn barod, cafwyd rhyw fath o negodiadau mewn cyfres o dri cam. Ar y lefel isaf, gofynnwyd iddo ddatgelu ei fodel costau. Yna archwiliwyd pob elfen yn y model hwnnw, gyda golwg ar herio ei resymoldeb, a chael pethau wedi eu cymryd ohono—a gwnaethom hyn heb amheuaeth. Yr oedd materion eraill wedyn o natur fwy cyffredinol yr oedd angen eu trafod hefyd. Yn y bôn, yr oeddwn yn chwilio am ganlyniad a oedd yn fforddiadwy ac yn rhoi gwerth am arian. Mae'r ddwy elfen yn mynd law yn llaw mewn gwirionedd, oherwydd nid oeddem yn cyfaddawdu o ran y cynnyrch a'r ansawdd, mewn gwirionedd, ac yr oeddem yn cael y costau i lawr ac yn cynyddu'r gwerth drwy hynny.

Y peth arall yr oeddem yn ei wneud—a pheth yr oeddwn yn mynnu y dylem geisio'i wneud—oedd, ar ddiwedd y broses, pan oedd gennym bris, i gael hwnnw wedi'i brofi, i'r eithaf, yn allanol, er mwyn i ni allu meincnodi i ba raddau yr oeddem yn cael gwerth. Profodd hynny, fel y mae'r adroddiad yn ei nodi, yn anodd i ni oherwydd nid oeddem yn gallu, yn ddiamwys, dod o hyd i ddefnyddwyr eraill mewn sefyllfa debyg i ni er mwyn gallu llunio cymhariaeth syml, ac nid oeddem yn gallu dod o hyd i gyflenwyr a oedd yn barod i ddatgelu'r hyn, y gallaf ddychmygu, oedd yn eu tyb hwy, yn gostau cyfrinachol. Er hynny, fel rhan o'r broses

waiting until we had a price that we thought we could afford, it was getting that price down through a process of detailed negotiation and challenge, and then, insofar as we could, getting some external validation as to whether that outcome was reasonable.

hon, yr oedd yn fwy na disgwyl yn unig hyd nes i ni gael pris yr oeddem yn credu y gallem ei fforddio, yr oedd angen dod â'r pris hwnnw i lawr drwy broses o negodi manwl a herio, ac wedi hynny, cyn belled â phosibl, cael dilysiad allanol ynglyn ag a oedd y canlyniad yn rhesymol.

[94] **Jocelyn Davies:** The report says that the only assurance that the SBS offer was reasonable was a short letter from its supplier, which was not supported by comparative prices. You said earlier that you felt that Sir John Bourn's report says that the original contract was a good deal for you, but he says, does he not, that the extended contract was not a good deal for the Assembly. On page 2, paragraph 8, it says that:

[94] **Jocelyn Davies:** Mae'r adroddiad yn dweud mai'r unig sicrwydd bod cynnig SBS yn rhesymol oedd llythyr byr gan ei gyflenwr, heb brisoedd cymharol i ategu'r sicrwydd. Dywedoch yn gynharach eich bod yn teimlo bod adroddiad Syr John Bourn yn dweud bod y contract gwreiddiol yn gytundeb da i chi, ond mae'n dweud, ondid yw, nad oedd y contract estynedig yn gytundeb da i'r Cynulliad. Ar dudalen 2, paragraff 8, mae'n dweud:

'the extended contract was not such a good deal for the Assembly.'

'nad oedd y contract estynedig yn gytundeb cystal i'r Cynulliad.'

Sir Jon Shortridge: Just to be clear, he does not say that it was not a good deal, he says that it was not such a good deal.

Syr Jon Shortridge: Er mwyn bod yn glir, nid yw'n dweud nad oedd yn gytundeb da, mae'n dweud nad oedd yn gytundeb cystal â hynny.

[95] **Jocelyn Davies:** Well, you spin it your way and I will spin it mine.

[95] **Jocelyn Davies:** Wel, mae eich sbin chi a'm sbin innau'n ddau beth hollol wahanol.

Sir Jon Shortridge: He also goes on to say that it was a significant achievement that, throughout this, we managed to get services delivered on time.

Syr Jon Shortridge: Mae hefyd yn mynd ymlaen i ddweud ei bod yn gryn gamp ein bod, drwy gydol hyn, wedi llwyddo i sicrhau bod gwasanaethau yn cael eu darparu'n brydlon.

[96] **Jocelyn Davies:** Yes, but do you think that it was reasonable that the only assurance that SBS's offer was reasonable was a short letter from its supplier?

[96] **Jocelyn Davies:** Ydy, ond a ydych yn meddwl ei bod yn rhesymol mai'r unig sicrwydd bod cynnig SBS yn rhesymol oedd llythyr byr gan ei gyflenwr?

Sir Jon Shortridge: As I said in my earlier answer, we sought to get more and better particulars. Indeed, when I read out my negotiating brief to the negotiating team, one of my requirements was that I wanted benchmarking. What we were not able to do, at that stage, was to get as thorough a benchmarking as we would have liked. However, we certainly did what we could under the circumstances.

Syr Jon Shortridge: Fel y dywedais yn fy ateb cynharach, ceisiwyd cael gwell manylion a mwy ohonynt. Yn wir, pan ddarllenais fy mriff negodi i'r tîm negodi, un o'm gofynion oedd am gael gweld meincnodi. Yr hyn nad oeddem yn gallu ei wneud, bryd hynny, oedd meincnodi mor drylwyr ag y byddem wedi ei ddymuno. Fodd bynnag, gwnaethom bopeth o fewn ein gallu dan yr amgylchiadau.

[97] **Jocelyn Davies:** Well, Chair, I feel that there are parallels here with the new Assembly building contract. Perhaps that is something that we can explore later. Figure 8 shows that the Assembly was obliged to make a payment of £377,000 for technology refresh because the terms of SBS's best and final offer had not been fully reflected in the original contract. How could that happen?

[97] **Jocelyn Davies:** Wel, Gadeirydd, credaf fod cyffelybiaeth yma gyda chontract adeilad newydd y Cynulliad. Efallai ei fod yn rhywbeth y gellir ymchwilio iddo yn ddiweddarach. Mae ffigur 8 yn dangos bod y Cynulliad wedi gorfod talu £377,000 i uwchraddio technoleg oherwydd nad oedd amodau cynnig gorau ac olaf SBS wedi'u hystyried yn llawn yn y contract gwreiddiol. Sut y gallai hyn fod wedi digwydd?

Sir Jon Shortridge: It is slightly more complicated than that, and Nigel may want to come in behind what I say. Essentially, as I understand it, I think that the best and final offer enabled the Welsh Office to specify when the refresh should take place. The final contract did not specify when the refresh should take place and I think that the Welsh Office was probably pretty satisfied with that, because I think that the view was that we were going to get a refresh and it would take place at a time when the appropriate developments in software had taken place. You would not want to have a refresh a year before Microsoft was going to come up with a new system.

Syr Jon Shortridge: Mae'r sefyllfa hon ychydig yn fwy cymhleth na hynny, ac efallai y bydd Nigel am ychwanegu at yr hyn y byddaf yn ei ddweud. Yn y bôn, o'r hyn a ddeallaf, credaf fod y cynnig gorau ac olaf wedi galluogi'r Swyddfa Gymreig i nodi pryd ddylid cynnal yr uwchraddio. Nid oedd y contract terfynol yn nodi pryd ddylid uwchraddio a chredaf fod y Swyddfa Gymreig yn eithaf bodlon gyda hynny, oherwydd eu bod yn credu ein bod yn mynd i uwchraddio ac y byddai'n digwydd ar ôl i ddatblygiadau priodol mewn meddalwedd gael eu cyflawni. Ni fyddech am uwchraddio flwyddyn cyn i Microsoft gynllunio system newydd.

What happened in this situation was that, when the Assembly was being established, we obviously had to have the necessary software built into the new machines. At that time, Microsoft was no longer supporting the system that we had as the Welsh Office, now the Assembly. So, in order to be able to have a system that could communicate properly across the whole Assembly, when the new stuff was going into Crickhowell House—if I can put it that way—we needed urgently to have an identical system operating in Cathays park and elsewhere. We had a contract that would not automatically deliver that for us.

[98] **Jocelyn Davies**: So, we paid for a refresh when, according to this report, we were entitled to two software refreshes and one hardware refresh in the original contract.

Sir Jon Shortridge: We contributed to the cost of the refresh, which was much more expensive than the £377,000, or whatever, quoted here. We contributed to that because there was an urgent business need for it, and Siemens was of the view that it was under no obligation to supply it. We could have taken this issue to court, which would have been expensive and there would have been doubt as to the outcome. The judgment that I took at the time was that this represented the best business solution to ensure that we had a fully integrated ICT system across the Assembly as soon as we could.

[99] **Jocelyn Davies:** So we made a contribution to that refresh. The report also says that we decided not to take up the second refresh because of the likely disruption.

Yr hyn a ddigwyddodd yn y sefyllfa hon oedd bod yn rhaid i ni, pan sefydlwyd y Cynulliad, ychwanegu’r feddalwedd angenrheidiol at y peiriannau newydd. Ar y pryd, nid oedd Microsoft yn cynnal y system a ddefnyddiwyd yn y Swyddfa Gymreig, sef y Cynulliad bellach. Felly, er mwyn gallu cael system a allai gyfathrebu’n iawn ledled y Cynulliad yn ei gyfanrwydd, pan aeth y cyfarpar newydd i Dy Crucywel—os caf i ei egluro felly—yr oeddem angen rhoi system yr un peth ar waith ar frys ym mharc Cathays ac mewn mannau eraill. Yr oedd gennym gontract na fyddai’n darparu hyn i ni o reidrwydd.

[98] **Jocelyn Davies**: Felly, talwyd am uwchraddio pan, yn ôl yr adroddiad hwn, yr oedd gennym yr hawl i ddwy broses uwchraddio meddalwedd ac un broses uwchraddio caledwedd yn y contract gwreiddiol.

Syr Jon Shortridge: Cyfrannwyd at gost yr uwchraddio, a oedd llawer drutach na’r £377,000, neu faint bynnag, a ddyfynnwyd yma. Cyfrannwyd at hyn oherwydd bod angen busnes brys i wneud hynny, ac yr oedd Siemens o’r farn nad oedd dan rwymedigaeth i’w gyflenwi. Byddem wedi gallu mynd â’r mater hwn i’r llys, ond byddai hynny wedi bod yn broses ddrud a byddai amheuaeth ynglyn â’r canlyniad. Fy marn ar y pryd oedd mai dyma’r ateb busnes gorau i sicrhau bod gennym system TGCh hollol integredig drwy’r Cynulliad i gyd cyn gynted â phosibl.

[99] **Jocelyn Davies:** Felly cyfrannom at yr uwchraddio hwn. Mae’r adroddiad yn nodi hefyd ein bod wedi penderfynu peidio bwrw iddi gyda’r ail broses uwchraddio oherwydd y tarfu tebygol.

Sir Jon Shortridge: We are taking up elements of that refresh, and we may decide to take up more. However, at the moment, there is no strong business need for that refresh.

Syr Jon Shortridge: Yr ydym yn ymgymryd ag elfennau o'r uwchraddio hwnnw, ac efallai y byddwn yn penderfynu ymgymryd â rhagor. Fodd bynnag, ar hyn o bryd, nid oes angen busnes cryf i'r uwchraddio hwnnw.

[100] **Jocelyn Davies:** So the reason for not taking it up is not that it is not desirable at the moment, but that we want to avoid disruption and we are just going to take up elements of it. Are you convinced that the Assembly now has state-of-the-art IT equipment?

[100] **Jocelyn Davies:** Felly'r rheswm am beidio uwchraddio yw nid am nad yw hynny'n ddymunol ar hyn o bryd, ond am ein bod eisiau osgoi tarfu a'n bod am gyflawni rhai elfennau'n unig ohono. A ydych chi wedi'ch argyhoeddi bod gan y Cynulliad gyfarpar TG modern?

Sir Jon Shortridge: The equipment that it has is fit for purpose and appropriate to the present circumstances, but clearly we want to continue to improve and enhance it, which is why, when this contract comes to an end in January 2004, we will be looking to a contract that gives significant further enhancements where that is appropriate.

Syr Jon Shortridge: Mae'r cyfarpar sydd gan y Cynulliad yn addas i'w ddiben ac yn briodol dan yr amgylchiadau presennol, ond yn amlwg, yr ydym am barhau i'w wella a'i ehangu, a dyna pam, pan ddaw'r contract i ben yn Ionawr 2004 y byddwn yn chwilio am gontract a fydd yn sicrhau gwelliannau pellach sylweddol os yw hynny'n briodol.

[101] **Jocelyn Davies:** I look forward to that, Mr Shortridge.

[101] **Jocelyn Davies:** Edrychaf ymlaen at hynny, Mr Shortridge.

[102] **Dafydd Wigley:** Do you want to press on?

[102] **Dafydd Wigley:** A ydych am fynd ymlaen?

[103] **Jocelyn Davies:** No, I have finished.

[103] **Jocelyn Davies:** Na, yr wyf wedi gorffen.

[104] **Dafydd Wigley:** I realise that we are coming towards our tea break, but I would like to cover one point that arises from figure 9, which is that SBS's cost model contained a higher projected profit margin and more favourable inflationary provision than its original final offer. Why did the Assembly accept that when it was negotiating an extension to the existing contract rather than a new contract?

[104] **Dafydd Wigley:** Yr wyf yn sylwi ein bod yn agosáu at ein hegwyl paned, ond hoffem roi sylw i un pwynt sy'n codi o ffigur 9, sef bod model cost SBS yn cynnwys rhagamcan o elw llawer uwch a darpariaeth chwyddiannol mwy ffafriol na'i gynnig olaf gwreiddiol. Pam y derbyniodd y Cynulliad hyn wrth negodi estyniad i'r contract cyfredol yn hytrach na chontract newydd?

Sir Jon Shortridge: That was intrinsic to the negotiation and was one of the hardest parts of it. We certainly did not take the view that changes in those matters struck at the heart of the nature of the contract that we had. Bryan, would you like to comment further?

Syr Jon Shortridge: Yr oedd hynny'n gynhenid i'r negodi ac yn un o'i rhannau anoddaf. Yn sicr, nid oeddem o'r farn bod newidiadau yn y materion hynny yn ganolog i natur y contract a oedd gennym. Bryan, a ydych am wneud sylwadau pellach?

Mr Mitchell: We were faced in the negotiation with, if you like, an opening bid from Siemens with quite high profit assumptions and quite high inflation assumptions. What we had to do in both of those cases was to satisfy ourselves that whatever we agreed finally, neither the inflation assumption nor the profit assumption was totally out of line with inflation assumptions both now and in the future. At the end of the negotiations, it was that point on which we satisfied ourselves—that the inflation assumptions in the contract were reasonable in respect of the type of contract and, as the NAO report has said itself, that proved to be the case both at the time and throughout the duration of the contract, from the extension up until now.

Mr Mitchell: Yn y negodiadau yr oeddem yn wynebu cynnig agored gan Siemens, os hoffwch chi, gyda thybiaethau elw cymharol uchel a thybiaethau chwyddiant cymharol uchel. Yn yr achosion hyn yr oedd yn rhaid i ni fodloni ein hunain nad oedd y dybiaeth chwyddiant na'r dybiaeth elw yn hollol anghyson â'r tybiaethau chwyddiant yn awr ac yn y dyfodol, waeth beth fyddai ein penderfyniad terfynol. Ar ddiwedd y negodiadau, gyda'r pwynt hwn yr oeddem yn fwyaf bodlon—bod y tybiaethau chwyddiant yn y contract yn rhesymol mewn perthynas â'r math o gontract ydoedd, a, fel y dywedodd adroddiad y SAG ei hun, digwyddodd hyn ar y pryd a thrwy gydol y contract, o'r estyniad hyd heddiw.

[105] **Dafydd Wigley:** You sound very confident about that, Mr Mitchell, but the use that you made of open-book accounting was very limited, was it not? Did you really have rigorous information about the structure of its costs and profits that could justify your confidence?

[105] **Dafydd Wigley:** Yr ydych yn ymddangos yn hyderus iawn ynglyn â hyn, Mr Mitchell, ond onid oedd y defnydd a wnaethoch o gyfrifo llyfr agored yn gyfyngedig iawn? A oedd gennych wybodaeth fanwl am sdrwythur ei gostau ac elw a allai gyfiawnhau eich hyder?

Mr Mitchell: The information on inflation is the figure that is given in the NAO report. It is satisfied that the inflation assumptions that we included in the discussions are consistent with the inflation assumptions for the industry as a whole from the time of that contract.

Mr Mitchell: Y wybodaeth am chwyddiant yw'r ffigur a roddir yn adroddiad y SAG. Mae'n fodlon fod y tybiaethau chwyddiant a oedd wedi'u cynnwys yn y trafodaethau yn gyson gyda'r tybiaethau chwyddiant ar gyfer y diwydiant cyfan o gyfnod y contract.

[106] **Dafydd Wigley:** And profit levels?

[106] **Dafydd Wigley:** A beth am lefelau elw?

Mr Mitchell: With profit levels, we undertook some sensitivity analysis on profits. We used information that was provided to us in confidence by Siemens on its costs. We had our own accountancy experts looking at those costs, and looking at its judgment of profit levels. We received advice also from the CCTA on what the average profit levels were for the industry at that time. We also made an assessment—it was an assessment—of what its profit levels were at that time on the existing contract, bearing in mind the increase in user numbers. The figure that we agreed on as the profit assumption brought those things together, in that it was consistent with the industry's profit levels at the time for this sort of contract and it was also consistent with the profit levels that we estimated that Siemens was making at the time.

Mr Mitchell: Gyda lefelau elw, cynhaliwyd dadansoddiad sensitifrwydd ar elw. Defnyddiwyd gwybodaeth a ddarparwyd i ni yn gyfrinachol gan Siemens ar ei gostau. Edrychodd ein harbenigwyr cyfrifeg ar y costau hyn, ac edrych ar ei farn am lefelau elw. Derbyniwyd cyngor hefyd gan yr Asiantaeth Cyfathrebu a Thelathrebu Ganolog ar beth oedd cyfartaledd y lefelau elw ar gyfer y diwydiant ar y pryd. Gwnaethom asesiad hefyd—asesiad ydoedd o beth oedd ei lefelau elw yn ystod y contract cyfredol, gan gofio'r cynnydd yn nifer y defnyddwyr. Yr oedd y ffigur y cytunwyd arno fel y dybiaeth elw yn dod â'r elfennau hyn at ei gilydd oherwydd ei fod yn gyson â lefelau elw'r diwydiant ar y pryd ar gyfer contract fel hwn a'i fod hefyd yn gyson â lefelau elw Siemens ar y pryd fel yr oeddem wedi eu hamcangyfrif.

[107] **Dafydd Wigley:** We may well want to come back to the question of profits after the break. We are running 10 minutes late, but we will now break for 10 minutes.

[107] **Dafydd Wigley:** Efallai'n wir y byddwn am ddod yn ôl at y cwestiwn ar elw ar ôl yr egwyl. Yr ydym yn rhedeg 10 munud yn hwyr, ond fe gymerwn egwyl nawr am 10 munud.

Cafwyd egwyl rhwng 2.55 p.m. a 3.05 p.m.

A break was held between 2.55 p.m. and 3.05 p.m.

[108] **Dafydd Wigley:** I call the Committee back to order. We have had a fairly critical analysis of what has gone on. However, I am sure that the Committee would like to commend the timely delivery of the additional services, which were in time for the transfer of functions to the Assembly. That was a considerable achievement. The questions that we are, naturally, raising in relation to the costs involved in no way detract from the considerable effort that was made by a large number of people with regard to that. I think that that needs to be put on record. I would also like to put two other things on record. One is that a number of people from around the world have come to see the system that we have

[108] **Dafydd Wigley**: Yr wyf yn ailagor y Pwyllgor. Yr ydym wedi cael dadansoddiad eithaf beirniadol o'r hyn sydd wedi digwydd. Fodd bynnag, yr wyf yn sicr y byddai'r Pwyllgor yn hoffi cymeradwyo darpariaeth amserol y gwasanaethau ychwanegol, a oedd mewn pryd i drosglwyddo swyddogaethau i'r Cynulliad. Yr oedd hyn yn gryn gamp. Nid yw'r cwestiynau yr ydym yn eu gofyn, yn naturiol, am y costau yn bychanu'r ymdrech sylweddol a wnaed gan lawer o bobl. Credaf fod angen cofnodi hynny. Hoffwn hefyd gofnodi dau beth arall. Y cyntaf yw bod nifer o bobl o bedwar ban byd wedi dod i weld y system sydd ar waith yma ac, er gwaethaf y diffygion sy'n bodoli mewn swyddfeydd

running here and, despite the deficiencies that we know exist in constituency offices and so on, it is in advance of systems in many parts of the world. When I visited the Scottish Parliament, David Steel told me that they were years behind us there in getting the roll-out of something like this. So let us put that in context when we are being critical of ourselves for the way in which some of the costs were handled and the nature of the contract, and when we consider the lessons that we must learn.

Sir Jon Shortridge: Thank you very much for those comments, Chair. I am sure that everyone who has been involved from within the Assembly will be pleased to hear them. I think that we also need to commend Siemens. I think that Siemens, at the operational level, has worked incredibly hard, certainly during the time leading up to the inception of the Assembly, to ensure that these really quite novel and innovative systems within the Assembly buildings were working. I am conscious of the concerns that Members have about constituency offices and so on, so I do not want to overstate it, but I think that I would certainly want to associate Siemens with those remarks.

[109] **Dafydd Wigley:** In making those comments, I was doing so on an inclusive basis. However, having said that, there are some key questions that we still need to ask about the costs, and the basis on which they were agreed. Paragraph 3.24 shows that, since the transfer of functions to the Assembly, the projected costs have risen by 39 per cent, as we have already heard. The report gives two main reasons for this. One is the user numbers, to which we will return in a moment. The other is referred to in paragraph 3.22 of the report, which informs us that the monthly charge per user increased by 76 per cent after renegotiation. This seems to be an extremely sharp rise. Can you explain what

etholaethol ac ati, y mae'n llawer fwy datblygedig na systemau mewn llawer o rannau eraill o'r byd. Ar ymweliad â Senedd yr Alban, dywedodd David Steel wrthyf eu bod flynyddoedd y tu ôl i ni yno o ran cyflwyno system fel hon. Felly gadewch i ni roi hynny mewn cyd-destun wrth feirniadu ein hunain am y ffordd y deliwyd â rhai o'r costau ac am natur y contract, ac wrth i ni ystyried y gwersi sydd yn rhaid i ni eu dysgu.

Syr Jon Shortridge: Diolch yn fawr iawn i chi am y sylwadau hynny, Gadeirydd, yr wyf yn siwr y bydd pawb sydd wedi bod yn rhan o'r gwaith yn y Cynulliad yn falch o'u clywed. Credaf fod angen i ni hefyd gymeradwyo Siemens. Credaf fod Siemens, ar lefel weithredol, wedi gweithio'n galed iawn, yn sicr yn ystod y cyfnod cyn dechrau'r Cynulliad, i sicrhau bod y systemau cymharol newydd ac arloesol hyn yn adeiladau'r Cynulliad yn gweithio. Yr wyf yn ymwybodol o bryderon Aelodau ynglyn â swyddfeydd etholaethol ac ati, ac nid wyf am or-bwysleisio hyn, ond credaf y byddwn yn sicr yn cysylltu â Siemens ynglyn â'r sylwadau hynny.

[109] **Dafydd Wigley:** Yr oeddwn yn bwriadu i'r sylwadau hynny fod yn rhai cynhwysol. Fodd bynnag, wedi dweud hynny, mae angen gofyn rhai cwestiynau allweddol o hyd ynglyn â chostau, ac ar ba sail y cytunwyd arnynt. Mae paragraff 3.24 yn dangos bod y costau arfaethedig wedi codi o 39 y cant ers trosglwyddo swyddogaethau i'r Cynulliad, fel y nodwyd eisoes. Mae'r adroddiad yn rhoi dau brif reswm am hyn. Y cyntaf yw niferoedd defnyddwyr, a byddwn yn dychwelyd at hyn yn y man. Cyfeirir at y rheswm arall ym mharagraff 3.22 yr adroddiad, sy'n ein hysbysu bod y gost fisol fesul defnyddiwr wedi cynyddu o 76 y cant yn dilyn yr ailnegodi. Mae hyn yn ymddangos yn

additional services were received for this additional cost, and how the Assembly ensured that the cost was reasonable?

gynnydd sylweddol iawn. A allwch egluro pa wasanaethau ychwanegol a dderbyniwyd am y gost ychwanegol hon, a sut wnaeth y Cynulliad sicrhau bod y gost yn rhesymol?

Sir Jon Shortridge: I am trying to find the page.

Syr Jon Shortridge: Yr wyf yn ceisio dod o hyd i'r dudalen.

[110] **Dafydd Wigley:** It is paragraph 3.22, on page 18.

[110] **Dafydd Wigley:** Paragraff 3.22 ar dudalen 18.

Sir Jon Shortridge: Yes, I think that my reference is slightly different. I can certainly say that two of the main additional costs were the cost of the intranet and the internet, which are available to all staff as well as to Assembly Members, and also the much enhanced network and associated systems that we needed to have in place in order to have so many different access points to the system. There were four others. There was the equipment, maintenance and support for the hardware and software to enable Cardiff bay to operate, and the whole of the rest of the Assembly to be networked into it; the enhanced level of service for Members and their support staff located in Cardiff; the support for the OSIRIS system at new locations spread across Wales; the intranet and internet, as I have said; and access to Members' applications, such as the Members' management system, and the hardware support for the recording of proceedings and the Members' management system. Of those, the two most important, which take up more than half the cost, are the provision of the intranet, which has become really one of our main ways of doing business, both for officials and Members, and the equipment, maintenance and support of adding all the complexity of Crickhowell house into the system.

Syr Jon Shortridge: Ie, credaf fod fy nghyfeiriad ychydig yn wahanol. Gallaf ddweud yn sicr mai dau o'r prif gostau ychwanegol oedd cost y mewnrwyd a'r rhyngrwyd, sydd ar gael i bob aelod o staff ynghyd ag Aelodau'r Cynulliad, a hefyd gwell rhwydwaith a systemau cysylltiedig a oedd eu hangen er mwyn cael cynifer o wahanol bwyntiau mynediad i'r system. Yr oedd pedwar arall. Y cyfarpar, cynnal a chadw'r galedwedd a'r feddalwedd i alluogi i Fae Caerdydd weithredu, ac i weddill y Cynulliad i gyd i ymuno â'r rhwydwaith; gwell lefel gwasanaeth i Aelodau a'u staff cynorthwyol sydd wedi'u lleoli yng Nghaerdydd; cefnogaeth i'r system OSIRIS mewn lleoliadau newydd ledled Cymru; y mewnrwyd a'r rhyngrwyd, fel y dywedais; a mynediad i gymwysiadau Aelodau, fel system reoli'r Aelodau, a'r gefnogaeth galedwedd i gofnodi trafodion a system reoli'r Aelodau. O'r rhai hynny, y ddau bwysicaf, sy'n cyfrif am fwy na hanner y gost, yw darparu'r fewnrwyd, sydd yn un o'n prif ddulliau o wneud busnes, i swyddogion ac Aelodau, a'r cyfarpar a'r gwaith cynnal a chadw wrth ychwanegu holl gymhlethdod Ty Crucywel i'r system.

[111] **Dafydd Wigley:** Thank you. I move therefore to the second reason for the sharp increase in costs after devolution, which we touched on in the first half of this meeting, which was the increase in user numbers. I refer to the renegotiated contract. That was based on user numbers remaining at 2,875, was it not, until April 2002, and reducing 5 per cent afterwards? We are now some 40 per cent above that estimate, according to the table in the report. To the extent that you have this information, how did you arrive at a ceiling figure of 2,875? On what basis was it estimated? Was it just a guess, or was there a coherent programme that delivered that figure and also delivered the reductions afterwards?

[111] **Dafydd Wigley:** Diolch. Yr wyf am symud felly at yr ail reswm am y cynnydd sylweddol mewn costau wedi datganoli, a drafodwyd yn fras yn hanner cyntaf y cyfarfod hwn, sef y cynnydd yn nifer y defnyddwyr. Cyfeiriaf at y contract a gafodd ei ailnegodi. Onid oedd hwn wedi'i seilio ar nifer y defnyddwyr yn parhau yn 2,875, tan Ebrill 2002, ac yn gostwng o 5 y cant wedi hynny? Yr ydym yn awr tua 40 y cant yn uwch na'r amcangyfrif hwnnw yn ôl y tabl yn yr adroddiad. O ystyried bod y wybodaeth hon gennych, sut y cyfrifwyd y ffigur uchaf o 2,875? Ar ba sail yr amcangyfrifwyd y ffigur hwn? Ai amcan oedd hwn, neu a oedd rhaglen gydlynol a ddarparodd y ffigur hwnnw a'r gostyngiadau wedi hynny?

Syr Jon Shortridge: We just have to take ourselves back to the second half of 1999. At that stage, the Assembly had been established. The main bodies that were to be merged into the Assembly as part of the White Paper, 'A Voice for Wales', had been merged in. We had had some increase in staff. We thought that the Assembly was getting close to a steady state, in terms of its way of working and operation. We thought that there might be some further modest increase in staff numbers, but I do not think that anyone contemplated at the time the increase to around 4,000 to which you referred.

Syr Jon Shortridge: Y mae'n rhaid i ni fynd yn ôl i ail hanner 1999. Yr oedd y Cynulliad wedi'i sefydlu erbyn hynny. Yr oedd y prif gyrff a oedd am gael eu cyfuno â'r Cynulliad fel rhan o'r Papur Gwyn, 'Llais dros Gymru', wedi eu cyfuno. Yr oedd peth cynnydd wedi bod mewn nifer staff. Yr oeddem yn credu bod y Cynulliad yn ymylu ar fod yn sefydlog, o ran ei ffordd o weithio a gweithredu. Yr oeddem yn tybio efallai y byddai cynnydd cymharol fach yn niferoedd staff, ond ni chredaf fod unrhyw un yn rhagweld ar y pryd y cynnydd i oddeutu 4,000 y cyfeirioch ato.

[112] **Dafydd Wigley:** If you thought that there would be some modest increase, why did the contract assume a 5 per cent annual decrease?

[112] **Dafydd Wigley:** Os oeddech yn credu y byddai cynnydd cymharol fach, pam fod y contract yn rhagweld gostyngiad blynyddol o 5 y cant?

Sir Jon Shortridge: That was part of the basis for the inherited contract.

Syr Jon Shortridge: Yr oedd hynny'n rhan o'r sail ar gyfer y contract a etifeddwyd.

[113] **Dafydd Wigley:** And that could not have been overwritten in the renegotiation?

[113] **Dafydd Wigley:** Pam na ellid fod wedi newid hyn yn yr ailnegodi?

Sir Jon Shortridge: As I explained earlier, I took a very hard line on what I thought was a very narrow tightrope that we were operating on. I did not want to make any substantive change to the contract that I felt I could not justify as part of the extension, for fear that it might be regarded as our breaching the procurement arrangements.

Syr Jon Shortridge: Fel yr eglurais yn gynharach, penderfynais sefyll yn gadarn ar yr hyn a oedd yn ymddangos yn sefyllfa simsan iawn i ni weithredu ynddi. Nid oeddwn am wneud unrhyw newid sylweddol i'r contract na fyddwn wedi gallu ei gyfiawnhau fel rhan o'r estyniad, rhag ofn y gellid ei ystyried fel pe baem yn torri'r trefniadau caffaeliad.

[114] **Dafydd Wigley:** The user numbers had already risen considerably above the levels forecast, even before devolution. There was, inevitably, some uncertainty surrounding the new Assembly's requirements and, of course, new users were the most important risk. However, despite all these factors, you did not carry out any sensitivity analysis on the effect of the user numbers rising above 2,875 at the time of renegotiation. I have heard what you said about the original contract, but was there not a case for bringing in that sensitivity analysis at that stage, as a discipline, as much as for the results that it might deliver?

[114] **Dafydd Wigley:** Yr oedd nifer y defnyddwyr wedi codi'n sylweddol uwch na'r lefelau disgwyliedig yn barod, hyd yn oed cyn datganoli. Yn anochel, yr oedd ansicrwydd ynghylch gofynion y Cynulliad newydd, ac wrth gwrs, defnyddwyr newydd oedd y risg bwysicaf. Fodd bynnag, er gwaethaf yr holl ffactorau hyn, ni wnaethoch ddadansoddiad sensitifrwydd ar effaith nifer y defnyddwyr yn codi'n uwch na 2,875 yn ystod yr ailnegodi. Yr wyf wedi gwrando ar yr hyn yr oedd gennych i'w ddweud am y contract gwreiddiol, ond onid oedd achos dros ddefnyddio'r dadansoddiad sensitifrwydd ar yr adeg hon, fel disgyblaeth, yn ogystal â'r canlyniadau y byddai o bosibl yn eu darparu?

Sir Jon Shortridge: I agree, as I have on other occasions before this Committee, that sensitivity analysis is very important and, as a matter of good practice, should be adopted. This was a fairly novel situation that we were in, and we had a discussion before the break about the nature of the negotiation that we undertook and the strategy that we were engaged upon. It is the case that, because of the absolute requirement, in my view, that we should comply with the European directive and not make any amendments to the contract that could leave me, as accounting officer, and the Assembly more generally, vulnerable on that—which could have had very expensive consequences—I do not think that anyone was aware of what we could do to manage the risk of those numbers being too low.

Syr Jon Shortridge: Yr wyf yn cytuno, fel yr wyf wedi'i wneud ar adegau eraill o flaen y Pwyllgor hwn, bod dadansoddiad sensitifrwydd yn bwysig iawn, ac fel mater o arfer da, dylid ei ddefnyddio. Yr oedd hon yn sefyllfa eithaf newydd i ni, a chynhaliwyd negodi cyn yr egwyl ynglyn â natur y negodiadau a gynhaliwyd a'r strategaeth yr oeddem yn rhan ohoni. Oherwydd y gofyniad diamod, credaf y dylem gydymffurfio â chyfarwyddeb Ewrop a pheidio gwneud unrhyw ddiwygiadau i'r contract a allai fy ngadael i, fel swyddog cyfrifo, a'r Cynulliad yn fwy cyffredinol, yn agored i hynny—a allai arwain at ganlyniadau drud iawn—credaf nad oedd unrhyw un yn ymwybodol o'r hyn y gallem ei wneud i reoli'r risg bod y niferoedd hynny'n rhy isel.

[115] **Dafydd Wigley:** You are not telling me, Sir Jon, are you, that consideration of the European directive would have constrained you from undertaking a sensitivity analysis to give you some indication as to the effect of, say, a discount of 10 per cent if user numbers were above 3,500 and delivered savings? Surely, the European directive would not have stopped you at least raising that sort of question if a sensitivity analysis had indicated quite substantial savings from undertaking such an approach.

[115] **Dafydd Wigley:** A ydych yn dweud wrthyf, Syr John, y byddai ystyried cyfarwyddeb Ewrop wedi'ch gorfodi i beidio cynnal dadansoddiad sensitifrwydd i roi i chi rhyw fath o syniad o effaith, a gawn ni ddweud, gostyngiad o 10 y cant pe bai nifer y defnyddwyr yn uwch na 3,500 ac yn cynnig arbedion? Yr wyf yn sicr na fyddai cyfarwyddeb Ewrop wedi'ch atal rhag o leiaf gofyn cwestiwn tebyg pe bai dadansoddiad sensitifrwydd wedi nodi arbedion sylweddol o ddilyn dull o'r fath.

[116] **Dafydd Wigley:** But unless a question is raised with the supplier, how do you know that it would not have been amenable to at least discuss that? It may have had quid pro quos, but it might have at least seen the logic of having a formula of that sort.

[116] **Dafydd Wigley:** Ond os na ofynnwch gwestiwn i'r cyflenwr, sut yr ydych yn gwybod na fyddai wedi bod yn fodlon i o leiaf drafod hynny? Efallai y byddai am dderbyn cymwynas yn ôl, ond efallai y byddai o leiaf wedi gweld y rhesymeg o gael fformiwla fel hyn.

Sir Jon Shortridge: This strikes at the heart of where we were: extending an existing contract, not putting in place a new contract. The more you, for convenience, seek to negotiate additions that could be regarded as being changes, then the more you, in my judgment, risk having a challenge from the European Commission, or from an aggrieved contractor. In certain circumstances, we could have had the Auditor General take the view that we had irresponsibly changed the nature of this contract so that it constituted a new single-tendered contract. I could have been faced with having to defend what he might have regarded as irregular expenditure of around £40 million.

Syr Jon Shortridge: Mae hyn mynd i graidd lle yr oeddem: ymestyn contract oedd yn bodoli eisoes, yn hytrach na rhoi contract newydd ar waith. Mwyaf oll y ceisiwch, er cyfleustra, negodi ychwanegiadau y gellid eu hystyried fel newidiadau, yna y mwyaf tebygol yr ydych, yn fy nhyb i, o gael eich herio gan y Comisiwn Ewropeaidd, neu gan gontractwr dig. Dan rai amgylchiadau, gallai'r Archwilydd Cyffredinol fod wedi bod o'r farn ein bod wedi newid natur y contract hwn yn anghyfrifol fel ei fod yn gontract tendr unigol newydd. Mae'n bosibl y buaswn wedi gorfod cyfiawnhau yr hyn y gallai ef fod wedi ei ystyried yn wariant afreolaidd o tua £40 miliwn.

[117] **Dafydd Wigley:** Okay. Accepting that that could be the circumstance—and, for the sake of this point, I will do so—in terms of management and the use of management tools and informing yourselves of the likely variation from your budget patterns, I come back to the question of the sensitivity analysis. When you appeared before us on 9 November 2000, in the context of giving evidence on the Assembly building, you did emphasise the importance of such sensitivity analysis. You said that the fact that one had not been undertaken in the context of the new building,

‘was largely the exception rather than the rule.’

The rule was there because it is surely important as a management tool. Do you not believe that this should always be a tool that is used, irrespective of whether it can always be delivered in a contractual situation?

Sir Jon Shortridge: As I said earlier, I am fully in favour and agree with the Committee on the question of sensitivity analysis. We did a limited sensitivity analysis on the profit margins, which Bryan can explain further to you if you wish. I am very happy, in hindsight, to agree with you that my position before you would be stronger if we had undertaken a sensitivity analysis on the numbers of the kind that you suggest. The point that I am making is that, whatever that sensitivity analysis had indicated about probabilities of numbers being either greater or smaller, I did not really have anything that I could do to amend the contract to take account of that, because I was extending an existing contract.

[117] **Dafydd Wigley:** Iawn. Gan dderbyn y gallai’r sefyllfa fod felly—ac, er mwyn y pwynt hwn, gwnaf hynny—o ran rheoli a defnyddio arfau rheoli a hysbysu’ch hunain am y gwyriad tebygol o’ch patrymau cyllideb, dof yn ôl at fater dadansoddiad sensitifrwydd. Pan ymddangosoch ger ein bron ar 9 Tachwedd 2000, i roi tystiolaeth ar adeilad y Cynulliad, pwysleisioch bwysigrwydd y cyfryw ddadansoddiad sensitifrwydd. Dywedasoch fod y ffaith nad oedd un wedi ei gynnal mewn perthynas â’r adeilad newydd yn,

‘eithriad yn hytrach na’r rheol…i raddau helaeth.’

Yr oedd y rheol ar waith oherwydd mae’n arf rheoli pwysig, dybiwn i. Onid ydych yn meddwl y dylai hwn fod yn arf sy’n cael ei ddefnyddio bob amser, waeth a yw bob amser yn gallu cael ei weithredu mewn sefyllfa contract ai peidio?

Syr Jon Shortridge: Fel y dywedais eisoes, yr wyf yn gwbl o blaid ac yn cytuno â’r Pwyllgor ar fater dadansoddiad sensitifrwydd. Gwnaethom ddadansoddiad sensitifrwydd cyfyngedig ar faint yr elw. Gall Bryan egluro hwn ymhellach os y dymunwch. Yr wyf yn hapus iawn, wrth edrych yn ôl, i gytuno â chi y buaswn mewn sefyllfa gryfach ger eich bron heddiw pe baem wedi cynnal dadansoddiad sensitifrwydd ar sail y niferoedd o’r math yr ydych yn eu hawgrymu. Fy mhwynt yw hyn, beth bynnag y nododd y dadansoddiad sensitifrwydd am y tebygolrwydd o niferoedd yn fwy neu’n llai, nid oedd dim y gallwn fod wedi ei wneud i ddiwygio’r contract i ystyried hynny, oherwydd yr oeddwn yn ehangu contract oedd eisoes yn bodoli.

[118] **Dafydd Wigley:** Right, we will move on. We will be coming back to the question of profits a little later, but I would like to bring Alison in at this point.

[118] **Dafydd Wigley:** Iawn, symudwn ymlaen. Byddwn yn dychwelyd at fater elw nes ymlaen, ond yn awr hoffwn alw ar Alison.

[119] **Alison Halford:** I am looking at paragraph 3.32, Sir Jon, which mentions additional payments to SBS to reduce the delay in completing service requests from 20 to 15 days. This, apparently, is because of another problem in assessing what the requirements were. The number was assessed at 240 service requests a month, but in fact it went up to nearly 600. Why did that happen, please? Why was your forecasting again so terribly wrong?

[119] **Alison Halford:** Yr wyf yn edrych ar baragraff 3.32, Syr Jon, sy'n sôn am daliadau ychwanegol i SBS i leihau'r oedi mewn cwblhau ceisiadau am wasanaethau o 20 i 15 niwrnod. Mae'n debyg fod hyn oherwydd problem arall wrth asesu beth oedd y gofynion. Aseswyd bod 240 o geisiadau am wasanaethau y mis, ond mewn gwirionedd, cododd hwn i bron 600. Pam y digwyddodd hynny, os gwelwch yn dda? Pam oedd eich amcangyfrifon unwaith eto mor ddifrifol o anghywir?

Sir Jon Shortridge: Essentially, I think that the number of service requests is largely associated with the increase in numbers in the Assembly, and the associated turbulence that that causes for staff. What has been happening, over the last two to three years, as the Assembly has been growing—and as we have an internal market for people to move around and go to different jobs in the Assembly—is that, when staff move to a different desk, their profile needs to move with them, and that is a service request. Just as we had not anticipated the extent of the growth in staff numbers, as a consequence of that we also had not anticipated the amount of movement of staff that there was going to be within the Assembly.

Syr Jon Shortridge: Yn y bôn, credaf fod nifer y ceisiadau am wasanaethau yn gysylltiedig i raddau helaeth â'r cynnydd yn nifer staff y Cynulliad, a'r tarfu cysylltiedig mae hynny yn ei achosi i staff. Yr hyn sydd wedi bod yn digwydd, yn ystod y ddwy neu dair blynedd diwethaf, wrth i'r Cynulliad dyfu—a chan fod gennym farchnad fewnol i bobl symud o gwmpas a mynd i wahanol swyddi yn y Cynulliad—yw, wrth i staff symud i ddesg wahanol, mae angen i'w proffil symud gyda nhw, ac mae hynny'n gais am wasanaethau. Yn yr un modd ag y bu i ni fethu â rhagweld i ba raddau y byddai nifer y staff yn cynyddu, o ganlyniad i hynny nid oeddem chwaith wedi rhagweld faint o staff a fyddai'n symud o fewn y Cynulliad.

[120] **Alison Halford:** But your experts would have known that you are recruiting 'x' number of people per month? By how many civil servants has the number increased since the start of the Assembly, I wonder?

[120] **Alison Halford:** Ond byddai eich arbenigwyr yn gwybod eich bod yn recriwtio hyn a hyn o bobl y mis? Gan sawl gwas sifil mae'r nifer wedi cynyddu ers dechrau'r Cynulliad ys gwn i?

Sir Jon Shortridge: Well, I think, as this report indicates, that it has gone up from a December 1999 figure of around about 2,800 to about 4,000 now.

Syr Jon Shortridge: Wel, tybiaf, fel y mae’r adroddiad hwn yn nodi, ei fod wedi cynyddu o tua 2,800 ym mis Rhagfyr 1999 i tua 4,000 erbyn heddiw.

[121] **Alison Halford:** What we are talking about, and do you think this is acceptable, is that because of the waiting time of 20 days—although it has been reduced to 15—I am told that new staff can wait for three weeks before they get a fully functioning computer. Would that be accurate?

[121] **Alison Halford:** Yr hyn yr ydym yn ei drafod, ac a ydych yn meddwl bod hyn yn dderbyniol, yw oherwydd yr amser aros o 20 niwrnod—er ei fod wedi’i leihau i 15—yr wyf ar ddeall bod staff newydd yn gallu disgwyl tair wythnos am gyfrifiadur sy’n gweithio’n iawn. A fyddai hynny’n gywir?

Sir Jon Shortridge: I think that it could certainly be accurate and probably, in some cases, it is longer and that is why I felt it was just absolutely unacceptable, and that I had to take some action to try to bring these figures down. Nigel wants to come in on that.

Syr Jon Shortridge: Credaf y gallai hyn yn sicr fod yn gywir ac, mewn rhai achosion, mae’n debygol o fod yn hwy a dyna pam yr oeddwn i’n teimlo ei fod yn gwbl annerbyniol, ac yr oedd yn rhaid i mi wneud rhywbeth i geisio lleihau’r ffigyrau hyn. Mae Nigel am sôn am hynny.

Mr Finlayson: Our current service delivery turnaround time is 12 days. If somebody is waiting as long as three weeks, then there has been some problem in the process of ordering the machine. The usual reason for the delay is that, when we get the request, it has not been properly specified as to what is actually required and there is a need for clarification, or sometimes there are special software requirements, but our current turnaround time for service requests is 12 days.

Mr Finlayson: Mae ein gwasanaeth yn cymryd 12 niwrnod ar hyn o bryd. Os oes rhywun yn disgwyl cymaint â thair wythnos, yna mae rhyw broblem wedi codi yn y broses o archebu’r peiriant. Y rheswm arferol ar gyfer yr oedi yw, pan yr ydym yn derbyn cais, ni ragnodir yn gywir beth yn union sydd ei angen, ac mae angen eglurhad, neu weithiau mae gofynion arbennig o ran meddalwedd, ond ar hyn o bryd yr ydym yn cymryd 12 niwrnod i ddelio â cheisiadau am wasanaeth.

[122] **Alison Halford:** Whose fault is that, if there is not clarification as to what the requirement is, please?

[122] **Alison Halford:** Ar bwy mae’r bai os nad yw’r gofyniad wedi ei egluro, os gwelwch yn dda?

Mr Finlayson: It is usually the line managers concerned who have, for some reason or other, not completed the request form properly and not fully specified the requirement. There is a need for us to go back to them to clarify what the requirement is—that is the usual reason.

Mr Finlayson: Fel arfer, y rheolwyr llinell dan sylw sydd heb, am ryw reswm neu’i gilydd, gwblhau’r ffurflen gais yn gywir a nodi’r gofyniad yn llawn. Mae’n rhaid i ni gysylltu â nhw i weld beth yn union yw’r gofyniad—dyna’r rheswm fel arfer.

[123] **Alison Halford:** So—

[124] **Dafydd Wigley:** Sorry to interrupt Alison, but that is surely part of the normal service that is given. People like ourselves, like Assembly Members, may not have an inkling as to the workings of IT systems and we need IT support that is user-friendly and is not dependent on us saying what is wrong, but which helps us to get it right.

[125] **Alison Halford:** Are you actually saying that Siemens line managers are not keeping you properly informed?

Mr Finlayson: My answer is in relation to the Assembly officials, and the line managers I referred to are the line managers of Assembly officials. We have very clear instructions on the intranet as to what is required when a line manager of an official needs to put in a service request, and that is not always complied with. That is the usual reason for the delay.

[126] **Dafydd Wigley:** Eleanor, did you have a question? Very briefly, if you can.

[127] **Eleanor Burnham:** There are two points that arise, in my opinion. We need to be better educated—all of us using the system—as to how we put in requests if this is clogging up the system. Also, do you mean to tell me that every time anybody moves they are out of action for 12 days? Obviously, if they do not have access to a computer they cannot work for those 12 days, and if you multiply that with the number of staff that do move around, it is an enormous cost.

[123] **Alison Halford:** Felly—

[124] **Dafydd Wigley:** Mae’n ddrwg gen i dorri ar eich traws, Alison, ond siawns nad yw hyn yn rhan o’r gwasanaeth arferol a roddir. Mae’n bosibl nad oes gan bobl fel ni, fel Aelodau’r Cynulliad, syniad am elfennau systemau TG ac mae arnom angen cefnogaeth TG sy’n hawdd i’w defnyddio nad yw’n dibynnu arnom ni i ddweud beth sydd o’i le, ond sy’n ein cynorthwyo i gael pethau’n iawn.

[125] **Alison Halford:** Felly a ydych yn dweud nad ydych yn cael y wybodaeth angenrheidiol gan reolwyr llinell Siemens?

Mr Finlayson: Mae fy ateb yn ymwneud â swyddogion y Cynulliad, a’r rheolwyr llinell y cyfeiriais atynt yw rheolwyr llinell swyddogion y Cynulliad. Mae gennym gyfarwyddiadau clir iawn ar y fewnrwyd ynglyn â’r hyn sydd ei angen pan fo’n rhaid i reolwr llinell neu swyddog gyflwyno cais am wasanaeth, ac nid yw’r rhain bob amser yn cael eu dilyn. Dyna’r rheswm dros yr oedi fel arfer.

[126] **Dafydd Wigley:** Eleanor, a oedd gennych gwestiwn? Yn fyr iawn, os oes modd.

[127] **Eleanor Burnham:** Mae dau bwynt yn codi yn fy marn i. Mae angen ini i gyd fod yn fwy addysgedig—pawb ohonom sy’n defnyddio’r system—ynglyn â sut mae cyflwyno ceisiadau os yw hyn yn tagu’r system. Yn ogystal, a ydych chi’n ceisio dweud nad yw unrhyw un sy’n symud yn medru gweithio am hyd at 12 niwrnod? Mae’n amlwg na allant weithio am y 12 niwrnod hynny os nad oes ganddynt gyfrifiadur i’w ddefnyddio, ac os ydych yn lluosi hynny gan nifer y staff sydd yn symud o gwmpas, mae’n gost enfawr.

[128] **Dafydd Wigley:** I am not sure if that is what Mr Finlayson was saying, so let us have clarification.

[128] **Dafydd Wigley:** Nid wyf yn siwr ai dyna oedd Mr Finlayson yn ei ddweud, felly gadewch i ni gael eglurhad.

[129] **Eleanor Burnham:** Ah, right. That is what I am asking. Thank you, Chair.

[129] **Eleanor Burnham:** O, iawn. Dyna beth yr wyf yn ei ofyn. Diolch, Gadeirydd.

Mr Finlayson: Not at all. We issue advice on our intranet pages of what current turnaround times are so that, if staff are moving, their line manager should be able to put in a request to us in sufficient time for that to be actioned at the point of the move. The main delays are often with new joiners, people coming into the Assembly, where there has been, perhaps, an inadequate understanding of the level of IT literacy and what they actually require—things of that kind. We do get problems sometimes when people are moved very rapidly and then it is difficult to meet a 12-day turnaround. We operate a system, a pretty hard-nosed one, whereby, basically, any request for a service request escalation has to come to me personally.

Mr Finlayson: Ddim o gwbl. Yr ydym yn rhoi cyngor ar ein tudalennau mewnrwyd ar yr amserau cwblhau ceisiadau cyfredol felly, os yw staff yn symud, dylai eu rheolwr llinell fedru rhoi cais i ni mewn da bryd i weithredu hynny adeg y symud. Mae’r prif achosion o oedi yn aml yn gysylltiedig â newydd ddyfodiaid, pobl yn dod i mewn i’r Cynulliad, lle nad ydynt, o bosibl, wedi deall yn iawn lefel y ddealltwriaeth o TG a’r hyn sydd ei angen arnynt mewn gwirionedd—pethau o’r math yna. Yr ydym yn cael problemau weithiau pan fo pobl yn cael eu symud yn gyflym iawn ac yna mae’n anodd gwneud y gwaith mewn 12 niwrnod. Mae gennym system, un go ddigyfaddawd, lle mae unrhyw un sydd am gyflymu cais am wasanaeth yn gorfod gofyn i mi yn bersonol.

[130] **Dafydd Wigley:** That is 12 working days that we are talking about?

[130] **Dafydd Wigley:** Ai am 12 niwrnod gwaith yr ydym yn sôn?

Mr Finlayson: Twelve working days is currently our turnaround time. For properly specified requests, it is 12 working days.

Mr Finlayson: Deuddeng niwrnod gwaith yw’r amser yr ydym yn ei gymryd i gyflawni’r gwaith ar hyn o bryd. Mae’n cymryd 12 niwrnod gwaith yn achos ceisiadau sydd wedi eu nodi’n gywir.

[131] **Alun Cairns:** That is two and a half weeks, and the original accusation was three weeks, so are we splitting hairs on this?

[131] **Alun Cairns:** Mae hynny yn bythefnos a hanner, ac yr oedd y cyhuddiad gwreiddiol yn dair wythnos, felly a ydym ni’n hollti blew ynglyn â hyn?

[132] **Dafydd Wigley:** Well, there is a problem. I think that we are agreed that there is a problem. The sooner it can be done, the better. However, I think that we are, perhaps, dealing with two different things. One is the day-to-day problems that we come up against in our offices, and they can clearly be turned around very much quicker than that—we are talking in terms of hours, not in terms of days. You are talking about additional or different staff or staff moving. Nonetheless, there is a point there. Alison, I will come back to you, because I want to keep this flowing.

[132] **Dafydd Wigley:** Wel, mae problem. Credaf ein bod yn cytuno bod problem. Gorau po gyntaf y gellir ei datrys. Fodd bynnag, credaf ein bod, efallai, yn ymdrin â dau beth gwahanol. Un yw'r problemau bob dydd sy'n ein hwynebu yn ein swyddfeydd, ac mae'n amlwg y gallant gael eu datrys llawer yn gynt na hynny—mater o oriau yn hytrach na diwrnodau ydyw. Yr ydych yn sôn am staff ychwanegol neu wahanol neu staff yn symud. Serch hynny, mae yma bwynt. Alison, deuaf yn ôl atoch, oherwydd yr wyf am sicrhau llif y drafodaeth.

[133] **Alison Halford:** I am ducking the next question on my brief, Chair. If you say that it is necessary, that will be fine.

[133] **Alison Halford:** Yr wyf yn hepgor y cwestiwn nesaf ar fy mrîff, Gadeirydd. Os ydych yn dweud bod ei angen, bydd hynny'n iawn.

[134] **Dafydd Wigley:** No, that is all right.

[134] **Dafydd Wigley:** Na, mae hynny yn iawn.

[135] **Alison Halford:** We are looking now at paragraph 3.35. We read about the effect of the Assembly underestimating user numbers on SBS's profit margins across the entire contract. Is it fair to say that the underestimate of user numbers means that SBS made a profit well in excess of that which would have been possible had the estimate of 2,875 users been close to accurate?

[135] **Alison Halford:** Yr ydym yn awr yn edrych ar baragraff 3.35. Yr ydym yn darllen am effaith y Cynulliad yn tanamcangyfrif nifer y defnyddwyr ar elw SBS drwy gydol y contract. A yw hi'n deg dweud bod tanamcangyfrif nifer y defnyddwyr yn golygu i'r SBS wneud elw llawer yn uwch na'r elw a fyddai wedi bod yn bosibl pe bai'r amcangyfrif o 2,875 o ddefnyddwyr wedi bod weddol gywir?

Sir Jon Shortridge: SBS's profit margin has increased slightly beyond what it would have been if the numbers were as we had thought at the time. However, as the Auditor General has indicated, the profit margin will be typical for this type of contract.

Syr Jon Shortridge: Mae maint elw SBS wedi cynyddu rhywfaint uwchlaw yr hyn y byddai wedi bod pe bai'r niferoedd wedi bod fel ag y tybiasom ar y pryd. Fodd bynnag, fel y mae'r Archwilydd Cyffredinol wedi nodi, bydd maint yr elw yn nodweddiadol o'r math hwn o gontract.

[136] **Alison Halford:** It increased slightly, you say. You did tell us earlier that there was such frustration that you had to ask Siemens to expose its model costs. There was so much concern that you obviously did a sensitivity study on the profit level. May we talk about what you consider to be 'increased slightly', I wonder, Sir Jon?

[136] **Alison Halford:** Yr ydych yn dweud ei fod wedi cynyddu rhywfaint. Dywedasoch wrthym yn gynt bod cymaint o rwystredigaeth fel eich bod wedi gorfod gofyn i Siemens ddatgelu ei gostau model. Yr oedd cymaint o bryder fel i chi mae'n amlwg gynnal astudiaeth sensitifrwydd ar lefel yr elw. A allwn ni drafod beth yr ydych yn ei olygu gan 'cynyddu rhywfaint', tybed, Syr Jon?

Sir Jon Shortridge: I think that the normal range of profits for contracts of this nature is somewhere in the region of 10 to 15 per cent. I am satisfied, on the basis of all the information that I have seen, that this contract remains within that range.

Syr Jon Shortridge: Credaf fod yr ystod elw arferol ar gyfer contractau o'r math hwn rhywle rhwng 10 a 15 y cant. Yr wyf yn fodlon, ar sail y wybodaeth yr wyf wedi ei gweld, fod y contract hwn yn aros yn yr ystod honno.

[137] **Alison Halford:** Okay. Is it fair to observe that the opportunity to extend the contract at devolution, allied to your estimates of user numbers, enabled SBS to get an immensely better deal than that it could have expected to achieve in 1997?

[137] **Alison Halford:** Iawn. A yw hi'n deg i ddweud bod y cyfle i ymestyn y contract ar adeg datganoli, ynghyd â'ch amcangyfrifiadau o nifer y defnyddwyr, wedi galluogi SBS i gael dêl llawer gwell nag y gallai fod wedi ei disgwyl yn 1997?

Sir Jon Shortridge: I think that it is clear for anyone reading this report that it got a better deal. The point that I have focused on, and I think this is really the point that the Committee should focus on, is whether, under the circumstances in which we all found ourselves, we could have got a better deal for the Assembly than the one we ended up with through the renegotiation. It is my judgment that we could not have done, for the various reasons which are set out in this report. However, the Committee, in considering the report and the evidence, may reach a different conclusion.

Syr Jon Shortridge: Credaf ei bod yn glir i bawb sy'n darllen yr adroddiad hwn ei fod wedi cael dêl well. Y pwynt yr wyf wedi canolbwyntio arno, a chredaf mai hwn yw'r pwynt y dylai'r Pwyllgor ganolbwyntio arno, yw a allem ni, dan yr amgylchiadau hyn, fod wedi cael dêl well i'r Cynulliad na'r un a gawsom drwy'r ailnegodi. Yn fy marn i, ni fyddem wedi gallu gwneud hynny, am y rhesymau amrywiol a nodir yn yr adroddiad hwn. Fodd bynnag, efallai y daw'r Pwyllgor i gasgliad gwahanol wrth ystyried yr adroddiad a'r dystiolaeth.

[138] **Alison Halford:** Fine. Again, sticking with 3.35, the Auditor General's report says that the overall profit margin over the life of that contract would be consistent with other contracts of this type. For the Committee to judge whether we did get a good deal, would you be able to tell us—even if in a confidential note—what the profit margins were in percentage terms over the length of the contract?

Sir Jon Shortridge: Well, I have already told the Committee that our estimates, based on the information that we received from looking at SBS's books, are that its present profit margin is within the range of 10 to 15 per cent, which is typical for this type of contract.

[139] **Dafydd Wigley:** Sorry, can I be clear on that? Ten to 15 per cent over the life of the contract?

Sir Jon Shortridge: Yes.

[140] **Dafydd Wigley:** Not just at present?

Sir Jon Shortridge: No—over the life of the contract.

[141] **Dafydd Wigley:** So that averages out?

Sir Jon Shortridge: Yes.

[142] **Dafydd Wigley:** That is hard information, based on the open-book accounting?

Sir Jon Shortridge: Yes. It is the hardest information that I have, based on that information. However, obviously, it does include certain estimates and assumptions. I would not want to mislead the Committee on that.

[138] **Alison Halford:** Iawn. Unwaith eto, gan aros ar 3.35, dywed adroddiad yr Archwilydd Cyffredinol y byddai maint yr elw ar y cyfan dros gyfnod y contract yn gyson â chontractau eraill o'r math hwn. Er mwyn i'r Pwyllgor farnu a gawsom ddêl dda ai peidio, a allech ddweud wrthym—hyd yn oed mewn nodyn cyfrinachol—beth oedd maint yr elw mewn canrannau dros gyfnod y contract?

Syr Jon Shortridge: Wel, yr wyf eisoes wedi dweud wrth y Pwyllgor ein bod yn amcangyfrif, yn seiliedig ar y wybodaeth y cawsom wrth edrych ar lyfrau SBS, bod ei elw ar hyn o bryd o fewn yr ystod o 10 i 15 y cant, sydd yn nodweddiadol o'r math hwn o gontract.

[139] **Dafydd Wigley:** Mae'n ddrwg gen i, a allaf i fod yn glir af hyn? Deg i 15 y cant dros gyfnod y contract?

Syr Jon Shortridge: Ie.

[140] **Dafydd Wigley:** Nid ar hyn o bryd yn unig?

Syr Jon Shortridge: Na—dros gyfnod y contract.

[141] **Dafydd Wigley:** Felly dyma'r cyfartaledd?

Syr Jon Shortridge: Ie.

[142] **Dafydd Wigley:** Mae honno'n wybodaeth gadarn, yn seiliedig ar gyfrifo llyfr agored?

Syr Jon Shortridge: Ydy. Dyma'r wybodaeth fwyaf cadarn sydd gennyf, yn seiliedig ar y wybodaeth honno. Serch hynny, mae'n amlwg yn cynnwys rhai amcangyfrifiadau a thybiaethau. Ni fuaswn am gamarwain y Pwyllgor ar hynny.

[143] **Alison Halford:** On the 10 to 15 per cent that you talk about in open-book accounting, my understanding is that open-book accounting was not actually used as a way of keeping track of what was going on.

Sir Jon Shortridge: The contract does not involve open-book accounting in what has become the conventional sense now in more recent contracts. However, we do have a clause in the contract which allows us to have audit access to Siemens' books. During the renegotiation, when it produced its estimate of £29 million, we said that we wanted that access so that we could interrogate the basis of its figures. Therefore, we did at that stage get very substantial cost information from Siemens.

[144] **Alison Halford:** I am sorry to press you further, Sir Jon, but in paragraph 4.33 of the Auditor General's report it says that there are certain periods of the year when the public can request information. May I, as a member of the public, request that you tell us, in a confidential note, what the profit margin is—not in percentage terms but in normal financial terms, please?

Sir Jon Shortridge: The information relating to Siemens' profits is very commercially sensitive at the moment, because it is a material factor in the negotiations or the tendering which we are currently undertaking for the recontracting of these services through the Merlin project. So I, as accounting officer, do not think that making this information available to the public is in the best interests of the Assembly. I will leave it at that.

[143] **Alison Halford:** Ynglyn â'r 10 i 15 y cant yr ydych yn sôn amdano yn y cyfrifo llyfr agored, yr wyf i ar ddeall na ddefnyddiwyd cyfrifo llyfr agored mewn gwirionedd i gadw golwg ar yr hyn oedd yn digwydd.

Syr Jon Shortridge: Nid yw'r contract yn cynnwys cyfrifo llyfr agored fel sydd bellach wedi datblygu'n arferol mewn contractau mwy diweddar. Fodd bynnag, mae gennym gymal yn y contract sy'n caniatáu hawl archwilio i ni i lyfrau Siemens. Yn ystod yr ailnegodi, pan gyflwynodd ei amcangyfrif o £29 miliwn, dywedasom fod angen yr hawl hwn arnom er mwyn i ni allu archwilio sail ei ffigyrau. Felly, ar yr adeg honno, cawsom wybodaeth gost sylweddol iawn gan Siemens.

[144] **Alison Halford:** Mae'n flin gennyf eich holi ymhellach, Syr Jon, ond mae paragraff 4.33 adroddiad yr Archwilydd Cyffredinol yn nodi bod rhai adegau o'r flwyddyn pan gaiff y cyhoedd wneud cais am wybodaeth. A gaf i, fel aelod o'r cyhoedd, ofyn i chi ddweud wrthym, mewn nodyn cyfrinachol, maint yr elw—nid mewn canran ond mewn iaith ariannol arferol, os gwelwch yn dda?

Sir Jon Shortridge: Mae'r wybodaeth ynghylch elw Siemens yn hynod fasnachol sensitif ar hyn o bryd, oherwydd mae'n ffactor perthnasol yn y negodiadau neu'r tendro sydd ar y gweill gennym ar hyn o bryd i ail-gontractio'r gwasanaethau hyn drwy brosiect Merlin. Felly, fel swyddog cyfrifo, ni chredaf fod datgelu'r wybodaeth hon i'r cyhoedd o fudd i'r Cynulliad. Gadawaf y mater yn y fan hon.

[145] **Dafydd Wigley:** May I press you a little further on that? You have been forthcoming in saying that the percentage of profit is 10 to 15 per cent. If we put it at the higher level of 15 per cent—and I would not regard that as an abnormal level of industrial profit in the least—on a contract that is for about £60 million over the lifetime that we are talking about now, one can do one's sums and it works out at about £6.6 million or so—a little more than that, about £9 million. That is a guesstimate of the type of profit that is being made here. May I suggest that the relevance of this is not in the application of those detailed figures to a new contract—which is clearly sensitive as you are negotiating Merlin—but in that you may well, in any new contract, want to ensure that there is a profit-sharing clause and the use of open-book accounting and a driver to ensure that the benefits of that are used. That would provide discipline both on the part of the Assembly and of the supplier. If we are working efficiently, and there are profits, we would get some benefit from that and that would benefit taxpayers in Wales.

[145] **Dafydd Wigley:** A gaf i eich holi ymhellach ar hynny? Yr oeddech yn barod i ddweud bod canran yr elw yn 10 i 15 y cant. Os ydym yn ei roi ar y lefel uwch o 15 y cant—ac ni fyddwn yn ystyried hynny fel lefel afreolaidd o elw diwydiannol o gwbl—ar gontract o tua £60 miliwn dros y cyfnod yr ydym yn sôn amdano yn awr, gall rhywun wneud ei symiau ac mae'n dod i tua £6.6 miliwn—ychydig dros hynny, tua £9 miliwn. Dyna amcangyfrif o'r math o elw sy'n cael ei wneud yma. A gaf i awgrymu mai nid gosod y ffigyrau manwl hynny ar gontract newydd—sy'n amlwg yn sensitif gan eich bod yn negodi Merlin—sy'n berthnasol ar hyn o bryd, ond yn hytrach mae'n bosibl y byddwch am sicrhau bod unrhyw gontract newydd yn cynnwys cymal rhannu elw a defnydd o gyfrifo llyfr agored ac ysgogydd i sicrhau bod manteision hwnnw'n cael eu defnyddio. Byddai hynny'n darparu disgyblaeth ar ran y Cynulliad a'r cyflenwr. Os ydym yn gweithio'n effeithlon ac yn gwneud elw, byddai hynny o rywfaint o fudd i ni ac o fudd i drethdalwyr yng Nghymru.

Sir Jon Shortridge: I just want to say, Chair, that I entirely agree with that. From my earlier remarks, you will know that that is what I am looking for in the new Merlin contract. I do hope that we will be able to negotiate an outcome which is based on open-book accounting and a clear understanding on both sides as to just what is happening through this contract, so that there can be proper apportionment of risk and reward.

Syr Jon Shortridge: Hoffwn ddweud, Gadeirydd, fy mod yn cytuno'n llwyr â hynny. O gofio fy sylwadau blaenorol, byddwch yn gwybod mai dyna'r hyn yr wyf yn chwilio amdano yn y contract Merlin newydd. Yr wyf yn gobeithio y medrwn negodi canlyniad sy'n seiliedig ar gyfrifo llyfr agored a dealltwriaeth glir ar y ddwy ochr o'r hyn sy'n digwydd drwy osod y contract hwn, fel y gellir rhannu risg a gwobr yn gywir.

[146] **Dafydd Wigley:** As a principle, I hope that you would agree with me—and I hope that my colleagues on the Committee would agree—that, to the maximum extent possible, figures such as these should be open and available for public scrutiny. Our principle, as an Assembly, is to be answerable and transparent. I realise that there may be circumstances where there is confidentiality for commercial reasons, but that must not be used other than in circumstances where it is really justified.

[146] **Dafydd Wigley:** Fel egwyddor, a gobeithiaf y byddech yn cytuno â mi—a gobeithiaf y byddai fy nghydweithwyr ar y Pwyllgor yn cytuno—dylai ffigurau fel y rhain fod yn agored ac ar gael i'r cyhoedd graffu arnynt i'r graddau mwyaf posibl. Ein hegwyddor, fel Cynulliad, yw bod yn atebol ac yn agored. Sylweddolaf y gallai fod amgylchiadau lle y cedwir cyfrinachedd oherwydd rhesymau masnachol, ond ni ddylid defnyddio hwnnw ac eithrio dan amgylchiadau lle ceir gwir gyfiawnhad drosto.

Sir Jon Shortridge: I fully agree with that principle. These are very special circumstances as we are going into a tendering process, and we have to respect the interests of everyone, and not least my interest in ensuring that I get the most competitive outcome that I can from that. I also have to acknowledge that it is not absolutely clear to me, under the terms of the contract that I have, that I am free to release this information without Siemens' agreement. However, for the future, I clearly want a contract which meets all the principles that you have set out, Chair.

Syr Jon Shortridge: Cytunaf yn llwyr â'r egwyddor honno. Mae'r rhain yn amgylchiadau arbennig iawn gan ein bod yn dechrau ar broses dendro, ac mae'n rhaid i ni barchu buddiannau pawb, yn enwedig fy muddiant i o sicrhau fy mod yn cael y canlyniad mwyaf cystadleuol posibl o'r broses honno. Rhaid i mi gydnabod hefyd nad yw'n hollol glir i mi, dan amodau'r contract sydd gennyf, bod gennyf yr hawl i ryddhau'r wybodaeth hon heb ganiatâd Siemens. Fodd bynnag, i'r dyfodol, yr wyf am sicrhau contract sy'n bodloni'r holl egwyddorion a nodwyd gennych, Gadeirydd.

[147] **Dafydd Wigley:** May I ask you, therefore, to consider and reflect upon this, and perhaps to discuss it with Siemens and, to the extent to which it is possible, to provide a confidential note, as Alison has requested, to flesh out a little the figure of 10 to 15 per cent that you mentioned? If it is appropriate, then, no doubt—as in other contexts—the Committee can keep it confidential. Perhaps you could come back to us on that, Sir Jon.

[147] **Dafydd Wigley:** A gaf i ofyn i chi, felly, ystyried a myfyrio ar hyn, ac efallai ei drafod â Siemens ac, i'r graddau y bo'n bosibl, ddarparu nodyn cyfrinachol, fel y gofynnodd Alison, i fanylu ychydig ar y ffigur o 10 i 15 y cant y sonioch amdano? Os yw'n briodol, yna, nid oes amheuaeth—fel mewn cyd-destunau eraill—y gall y Pwyllgor ei gadw'n gyfrinachol. Efallai y gallech ddod yn ôl atom ar hynny, Syr Jon.

[148] **Alison Halford:** Thank you, Chair; I think that we have been extremely patient over the commercial confidentiality situation. It does worry me, Sir Jon, that we started off as an open and transparent organisation and, more and more, we are told that important matters concerning finance have to be kept commercially confidential. Yet, there are three comments on this in Sir John's report—paragraph 4.14, which says that PFI should ensure

'that the public sector only pays when effective, fully-functioning systems have been delivered';

paragraph 4.33, which is about the periods of the year when the public can request information; and paragraph 4.29, which, under open-book accounting, says that the public

'needs assurance that major contracts deliver value for money.'

If this Committee is being denied information on a confidential basis, then I think that it is a little bit sad, and I think that we are not all that we make ourselves out to be.

Having made that comment—bearing in mind the time—there is one last thing that I will touch upon, which is the extended helpdesk services for Assembly Members. We have been told that the service has cost, per call, £6,000—that is per call. Could you comment on the accuracy of this figure and are there any other comments that you would wish to make about this extended helpline?

[148] **Alison Halford:** Diolch, Gadeirydd; credaf ein bod wedi bod yn hynod amyneddgar ynglyn â'r sefyllfa cyfrinachedd masnachol. Mae'n fy mhryderi, Syr Jon, ein bod wedi dechrau fel sefydliad agored a thryloyw ac, yn gynyddol, dywedir wrthym fod yn rhaid cadw materion pwysig sydd yn ymwneud â chyllid yn fasnachol gyfrinachol. Serch hyn, mae tri sylw ar hyn yn adroddiad Syr Jon—paragraff 4.14, sy'n dweud y dylai PFI sicrhau

'mai dim ond pan fydd systemau effeithiol, llwyr-weithredol wedi eu cyflwyno y bydd y sector cyhoeddus yn talu';

paragraff 4.33, sy'n sôn am adegau'r flwyddyn pan all y cyhoedd wneud cais am wybodaeth; a pharagraff 4.29, sydd, dan gyfrifo llyfr agored, yn dweud

'mae angen sicrwydd ar gorff y sector cyhoeddus bod contractau mawr yn cyflwyno gwerth am arian.'

Os nad yw'r Pwyllgor yn cael derbyn gwybodaeth oherwydd cyfrinachedd, yna credaf fod hynny braidd yn drist, ac nad ydym yr hyn yr ydym yn ei honni.

Ar ôl gwneud y sylw hwnnw—o gofio'r amser—mae un peth arall yr hoffwn ei grybwyll, sef y gwasanaethau desg gymorth estynedig i Aelodau'r Cynulliad. Dywedwyd wrthym fod y gwasanaeth wedi costio £6,000 yr alwad—hynny yw yr alwad. A allwch roi sylwadau ar gywirdeb y ffigur hwn ac a oes unrhyw sylwadau eraill yr hoffech eu gwneud ynglyn â'r llinell gymorth estynedig hon?

Sir Jon Shortridge: Nigel will be able to give you chapter and verse if you want it. My understanding is that the agreement was for something like—a total cost, including value added tax, of £13,000. There have been two calls, which is why the cost is £6,000 each or thereabouts. The House Committee's IT sub-group has now decided to close that part of the contract, so we are not making any further payments.

Syr Jon Shortridge: Gall Nigel ddweud y cyfan wrthych os y dymunwch. Yr wyf ar ddeall i'r cytundeb fod ar gyfer rhywbeth fel—cyfanswm, gan gynnwys treth ar werth, o £13,000. Cafwyd dwy alwad, a dyma pam y bu iddynt gostio tua £6,000 yr un. Mae is-grwp TG Pwyllgor y Ty bellach wedi penderfynu cau'r rhan honno o'r contract, felly nid ydym yn gwneud unrhyw daliadau pellach.

[149] **Dafydd Wigley:** Can I just be clear on that? It is not just that it has done so, but that it decided this some time ago, did it not? The support service lasted for about six months in practice, is that right?

[149] **Dafydd Wigley:** A allaf i fod yn glir ar hynny? Nid yn unig y mae wedi gwneud hyn, ond penderfynodd ar hyn beth amser yn ôl, oni wnaeth? Bu'r gwasanaeth cefnogi ar waith am tua chwe mis, a yw hynny'n gywir?

Sir Jon Shortridge: I will have to bring in Nigel on this. What I have been told is that this element in the contract was closed down in September, possibly August.

Sir Jon Shortridge: Bydd yn rhaid i mi ddwyn Nigel i'r drafodaeth ar hyn. Yr hyn a ddywedwyd wrthyf yw y cafodd yr elfen hon o'r contract ei chau ym mis Medi, neu fis Awst o bosibl.

[150] **Alison Halford:** But it came in June 2001.

[150] **Alison Halford:** Ond ym mis Mehefin 2001 y dechreuodd y contract.

Mr Finlayson: The original decision by the House Committee's IT sub-group to trial and monitor such a service was taken in May 2001. There were reports made to the IT sub-group in July and November 2001. In January 2002, at a meeting of the IT sub-group, it was reported that two calls had been received. The IT sub-group agreed to keep the trial going. SBS was asked to log numbers and requests, particularly for profiles to be unlocked, which was what the two calls were about.

Mr Finlayson: Gwnaethpwyd y penderfyniad gwreiddiol gan is-grwp TG Pwyllgor y Ty i brofi a monitro'r cyfryw wasanaeth ym mis Mai 2001. Cyflwynwyd adroddiadau i'r is-grwp TG yng Ngorffennaf a Thachwedd 2001. Mewn cyfarfod o'r is-grwp TG yn Ionawr 2002, adroddwyd bod dwy alwad wedi eu derbyn. Cytunodd yr is-grwp TG i barhau â'r prawf. Gofynnwyd i SBS gofnodi rhifau a cheisiadau, yn enwedig i ddatgloi proffiliau, sef natur y ddwy alwad a dderbyniwyd.

[151] **Dafydd Wigley:** On that, I am sorry to interrupt, but the information that I have from the minutes of the sub-group is that, on 22 November, it was reported that the service was under-used and it was agreed in that meeting that the service would be terminated in December. Why was that not done?

[151] **Dafydd Wigley:** Ar hynny, mae’n ddrwg gennyf dorri ar draws, ond y wybodaeth sydd gennyf o gofnodion yr is-grwp yw, ar 22 Tachwedd, adroddwyd nad oedd digon o ddefnydd yn cael ei wneud o’r gwasanaeth a chytunwyd yn y cyfarfod hwnnw i ddirwyn y gwasanaeth i ben ym mis Rhagfyr. Pam na wnaethpwyd hynny?

Mr Finlayson: Which year, Chair?

Mr Finlayson: Ym mha flwyddyn, Gadeirydd?

[152] **Dafydd Wigley:** The year we are talking about—it only lasted for six months from 14 June, when preparations for the service were put in and Members were informed that the service was available, and it ran through until then.

[152] **Dafydd Wigley:** Y flwyddyn yr ydym yn sôn amdani—parhaodd am chwe mis yn unig o 14 Mehefin, pan wnaethpwyd paratoadau ar gyfer y gwasanaeth a hysbyswyd Aelodau fod y gwasanaeth ar gael, a pharhaodd tan hynny.

Mr Finlayson: I will need to check on that. It does not accord with the information I collected this morning from the minutes of the IT sub-group.

Mr Finlayson: Bydd angen i mi wirio hynny. Nid yw’n cyd-fynd â’r wybodaeth a gasglais y bore yma o gofnodion yr is-grwp TG.

[153] **Alison Halford:** Is it possible, please, that you can tell us how it was ever negotiated? These people must have been paid—on what did you base your forecasts and the costs of your engineers? It seems an incredible sum. I did not know about the service, I have to say, although I also have to say that I gave up my laptop within months.

[153] **Alison Halford:** A allwch, os gwelwch yn dda, ddweud wrthym sut y negodwyd ef yn y lle cyntaf? Mae’n rhaid bod y bobl hyn wedi cael eu talu—ar beth wnaethoch chi seilio’ch amcangyfrifon a chostau’ch peirianwyr? Mae’n ymddangos yn swm rhyfeddol. Nid oeddwn yn ymwybodol o’r gwasanaeth, rhaid i mi ddweud, er bod yn rhaid i mi ddweud hefyd i mi roi’r gorau i fy ngliniadur o fewn misoedd.

[154] **Dafydd Wigley:** If there is a further note that you can submit on this point, please do. Clearly, this figure—I do not think that it is the most important one in this report, frankly, because there are sums that are immensely larger than this—but, nonetheless, it has created the headlines and it is right that we should be on top of it. Most important, if decisions have been taken by the relevant Committee, they should be acted upon promptly in order to avoid costs running on. We will move on.

[154] **Dafydd Wigley:** Os oes nodyn pellach y gallwch ei gyflwyno ar y mater hwn, gwnewch hynny. Yn amlwg, mae’r ffigur hwn—ni chredaf mai hwn yw’r pwysicaf yn yr adroddiad a bod yn onest oherwydd mae symiau llawer iawn uwch na hwn—ond, serch hynny, dyma a greodd y penawdau ac mae’n briodol i ni edrych ar y sefyllfa. Yn bwysicaf oll, os yw’r Pwyllgor perthnasol wedi gwneud penderfyniadau, dylid gweithredu arnynt yn brydlon er mwyn osgoi parhad costau. Symudwn ymlaen.

[155] **Ann Jones:** The report indicates that the main concern of most OSIRIS users is the speed with which they are able to use the system, in particular the slowness of the remote use in constituency offices and in Members' and officials' homes. We know that this is not the fault of SBS or OSIRIS, but can you tell me how you propose to improve the situation in future? Most Members have probably contributed to the little box on page 22 and there is certainly one comment there that is attributable to me, but I will not say which one.

[155] **Ann Jones:** Mae'r adroddiad yn nodi mai prif ofid y rhan fwyaf o ddefnyddwyr OSIRIS yw'r cyflymder y gallant ddefnyddio'r system, yn enwedig arafwch y defnydd o bell mewn swyddfeydd etholaethol a chartrefi Aelodau a swyddogion. Gwyddom nad SBS nac OSIRIS sydd ar fai am hyn, ond a allwch ddweud wrthyf sut yr ydych yn bwriadu gwella'r sefyllfa yn y dyfodol? Mae'n debygol fod y mwyafrif o Aelodau wedi cyfrannu at y bocs bach ar dudalen 22 ac yn sicr mae un sylw yno y gellir ei briodoli i mi, ond ni wnaf ddweud pa un.

[156] **Alison Halford:** Mine was not printable.

[156] **Alison Halford:** Ni ellid argraffu fy un i.

[157] **Eleanor Burnham:** I do not think that mine was either.

[157] **Eleanor Burnham:** Nac fy un i ychwaith.

Sir Jon Shortridge: May I just say that this is a personal frustration for me, because if you take the core system, but not the constituency system or the system that is being used outside the main networks, I think, as this report makes clear, and as you acknowledged at the outset of this half of the proceedings, Chair, the system has worked very well. The majority of respondents were either satisfied or very satisfied with e-mail, Microsoft Office software, the internet, the intranet, hardware and Welsh-language software. So, I think that these points, on the basis of the evidence that the National Audit Office has prepared, need to be put in context. As it says, the sole reason, essentially, why the constituency office arrangements are not satisfactory is down to the absence of broadband and the inadequacies in the present British Telecom network, which is something outwith Siemens' control and outwith our control. It is something that we hope that we will be able to address, partly through our broadband initiative, but also, to the best of our ability, through the Merlin procurement. Nigel, do you want to comment further on that?

Syr Jon Shortridge: A gaf i ddweud fod hyn yn rhwystredigaeth bersonol i mi, oherwydd os ydych yn ystyried y system graidd, ond nid y system etholaeth neu'r system sy'n cael ei defnyddio y tu allan i'r prif rwydweithiau, credaf, fel y mae'r adroddiad hwn yn ei wneud yn glir, ac fel y cydnabuwyd gennych ar ddechrau hanner hwn y cyfarfod, Gadeirydd, i'r system weithio'n dda iawn. Yr oedd y mwyafrif o ymatebwyr naill ai'n fodlon neu'n fodlon iawn â'r e-bost, meddalwedd Microsoft Office, y rhyngrwyd, y fewnrwyd, caledwedd a meddalwedd Gymraeg. Felly, credaf fod angen, ar sail y dystiolaeth a baratowyd gan y Swyddfa Archwilio Genedlaethol, drafod y pwyntiau hyn yn eu cyd-destun. Fel y dywed, yr unig reswm, yn y bôn, pam nad yw'r trefniadau swyddfeydd etholaethol yn foddhaol yw absenoldeb band eang a'r diffygion yn y rhwydwaith British Telecom presennol, sef rhywbeth sydd y tu hwnt i reolaeth Siemens ac y tu hwnt i'n rheolaeth ni. Mae'n fater yr ydym yn gobeithio y byddwn yn gallu mynd i'r afael ag ef, yn rhannol drwy ein menter band eang, ond hefyd, hyd at eithaf ein gallu, drwy gaffaeliad Merlin. Nigel, a hoffech

chi sôn ymhellach am hynny?

Mr Finlayson: On the Merlin procurement, we have asked suppliers to submit proposals for what we are describing as an integrated voice and data solution. Effectively, I want a system that bundles all our telephony, video conferencing and data requirements into one network administered by the main supplier. What this should enable us to do is to buy technology that is available in the marketplace at the moment at an affordable cost, which we currently cannot do because of the nature of our piecemeal procurement over the years of various circuits from British Telecom and other arrangements. We did put a paper to the House Committee back in 2000 about what the likely costs would be to try to improve the service using existing technology. I think, if I remember correctly, that year one costs were something like £800,000 and that the House Committee simply said that that was unaffordable. So, until we can deliver this integrated voice and data solution through Merlin, we are a bit stuck in terms of having our hands tied behind our back. However, we know from tendering exercises and sounding out the market in relation to broadband, which we conducted last year, that there are very substantial reductions in costs to be obtained in this area and also significant improvements in networks, which have already been accomplished, for example, in the health service by way of the replacement to the digital all-Wales network, or DAWN. We will probably be looking for some sort of similar solution to the one that has been employed by the NHS, with the replacement by a digital all-Wales network.

Mr Finlayson: Yn achos caffaeliad Merlin, yr ydym wedi gofyn i gyflenwyr gyflwyno cynigion ar yr hyn yr ydym yn ei ddisgrifio fel ateb data a llais cyfunol. I bob pwrpas, yr wyf angen system sy’n crynhoi ein holl ofynion data, fideo gynadledda a theleffoni mewn un rhwydwaith a weinyddir gan y prif gyflenwr. Dylai hyn ein galluogi i brynu technoleg sydd ar gael yn y farchnad ar hyn o bryd am gost fforddadwy, rhywbeth na allwn ei wneud ar hyn o bryd oherwydd natur ein caffaeliad darniog dros y blynyddoedd o amryw gylchedau gan British Telecom a threfniadau eraill. Cyflwynasom bapur i Bwyllgor y Ty yn ôl yn 2000 ynglyn â’r costau tebygol o geisio gwella’r gwasanaeth gan ddefnyddio technoleg a oedd ar gael. Credaf, os cofiaf yn iawn, fod costau’r flwyddyn gyntaf oddeutu £800,000 a dywedodd Pwyllgor y Ty yn syml nad oedd hynny yn fforddadwy. Felly, tan ein bod yn medru darparu’r ateb data a llais cyfunol hwn drwy Merlin, yr ydym mewn sefyllfa braidd yn anffodus a’n dwylo wedi’u clymu. Fodd bynnag, gwyddom o’n hymarferion tendro a’n hymchwil i’r farchnad ynghylch band eang y llynedd, y gellir cael gostyngiadau sylweddol mewn costau yn y maes hwn a hefyd gwelliannau sylweddol mewn rhwydweithiau, sydd eisoes wedi eu cyflawni, er enghraifft, yn y gwasanaeth iechyd drwy’r newid i’r rhwydwaith digidol Cymru-gyfan, a elwir yn rwydwaith DAWN. Mae’n debygol y byddwn yn edrych am ryw fath o ateb tebyg i’r un a fabwysiadwyd gan y GIG, drwy newid i rwydwaith digidol Cymru-gyfan.

[158] **Ann Jones:** May I just come back on that? I recognise what you are saying and I do recognise that it is a matter of the telephone lines that we are having to operate on. However, I would take issue with you and say that it is a core service for me to be able to access papers when I am in my constituency, which I am not able to do every Monday morning and every Friday, and certainly not during periods when we are not at the Assembly building. That is just, I think, something for you take on board. I am quite intrigued by Merlin, because Merlin was a magician and I hope that you have a magic wand so that I will be able to access my papers, if I am able to come back to the Assembly.

[158] **Ann Jones:** A gaf i ymateb i hynny? Cydnabyddaf yr hyn yr ydych yn ei ddweud a chydnabyddaf ei fod yn fater o'r llinellau ffôn yr ydym yn gorfod eu defnyddio wrth weithio. Fodd bynnag, byddwn yn dadlau â chi fod dod o hyd i bapurau pan yr wyf yn fy etholaeth yn wasanaeth craidd i mi, na fedraf ei wneud bob bore Llun a phob dydd Gwener, ac yn sicr ni allaf ei wneud yn y cyfnodau pan nad ydym yn adeilad y Cynulliad. Credaf fod hynny'n rhywbeth i chi ei ystyried. Yr wyf yn chwilfrydig iawn am Merlin, oherwydd dewin oedd Merlin ac yr wyf yn gobeithio bod gennych hudlath fel y gallaf fynd at fy mhapurau, os medraf ddychwelyd i'r Cynulliad.

[159] **Dafydd Wigley:** May Eleanor just come in on that as well, because I think that she wants to refer to the same point?

[159] **Dafydd Wigley:** A gaiff Eleanor drafod hyn hefyd, oherwydd credaf ei bod am gyfeirio at yr un pwynt?

[160] **Ann Jones:** Yes, certainly.

[160] **Ann Jones:** Caiff, wrth gwrs.

[161] **Eleanor Burnham:** We are talking about huge sums of money and huge contracts with a sort of global organisation, whoever gets the contract; obviously it is now Siemens. You cannot tell me that it is beyond the wit of man to give us a service that will let us talk properly, and conduct our business efficiently and professionally. Basically, my constituents do not want to know what my problems are with regard to accessing documents, they just want me to help them. Quite frankly, I feel most inadequate and totally frustrated. I cannot even be bothered any more with my laptop—as Alison also said earlier—because I cannot use it most of the time. At the weekend, you do not have access to help and if the computer says that you cannot access it, you cannot access it and that is the end of the story.

[161] **Eleanor Burnham:** Yr ydym yn sôn am symiau enfawr o arian a chontractau enfawr gyda rhyw fath o sefydliad byd-eang, pwy bynnag gaiff y contract; mae'n amlwg mai Siemens ydyw yn awr. Ni fedrwch ddweud wrthyf ei fod y tu hwnt i allu dyn i roi i ni wasanaeth sy'n ein galluogi i drafod yn iawn, a chyflawni ein busnes mewn modd effeithlon a phroffesiynol. Yn y bôn, nid yw fy etholwyr am wybod am fy mhroblemau wrth ddod o hyd i ddogfennau, y cyfan y maent hwy ei angen yw imi eu helpu. I fod yn hollol onest, teimlaf yn gwbl anghymwys ac yn hollol rwystredig. Ni allaf hyd yn oed ffwdanu i ddefnyddio fy ngliniadur erbyn hyn—fel y dywedodd Alison eisoes—oherwydd ni allaf ei ddefnyddio y rhan fwyaf o'r amser. Ar y penwythnos, nid oes cymorth ar gael ac os dywed y cyfrifiadur na allwch ei ddefnyddio, ni allwch ei ddefnyddio a dyna ddiwedd y mater.

[162] **Dafydd Wigley:** Eleanor and Ann, those points have been made. They go a little bit beyond this report, but they are the frustrations that Members are facing, particularly those away from Cardiff, who cannot nip backwards and forwards to this building. The witnesses will have heard those points. Ann, would you like to ask the next question?

[162] **Dafydd Wigley:** Eleanor ac Ann, mae'r pwyntiau hyn wedi eu gwneud. Maent yn mynd ychydig y tu hwnt i'r adroddiad hwn, ond dyna'r rhwystredigaeth y mae Aelodau'n ei hwynebu ar hyn o bryd, yn enwedig y rhai sydd i ffwrdd o Gaerdydd, sy'n methu â phicio yn ôl ac ymlaen i'r adeilad hwn. Bydd y tystion wedi clywed y pwyntiau hynny. Ann, a hoffech chi ofyn y cwestiwn nesaf?

[163] **Ann Jones:** Paragraph 4.2 talks about bonus payments for meeting consolidated availability targets in 19 out of the 22 quarters of the contract period. I am surprised at that. Do you think that those targets were sufficiently challenging?

[163] **Ann Jones:** Mae paragraff 4.2 yn sôn am daliadau bonws am gwrdd â thargedau argaeledd cyfunol mewn 19 o'r 22 chwarter yng nghyfnod y contract. Mae hynny yn fy synnu. A gredwch fod y targedau hynny yn ddigon o her?

Sir Jon Shortridge: Again, I think that I will invite Nigel to comment. The figure of 99.1 per cent is quite high, but there is the extent to which it was just achievable anyway.

Syr Jon Shortridge: Unwaith eto, yr wyf am wahodd Nigel i drafod hyn. Mae'r ffigur 99.1 y cant yn uchel iawn, ond rhaid ystyried i ba raddau yr oedd yn gyraeddadwy beth bynnag.

Mr Finlayson: This particular measure reflected the fact that, when the OSIRIS contract was first drafted and negotiated, there was a great absence of learning as to how to put appropriate performance measures into a contract of this kind. Life is now very much more sophisticated. Recent government contracts in this area employ a variety of mechanisms for measuring performance. It remains to be seen whether we go for this one in the Merlin context or not. We clearly want to go to a basis where we are better able to discriminate between the needs of users. If it is of reassurance to Members, I can say that the need for the integrated voice and data solution is primarily driven by the requirements of Members away from the Assembly, rather than other needs.

Mr Finlayson: Yr oedd y mesur arbennig hwn yn adlewyrchu'r ffaith nad oedd dysgu digonol o ran sut i gynnwys mesurau perfformiad priodol mewn contract o'r math hwn pan luniwyd a negodwyd y contract OSIRIS yn y lle cyntaf. Mae bywyd bellach yn llawer mwy soffistigedig. Mae contractau diweddar y llywodraeth yn y maes hwn yn defnyddio amrywiaeth o fecanweithiau i fesur perfformiad. Amser a ddengys a fyddwn yn defnyddio'r un dan sylw yng nghyd-destun Merlin ai peidio. Mae'n amlwg ein bod am ymgyrraedd at sefyllfa lle yr ydym yn medru gwahaniaethu'n well rhwng anghenion defnyddwyr. Os yw'n rhoi sicrwydd i Aelodau, gallaf ddweud bod yr angen am yr ateb data a llais cyfunol yn cael ei ysgogi'n bennaf gan anghenion Aelodau i ffwrdd o'r Cynulliad, yn hytrach nag anghenion eraill.

[164] **Ann Jones:** Quite right too. Part 4 of the report talks about how well SBS has generally performed against service credit targets, but paragraph 4.7 actually does tell us that it consistently failed to meet mutually agreed targets for resolving hardware problems at users' desks. First of all, why do you think that is, and do you think that the penalties it had to pay for that failure to meet those targets were not high enough to encourage it to actually resolve the problem?

Sir Jon Shortridge: Again, I will refer this to Nigel, please.

Mr Finlayson: The short answer is that the provisions of the contract relating to the rectification of hardware faults are inadequate. That is recognised by us, and it is recognised by SBS. We did, at the time of the negotiation, attempt to persuade it to agree to a similar type of arrangement to that which we introduced for service requests. Again, service requests in the original contract had no penalties attached to them. It did agree to a regime whereby, once we agreed a delivery date for a service request, if it missed that, then it would pay service credit. It refused to do that with hardware faults. In SBS's defence, the main reason I think that it continuously fails to deliver on hardware faults is the amount of workload that we place on it across the pitch—if I can put it that way—for all service requests, and project requests, because it is not just a matter of service requests. We put a huge amount of work onto SBS in relation to projects. The expansion of the Assembly in the last 18 months, the Care Standards Inspectorate for Wales, and things of that kind, have soaked up a huge amount of engineering resource, and rectification of hardware faults largely comes from that side of its engineering effort.

[164] **Ann Jones:** Dyna ddylid ei wneud. Mae rhan 4 yr adroddiad yn sôn am ba mor dda y mae SBS wedi perfformio ar y cyfan yn erbyn targedau credyd gwasanaeth, ond mae paragraff 4.7 mewn gwirionedd yn dweud wrthym ei fod wedi methu'n gyson â chyrraedd targedau y cytunwyd arnynt gan y ddwy ochr i ddatrys problemau caledwedd ar ddesgiau defnyddwyr. Yn gyntaf oll, beth yw'r rheswm am hyn yn eich tyb chi, ac a gredwch nad oedd y cosbau am y methiant hwnnw i gyrraedd y targedau hynny yn ddigon uchel i'w annog i ddatrys y broblem?

Syr Jon Shortridge: Unwaith eto, cyfeiriaf hyn at Nigel, os gwelwch yn dda.

Mr Finlayson: Yr ateb yn fyr yw nad yw darpariaethau'r contract sy'n ymwneud ag unioni namau caledwedd yn ddigonol. Cydnabyddir hynny gennym ni, a chan SBS hefyd. Ar adeg y negodi, gwnaethom geisio ei berswadio i gytuno i drefniant tebyg i'r un a gyflwynwyd gennym yn achos ceisiadau am wasanaethau. Eto, nid oedd cosbau yn gysylltiedig â cheisiadau am wasanaethau yn y contract gwreiddiol. Cytunodd i drefniant lle yr oedd yn talu credyd gwasanaeth os oedd yn methu â bodloni dyddiad darparu y cytunwyd arno ar gyfer cais am wasanaethau. Gwrthododd wneud hynny gyda namau caledwedd. I achub cam SBS, credaf mai'r prif reswm y mae'n methu'n barhaus â datrys namau caledwedd yw'r llwyth gwaith yr ydym yn ei osod arno ar draws y maes—os gallaf ei ddisgrifio felly—ar gyfer pob cais am wasanaethau, a cheisiadau prosiect, oherwydd nid mater o geisiadau am wasanaethau yn unig yw hwn. Yr ydym yn rhoi llawer iawn o waith i SBS mewn perthynas â phrosiectau. Mae twf y Cynulliad yn y 18 mis diwethaf, Arolygiaeth Safonau Gofal Cymru, a phethau cyffelyb, wedi defnyddio llawer iawn o adnoddau peirianyddol, a daw'r gwasanaeth cywiro namau caledwedd, i raddau helaeth, o'r ochr honno o'i wasanaeth

peirianyddol.

[165] **Ann Jones:** So what do you think has been the operational impact of its failure to sort out users' hardware problems?

[165] **Ann Jones:** Felly beth yn eich barn chi a fu effaith weithredol ei fethiant i ddatrys problemau caledwedd defnyddwyr?

Mr Finlayson: I would find it very difficult to draw some general conclusions. Almost certainly, the individual impact has varied from being not much, to being very great. I think we have improved dramatically in the last two years, in the way we handle these types of problems. My division now has, for example, a customer focus group, which is not chaired by anyone from my division. We publicise that we have fault boxes so people can report faults to us, and I think, generally, we have improved the way that we have dealt with these types of problems. We do have very regular service review meetings, at the operational level with SBS, and for the last 12 months we have been prioritising, on a monthly basis, all the engineering resource work in relation to hardware and projects.

Mr Finlayson: Byddwn yn ei chael yn anodd iawn dod i rai casgliadau cyffredinol. Bron yn sicr, mae'r effaith unigol wedi amrywio o fod yn fach iawn, i fod yn fawr iawn. Credaf ein bod wedi gwella'n helaeth yn y ddwy flynedd ddiwethaf, yn y modd yr ydym yn ymdrin â'r mathau hyn o broblemau. Bellach mae gan fy is-adran, er enghraifft, grwp ffocws cwsmeriaid, nad yw'n cael ei gadeirio gan unrhyw un o fy is-adran. Yr ydym yn cyhoeddi bod gennym focsys namau fel y gall pobl ein hysbysu am namau, a chredaf, yn gyffredinol, ein bod wedi gwella'r modd yr ydym wedi delio â phroblemau o'r math hwn. Yr ydym yn cynnal cyfarfodydd adolygu gwasanaeth yn rheolaidd iawn, ar y lefel weithredol gyda SBS, ac yn ystod y 12 mis diwethaf, buom yn blaenoriaethu, yn fisol, yr holl waith adnoddau peirianyddol sy'n ymwneud â chaledwedd a phrosiectau.

[166] **Ann Jones:** Paragraph 4.2 of the report states that the performance improved after technology refresh. It appears to me that the Assembly has, in effect, paid for a more reliable operating system twice. Once, through the technology refresh element of the user charge and then again, by making bonus payments when the upgraded operating system actually performed better. Why is there no provision to review service credit targets when the operating system is upgraded, and do you think it is sensible to build into future contracts a break clause allowing the service credit regime to be reviewed after any technology refresh?

[166] **Ann Jones:** Noda paragraff 4.2 yr adroddiad i berfformiad wella ar ôl y gwaith o uwchraddio technoleg. Mae'n ymddangos i mi fod y Cynulliad, mewn gwirionedd, wedi talu ddwywaith am system weithredu fwy dibynadwy. Unwaith, drwy elfen uwchraddio technoleg y tâl defnyddiwr ac yna eto, drwy wneud taliadau bonws pan ddechreuodd y system weithredu uwchraddedig berfformio'n well. Pam nad oes darpariaeth i adolygu targedau credyd gwasanaeth pan uwchraddir y system weithredu, ac a yw'n ddoeth, yn eich tyb chi, cynnwys cymal torri yng nghontractau'r dyfodol sy'n caniatáu adolygu'r drefn credyd gwasanaeth ar ôl unrhyw waith uwchraddio technoleg?

Mr Finlayson: The answer to why it improved is because Siemens decided at the time that it did the software refresh, that it would bring forward the roll-out of new hardware. So, when it did the software refresh for all the non-bay users—that is, all the official side of the Assembly—entirely new hardware was rolled-out by Siemens at the same time. All that kit was ordered from the Siemens factories, as one production run, which meant that we got something like 2,500 machines all built on the same production line, to the same build quality. One of the problems that we have previously experienced, and this is common in the computer industry, is that you may get a machine that is exactly the same specification as the one sitting next to it, but if it was built at a different time, it often has different characteristics simply as a result of build or build quality. In answer to the second part of your question, yes, these are the types of flexibility and new arrangements for service delivery that we definitely need to have in the new contract.

Mr Finlayson: Yr ateb i pam y gwellodd yw oherwydd i Siemens benderfynu, wrth uwchraddio meddalwedd, y byddai'n cyflwyno caledwedd newydd yn gynt nag yr oedd wedi bwriadu. Felly, pan uwchraddiodd feddalwedd yr holl ddefnyddwyr nad ydynt yn y bae—hynny yw, holl ochr swyddogol y Cynulliad—cyflwynodd Siemens galedwedd hollol newydd fesul-cam ar yr un pryd. Archebwyd yr holl offer hwnnw o ffatrïoedd Siemens, fel un llwyth o gynnyrch, sy'n golygu i ni gael oddeutu 2,500 o beiriannau i gyd wedi'u hadeiladu ar yr un linell gynhyrchu, wedi eu cynhyrchu i'r un ansawdd gwneuthuriad. Un o'r problemau yr ydym wedi dod ar ei thraws yn flaenorol, ac mae hyn yn gyffredin yn y diwydiant cyfrifiaduron, yw efallai y cewch gyfrifiadur sydd ag union yr un manylion â'r un drws nesaf iddo, ond os cynhyrchwyd ef ar adeg wahanol, yn aml mae ganddo nodweddion gwahanol yn syml oherwydd ei wneuthuriad neu ansawdd y gwneuthuriad. I ateb ail ran eich cwestiwn, ie, dyma'r mathau o hyblygrwydd a threfniadau newydd i ddarparu gwasanaeth sydd yn bendant eu hangen arnom yn y contract newydd.

[167] **Alun Cairns:** Sir Jon, obviously, large sums of money have been invested in the OSIRIS system and the Assembly's IT system as a whole. Bearing in mind that the objective of the introduction of the system is to ensure that we operate far more efficiently, how well do users take advantage of the technology provided under OSIRIS?

[167] **Alun Cairns:** Syr Jon, mae'n amlwg bod symiau mawr o arian wedi eu buddsoddi yn y system OSIRIS a system TG y Cynulliad yn ei chyfanrwydd. O gofio mai amcan cyflwyno'r system yw sicrhau ein bod yn gweithredu yn llawer mwy effeithlon, i ba raddau y mae defnyddwyr yn manteisio ar y dechnoleg a ddarperir dan OSIRIS?

Sir Jon Shortridge: I do not think that we take sufficiently good advantage of it, which is why, when I was asked what I thought the lessons learnt were, I said that I do not want in the future to have a sort of one-size-fits-all contract. I would hope that, under the Merlin procurement, we will be able to explore with potential partners, and ideally agree with them, an outcome whereby you have a differentiated product, depending on the type of user that you are. I hope that by doing that we will be able to get much greater value for money from the basic network that we have. The problem that I have, and which we all share, is that under the contract that we have, all users get the same basic kit.

Syr Jon Shortridge: Nid wyf o'r farn ein bod yn manteisio digon arno, a dyma pam, pan ofynnwyd i mi beth oedd y gwersi a ddysgwyd, y dywedais nad wyf eisiau rhyw fath o gontract 'addas i bawb' yn y dyfodol. Byddwn yn gobeithio, dan gaffaeliad Merlin, y byddwn yn medru archwilio gyda darpar bartneriaid, ac yn ddelfrydol cytuno â nhw ar ganlyniad lle mae gennych gynnyrch gwahanol, yn dibynnu ar y math o ddefnyddiwr. Gobeithiaf drwy wneud hynny y byddwn yn gallu cael gwerth llawer gwell am arian o'r rhwydwaith sylfaenol sydd gennym. Y broblem sydd gennyf, ac yr ydym oll yn ei rhannu, yw bod pob defnyddiwr yn cael yr un offer sylfaenol dan y contract sydd gennym.

[168] **Alun Cairns:** Do you agree that, to use the kit to its full advantage for each particular role, appropriate training needs to be provided? How appropriate do you feel the training that is offered at the moment is? Is it sufficient to meet the need? Also, will you comment on the latest position with the IT skills academy, which is mentioned in paragraphs 4.9 and 4.10?

[168] **Alun Cairns:** A gytunwch fod angen darparu hyfforddiant priodol i fanteisio'n llawn ar yr offer at bob swyddogaeth? Pa mor briodol yw'r hyfforddiant a gynigir ar hyn o bryd yn eich tyb chi? A yw'n ddigonol i ateb y galw? Yn ogystal, a wnewch chi sôn am y sefyllfa ddiweddaraf gyda'r academi sgiliau TG, a grybwyllir ym mharagraffau 4.9 a 4.10?

Sir Jon Shortridge: All the intelligence that I have is that the training is generally adequate. The report says that training satisfaction is good. The IT skills academy is something that came from within the organisation, from initiatives that I have within the organisation to drive improvements. Out of that came the idea that we should have an IT skills academy where people could go and get the training or the understanding that they particularly need rather than have set training courses. I think that that has been a very effective innovation that we shall be building on. Nigel can give you the details if you want.

Syr Jon Shortridge: Mae'r holl wybodaeth sydd gennyf yn awgrymu bod yr hyfforddiant yn ddigonol ar y cyfan. Dywed yr adroddiad bod bodlonrwydd ar hyfforddiant yn dda. Mae'r academi sgiliau TG yn rhywbeth a ddaeth o du mewn y sefydliad, o fentrau sydd gennyf yn y sefydliad i ysgogi gwelliannau. O hynny y daeth y syniad y dylem gael academi sgiliau TG y gall pobl fynd iddi i gael yr hyfforddiant neu'r ddealltwriaeth sydd eu hangen arnynt yn benodol yn hytrach na chyrsiau hyfforddi gosod. Credaf fod hynny wedi bod yn fenter hynod effeithiol y byddwn yn adeiladu arni. Gall Nigel roi'r manylion i chi os y dymunwch.

Mr Finlayson: Yes, the IT skills academy was piloted as one of the Better Government projects arising from European Foundation for Quality Management initiatives. It has proved to be highly successful to the extent that we have now agreed with Siemens that what we are paying under the contract for training will now be divided between conventional training courses and paying for the IT skills academy. That is just about agreed, and that is how we will proceed for the remainder of the contract. So, the IT skills academy will continue and will not cost us any more because it will be paid for out of the money that we are paying Siemens for training in the contract.

Mr Finlayson: Ie, treialwyd yr academi sgiliau TG fel un o'r prosiectau Gwell Llywodraeth yn deillio o fentrau'r Sefydliad Ewropeaidd er Rheoli Ansawdd. Mae wedi bod yn hynod lwyddiannus i'r fath raddau ein bod bellach wedi cytuno â Siemens y bydd yr hyn yr ydym yn ei dalu am hyfforddiant dan y contract bellach yn cael ei rannu rhwng cyrsiau hyfforddi confensiynol a thalu am yr academi sgiliau TG. Mae hyn bron â bod wedi ei gytuno, a dyna sut y byddwn yn gweithredu am weddill y contract. Felly, bydd yr academi sgiliau TG yn parhau ac ni fydd yn costio mwy i ni oherwydd telir amdani o'r arian yr ydym yn talu Siemens am hyfforddiant yn y contract.

Sir Jon Shortridge: Could I just add the point, putting this in a wider context, that I have recently established the Information Management Division under Richard Alldritt. Part of the role of that division is to quite forensically determine how we can make better use of our ICT systems in the delivery of our business and, for example, in the fulfilment of our obligations in terms of freedom of information.

Syr Jon Shortridge: A allwn i ychwanegu'r pwynt, gan roi hyn mewn cyd-destun ehangach, i mi sefydlu yn ddiweddar yr Is-adran Rheoli Gwybodaeth dan Richard Alldritt. Rhan o swyddogaeth yr is-adran honno yw pennu yn gyfreithiol sut y gallwn wneud defnydd gwell o'n systemau TGCh wrth gyflawni ein busnes ac, er enghraifft, wrth gyflawni ein rhwymedigaethau o ran rhyddid gwybodaeth.

[169] **Alun Cairns:** Finally, Sir Jon, management of any long-term contract is essential to secure value for money. How effectively do you think the Assembly has managed the OSIRIS contract?

[169] **Alun Cairns:** Yn olaf, Syr Jon, mae rheolaeth unrhyw gontract hirdymor yn hanfodol i sicrhau gwerth am arian. Yn eich tyb chi, pa mor effeithiol y mae'r Cynulliad wedi rheoli'r contract OSIRIS?

Sir Jon Shortridge: I think that, at operational level, the management has been pretty good. I think that there are ways in which it could be improved. This report hints at ways in which we could perhaps have been managing certain things more effectively. Where the management on the OSIRIS contract has been much less good is at the strategic management end, where there has not been—and the report, I think, acknowledges it—a sufficiently productive partnership between the top of the organisation that is the supplier and

Syr Jon Shortridge: Credaf, ar lefel weithredol, i'r rheolaeth fod yn eithaf da. Credaf fod ffyrdd y gellid ei gwella. Mae'r adroddiad hwn yn awgrymu ffyrdd y gallem o bosibl fod wedi rheoli rhai agweddau yn fwy effeithiol. Mae'r rheolaeth ar y contract OSIRIS wedi bod yn llawer gwaeth ar yr ochr rheolaeth strategol, lle na fu—ac y mae'r adroddiad yn cydnabod hynny yr wyf yn meddwl—partneriaeth ddigon cynhyrchiol rhwng brig y sefydliad sy'n cyflenwi a'r Cynulliad ei hun ar y brig, sef fy

the Assembly itself at the top, which is my senior colleagues and me. Under the new Merlin procurement, I am absolutely determined that we will have a partnership committee running the implementation of that contract, looking to see how we can work together to drive out improvements and efficiencies. I will jointly chair that committee with whoever our partner will be. In my defence, the reason why we have not gone down that route under OSIRIS is because, I think, this was a seven-year contract, and two and a bit years into it, we had all the—if you will excuse the word—disruption of creating the Assembly and having to deal with all the issues that emerged from that and putting in place all the new systems that emerged from that. That really did put the management capacity at the top of this organisation under a lot of stress. We did not really have the capacity to get into productive partnership arrangements with Siemens, and in any case, by this time, we were just about getting to over half-way through the contract. So that is my defence. For the future, I am determined that we should not do it that way again.

[170] **Val Lloyd:** Just to refresh all our memories, it is a long time since we mentioned figure 1. One of the main attractions of PFI contracts shown there is the potential for innovation to be delivered by the private sector partner. Why was the OSIRIS contract framed in such a way that, as paragraph 4.15 sets out, there was no incentive for SBS to innovate?

Sir Jon Shortridge: I will just have to re-read paragraph 4.15, if it does say that there was not an incentive. My understanding is that there was a—

[171] **Val Lloyd:** If you look at figure 1—sorry, I beg your pardon, it is paragraph 4.15.

nghydweithwyr uwch a minnau. Dan y caffaeliad Merlin newydd, yr wyf yn hollol benderfynol y bydd gennym bwyllgor partneriaeth yn gyfrifol am y gwaith o weithredu’r contract hwnnw, yn edrych ar sut y gallwn weithio gyda’n gilydd i greu gwelliannau ac arbedion. Byddaf yn cyd-gadeirio’r pwyllgor hwnnw gyda phwy bynnag fydd ein partner. I achub fy ngham, y rheswm dros beidio â dilyn y llwybr hwn yn achos OSIRIS yw oherwydd, y tybiaf, bod hwn yn gontract saith mlynedd, a phan yr oedd ychydig dros ddwy flynedd ohono wedi mynd heibio cawsom—os gwnewch chi esgusodi’r gair—yr helynt o greu’r Cynulliad a gorfod delio â’r holl faterion a ddeilliodd o hynny a rhoi’r systemau newydd a ddeilliodd o hynny ar waith. Rhoddodd hynny’r swyddogaeth reoli ar frig y sefydliad hwn dan lawer o straen. Nid oedd gennym mewn gwirionedd y gallu i gael trefniadau partneriaeth cynhyrchiol gyda Siemens, a fodd bynnag, erbyn hynny, yr oeddem bron â chyrraedd hanner ffordd drwy’r contract. Felly dyna fy amddiffyniad. Yr wyf yn benderfynol na ddylem ei wneud yn y modd hwnnw eto yn y dyfodol.

[170] **Val Lloyd:** I ni gael atgoffa’n hunain, nid ydym wedi crybwyll ffigur 1 ers cryn amser. Un o brif atyniadau contractau PFI a nodir yno yw’r potensial i’r partner sector preifat dorri tir newydd. Paham y lluniwyd contract OSIRIS yn y cyfryw fodd, fel y nodir ym mharagraff 4.15, fel nad oedd cymhelliant i SBS dorri tir newydd?

Syr Jon Shortridge: Bydd yn rhaid i mi ail-ddarllen paragraff 4.15, os yw’n dweud nad oedd cymhelliant. Yr wyf i ar ddeall bod—

[171] **Val Lloyd:** Os edrychwch chi ar ffigur 1—mae’n ddrwg gennyf, paragraff 4.15.

Sir Jon Shortridge: My understanding is that there was not a sufficient incentive for Siemens. It did try to put to us some proposals for an upgrade on our basic operating system, which, as the report indicates, resulted in Siemens incurring expenditure that was actually nugatory for it. I think that it probably found that a chastening experience and that, as a result of that, it did not feel that it had an incentive to seek to work with us to create further improvements. As I have said to Mr Cairns, I acknowledge that, arguably, in different circumstances, I certainly would have wanted to put in place a situation where we learnt from that experience and instead of having it walk away from this as a way forward, we would have sought to learn the lessons and found a way of working with it for the future.

Syr Jon Shortridge: Yr wyf i ar ddeall nad oedd cymhelliant digonol i Siemens. Ceisiodd gyflwyno rhai cynigion i ni ar uwchraddio ein system weithredu sylfaenol, a arweiniodd, fel y noda’r adroddiad, at Siemens yn creu costau a oedd mewn gwirionedd yn ddiwerth amdano. Yr wyf o’r farn i hynny fod yn brofiad sobreiddiol iddo, ac oherwydd hynny, teimlodd nad oedd ganddo gymhelliant i geisio gweithio gyda ni i greu gwelliannau pellach. Fel yr wyf wedi ei ddweud wrth Mr Cairns, cydnabyddaf y buaswn yn sicr, a gellir dadlau ynglyn â hyn, dan amgylchiadau gwahanol, wedi bod eisiau sicrhau sefyllfa lle byddem yn dysgu o’r profiad hwnnw ac yn hytrach na’i gael yn cerdded i ffwrdd o hwn fel ffordd ymlaen, byddem wedi ceisio dysgu’r gwersi a chanfod ffordd o weithio gydag ef at y dyfodol.

[172] **Val Lloyd:** If we look at figure 12 on page 24, which outlines a very helpful case study, I wonder why the Assembly did not consider a contract with SBS where payments were based on the delivery of core business outputs, as outlined in the case study. Do you think that that would have provided a better outcome for the Assembly?

[172] **Val Lloyd:** Os edrychwn ar ffigur 12 ar dudalen 24, sy’n amlinellu astudiaeth achos defnyddiol iawn, tybed pam nad ystyriodd y Cynulliad gontract gydag SBS lle yr oedd taliadau’n seiliedig ar ddarparu allbynnau busnes craidd, fel yr amlinellir yn yr astudiaeth achos. A ydych o’r farn y byddai hynny wedi darparu canlyniad gwell i’r Cynulliad?

Sir Jon Shortridge: I think that this is something that we touched on earlier. If you are a national savings body and you are selling savings products and engaging with the public on those, you can configure a system that is output-based. Essentially, we are putting in place a system to aid communication and the operation of business within the organisation, but only quite exceptionally do we have clear outputs to which we can associate a price.

Syr Jon Shortridge: Credaf fod hyn yn rhywbeth yr ydym eisoes wedi ei grybwyll. Os ydych yn gorff cynilion cenedlaethol a’ch bod yn gwerthu cynhyrchion cynilion ac yn ymwneud â’r cyhoedd yn eu cylch, gallwch gyflunio system sy’n seiliedig ar allbwn. Yn y bôn, yr ydych yn rhoi ar waith system i gynorthwyo cyfathrebu a gweithredu busnes o fewn y sefydliad, ond yn anaml iawn y mae gennym allbynnau clir y gallwn osod pris arnynt.

[173] **Val Lloyd:** Does that mean that you will not be considering it as part of the Merlin contract?

[173] **Val Lloyd:** A yw hynny’n golygu na fyddwch yn ei ystyried fel rhan o gontract Merlin?

Sir Jon Shortridge: I will hand that over to Nigel. As he has indicated, what we want in the Merlin contract is a much more sophisticated contract where we seek to identify the various different elements of service that we can get from our supplier and, to the extent that we can identify service elements that do have measurable outcomes where we can have targets and pay on the basis of them, I am sure that we would want to consider that very seriously.

Syr Jon Shortridge: Caiff Nigel ateb hynny. Fel y mae wedi nodi, yr hyn yr ydym ei angen yng nghontract Merlin yw contract llawer mwy soffistigedig lle yr ydym yn ceisio adnabod yr amrywiaeth o elfennau gwahanol o wasanaeth y medrwn ei gael gan ein cyflenwr ac, i'r graddau y medrwn adnabod elfennau gwasanaeth nad oes ganddynt ganlyniadau mesuradwy lle medrwn gael targedau a thalu ar eu sail, yr wyf yn siwr y byddem am ystyried hynny o ddifrif.

Mr Finlayson: We have left it open to suppliers. We have said that we are not identifying any particular area of the Assembly's activity that might be suitable for using an output-based approach, whatever that might mean. I mean, in the National Savings and Investments case, the deal involved the outsourcing of some 1,400 staff. The National Savings organisation shrunk to something like 110 people, from nearly 1,500. That was part of the deal. Siemens actually took over 1,400 people, and it deals with all the administration of the products, leaving National Savings only dealing with devising the products, the marketing and the business case justification. That is a radically different type of operation from the one that we have here. Therefore, what we have said to suppliers in relation to Merlin is that we will be entirely open-minded to any suggestions that they may wish to put forward for a business model which would bring benefit to the Assembly and, in particular, the knock-on benefits this contract might bring to the wider Welsh economy, including the possibility of service to the wider public sector. I talked about the integrated voice and data network earlier—if that is a broadband solution, and if on the back of that provision to us there are ways in which we can extend faster and quicker the roll-out of broadband-type technology to the rest of the public service, then that is an example of the type of approach that we are trying to seek from suppliers this time around.

Mr Finlayson: Yr ydym wedi gadael y penderfyniad hwn i'r cyflenwyr. Yr ydym wedi dweud nad ydym yn nodi yr un maes penodol o weithgarwch y Cynulliad a all fod yn addas i ddefnyddio dull sy'n seiliedig ar allbwn, beth bynnag fo ystyr hynny. Hynny yw, yn yr achos Cynilion a Buddsoddiadau Cenedlaethol, yr oedd y ddêl yn golygu defnyddio rhyw 1,400 o staff o ffynonellau allanol. Crebachodd y sefydliad Cynilion Cenedlaethol o bron 1,500 i tua 110 o bobl. Yr oedd hynny'n rhan o'r ddêl. Cymerodd Siemens 1,400 o bobl, ac mae'n gyfrifol am holl weinyddiaeth y cynhyrchion, felly y cyfan y mae Cynilion Cenedlaethol yn ei wneud yw dyfeisio'r cynhyrchion, y marchnata a'r cyfiawnhad achos busnes. Mae hwnnw'n fath hollol wahanol o waith i'r un sydd gennym yn y fan hon. Felly, yr hyn yr ydym wedi ei ddweud wrth y cyflenwyr mewn perthynas â Merlin yw y cadwn feddwl hollol agored i bob awgrym yr hoffent ei gynnig ar gyfer model busnes a fyddai o fantais i'r Cynulliad ac, yn arbennig, y manteision dilynol y gallai'r contract hwn eu rhoi i economi ehangach Cymru, gan gynnwys y posibilrwydd o wasanaeth i'r sector cyhoeddus ehangach. Soniais am y rhwydwaith data a llais cyfunol yn gynharach—os yw hwnnw'n ateb band eang, ac os yn sgîl y ddarpariaeth honno i ni y mae ffyrdd y gallwn ehangu'n gyflymach y gwaith o gyflwyno technoleg o fath band eang i weddill y gwasanaeth cyhoeddus, yna mae hwnnw'n enghraifft o'r math o ddull yr ydym yn ceisio ei

gael gan gyflenwyr y tro hwn.

[174] **Dafydd Wigley:** May I check one point? When you talk about the rest of the public service, does that include local government in Wales? If so, is there scope for us to bring resources in for the provision of the service to other bodies?

[174] **Dafydd Wigley:** A gaf i wirio un pwynt? Pan yr ydych yn sôn am weddill y gwasanaeth cyhoeddus, a yw hynny'n cynnwys llywodraeth leol yng Nghymru? Os felly, a oes potensial i ni gyflwyno adnoddau i ddarparu gwasanaeth i gyrff eraill?

Mr Finlayson: It means exactly that, Chair.

Mr Finlayson: Dyna'n union beth y mae'n ei olygu, Gadeirydd.

[175] **Dafydd Wigley:** Interesting. Val, you may continue your questioning.

[175] **Dafydd Wigley:** Diddorol. Val, gallwch barhau â'ch cwestiynau.

[176] **Val Lloyd:** I found that interjection very interesting, Chair. [*Laughter*.]

[176] **Val Lloyd:** Yr oedd y sylw hwnnw'n ddiddorol iawn, Gadeirydd. [*Chwerthin*.]

Referring to paragraphs 4.19 to 4.24, why did meetings between senior Assembly officials and senior SBS executives fizzle out after the contract was extended? What, if any, impact did this have on the outcomes of the partnership?

Gan gyfeirio at baragraffau 4.19 i 4.24, pam wnaeth y cyfarfodydd rhwng uwch swyddogion y Cynulliad ac uwch swyddogion gweithredol SBS chwythu eu plwc ar ôl ymestyn y contract? Pa effaith, os o gwbl, a gafodd hyn ar ganlyniadau'r bartneriaeth?

Sir Jon Shortridge: I think that I have already hinted at that. By the time the contract renegotiations were completed, we were into 2000, so we had slightly less than four years of the contract to run. Therefore, there was not as much opportunity to have significant change arising out of the partnership in what was quite a short space of time. The other thing is the point that I was making about capacity. During that period we were just very, very focused on making the Assembly work with the means that we had at our disposal. I, certainly, did not have the capacity to be thinking that strategically and long term about these matters. This was informed also by the fact that the Assembly was continuing to evolve very fast indeed. When you are seeking to manage, and plan for, what is a moving target where you know the general direction of travel but you are not quite sure what the destination is,

Syr Jon Shortridge: Credaf fy mod eisoes wedi lledgyfeirio at hynny. Erbyn i ailnegodi'r contract ddod i ben, yr oedd yn 2000, felly yr oedd ychydig llai na phedair blynedd o'r contract yn weddill. Felly, nid oedd cymaint o gyfle i gael newid sylweddol yn deillio o'r bartneriaeth mewn amser eithaf byr. Y peth arall yw'r pwynt yr oeddwn yn ei wneud am allu. Yn ystod y cyfnod hwnnw, yr oeddem yn canolbwyntio'n gyfan gwbl ar wneud i'r Cynulliad weithio gyda'r adnoddau a oedd gennym. Nid oedd gennyf, yn sicr, y gallu i fod yn meddwl am y materion hyn mewn modd mor strategol a hirdymor â hynny. Llywiwyd hyn hefyd gan y ffaith bod y Cynulliad yn parhau i ddatblygu'n gyflym iawn. Wrth geisio rheoli a chynllunio ar gyfer rhywbeth sydd yn darged symudol lle yr ydych yn gwybod beth yw'r cyfeiriad cyffredinol ond nad ydych yn siwr iawn o'r cyrchfan, nid yw

it is just not a very good environment to be working closely with an IT partner on strategic issues which relate to change in the organisation.

gweithio'n agos â phartner TG ar faterion strategol sy'n ymwneud â newid yn y sefydliad yn amgylchedd da i fod ynddo.

[177] **Val Lloyd:** The reiteration was quite valuable to me. Finally, do you plan to involve users in the governance of the Merlin contract? It is hinted at in the document that that has been quite useful in other instances.

[177] **Val Lloyd:** Yr oedd yr ailadrodd yn eithaf gwerthfawr i mi. Yn olaf, a ydych yn bwriadu cynnwys defnyddwyr yn y gwaith o reoli contract Merlin? Mae'r ddogfen yn awgrymu bod hyn wedi bod yn eithaf defnyddiol mewn enghreifftiau eraill.

Sir Jon Shortridge: I am sorry, I missed the first part of the question.

Syr Jon Shortridge: Mae'n ddrwg gennyf, collais ran gyntaf y cwestiwn.

[178] **Val Lloyd:** Do you plan to involve users in the governance of the Merlin contract?

[178] **Val Lloyd:** A ydych yn bwriadu cynnwys defnyddwyr yn y gwaith o reoli contract Merlin?

Sir Jon Shortridge: I personally have not given that much direct thought to that, but in principle I do not think that I would have any difficulty with it at all. Nigel, I am sure, knows where his present thinking is on it.

Syr Jon Shortridge: Nid wyf yn bersonol wedi rhoi llawer o ystyriaeth i hynny, ond mewn egwyddor, ni chredaf y buaswn yn cael unrhyw anhawster â hynny. Yr wyf yn siwr fod Nigel yn sicr o'i farn bresennol ar hyn.

Mr Finlayson: The governance models drawn from other Government department contracts, which we are keeping as points of reference, certainly include a very high user involvement in various ways, both at the project level and at the delivery of services. I find it more difficult to envisage how we would involve users in some elements of contract management, except that we recognise that contract management has taken on an entirely new meaning now. Effectively, what we will be doing under Merlin is not managing the contract but ensuring benefits realisation before payment. Therefore, we move away from simply checking invoices and making payments to actually having a role that ensures that the benefits that any part of the contract is supposed to deliver are actually delivered.

Mr Finlayson: Mae'r modelau rheoli a gafwyd o gontractau adrannau eraill y Llywodraeth, yr ydym yn eu cadw fel arweiniad, yn bendant yn cynnwys cyfranogiad mawr gan ddefnyddwyr mewn sawl ffordd, ar y lefel brosiect ac wrth ddarparu gwasanaethau. Yr wyf yn ei chael yn anoddach gweld sut y gallem gynnwys defnyddwyr mewn rhai elfennau o reoli contract, oni bai i ni gydnabod bod gan reoli contract ystyr hollol newydd erbyn hyn. Yn y bôn, dan Merlin ni fyddwn yn rheoli'r contract ond yn sicrhau bod manteision yn cael eu gwireddu cyn talu. Felly, yr ydym yn symud i ffwrdd o wirio anfonebau a gwneud taliadau yn unig i gael swyddogaeth sy'n sicrhau bod y manteision y dylai unrhyw ran o'r contract eu darparu yn cael eu darparu.

[179] **Dafydd Wigley:** Janet, will you take things on?

[179] **Dafydd Wigley:** Janet, a wnewch chi symud y drafodaeth yn ei blaen?

[180] **Janet Davies:** Could we move to look at paragraphs 4.25 and 4.26? They indicate that there is considerable room for improvement in the control of expenditure under OSIRIS. It rose 25 per cent before devolution, and 39 per cent above the total forecast after devolution. We read about the ability of those undertaking recruitment activities to recruit additional staff without any responsibility on themselves for the consequent effect of rising expenditure on OSIRIS. How do you plan to deal with this to increase transparency, accountability and control of expenditure in the OSIRIS budget and, looking forward to the Merlin contract, with that contract as well?

[180] **Janet Davies:** A allem edrych ar baragraffau 4.25 a 4.26? Maent yn nodi fod cryn le i wella yn y gwaith o reoli gwariant dan OSIRIS. Cododd 25 y cant cyn datganoli, a 39 y cant dros gyfanswm y rhagolwg ar ôl datganoli. Darllenwn am allu y rhai sy’n cyflawni gweithgareddau recriwtio i recriwtio staff ychwanegol heb yr un cyfrifoldeb arnynt dros effaith ddilynol gwariant cynyddol ar OSIRIS. Sut ydych yn bwriadu delio â hyn i gynyddu didwylledd, atebolrwydd a rheoli gwariant yng nghyllideb OSIRIS a, chan edrych ymlaen at gontract Merlin, gyda’r contract hwnnw hefyd?

Sir Jon Shortridge: I just think that we have to remind ourselves that this increase in costs is driven by staff numbers and you should not equate increasing costs with an increase in revenue or profit, or whatever that may be—I think that has to be taken as read. Essentially what, at one level, we have done with OSIRIS is that we have got certainty as to what the overall cost of employing a member of staff is, because it largely affects cost through the user charge. The point about the extent to which individual people within the Assembly can recruit their own staff and not have to meet the IT cost is true and so, to that extent, they are not fully incentivised to take full account of the total costs of the recruitment that they are doing. We are addressing that, and I am hoping to put in place, from 1 April, a delegation to the heads of department, and through them to their heads of division, on the IT costs. The extent to which that will prove to be possible is something that we are still working on, so I cannot give an absolute guarantee that it will be working fully effectively next year.

Syr Jon Shortridge: Credaf fod yn rhaid i ni atgoffa’n hunain bod y cynnydd hwn mewn niferoedd staff yn achosi’r cynnydd hwn mewn costau ac ni ddylech gysylltu costau cynyddol â chynnydd mewn refeniw neu elw, neu beth bynnag fo hynny—credaf fod hynny’n amlwg. Yn y bôn, yr hyn yr ydym wedi ei wneud ag OSIRIS ar un lefel yw cael sicrwydd ynglyn â beth yw’r gost gyfan o gyflogi aelod o staff, oherwydd y mae’n effeithio ar gost i raddau helaeth drwy’r tâl defnyddiwr. Mae’r pwynt ynglyn â’r graddau y gall pobl unigol yn y Cynulliad recriwtio eu staff eu hunain heb orfod talu’r gost TG yn wir ac felly, i’r graddau hynny, nid oes digon o gymhelliant iddynt ystyried yn llawn holl gostau eu gwaith recriwtio. Yr ydym yn mynd i’r afael â hynny, ac yr wyf yn gobeithio sefydlu, o 1 Ebrill, ddirprwyaeth ar y costau TG i benaethiaid adran, a thrwyddynt hwy i’w penaethiaid is-adran. Yr ydym yn parhau i weithio ar y graddau y bydd hynny’n bosibl, felly ni allaf roi sicrwydd pendant y bydd yn gweithio’n llawn yn effeithiol y flwyddyn nesaf.

[181] **Dafydd Wigley:** If I may intervene, may I press for a little clarification on that point, Sir Jon? Are you saying that from April on, optimistically, departmental budgets will be created in such a way that the direct employees will carry not only their own salary and their associated payroll costs—obviously there is national insurance, pension and that sort of thing—but also the IT burden that goes with them and, therefore, it comes within the departmental budget and has to be measured there, as opposed to being siphoned off to somewhere else?

Sir Jon Shortridge: That is what I want to introduce. We have not fully resolved how, and therefore whether, it can be done by 1 April, but that is certainly what I want to achieve. However, I would just want to say also that, while the report is absolutely right in indicating that, theoretically, it can happen that someone decides to recruit two administrative officers and not one more senior official, and there is no sort of disincentive for them to do that, I do not think that that has happened to a significant extent. Certainly, the figures that I looked at indicate, as I expected, that, since the Assembly has been established, we have had a shift away from employing people at more junior levels in the Assembly and towards people at the more middle-management level. So, while under these arrangements, what the National Audit Office has indicated certainly could happen, and I am sure on occasions has happened, I do not regard it as having been a very significant matter up until now. But, nonetheless, I am proposing to address it.

[181] **Dafydd Wigley:** Os caf i ymyrryd, a gaf i ofyn am eglurhad ar y pwynt hwn, Syr Jon? A ydych yn dweud o fis Ebrill ymlaen, gobeithio, y bydd cyllidebau adrannau yn cael eu creu yn y fath fodd fel y bydd gweithwyr uniongyrchol nid yn unig yn cario'u cyflog eu hunain a'u costau cyflogres cysylltiedig—mae'n amlwg fod yswiriant cenedlaethol, pensiwn ac ati—ond hefyd y baich TG sy'n gysylltiedig â nhw ac, felly, ei fod yn dod dan gyllideb yr adran a bod yn rhaid ei fesur yno, yn hytrach na'i symud i rywle arall?

Syr Jon Shortridge: Dyna'r hyn yr hoffwn ei gyflwyno. Nid ydym wedi penderfynu'n llawn sut i wneud hyn erbyn 1 Ebrill, ac felly ni wyddom a yw hyn yn bosibl, ond dyna'n sicr beth yr wyf am ei gyflawni. Fodd bynnag, hoffwn ddweud hefyd, tra bod yr adroddiad yn llygad ei le wrth nodi, mewn theori, y gall rhywun benderfynu recriwtio dau swyddog gweinyddol yn hytrach nag un uwch swyddog, ac nid oes unrhyw fath o wrthanogaeth iddynt wneud hynny, ni chredaf fod hynny wedi digwydd i raddau helaeth. Yn sicr, mae'r ffigurau yr edrychais arnynt yn nodi, fel y disgwyl, ein bod ers sefydlu'r Cynulliad wedi newid o gyflogi pobl ar lefelau iau yn y Cynulliad i gyflogi pobl ar y lefel rheolaeth ganol. Felly, mewn perthynas â'r trefniadau hyn, yr hyn y mae'r Swyddfa Archwilio Genedlaethol wedi nodi y gallai'n bendant ddigwydd, ac yr wyf yn siwr sydd wedi digwydd ar brydiau, nid wyf wedi ei ystyried fel mater arwyddocaol iawn hyd yn hyn. Ond, serch hynny, yr wyf yn bwriadu mynd i'r afael ag ef.

[182] **Janet Davies:** That was very interesting, because I certainly was not aware of this situation before I read the report and, if I am fortunate enough to be back in May, I will certainly bear it in mind when I am recruiting my own staff, and will be looking for a full-time member of staff rather than two part-timers, although that can often be a difficult issue with women who have children.

If we move on to the next two paragraphs, we learn that the Assembly has not actually established a clear framework to review and evaluate the costs and benefits delivered by OSIRIS. Why was such a process left out of the ongoing review of the contract, and do you feel that OSIRIS has delivered the original objective?

Sir Jon Shortridge: Certainly there was no in-built regular review. The internal audit service report, to which this paragraph refers, is being undertaken at my request because, particularly following the renegotiation, I saw this as a serious limitation, and I wanted to have better information about the management of the contract and the value that we were getting from the contract and, in particular, what lessons we could learn from the operation of this contract and its management to help inform our procurement process in relation to Merlin. I am disappointed that that report has not been completed yet. However, I quite understand that, with all the other pressures on staff, this did not get treated with the priority that I would ideally have liked. I am told that this report will be available very shortly and will be in time to inform the procurement process. However, I agree with you; this is a one-off evaluation as opposed to a process of regular review.

[182] **Janet Davies:** Yr oedd hynny'n ddiddorol iawn, oherwydd yn sicr nid oeddwn yn ymwybodol o'r sefyllfa hon cyn i mi ddarllen yr adroddiad ac, os yr wyf yn ddigon ffodus i fod yn ôl ym mis Mai, byddaf yn ei ystyried wrth recriwtio fy staff, a byddaf yn chwilio am aelod staff llawn amser yn hytrach na dau aelod rhan-amser, er y gall hynny'n aml fod yn fater anodd gyda menywod sydd â phlant.

Os symudwn ymlaen i'r ddau baragraff nesaf, dysgwn nad yw'r Cynulliad mewn gwirionedd wedi sefydlu fframwaith clir i adolygu a gwerthuso costau a manteision OSIRIS. Pam gafodd y cyfryw broses ei hepgor o adolygiad parhaus y contract, ac a gredwch fod OSIRIS wedi cyflawni'r amcan gwreiddiol?

Syr Jon Shortridge: Yn sicr, nid oedd yr un adolygiad rheolaidd integrol. Mae'r adroddiad gwasanaeth archwilio mewnol, y cyfeirir ato yn y paragraff hwn, yn cael ei gyflawni ar fy nghais oherwydd, yn enwedig ar ôl yr ailnegodi, yr oeddwn o'r farn fod hwn yn gyfyngiad difrifol, ac yr oeddwn am gael gwell gwybodaeth am reolaeth y contract a'r gwerth yr oeddem yn ei gael o'r contract ac, yn arbennig, pa wersi y gallem eu dysgu o weithredu'r contract hwn a'r rheolaeth ohono i gynorthwyo i lywio ein proses gaffael o ran Merlin. Yr wyf yn siomedig nad yw'r adroddiad hwnnw wedi ei gwblhau eto. Fodd bynnag, deallaf yn iawn, gyda'r holl bwysau arall ar staff, na chafodd hwn gymaint o flaenoriaeth ag y byddem wedi ei hoffi yn ddelfrydol. Yr wyf ar ddeall y bydd yr adroddiad hwn ar gael yn fuan ac y bydd mewn pryd i lywio'r broses gaffael. Fodd bynnag, cytunaf â chi; gwerthusiad unigryw yw hwn yn hytrach na phroses adolygu reolaidd.

[183] **Janet Davies:** We have talked about open-book accounting provisions already, and you did mention, Sir Jon, that there is a clause to allow—I think that I am quoting you correctly—'audit access' to the books. Could you explain the difference between audit access to books and actual open-book accounting provision, and why it was decided not to use the latter, or was that just not part of procedure at the time this was set up?

Sir Jon Shortridge: I think that I will ask Nigel to give the fuller explanation, but this, as I said at the outset, was the first PFI contract of this nature, so this was cutting-edge stuff at the time. I do not think that anyone had dreamt about open-book accounting and putting in place arrangements intrinsic to the contract where there would be a sharing of risk and reward and an incentivising of profit on the basis that we would benefit from a share of that profit. If you are using that approach, which I think is a very healthy approach, you clearly need to have a totally open-book process, which is governing the whole payments and contract management aspects. We just have a clause in the contract which, when I read it, says that audit access is provided but largely, it seemed to me, to deal with situations where we had concern about fraud, or the fact that we might be being improperly invoiced and so on, so that we could go in and satisfy ourselves on a matter like that. However, Nigel can give you further information.

[183] **Janet Davies:** Yr ydym eisoes wedi trafod darpariaethau cyfrifo llyfr agored, a gwnaethoch grybwyll, Syr Jon, bod cymal i ganiatáu—credaf fy mod yn eich dyfynnu'n gywir—'hawl archwilio' i'r llyfrau. A fedrech chi egluro'r gwahaniaeth rhwng hawl archwilio i lyfrau a darpariaeth cyfrifo llyfr agored, a pham y penderfynwyd defnyddio'r olaf, neu a oedd hynny'n rhywbeth nad oedd yn rhan o'r weithdrefn pan y sefydlwyd hyn?

Syr Jon Shortridge: Yr wyf yn meddwl y gofynnaf i Nigel roi'r eglurhad mwy manwl, ond hwn, fel y dywedais ar y cychwyn, oedd y contract PFI cyntaf o'r math hwn, felly yr oedd yn torri tir newydd ar y pryd. Ni chredaf fod neb wedi breuddwydio am gyfrifo llyfr agored a chynnwys trefniadau hanfodol i'r contract lle byddai risg a gwobr yn cael eu rhannu ac elw fel cymhelliant ar y sail y byddem yn elwa o gyfran o'r elw hwnnw. Os ydych yn defnyddio'r dull hwnnw, sy'n ddull da iawn yn fy nhyb i, mae'n amlwg bod angen proses gwbl lyfr-agored arnoch, sy'n rheoli'r agweddau ar reoli contract a thaliadau cyfan. Y cyfan sydd gennym yn y contract yw cymal sydd, pan y'i darllenais, yn dweud y darperir hawl archwilio ond i raddau helaeth, yr oedd yn ymddangos i mi, ei fod yno i ddelio â sefyllfaoedd lle yr oeddem yn pryderu ynglyn â thwyll, neu'r ffaith y byddem o bosibl yn cael ein hanfonebu'n anghywir ac ati, fel y gallem ymyrryd a bodloni'n hunain ynghylch y cyfryw fater. Fodd bynnag, gall Nigel roi gwybodaeth bellach i chi.

Mr Finlayson: The provision in the contract on open-book accounting is not the provision one would find on open-book accounting in modern contracts; it is very much more limited and it is aimed at simply ensuring that the contractor is complying with the terms of the contract. As Sir Jon says, the other provision in the contract is very much related to giving powers to the authority if there is a suspicion of impropriety or fraud by allowing the books to be opened up to formal audit. So, I do not think that we have ever seen this provision as operating in a way in which one would now see open-book accounting operating under the new contract. One of the features of the last two years is the introduction, largely by work by the Office of Government Commerce, of a variety of mechanisms by which the authority can hold contractors to account in a way which was not dreamed of in 1995 and 1996. So, you would not just have open-book accounting, you would have provisions relating to a cap on profit, profit-sharing, and clawback provisions. There will be a variety of different mechanisms to be able to control what is actually happening to the contract over time.

Mr Finlayson: Nid yw'r ddarpariaeth yn y contract ar gyfrifo llyfr agored o'r math y byddech yn disgwyl ei chael ar gyfrifo llyfr agored mewn contractau modern; mae'n llawer mwy cyfyngedig a'i nod yw sicrhau bod y contractwr yn cydymffurfio â thelerau'r contract. Fel y dywed Syr Jon, mae'r ddarpariaeth arall yn y contract yn ymwneud â rhoi pwerau i'r awdurdod os oes amheuaeth o amhriodoldeb neu dwyll drwy ganiatáu i'r llyfrau gael eu harchwilio'n ffurfiol. Felly, ni chredaf ein bod erioed wedi ystyried bod y ddarpariaeth hon yn gweithredu mewn modd y byddai rhywun bellach yn ystyried y byddai cyfrifo llyfr agored yn gweithredu dan y contract newydd. Un o nodweddion y ddwy flynedd ddiwethaf yw cyflwyno, drwy waith Swyddfa Masnach y Llywodraeth yn bennaf, amrywiaeth o fecanweithiau sy'n peri bod awdurdodau yn gallu gwneud contractwyr yn gyfrifol mewn modd nas breuddwydiwyd amdano yn 1995 ac 1996. Felly, yn ogystal â chyfrifo llyfr agored, byddai gennych ddarpariaethau sy'n ymwneud â chap ar elw, rhannu elw a darpariaethau adfachu. Bydd amrywiaeth o wahanol fecanweithiau i allu rheoli beth sy'n digwydd mewn gwirionedd i'r contract dros amser.

[184] **Janet Davies:** Just one last question—it is quite a specific one. In paragraph 4.31, we read that Assembly officials have sought information about SBS's contractors' invoices. Could you give a report on what progress has been made on that?

[184] **Janet Davies:** Dim ond un cwestiwn olaf—mae'n un eithaf penodol. Ym mharagraff 4.31, darllenwn fod swyddogion y Cynulliad wedi gwneud cais am wybodaeth am anfonebau contractwyr SBS. A fedrwch roi adroddiad ar ba gynnydd sydd wedi ei wneud ynghylch hyn?

Sir Jon Shortridge: Again, I will ask Nigel because this is quite technical, but, essentially, SBS was getting certain things supplied from another subsidiary within the same company, and it had a system of transfer payments rather than invoicing, which meant that it just did not have the invoices for us to be able to do the validation and checks. Having identified that problem, as I understand it, we now have solved that to both our and Siemens' satisfaction. However, Nigel can give you further details.

Syr Jon Shortridge: Unwaith eto, yr wyf yn mynd i ofyn i Nigel oherwydd mae hyn yn eithaf technegol, ond, yn y bôn, yr oedd SBS yn cael rhai pethau wedi eu cyflenwi gan is-gwmni arall o fewn yr un cwmni, ac yr oedd ganddo system o daliadau trosglwyddo yn hytrach nag anfonebu, a oedd yn golygu nad oedd ganddo anfonebau ar ein cyfer er mwyn i ni allu cyflawni'r dilysiad a'r archwiliadau. Ar ôl nodi'r broblem, yn fy nhyb i, yr ydym wedi ei datrys i'n boddhad ni a Siemens. Fodd bynnag, gall Nigel roi manylion pellach i chi.

Mr Finlayson: I really cannot add to what Sir Jon has just said, except to say that the internal audit service of the Assembly has now agreed with the mechanism by which it is satisfied that Siemens can satisfy us that there is an appropriate, auditable record of these transactions between Siemens' other companies.

Mr Finlayson: Ni allaf mewn gwirionedd ychwanegu at yr hyn y mae Syr Jon newydd ei ddweud, heblaw i ddweud bod gwasanaeth archwilio mewnol y Cynulliad bellach wedi cytuno â'r mecanwaith sy'n ei fodloni y gall Siemens ein bodloni bod cofnod priodol, archwiliadwy o'r trafodion hyn rhwng cwmnïau eraill Siemens.

[185] **Janet Davies:** Let us hope that the Auditor General will also be happy next time around.

[185] **Janet Davies:** Gadewch i ni obeithio y bydd yr Archwilydd Cyffredinol hefyd yn hapus y tro nesaf.

[186] **Dafydd Wigley:** We are drawing towards a conclusion on this part of the agenda. Clearly, everything that we have discussed must be considered in the context of our move forward towards Merlin and any lessons that there are to be learnt.

[186] **Dafydd Wigley:** Yr ydym yn agosáu at gasgliad ar y rhan hon o'r agenda. Yn amlwg, rhaid ystyried popeth yr ydym wedi ei drafod yng nghyd-destun ein cam ymlaen at Merlin ac unrhyw wersi sydd angen eu dysgu.

Can I just ask three questions in relation to that context? First, how much wider will the scope of Merlin be compared with that of OSIRIS? Secondly, how will we handle the transition from OSIRIS to Merlin and ensure that it is well managed and that we do not have eruptions in the middle that cause difficulties such as those that we have discussed this afternoon? Finally, what are the general and most important lessons that we have learnt from OSIRIS that can be applied to the Merlin procurement?

Sir Jon Shortridge: On your first two questions, I think that it is simplest if I hand straight over to Nigel because he is the person who is intimately involved in the details of the procurement, so he can give you the fullest and most accurate answers.

Mr Finlayson: The basis of the approach is quite radically different. First, the assumption that we have made is that, while the Assembly is wholly reliant on information technology—and, indeed, five minutes outage in certain parts of the Assembly is a serious interruption to business—our technology need is actually quite low in terms of computing power. So, what we are going for this time is a framework contract that concentrates on delivering business benefit and business improvement change to the Assembly, supported, as appropriate, by IT. So, the approach of the contract is that the first business-critical issue is the seamless transition of the IT platform from the one contract to the other. Thereafter we do not assume changes to the IT platform other than to avoid technological obsolescence or because there is a deliverable solution to a business process improvement as a result of information technology. That is quite a different approach from where we are now. So, what we envisage happening is that, on 12 January 2004, users will see no difference because the existing system will simply be taken

A gaf i ofyn tri chwestiwn mewn perthynas â'r cyd-destun hwnnw? Yn gyntaf, faint yn ehangach fydd gallu Merlin o'i gymharu â gallu OSIRIS? Yn ail, sut byddwn yn ymdrin â'r newid o OSIRIS i Merlin a sicrhau ei fod yn cael ei reoli'n dda ac nad ydym yn cael sefyllfaoedd yn y cyfnod pontio sy'n achosi anawsterau megis y rhai yr ydym wedi eu trafod y prynhawn yma? Yn olaf, beth yw'r gwersi cyffredinol a phwysicaf yr ydym wedi eu dysgu o OSIRIS y gellid eu cymhwyso i gaffaeliad Merlin?

Syr Jon Shortridge: I ateb eich dau gwestiwn cyntaf, yr wyf yn meddwl mai'r peth hawsaf i'w wneud yw eich trosglwyddo i Nigel oherwydd ef sy'n ymwneud yn fanwl â manylion y caffaeliad, felly gall roi'r atebion llawnaf a chywiraf i chi.

Mr Finlayson: Mae sail y dull yn dra gwahanol. Yn gyntaf, yr ydym wedi dod i'r casgliad, er bod y Cynulliad yn gwbl ddibynnol ar dechnoleg gwybodaeth—ac, yn wir, mae toriad o bum munud mewn rhai rhannau o'r Cynulliad yn amharu'n ddifrifol ar fusnes—bod ein hangen technoleg yn eithaf isel mewn gwirionedd o ran pwer cyfrifiaduro. Felly, yr hyn yr ydym yn anelu ato y tro hwn yw contract fframwaith sy'n canolbwyntio ar ddarparu newid gwella busnes a budd busnes i'r Cynulliad, wedi'i gefnogi, fel yn briodol, gan TG. Felly, yn ôl dull y contract, y mater hanfodol i fusnes cyntaf yw newid y llwyfan TG yn ddi-fwlch o un contract i'r llall. Wedi hynny, nid ydym yn rhagweld newidiadau i'r llwyfan TG oni bai ein bod am osgoi darfodiad technolegol neu oherwydd bod ateb dichonadwy i wella proses fusnes o ganlyniad i dechnoleg gwybodaeth. Mae hyn yn ddull eithaf gwahanol i'n sefyllfa bresennol. Felly, yr hyn yr ydym yn ei ragweld yn digwydd, ar 12 Ionawr 2004, yw na fydd defnyddwyr yn gweld unrhyw wahaniaeth oherwydd bydd y system bresennol yn cael ei rhoi yn nwylo'r contractwr newydd ac

over by the new contractor and it will then be changed over time to meet whatever technological refresh arrangements that we agree with it.

yn cael ei newid dros amser i fodloni unrhyw drefniadau uwchraddio technoleg y cytunwn arnynt.

Sorry, Chair, your second question was on—

Mae'n ddrwg gennyf, Gadeirydd, yr oedd eich ail gwestiwn am—

[187] **Dafydd Wigley:** You touched on the second.

[187] **Dafydd Wigley:** Cyfeirioch at yr ail un.

Mr Finlayson: On the transition?

Mr Finlayson: Ynglyn â'r newid?

[188] **Dafydd Wigley:** Yes.

[188] **Dafydd Wigley:** Ie.

Mr Finlayson: We plan, under the current project plan, to award the contract at the end of July next year so that we have six months in which to work up the transition from one contract to the other. In anticipation of that, and following on from the Permanent Secretary's decision to establish the new Business and Information Management Directorate, my division is now trying to turn itself from what it is currently doing into the post-Merlin division and into what its job will be so that we are ready to hit the ground running with the new contractor at the end of July next year, as well as working up fully all the issues that will be involved in the transition. That is not just about moving to the new system, whatever that might be; it is also very much about establishing the proper partnership arrangements with the new contractor, such as the governance arrangements and the day-to-day working arrangements.

Mr Finlayson: Ein bwriad, dan y cynllun prosiect cyfredol, yw dyfarnu'r contract ddiwedd mis Gorffennaf y flwyddyn nesaf fel bod gennym chwe mis i gyflawni'r newid o un contract i'r llall. I baratoi am hynny ac yn dilyn penderfyniad yr Ysgrifennydd Parhaol i sefydlu Cyfarwyddiaeth Fusnes a Rheoli Gwybodaeth newydd, mae fy is-adran bellach yn ceisio symud o'r hyn mae'n ei gyflawni ar hyn o bryd i'r is-adran ôl-Merlin ac i beth fydd ei swydd fel ein bod yn hollol barod i weithio â'r contractwr newydd ddiwedd Gorffennaf y flwyddyn nesaf, yn ogystal â datblygu'r holl faterion fydd yn ymwneud â'r newid. Nid mater o symud i'r system newydd yn unig yw hyn, beth bynnag fo honno; mae hefyd yn cynnwys sefydlu trefniadau partneriaeth cywir gyda'r contractwr newydd, megis y trefniadau rheoli a'r trefniadau gweithio beunyddiol.

Sir Jon Shortridge: I do not think that we could have risked amending the contract to put in place special payments whereby we would get discounts in certain circumstances. As far as I was concerned, that would be changing the substance of the contract.

Syr Jon Shortridge: Nid wyf yn credu y gallem fod wedi mentro diwygio'r contract er mwyn gweithredu taliadau arbennig a fyddai'n rhoi gostyngiadau i ni dan amgylchiadau penodol. O'm rhan i, byddai hynny'n cyfateb i newid sylwedd y contract.

[189] **Dafydd Wigley:** You are indeed cursed by living in exciting times. Before I come back to Sir Jon for an answer to the last point that I raised, I think that Ann and Alun want to come in.

[189] **Dafydd Wigley:** Yr ydych yn cael eich cosbi am fyw mewn amseroedd cyffrous. Cyn i mi ddod yn ôl at Syr Jon am ateb ar y pwynt diwethaf a godais, credaf fod Ann ac Alun am ddweud rhywbeth.

[190] **Ann Jones:** Just a small point. You said that users will see no difference in the service. I hope that you mean no disruption in the changeover. I am looking for a huge improvement in the service.

[190] **Ann Jones:** Pwynt bach yn unig. Dywedoch na fydd defnyddwyr yn gweld gwahaniaeth yn y gwasanaeth. Gobeithiaf eich bod yn golygu dim tarfu wrth drosglwyddo. Yr wyf am weld gwelliannau enfawr i'r gwasanaeth.

Mr Finlayson: I was talking purely about the technological platform. I was not talking about service levels or anything of that kind. We are planning, and wanting to achieve, a radically different service delivery regime, which is much more differentiated towards the needs of individual Members. The Presiding Office is playing a very prominent role in the procurement process in order to ensure that Members' needs are fully reflected in the new contractual arrangements.

Mr Finlayson: Am y llwyfan technolegol yn unig yr oeddwn yn siarad. Nid oeddwn yn siarad am lefelau gwasanaeth nac unrhyw beth o'r fath. Yr ydym yn cynllunio, ac am gyflawni, trefn ddarparu gwasanaeth hollol wahanol, sydd wedi ei haddasu'n llawer mwy tuag at anghenion Aelodau unigol. Mae Swyddfa'r Llywydd yn chwarae rôl flaenllaw iawn yn y broses gaffael er mwyn sicrhau bod anghenion Aelodau yn cael eu hystyried yn llawn yn y trefniadau cytundebol newydd.

[191] **Dafydd Wigley:** I am glad to hear that.

[191] **Dafydd Wigley:** Yr wyf yn falch o glywed hynny.

[192] **Alun Cairns:** Mr Finlayson, in your answer you also said that our requirements are low in terms of computing power, which I think is a fair assumption to make at the moment. Bearing in mind that this PFI contract—if that is what will be awarded—is likely to be over 10 years, our requirements could well change, as did our user numbers bearing in mind the last time the contract was negotiated. What safeguard for flexibility to increase computing power, or increase or decrease any other element, will you be introducing?

[192] **Alun Cairns:** Mr Finlayson, dywedoch hefyd yn eich ateb bod ein gofynion yn isel o ran pwer cyfrifiadurol, sy'n dybiaeth deg i'w gwneud ar hyn o bryd yn fy marn i. Gan gofio bod y contract PFI hwn—os mai hwn a ddyfernir—yn debygol o fod dros 10 mlynedd, gallai'n gofynion newid yn hawdd, fel y gwnaeth ein nifer defnyddwyr y tro diwethaf y negodwyd y contract. Pa fesur diogelwch dros hyblygrwydd i gynyddu pwer cyfrifiadurol, neu gynyddu neu ostwng unrhyw elfen arall, y byddwch yn ei gyflwyno?

Mr Finlayson: That is at the heart of one element of the flexibility that we require under the contract. I think that one needs to remember that, this time around, we are not negotiating for a new system, we are negotiating on the IT side for the refresh of our existing system. So we need to ensure that we build in full account of all possible technological obsolescence issues and leave it open to us to go in any particular technological direction that we need to.

[193] **Dafydd Wigley:** Finally, Sir Jon, can you respond to the question that I asked about the general lessons?

Sir Jon Shortridge: On lessons, I do not think that I have much to add to what I said during the first half of the evidence session. However, I think that the points that I made then have been reinforced by the discussions that we have had throughout the afternoon. Clearly, we need a contract which provides us with all the flexibility that we need in order to deliver the very varied and variable services that we need. So, at one extreme, we have the very important issue of the constituency offices. However, there are also all sorts of other core business needs that have different requirements. So, we need that flexibility, coupled with the ability to cope with the unforeseen, in terms of technology, the size and structure of the organisation and, most importantly, in terms of Mr Cairns's point about the possible changing constitutional environment in which we could be operating. We have to be able to address all those risks.

Mr Finlayson: Mae hyn yn ganolog i un elfen o'r hyblygrwydd sydd ei angen arnom dan y contract. Credaf fod angen i bobl gofio nad ydym yn negodi ar gyfer system newydd y tro hwn, yr ydym yn negodi ochr TG uwchraddio ein system gyfredol. Felly mae angen i ni sicrhau ein bod yn cynnwys ystyriaeth lawn o bob mater o ddarfodiad technolegol posibl a bod rhyddid i ni ddilyn unrhyw gyfeiriad technolegol penodol sydd angen i ni ei gymryd.

[193] **Dafydd Wigley:** Yn olaf, Syr Jon, a allwch ymateb i'r cwestiwn a ofynnais i chi am y gwersi cyffredinol?

Syr Jon Shortridge: O ran gwersi, nid wyf yn credu bod gennyf lawer i'w ychwanegu at yr hyn a ddywedais yn ystod hanner cyntaf y sesiwn dystiolaeth. Fodd bynnag, credaf fod y pwyntiau a drafodais ar y pryd wedi'u hatgyfnerthu gan y trafodaethau a gynhaliwyd gennym drwy'r prynhawn. Yn amlwg, yr ydym angen contract sy'n darparu'r holl hyblygrwydd sydd ei angen arnom er mwyn darparu'r gwasanaethau amrywiol sydd eu hangen. Felly, ar un pegwn, mae gennym y mater pwysig iawn o swyddfeydd etholaethol. Fodd bynnag, mae hefyd bob math o anghenion busnes craidd eraill sydd â gwahanol ofynion. Felly, yr ydym angen yr hyblygrwydd hwn, ynghyd â'r gallu i ymdopi â'r annisgwyl, o ran technoleg, maint a sdrwythur y sefydliad ac, yn bwysicaf oll, o ran pwynt Mr Cairns ynglyn â'r amgylchedd etholaethol newidiol posibl y byddwn yn gweithredu ynddo o bosibl. Mae'n rhaid i ni allu mynd i'r afael â'r risgiau hynny i gyd.

As part of this flexibility, we need to be able to match the technology to user need. I am hopeful that, if we can successfully do that, we will drive a much better bargain and get much better value for money as a result of Merlin. Thirdly—and this has come out of a more recent discussion—if we can establish a genuine partnership where there is complete openness both between us and the supplier and also within the Assembly, picking up on your earlier concerns, and where both sides are motivated by wanting this partnership to work to realise benefits for the Assembly, but also to realise acceptable revenue and profit for the provider, and we can all see what is going on and be satisfied by that, I think that that will certainly be one of the things that I will be aiming for and which I see as a lesson.

Fel rhan o'r hyblygrwydd hwn, mae angen i ni allu sicrhau bod y dechnoleg yn bodloni anghenion defnyddwyr. Yr wyf yn gobeithio, os gallwn wneud hynny'n llwyddiannus, y byddwn yn sicrhau dêl lawer gwell ac yn cael gwell gwerth am arian o ganlyniad i Merlin. Yn drydydd—ac mae hyn wedi deillio o drafodaeth fwy diweddar—os gallwn sefydlu partneriaeth ddilys lle ceir gonesdrwydd llwyr rhyngom ni a'r cyflenwr a hefyd o fewn y Cynulliad, gan gyfeirio at eich pryderon cynharach, a lle y bydd y ddwy ochr yn cael eu hysgogi gan yr awydd i sicrhau bod y bartneriaeth hon yn gweithio er lles y Cynulliad, ond hefyd i sicrhau refeniw ac elw derbyniol i'r darparwr, ac y gallwn i gyd weld beth sydd yn mynd ymlaen a bod yn fodlon â hynny, credaf yn sicr y bydd hyn yn un o'r pethau y byddaf yn anelu ato ac yn ei ystyried fel gwers.

The other lesson that I will just add, which is a more negative issue, is that, when you find yourselves in the position in which we found ourselves of having to renegotiate a contract when the stakes are very, very high indeed, that is an enormous distraction, which takes up an enormous amount of management time and effort. I happen to think that that time and effort was fully justified and that we have achieved all that we could have. I would certainly not want to have to find myself dealing with a situation like that in the future.

Y wers arall yr wyf am ei chynnwys, sy'n fater mwy negyddol, yw pan fyddwch yn canfod eich hunain yn y sefyllfa yr oeddem ni ynddi o orfod ailnegodi contract pan fo llawer iawn, iawn yn y fantol, mae hynny'n mynd â llawer o sylw rhywun a llwyth o amser rheoli ac ymdrech. Fel mae'n digwydd, credaf fod yr amser a'r ymdrech wedi'u cyfiawnhau'n llwyr a'n bod wedi cyflawni popeth o fewn ein gallu. Nid wyf yn sicr am gael fy hun mewn sefyllfa fel hyn eto yn y dyfodol.

[194] **Dafydd Wigley:** Mae'n amlwg o'r sesiwn a gawsom y prynhawn yma eich bod wedi gorfod gweithredu contract a oedd yn sylfaenol ddiffygiol, anaddas ac anystwyth ac, wrth geisio gwneud hynny, eich bod wedi dysgu llawer o wersi. Mae'n amlwg y bydd y gwersi hynny o gymorth wrth geisio cael gwell contract a gwasanaeth yn deillio o gontract Merlin yn y dyfodol.

[194] **Dafydd Wigley:** It is evident from the session that we have had this afternoon that you have had to implement a contract that was fundamentally deficient, inappropriate and inflexible and, in attempting to do so, have learnt many lessons. It is evident that those lessons will be of assistance in terms of trying to get a better contract and service from the Merlin contract in future.

Diolchaf i Syr Jon a'i gydweithwyr am ddod ger ein bron ac am ateb y cwestiynau'n fanwl ac yn llawn. Byddwn yn falch o dderbyn unrhyw wybodaeth bellach yn arbennig ynghylch ffigurau elw neu ddadansoddiad elw mor fuan â phosibl. Byddwn yn cymryd i ystyriaeth y ffeithiau ychwanegol hynny, yn ogystal â'r hyn a glywsom heddiw a'r hyn sydd yn yr adroddiad, wrth lunio ein hymateb a'n hadroddiad terfynol ar OSIRIS. Fel yr ydych yn gwybod o brofiad, anfonwn atoch drawsgrifiad o'r dystiolaeth er mwyn ichi ei wirio ar gyfer unrhyw gamgymeriadau ffeithiol. Atodir y trawsgrifiad i'n hadroddiad pan gaiff ei gyhoeddi. Diolch am eich presenoldeb y prynhawn yma.

I thank Sir Jon and his colleagues for appearing before us and for answering the questions in detail and in full. I would be pleased to receive any further information especially regarding profit figures or an analysis of profit as soon as possible. We will take into consideration those additional facts, as well as what we have heard today and what is included in the report, when formulating our response and our final report on OSIRIS. As you will know from experience, we will send a transcript of the evidence to you so that you can check it for any factual errors. The transcript will be included as an annex to our report when it is published. Thank you for appearing before us this afternoon.

Daeth y sesiwn cymryd tystiolaeth i ben am 4.24 p.m.
The evidence-taking session ended at 4.24 p.m.