



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

Y Pwyllgor Cyllid **The Finance Committee**

Dydd Iau, 06 Tachwedd 2014
Thursday, 06 November 2014

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Cynnig o dan Reol Sefydlog 17.42 i Benderfynu Gwahardd y Cyhoedd o'r Cyfarfod
Motion under Standing Order 17.42 to resolve to Exclude the Public from the Meeting

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

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

Aelodau'r pwyllgor yn bresennol
Committee members in attendance

Peter Black	Democratiaid Rhyddfrydol Cymru Welsh Liberal Democrats
Christine Chapman	Llafur Labour
Jocelyn Davies	Plaid Cymru (Cadeirydd y Pwyllgor) The Party of Wales (Committee Chair)
Mike Hedges	Llafur Labour
Julie Morgan	Llafur Labour
Nick Ramsay	Ceidwadwyr Cymreig Welsh Conservatives

Eraill yn bresennol
Others in attendance

Nick Bennett	Ombwdsmon Gwasanaethau Cyhoeddus Cymru Public Services Ombudsman for Wales
Isobel Garner	Cadeirydd Bwrdd Swyddfa Archwilio Cymru Chair, Wales Audit Office Board
Susan Hudson	Rheolwr Polisi a Chyfathrebu, Ombwdsmon Gwasanaethau Cyhoeddus Cymru Policy and Communications Manager, Public Services Ombudsman for Wales
Dave Meaden	Cyfrifydd Ariannol, Ombwdsmon Gwasanaethau Cyhoeddus Cymru Financial Accountant, Public Services Ombudsman for Wales
Steven O'Donoghue	Cyfarwyddwr Cyllid, Swyddfa Archwilio Cymru Director of Finance, Wales Audit Office
Kevin Thomas	Cyfarwyddwr Gwasanaethau Corfforaethol, Swyddfa Archwilio Cymru Director of Corporate Services, Wales Audit Office
Huw Vaughan Thomas	Archwilydd Cyffredinol Cymru Auditor General for Wales

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

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

Joanest Jackson	Uwch-gynghorydd Cyfreithiol Senior Legal Adviser
Meriel Singleton	Clerc Clerk
Tanwen Summers	Dirprwy Glerc Deputy Clerk

*Dechreuodd rhan gyhoeddus y cyfarfod am 10:03.
The public part of the meeting began at 10:03.*

Cyflwyniadau, Ymddiheuriadau a Dirprwyon Introductions, Apologies and Substitutions

[1] **Jocelyn Davies:** [*Inaudible.*]—and Ann Jones. May I just remind you, if you have an electronic device, that you should check that it is on silent? We are not expecting a fire drill, so if you hear the alarm, it might be a genuine emergency, so please follow the directions of the ushers.

Papurau i'w Nodi Papers to Note

[2] **Jocelyn Davies:** We have one or two papers to note. Is everybody happy with those? I see that you are, so we will move straight to our substantive item.

Swyddfa Archwilio Cymru: Craffu ar Adroddiad Blynyddol a Chyfrifon Archwilydd Cyffredinol Cymru ar gyfer 2013-14, Amcangyfrif Swyddfa Archwilio Cymru o Incwm a Threuliau ar gyfer 2015-16, Adroddiad gan Archwilwyr Allanol ar Gyfrifon Swyddfa Archwilio Cymru ar gyfer 2013-14, ac Adroddiad Interim Swyddfa Archwilio Cymru ar gyfer 2014-15 Wales Audit Office: Scrutiny of Auditor General for Wales's Annual Report and Accounts 2013-14, Estimate of Income and Expenses 2015-16, External Audit Report on the Accounts 2013-14, and Interim Report 2014-15

[3] **Jocelyn Davies:** Our substantive item is our scrutiny of the Wales Audit Office. We have with us some representatives. Would you like to introduce yourselves for the record and then, if it is okay, we will go straight to questions?

[4] **Ms Garner:** Lovely; thank you, Chair. We very much welcome the opportunity to attend committee again. As chair of the Wales Audit Office, I am very proud of what the audit office achieves and the positive impact that it is having across public services. We are reporting on whether public money is being managed wisely and most importantly, we are trying to help public bodies to understand how to improve outcomes through the services that they deliver and we do it for less than 1p in every £5 that we audit.

[5] Today, we are presenting you with three key documents that, in essence, capture all that we do. We have the Auditor General for Wales's annual reports and accounts for the last financial year, which is obviously a backwards look, and I should say that this is the last time that they will be produced by the auditor general; henceforth, the responsibility will move to the board. We also have our interim report for this financial year. It is the first time that we have produced this and it is required under the Public Audit (Wales) Act 2013. It sets out our achievements to date against the commitments we made in the annual plan. We also have our budget estimate. This is where we are seeking to engage with you and seek your support and approval for our financial plans for next year and the resources that we need to deliver those

plans. If possible, Chair, I would like to say a few more words about the estimate when we come to that document.

[6] **Jocelyn Davies:** Of course.

[7] **Ms Garner:** Public services are telling us that they do have confidence in our work, but we need to help them to reduce the costs of public audit. The board is very clear about our ambitions and we are seeking efficiencies in the way that we work, while maintaining the impact of that work. That completes my introduction, Chair, and we will go with the order that you wish to take the documents.

[8] **Jocelyn Davies:** Yes, sure. We are now covering items 4, 5, 6 and 7 of our agenda all together. I will start off, then. Obviously, from 1 April this year, Wales Audit Office staff terms and conditions have been determined by the new board. Can you explain whether the board plans to make any changes to staff terms and conditions?

[9] **Ms Garner:** The board considered before 1 April whether there was any necessity to change any actual terms and conditions. For the purposes of continuity and staff disruption, we had appropriate advice and we did not change anything at all, but we did do the necessary legal work to ensure that they were still relevant. I cannot foresee any particular changes in terms and conditions. However, the board is very aware that we have a number of things coming over the horizon: we have the pay settlements next year; we have a task and finish group looking at some pay anomalies to ensure that that goes well; and I believe, in due course, this committee will receive a report on our fleet arrangements. The board has yet to see that, so I cannot second-guess what that might bring, but I can assure you that there has been a smooth transition of terms and conditions over that period of 1 April.

[10] **Jocelyn Davies:** Okay, thank you. It can be difficult, sometimes, to work out the details, but they are just details. That is what you are telling us at the minute and it is generally a smooth transition.

[11] The committee discussed the provision of pay-as-you-earn settlement with HM Revenue and Customs during last year's scrutiny, and you will probably remember that. Can you update the committee on whether HMRC has made a decision on the amount to be paid by the WAO?

[12] **Ms Garner:** I am afraid I am going to hand over to my director of finance to answer that.

[13] **Mr O'Donoghue:** Well, Chair, the wheels of HMRC move very slowly, so they have not all been resolved yet. I think we are down to one or two, but the provision is there in the accounts for those, and we are not anticipating any difficulties with them.

[14] **Jocelyn Davies:** Okay, thank you. Why has the provision reduced from £153,000 as at March 2013 to £89,000 as at March 2014? Can you explain that reduction?

[15] **Mr O'Donoghue:** I can. That would reflect the element that has been agreed and settled within the provision that we brought forward from the previous year. So, the remaining balance are those elements that have not been settled, one of which, for example, is in relation to the earnings of one of our contractors, but we are very close to settling that, I think.

[16] **Jocelyn Davies:** Okay, thank you. Mike is next.

[17] **Mike Hedges:** Many of the management activity during 2013-14 involve preparation

for the full implementation of the Public Audit (Wales) Act 2013 from 1 April 2014. Have you been able to evaluate how successful these changes have been and what further work is still required, if any?

[18] **Mr H. Thomas:** The work we had to do was largely to do with, first of all, changing the basis under which we prepared our accounts and, as you will recognise, this is the last time that they will be prepared in this particular format. Going forward, as the estimates show, we are into resource accounting. The second area that we had difficulty with—and it is one that the external auditors have also referred to—is that the Act has introduced an undue amount of complexity in the way in which we have to calculate fees. That has taken us quite a bit of time this last year to try to get an understanding of what was intended. I have a view that it is an unintended consequence of a drafting error. Basically, we are required to charge no more than the cost of each audit ‘function’, and that is the problem. Let us take for example Caerphilly, say, purely off the top of my head. We are carrying out a lot of audit work at Caerphilly. Do we have to balance each particular time we are there in terms of making sure that we are charging no more?

[19] If that is the case, what if, say, we started with an estimate on the high side and we ended up with a lower charge? Do we do a refund? How do we then charge the next time? We think that the intention was to say that, in the course of a year, with the audit work in Caerphilly, the charge for it should be no more than it actually costs us. That degree of complexity has really occupied a lot of time, I have to say, and legal advice, and I think that we are really going to mark it up as something that, in future, we will need to address in terms of simplification. I think it was that one word that was inserted that caused complexity.

[20] The other side, as your first question indicated, has been a need to—

[21] **Jocelyn Davies:** Excuse me.

[22] **Mr H. Thomas:** Sorry.

[23] **Jocelyn Davies:** I just wonder whether there are challenges from the bodies that you audit around that. What I am asking is whether you are more worried about this one word than—

[24] **Mr H. Thomas:** Probably, I am more worried.

[25] **Jocelyn Davies:** I would imagine, from the example you gave of Caerphilly, that over the year, it makes no difference to it, as long as it balances out. So, are you more worried about this than it is, or are you worried that you might be incurring costs in the future if there is a challenge?

[26] **Mr H. Thomas:** Well, it is a challenge that we have had from our external auditors, who are looking at the way in which we are instructed to act and are asking, ‘Well, are you actually doing the thing correctly?’ We argue that we are, because we are taking a slightly more relaxed view.

[27] **Mr O’Donoghue:** Chair, if I could add to what the auditor general has said there, where we are getting concerns from the client bodies is where we have quoted a fee for the year and the actual costs for that work are then greater than that fee. They obviously do not want us to charge more, but the requirements of the Act do enable us to do that and sometimes we will have to do it. That is going to lead to difficult conversations.

[28] **Jocelyn Davies:** Yes, of course. Sorry I interrupted you. Did you have a supplementary on this, Mike?

[29] **Mike Hedges:** I have two, really. One is who can clarify it, and the other is would it help if the Welsh Local Government Association came to an understanding with you that, as long as the amount of money per authority was right, how you came to it did not matter?

[30] **Mr H. Thomas:** Clearly, our work extends beyond local government, so we have to be consistent in everything that we do. Yes, clearly, it would help to have that kind of understanding. Who is concerned? I suppose that I am, because the external auditor is raising it with me.

[31] **Mike Hedges:** But who can clarify it, if anybody?

[32] **Jocelyn Davies:** A judge. [*Laughter.*]

[33] **Mr H. Thomas:** It would require, if we were really pushed to it, a formal court hearing. In the meantime, we are working on what our legal advice is.

[34] **Mike Hedges:** Would it help if the Minister came back and produced a short amendment to the Act to clarify it?

[35] **Mr H. Thomas:** That would certainly help.

[36] **Mike Hedges:** That is perhaps something that we could think about in the future.

[37] **Jocelyn Davies:** It is interesting that, I think, something like seven out of 10 of the cases that go to the Supreme Court are about the meaning of words.

[38] **Mr H. Thomas:** Indeed. In this case, it is the single word 'function', which is in the Act.

[39] **Jocelyn Davies:** Anyway, shall we come back to your questions, Mike?

[40] **Mike Hedges:** Yes. You planned last year to outsource some of your internal audit work. What proportion are you putting out, and how do the costs of outsourcing vary against the costs of doing it internally?

[41] **Mr K. Thomas:** We ran a pilot co-sourcing arrangement last year to see whether or not external supply would be a helpful solution. We decided that it was, so we have actually outsourced the whole of the internal audit function this year, including the role of the head of internal audit. So, that is all now carried out separately. So far, we have achieved improvements in terms of delivering quality of service and we have required that all of the work be delivered in line with the public service internal audit standards. We have also got greater access to expertise to look at specialist areas, which is extremely helpful. In doing so, though, we have achieved savings of just over £50,000 per annum.

[42] **Peter Black:** The governance statement states that internal audit highlighted one significant control weakness requiring urgent action. Can you tell us what that relates to?

10:15

[43] **Mr K. Thomas:** Yes, the issue that was highlighted by internal audit was a weakness in our time recording arrangements, which could have led to inaccurate recording of time. The review that internal audit did was towards the tail end of last year, and, in response to that review, we carried out a very detailed exercise to assess the extent of the problem. What we found was that, while there was not any inaccurate charging of time, the weaknesses in our

arrangements certainly heightened the risk of that. So, since then, we have carried out a range of additional work to strengthen our arrangements, providing much clearer and better guidance to staff, and introducing real-time recording. Internal audit followed up that work in February this year and was satisfied with the progress that we had made. Having said that, there are two further developments, which I think are important. The first is that our new internal auditors will be carrying out a further exercise in this year's audit plan, to see the extent to which we are maintaining the progress that we have made. Also, you will see in your agenda papers talk of the replacement of our electronic audit system. One of the key benefits of that is that it includes a much-improved time-recording element, which will help us to strengthen our arrangements further.

[44] **Peter Black:** How do you inaccurately record time? Is it just that they sort of guess at the end of the week what was spent on it? Is that what was happening?

[45] **Mr K. Thomas:** It is not. It comes from the current system that we have, which is very complex. It is a system called Tenrox, which is not well liked by our staff. There is scope to simplify that significantly, and that is just what this new arrangement will do. To tide us over between the current system and that new system, we provided much clearer guidance to staff on how to record that time accurately, and, as I say, we have also introduced this real-time recording process, which captures time, and particularly time worked in excess of the standard 35 hours a week.

[46] **Peter Black:** Okay. Internal audit also identified some deficiencies in the operation of internal controls, although those are not listed. Can you tell us what those weaknesses were?

[47] **Mr K. Thomas:** I think the key ones were around the time recording. There were some other weaknesses that they had identified in our controls, in terms of some minor weaknesses around our payroll. As you will have seen from, again, the papers that you have got in front of you, we have now outsourced our payroll arrangements, which I think has certainly improved and strengthened those controls. Also, I think that it has given us an additional degree of resilience by outsourcing. Of course, we are very keen to get independent assurance that those new arrangements are doing what they are intended to do, and, in this year's internal audit programme, we have already received a report from our internal auditors on those new arrangements. It is an extremely positive report, giving us substantial assurance on the operation of those controls.

[48] **Jocelyn Davies:** Okay. Julie, on income and expenditure.

[49] **Julie Morgan:** Yes. There is an increase in expenditure of £872,000 in operating costs during 2013-14, and we know that this relates to increases in the rent lease costs and supplies and services. Could you explain these increases and why they have occurred?

[50] **Mr O'Donoghue:** I would be happy to, Chair. The biggest impact is what we have discussed with the committee previously, in terms of the HMRC ruling on our VAT status. That means that we are now incurring a VAT charge in excess of £900,000 a year. Our estimate for next year actually predicts that to increase further. So, that is the main reason for the cost increase last year.

[51] **Julie Morgan:** Right, on the VAT, but what about the rent release? Is there any increase related to that?

[52] **Mr O'Donoghue:** There are much more nominal increases around rent and rates, although, again, we predict an increase next year when we come on to the estimate. We did make an adjustment under other operating costs around lease dilapidations. Our three

properties are leased. In discussion with our external auditors, we agreed that we needed to change the arrangements for accounting for the end period of those leases, recognising that we will need to return the buildings to the state in which we took them over. Some of those buildings are coming up for the end of lease in the next few years, and the change in accounting practice there reflects charges relating to that.

[53] **Julie Morgan:** Right. So, basically, what you are saying is that this increase is mainly related to the VAT issue.

[54] **Mr O'Donoghue:** Yes. That is the main reason.

[55] **Jocelyn Davies:** Nick, on the interim report.

[56] **Nick Ramsay:** Yes, I have some questions on the interim report and the prioritisation and value-for-money aspects of it. 'Good morning', I should say first; good to see you again. The interim report notes that progress is being made by the audit office in working with other inspection and regulatory bodies in Wales to produce new outputs. Have you also considered ways of taking assurance from the work of other bodies to reduce the overall audit and inspection burden on public bodies?

[57] **Mr H. Thomas:** I think that—. Well, there are two areas. The other bodies that we work together with obviously include the commissioners, and I am doing a joint piece of work with the Commissioner for Older People in Wales. That, in a sense, is how we can try to defray the cost to the audited bodies, because we are working with commissioners and other inspectors and trying to tighten up. We work together with inspectors in terms of Inspection Wales. In that, we co-ordinate a lot of the work that we do in local government in particular, because we have to under legislation.

[58] I am looking to see whether we can do some more work with Healthcare Inspectorate Wales and with other health inspectors and regulators. We did, I think, the last time I was here, talk about the example of Betsi Cadwaladr University Local Health Board. I do not want to overdo that, but it was the first time that there was joint work done. It did save having two sets of people going in and looking separately and reporting separately. Together with HIW and the Welsh Government, we are now looking at things such as the escalation principles within health. So, again, in the health bodies we are trying to dovetail our work more, and that is where we currently stand.

[59] I also ought to just refer to the fact that we do keep an eye on what other audit offices are doing and sometimes we get expertise from them in terms of our work here.

[60] **Nick Ramsay:** Not in terms of auditing the other audit office. *[Laughter.]*

[61] **Mr H. Thomas:** No.

[62] **Nick Ramsay:** *[Inaudible.]* I think you mention Estyn in your report—you have just mentioned HIW, but you mention Estyn as well. Can I be really mischievous and turn this around and ask: are there any bodies, not that they do not want to collaborate with you, that have said, 'We're okay as we are, thank you, we don't really need too much interference'?

[63] **Mr H. Thomas:** I have to say 'no'. I was quite encouraged because yesterday we held a conference together with the commissioners, and that proved a great success. The general feeling I have from the commissioners and from other inspectors is, 'Yes, we do need to work together'. There is a benefit for all of us, because it means that we are taking advantage of other people's expertise when we look at organisations; we also contribute to theirs.

[64] **Nick Ramsay:** I thought that that would be the answer. I was just thinking, Chair, that, clearly, there is ever-increasing collaboration here. We always talk about the positive aspects of it, but, if there is increasing collaboration, that, in some cases, is going to be things that organisations in the past have not been used to.

[65] **Mr H. Thomas:** I think it reflects the fact that, during a period of austerity, there is greater mileage to be gained from co-operating. If you feel, 'I've got enough resource, why should I collaborate?' that is a different issue, but now I think we are being pushed, and I think there is, rightly, an expectation from the audited bodies that we should be consistent in our messages. I talked about working with the commissioners and the inspectors, but there are also other areas, such as with local government, for instance. This week, the Welsh Local Government Association produced its report on Carmarthenshire County Council. We knew that report was taking place. We held back from the completion of our work on Carmarthenshire in order to take account of the WLGA work. The alternative was that I could have done a piece of parallel work. That would have been pointless. There was work being done and we needed to take advantage of it.

[66] **Nick Ramsay:** May I just—?

[67] **Jocelyn Davies:** Yes, of course.

[68] **Nick Ramsay:** It is really interesting. What you are saying is that there is clearly ever-increasing collaboration and more and more work taking place, which is needed. You are juggling a lot of balls in the air here. Is it difficult to avoid a one-size-fits-all approach with some of these organisations? I imagine that each of them have their own separate issues.

[69] **Mr H. Thomas:** Yes, it is difficult. That is one reason why I will continue to say that I do find that the Local Government (Wales) Measure 2009 is too much of a one-size-fits-all requirement. If that were lifted we could get to a much more tailored situation regarding each particular local authority.

[70] **Nick Ramsay:** Could I have one more question?

[71] **Jocelyn Davies:** Yes, of course you can.

[72] **Nick Ramsay:** The interim report notes that audit delivery will need to respond to changes in the grant funding regime. Thinking about the introduction of universal credit, particularly, and the new European programme for 2014 to 2020, how will these two developments impact on the workload and your finances?

[73] **Mr H. Thomas:** If I start with the European programme, there has been a change in the requirements in terms of auditing European grants. Our services are no longer required. That means that I lose around £500,000 of income. In terms of other grants, I continually urge the grant-makers to tell me whether they want me to certify. It is a bit like turning away work, but it is genuine. Do they really require an auditor just to certify the fact that funds went into a bank account? Could they not do that? On the other hand, if they want the auditor to do some work on the outcomes, we would be very happy to do it. I am afraid that it is almost like a perverse effect of the concentration on problems that have taken place with grants. There has been an increase of requirements on us to certify grants. It is work that we do at other people's request. What I am trying to say is that I would much rather that we were working on a more proportionate basis.

[74] **Nick Ramsay:** Did you say that you have lost £500,000 through the European—

[75] **Mr H. Thomas:** Yes, as a result of changes in the European requirements. We used to have to certify the grants in terms of Europe. That is no longer required; so that is work that we will not be doing. We will be phasing it out over the next two years.

[76] **Jocelyn Davies:** Mike, shall we come to your questions?

[77] **Mike Hedges:** You talked about a technical supplementary budget to move money from revenue to capital. Do you have an ICT replacement programme or an ICT programme existing over three to five years? If you have, why did you not know about this additional need when you set your initial budget?

[78] **Mr H. Thomas:** I think that we have two people who are anxious to jump in on that one.

[79] **Jocelyn Davies:** I will start with Kevin, and then I am going to see whether Steve gives us the same answer.

[80] **Mr K. Thomas:** I will talk about our replacement programme. We have a rolling replacement programme for IT, in terms of desktops, laptops and infrastructure. We work on the basis that we need to have a robust and reliable IT arrangement in place. A lot of our work depends on it—our electronic audit system, for example, but also the way that we communicate with the outside world, as we are increasingly using our website, as well as social media, to spread our messages and, hopefully, maximise the impact of our work. As a result of that, this rolling programme identifies a kind of schedule of items that need to be replaced on the basis that we want to replace them before they fail. So, for example, in the current year, we have replaced our internet connection. We have upgraded that from 10 Mb to 100 Mb so that we have an improved speed of communication with the outside world and internally. Looking forward to next year, we are looking to replace a large amount of our networking equipment, which is coming up for seven years old, on the basis that that is probably about as long as we would like to leave it before we seek to replace it. In terms of some of the more disposable elements of our IT programme, we have a laptop replacement programme, which works on a three-year basis. We replace those after three years, as we do our desktop equipment. So, it is a rolling programme for the infrastructure, and a more regular programme for the laptops and desktops.

[81] **Mr H. Thomas:** If I can answer the technical requirement in terms of supplementary information, I turn to Steven.

[82] **Mr O'Donoghue:** Just to reassure the committee, we absolutely did see this coming, and included it in our estimate last year as a potential that we would have to come back to the committee on. Of course, at the time, we knew that we had a burning platform with our current audit IT system. What we did not know was the best solution for that. I think that we made a decision in discussion with the committee then, that rather than include a lump sum in the estimate that could be wildly wrong, we would come back to you once we had firmer figures. So, I think that our update in July gave a fuller briefing, and now our written correspondence in the last couple of weeks has said that we have the figures and we will be looking to make those savings internally to fund the cost this year, but we will need the technical adjustment to move from revenue over to capital.

10:30

[83] **Jocelyn Davies:** Peter, did you want a supplementary question on this particular point?

[84] **Peter Black:** Yes. It is on this particular point. It has just occurred to me that 100 Mb

is roughly what we had on Apollo 11, but, in terms of the actual costing of this IT, when you embarked on buying this IT system, did you have an estimate as to what it would cost? Has the estimate been fulfilled or have you actually spent more than the estimate?

[85] **Mr H. Thomas:** We had an estimate because we were looking at systems one of which was used by the other audit offices, and not ourselves at the time. However, our hope was that we would be able to have what we called a 'common audit platform', one which would be the same across both the financial audit and performance audit, and, if that were the case, that would really deliver benefits. That was why we, in a sense, hedged our bets as regards the figures that we were quoting at the time. What we have found from our work is that, while the National Audit Office and Audit Scotland are able to do some extra work on the financial audit platform that we have gone for, it is actually not quite enough to provide us with a sound common audit platform. So, we have gone for the lower cost solution.

[86] **Peter Black:** So, this is a joint procurement.

[87] **Mr H. Thomas:** It is not a joint procurement, because we handle it on a slightly different basis, but, clearly, we are procuring a common system with the other audit offices.

[88] **Peter Black:** Right. Okay.

[89] **Jocelyn Davies:** Mike, did you have a further question?

[90] **Mike Hedges:** I have one question and one half question, which you will probably tell me off for. The question is: would it be possible to produce a three to five-year IT programme when you bring budgets to us, so that we can actually see what is going to happen—a sort of 'no surprises' publication, so that, if you have something coming up, we can actually see how it is developing over a series of years? That is the proper question. The half question is this: you chose seven years and you talked about the system failing. My experience is that very few systems, once you have the system in, based on them failing—. You do not actually move as quickly as you want to, but there is a tendency for them to keep on working. Have you got experience of any of your systems that have ever reached a stage after seven years when they have failed?

[91] **Mr K. Thomas:** I suppose that 'no' is the answer, on the basis that we are looking and calculating so that we have replaced the stuff before it actually does fail. So, I suppose, in that sense, I would view it as a successful replacement strategy. I think, in terms of our longer-term assessment of what we are going to need and what we are going to replace and when, we do do that, but I would say that we would need to exercise a degree of caution in going too far into the future, because the world of IT is changing so rapidly. So, for example, five years ago, I do not think tablets existed; now they are taking over. So, we always have to retain a large element of flexibility in that programme, but I think the principles are what we want to adhere to and will probably not change over time.

[92] **Jocelyn Davies:** Isobel, did you want to add something?

[93] **Ms Garner:** I just wanted to say that, if it is of help, the board has asked to see the IT strategy, which covers the sort of period that we are talking about. We wish to challenge that and scrutinise that, because, like you, we wish to ensure that our estimates are transparent and fit for purpose. It may be appropriate, if you wish, that we share that and you can have a little tussle over our IT strategy in due course.

[94] **Mike Hedges:** We do not want to try to do your job, which I am sure you are doing exceptionally well. What I am looking at here is that we do not really want any surprises. If there is going to be a big expenditure coming in three years' time, we would like to have

some sort of forewarning of it as a Finance Committee. I am sure that you and your colleagues will certainly be crawling all over it and doing their job effectively, but what we want to know, if there is anything coming up, is what it is and why, so that we can have some sort of assurance that things are not just appearing out of a panic.

[95] **Jocelyn Davies:** I think that what we are saying there is that we have full confidence that you would do a very good job of scrutinising that strategy. We do not want to scrutinise the strategy.

[96] **Ms Garner:** What I would say is that the board is also looking at its medium-term financial plan, and I am hearing the message that the Finance Committee does not want any surprises.

[97] **Jocelyn Davies:** Yes, that is it. Okay, Mike, are you happy now?

[98] **Mike Hedges:** Yes, thanks.

[99] **Jocelyn Davies:** We are going to move on to the estimate and I think that, before I call Peter in, Isobel, did you say that you wanted to say a few words to introduce it?

[100] **Ms Garner:** A few words if I may, Chair.

[101] **Jocelyn Davies:** Yes, of course.

[102] **Ms Garner:** I am presenting this estimate to you on behalf of the board and jointly with the auditor general, as required by the Act. We are quite proud of the collective input that the board has had to this to challenge and scrutinise the proposals that came from the executive. However, I do have to state that the executive has been very professional in responding to that challenge and the queries we raised. The board was very clear on three things: we must demonstrate that the WAO is responding to austerity; we have to listen to the stakeholder feedback, and we have had a major exercise this year to listen to stakeholders; and, in accordance with the Act, we must, as a board, give the auditor general the resources he needs. So, as a result, we have frozen fee rates this year, and that represents a real-terms reduction of 1.5%. We know that that is going to be supported by stakeholders. That actually works through into those complicated graphs in appendix 3 in the hourly rates in the fee scheme. The board has also put pressure on the executive that the cost pressures it faces through pay, pensions et cetera have to be absorbed within the business. That is some £800,000, and the estimate demonstrates the challenge we have put to the team and how it intends to meet that challenge.

[103] The board is also very clear that, perhaps like the Finance Committee, we want to see absolute transparency in the funding that we receive outside the fee income regime. We have transparency around that, but, like you, what we want to call down from the Wales consolidated fund has to be transparent so that we all understand it and the consequences and benefits it can bring. So, that is listed in the exhibit 7. The board has looked at those items, and we deem them all important for the execution of the auditor general's work. Now, no doubt you, as a Finance Committee, will want to probe that estimate, but I would like to say that the board believes it to be prudent, challenging and necessary to maintain the impact of the auditor general's work. It is also quite important to look even further forward, and the board is very clear on its expectations that further efficiencies are going to be needed to assist both our fee-paying bodies and the Wales consolidated fund. So, we seek your support for the estimate and, between us, we will answer any questions you have.

[104] **Peter Black:** You have answered two of my questions.

[105] **Jocelyn Davies:** Yes. [*Laughter.*]

[106] **Peter Black:** How did you allocate your resource requirements between the different work streams shown in the estimate?

[107] **Mr O'Donoghue:** We go through quite a full process across the business with the two practices—that is financial audit and performance audit and the corporate enabler services that Kev and I run. What you will see in the savings table, which we have identified on page 12 under 'Reduction in management and administration costs', is that what we have done there is almost a base budget review of some of our budget lines. We looked at whether we will need that funding again next year and came to the view that, no, we would have to manage with less. Now, that is not easy, because the financial pressures are there. We still have to deliver the same level of work, if not greater. However, what we have to do is be smarter in how we are procuring and how we are undertaking some of those services. So, to sum up, Peter, I think that I would say that we did it by involvement across the piece, from the practices level, reviewing the level of audit work they will be undertaking and, to mention the grants work that we touched on earlier, recognising that that work will no longer be there and reducing our costs in line with the income reduction as well.

[108] **Peter Black:** Okay. The additional revenue funding of £380,000 relates to the theme of helping public services improve. Why is that theme being prioritised?

[109] **Mr O'Donoghue:** It comes back to the corporate objectives that are set in the strategy that the board determined. So, I come back to page 3 of the estimate, which sums up our aims and objectives:

[110] 'The people of Wales know whether public money is being managed wisely, and public bodies in Wales understand how to improve outcomes'.

[111] **Peter Black:** Would you expect that that investment of £380,000 would actually produce a commensurate saving for other public services as a result?

[112] **Mr H. Thomas:** The £380,000 I think you will see reflected in the WCF allocation. One of the things I have done over the last four years, if you look back over the past estimates that the WAO submitted, I have continually, every year, broken down the consolidated fund more and more so that you can see the items. The specific increases that represent the £380,000 come from different strands. The first is because the PAC wants to have more bodies taking part in the national fraud initiative. That is important, because the more bodies that take part, the more fraud we can identify and so on. However, the great problem is that, at present, it is funded by those who take part, even though they do not necessarily see the benefits, like the public good. Therefore, we have reached a stalemate—we are not getting more bodies, particularly the housing bodies, which we feel would be very useful taking part. If we take that into the consolidated fund, there is no reason why they should not take part. That will extend the reach of the national fraud initiative, therefore delivering savings greater than the cost.

[113] The other element, I am afraid, is that I am having to devote senior time to prepare for constitutional changes in Wales; I think that you have already had the benefit of the work that Mike Usher is doing in terms of the Treasury functions and so on. I cannot charge that to fees; that needs to be carried centrally.

[114] The third is—I am looking around the table—your postbags. Those lead, in many cases, to correspondence to me. The £90,000 has been there as a cost of dealing with these from the formation of the Wales Audit Office. One case that one of your colleagues brought to my attention, has so far cost over £100,000. That is money that comes from somewhere and

is at present being raided from various pots. I also found that what I was short of, and other audit offices are finding that they are also short of, was forensic auditing skills. It is a very specific type of auditing skill that we need. I have two people who have particular expertise in this area and they are being run frazzled, I am afraid, in terms of us telling them that we need them to look at this and we need them to look at that. So, I need to support them. That, if you like, is the extra area there. Otherwise, there is a degree of consistency year on year in terms of the use of the consolidated fund.

[115] **Peter Black:** That £100,000 is the regional investment fund for Wales, is it?

[116] **Mr H. Thomas:** No it is not, but it is a historic case that goes back over many years.

[117] **Jocelyn Davies:** Does that cover freedom of information requests?

[118] **Mr H. Thomas:** No, freedom of information requests we deal with under a separate item. This is where correspondence gives rise to investigative work or sometimes where, because I am unable to respond, people challenge and it has to go through various appeal mechanisms.

[119] **Christine Chapman:** Just on that, obviously I was aware of this one particular case, but I just wondered what preventative steps are you taking to try to avoid this and to offset this in the future, because I am not sure that this is going to go away? What are you doing to try to offset the cost of this or preventative work?

[120] **Mr H. Thomas:** A preventative measure is trying to make clear what it is I can look at and what I cannot look at. Often what happens is that people arrive, particularly via your own postbags, at my door, having tried others and really drawn a blank. I am almost the last hope that they have of someone looking into an issue. So, I look into it and I arrive at a view or not. It seems to be, I think, a consequence of the austerity that sometimes what happens is that one individual's personal project, if you like, is not approved, therefore they become more resentful of those that have been approved and are challenging the value for money of those and so on. We have to look at that, particularly if it comes from electors in relation to local government. We are required to look at that. So, we cannot just say, 'Well, we will not', but it follows that if we do not agree, the person may go for an appeal mechanism and a further appeal mechanism—I have two rounds of appeals—which have to be looked at by an expert outside our office.

10:45

[121] However, on the basis of the work that has taken place thus far, I intend to produce a new guide—a leaflet—about what it is that we can look at, what it is that we cannot do and who they should look to if not to us. This is work that we do need to keep under a certain degree of control.

[122] **Christine Chapman:** Are you saying that you are confident that, although you will get the demand, you will be able to deal with this, so that the cost will not increase in the future?

[123] **Mr H. Thomas:** What you have today is an estimate that I have arrived at from taking a look at what has been happening over the last years and trying to put it on a more realistic basis. As I said, the £90,000 is historic; it was never changed. Last year, as a result of various complaints and cases that we looked at, we did a review of how we handle this and that is why this figure is here. As you will see, the real figure of the increase is about £230,000, but we are going to absorb the rest of that, partly internally by efficiency, and otherwise by recharging a bit more vigorously on the fees.

[124] **Christine Chapman:** If I can move on, I know that your estimate requests £130,000 to support the work of your office to provide informal advice and support to public sector projects. How do you manage the potential conflict of interest in providing advice on projects that you then might need to audit?

[125] **Mr H. Thomas:** Absolutely. Indeed, yesterday, we declined a request because we felt that it came too close to a policy implementation. First, it is about separation; the people concerned are not those who will go and do the work on particular audits. Secondly, we are there as observers and it is very clear that that is our view and that is our position. Also, some of this work is work that we need to do in relation to bodies outside Wales; the work that we are doing on the Welsh Treasury is work that we need to do with the National Audit Office and HMRC outside Wales as well as the Welsh Government. So, it is experience that we bring from elsewhere, but I am very alive to the fact that we must not cross that line of causing difficulty in terms of auditing. We have somebody who specialises in ethics work and who looks at each such request.

[126] **Christine Chapman:** Would you say that everybody is clear on this?

[127] **Mr H. Thomas:** Yes.

[128] **Ms Garner:** Could I add to that? As well as crossing the line for auditing, they also know that they must not cross the line of policy making, so they must not influence—. They can talk about corporate history, lessons learned and risks, but they must not interfere with the policy-making process.

[129] **Jocelyn Davies:** Do the people requesting this informal help know where the line is as well?

[130] **Mr H. Thomas:** Yes, they do.

[131] **Peter Black:** There is £90,000, I think, in the estimates for an ICT project relating to audit—. I am sorry; I have just lost the question on this iPad. Is that related to the new audit system? Is that related to the £216,000 that you referred to earlier on, or is that a separate system?

[132] **Jocelyn Davies:** Looking at similar systems across the UK—

[133] **Peter Black:** That is right, yes. Is it the same as what you talked about earlier?

[134] **Ms Garner:** It is the same system; it is the replacement for the audit system and the reason that this figure is in here is because the board is determined on transparency. You do not just buy a system and it works from day 1; you need people to actually implement it and test it. So, when the board considered the business case for it, we asked them to be absolutely explicit about the project management costs—who will be doing this and whose time will not be chargeable to audit projects? That is the figure. The benefits of actually being open and upfront about it are that our audit work will not be compromised and the system will be implemented swiftly. So, that is the £90,000.

[135] **Peter Black:** So, the £90,000 is for that and the £216,000 that you referred to earlier is for the system itself.

[136] **Ms Garner:** Yes.

[137] **Peter Black:** So, the total cost is over £300,000.

[138] **Mr O'Donoghue:** That includes the project management and a further complication is that the £90,000 also includes depreciation as a result of the purchase the previous year.

[139] **Peter Black:** You have already described earlier why it was not possible to do a single system across the whole of the UK.

[140] **Ms Garner:** It is a single system for finance and performance. We called it a 'common audit platform'. The market was not ready. We did a full procurement exercise, and, on technical functionality and the financial risks to us, we just could not procure a common audit platform. So, we had to do this cheaper solution to ensure that we have business continuity.

[141] **Mr H. Thomas:** We were offered a piloting type of arrangement and we declined that because of the risks that are inevitable in being the first to develop and try something out.

[142] **Peter Black:** Yes, that is very wise.

[143] **Mr H. Thomas:** So, we have stuck to what is already proven and can be delivered in terms of the other audit offices.

[144] **Jocelyn Davies:** Mike is next.

[145] **Mike Hedges:** I have two points, following on from Peter, before I get on to my own questions. I congratulate you on not going in for pilots. When you do a pilot, what you actually become is the testers for the system for someone else and you pay all of the prices accordingly. So, I congratulate you on that.

[146] Going back to the earlier question that I asked, I think it will probably reduce the number of questions that you will be asked in the future if we do have this sort of plan in front of us of what is happening. We would know what is happening. So, I think that perhaps you can now see good reasons to help us with that as well. The question that I have is as follows. The Wales Audit Office has decided to bring contracted work back in-house. I am not quite sure whether it was in a Health and Social Care Committee or a Finance Committee meeting, so apologies if I have the wrong one, but I think that I remember the auditor general saying that procurement could be expensive and that you had to find your way around different companies and negotiations, et cetera. It was something along those lines, and some people came in a lot higher than it was able to be done in-house. Is that the reason why you are bringing more in-house?

[147] **Mr H. Thomas:** No. The reason we are bringing more in-house is because we are taking a forward look at the markets: how many audits do we have to carry out, what is it, and what is the cost benefit? Previously, under the VAT regime—I think that this is possibly what you are remembering, Mike—there was an advantage to putting work out. We had the benefit. After the change in our VAT status that benefit disappeared. So, I am now looking much more evenly in terms of costs in terms of those external and those internal. What I need to be able to do is look ahead and say, 'Well, perhaps, in a few years' time, there's going to be half as many local government bodies'. There is no point in my staffing myself up to cope with the current ones. I need to defray that into external firms doing that work, and we will be ready to cope on a more permanent basis. So, it is that kind of mix, together, of course, with buying certain expertise. We do need to buy, from time to time, expertise in issues to do with company law, for example.

[148] **Jocelyn Davies:** You have mentioned, or indicated, that you may need to expand the outputs for the Public Accounts Committee and for other Assembly committees. Do you want

to say a bit more about that and what sort of outputs you believe might be necessary to support the Assembly further as we go forward?

[149] **Mr H. Thomas:** I think that that underlies why we were given, last year, £250,000 in order to cope with extra work. I do think that the outputs that my staff deliver in terms of reports, briefings and so on is work that ought to service other committees as well as the Public Accounts Committee. It is that kind of work that I am very happy to see develop. It stays in that contingency pot of the £250,000, so as not to cut across the value-for-money programme, which I am obliged to deliver. Last year, as you saw from the report, we actually looked at certain areas. We produced three briefing papers for the PAC. We did work on the Cywain Centre and we are doing work on the life skills area. Also, we have given advice to other committees, including your own.

[150] **Jocelyn Davies:** Will you be doing any work with Assembly Members so that they know what is available from you?

[151] **Mr H. Thomas:** I am happy to redo it. I tend to do it every time that there has been an election; I try to get across the message about what we do to Assembly Members. If you think that it is worth it, I would be very happy to repeat it. We will certainly want to give some circulation to the guidance that we are producing on the kind of complaints that we can deal with.

[152] **Jocelyn Davies:** Okay. Are there any other questions? No. Thank you. We have run out of questions for you. Obviously, as normal, we will send you a transcript. If you could check that for us, for factual accuracy, we would be grateful. Then we will be able to publish it. We will let you know in due course whether we agree your estimates or not. *[Laughter.]*

10:55

**Cynnig o dan Reol Sefydlog 17.42 i Benderfynu Gwahardd y Cyhoedd o'r
Cyfarfod**

**Motion under Standing Order 17.42 to Resolve to Exclude the Public from the
Meeting**

[153] **Jocelyn Davies:** I move that

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

[154] I see that the committee is in agreement.

*Derbyniwyd y cynnig.
Motion agreed.*

*Daeth rhan gyhoeddus y cyfarfod i ben am 10:55.
The public part of the meeting ended at 10:55.*

*Ailymgynullodd y pwyllgor yn gyhoeddus am 11:09
The committee reconvened in public at 11:09*

**Ombwdsmon Gwasanaethau Cyhoeddus Cymru: Craffu ar yr Amcangyfrif
Drafft ar gyfer 2015-16
Public Service Ombudsman for Wales: Scrutiny of Estimate for 2015-16**

[155] **Jocelyn Davies:** I welcome everybody back to a meeting of the Finance Committee. We will go on to the next item on our agenda, which is the Public Service Ombudsman for Wales scrutiny. Would you like to introduce yourselves for the record, and then, if it is okay, we will go straight into questions, unless you have a very brief introduction to make?

[156] **Mr Bennett:** Thank you, Chair. My name is Nick Bennett; I am the Public Service Ombudsman for Wales. I have two colleagues with me: Dave Meaden on my left, who is head of finance, and, to my right, Susan Hudson, who is head of policy and communications. There is not a huge introduction to these estimates, but, certainly, I would like to assure the committee that we have continued my predecessor's practice of trying to contain costs within the trends of the Welsh block. You will see from the individual budget lines that this is not simply a repeat of last year's budget with a percentage increase. We have tried to look at things line by line. Clearly, there are challenges there. So far this year, we have seen an increase of 8% in terms of enquiries and 14% in terms of actual complaints, so we certainly face the challenge of being fit for the future, given that we think that those trends are likely to continue over the next year.

[157] **Jocelyn Davies:** Thank you. We have been very pleased to see that the office has been able to do more with less, but, obviously, that is going to be more challenging as we go into the future. Could you then perhaps summarise the internal framework at the office and how that is used to plan and to work out your resource requirements? So, when you say, 'We're working hard', what framework do you use there in order that you are able to do that?

[158] **Mr Bennett:** In terms of governance, first of all, the framework—. Clearly, we come to this committee to justify the financing that we seek. Recently, we have been to the Public Accounts Committee to justify the money that we have spent, and I think that, shortly, I will be going to see the Communities, Equality and Local Government Committee to justify the services that we provide with those resources. In terms of our internal arrangements, we have monthly meetings with the management team where we track and make sure that we are on target and that our resources are in line with the profile for the year, and then quarterly audit and risk committees, which are chaired by Bill Richardson, who has an extensive finance background and is a former senior official with the Parliamentary and Health Service Ombudsman's office.

[159] **Jocelyn Davies:** So, if things started to go awry, or something untoward happened, it would be spotted fairly quickly, and there does appear to be sufficient scrutiny on a monthly and quarterly basis, and you come here for public scrutiny as well. You mentioned earlier the increased enquiries and complaints. What do you think are the main reasons for your having an increase in workload?

[160] **Mr Bennett:** We grapple with this and try to analyse what is going on and what could be the issues in terms of public policy. I certainly think that part of the reason is associated with success. There are more people aware of the office and the fact that they have the right to come to us, and the fact that, since 2005, and the creation of the combined office, I have powers to issue section 16 reports. So, where issues emerge that are of special public interest and concern, I think that that has helped generate a higher profile. I think demographically as well, people are more ready to complain now than they perhaps were in the past, and that is certainly a good thing. In terms of public services overall, in the last five years, we have seen an increase of 117%. Then, when it comes to health-specific issues, the increase there has been 146%. We have had this discussion in the Public Accounts Committee

as well; certainly, over the past 10 years, health has increased proportionally from maybe 15% or 20% in 2005 to about 36% of our complaints now. Over the last couple of years, that has been a more consistent proportion of the overall volume of complaints that we receive.

[161] **Jocelyn Davies:** Okay. I know that recently you sent to all of us your casebook; I am very interested to read the casebook. I could see that the politically-motivated complaints, which are something that has exercised our minds on this committee, because we feel that they are a waste of public money, often, are increasing, as is the cost of dealing with those complaints. Do you want to say a little bit about that, about how you cope with councillor-on-councillor complaints and complaints about—. I did notice that it seems, from your introduction to your casework this last time on code of conduct complaints, that many complaints are being generated from within the same local authorities and the same community councils.

11:15

[162] **Mr Bennett:** Again, it is early days for me, but, if you look at the trends and certainly the analysis that we conducted internally in terms of where we might be going over the next three years, the overall level of enquiries about public services will go up. We think the complaints will go up. We hope, actually—I say ‘hope’—that the number of vexatious complaints will actually start to decline. We have seen a reduction in some code of conduct complaints because of the introduction of local resolution, certainly for the 22 local authorities. However, half of code complaints come from community councils. I had the opportunity to speak at the One Voice Wales annual conference this year and to remind them that vexatious complaints are a breach of the code in themselves. I am glad that there is a prevailing view that some of these complaints are a waste of taxpayers’ money. Given where we are—. I think it is referred to commonly as ‘the graph of doom’ in terms of the next 10 years, with this dip in public spending, an increase in the proportion of people aged over 65 and a huge gap, with an increase in demand. We, as an office, I think, have to make sure that we can devote ourselves to concentrating on the key issues that trouble your postbags from constituents. If I have a choice between dealing with complaints around cancer treatment or some of these vexatious complaints, which include things like, ‘Somebody refused to shake my hand before the beginning of the meeting’ and ‘Somebody cracked a joke that my spouse didn’t like’, as I told the One Voice Wales conference, ‘I am the ombudsman for public services, not for senses of humour’. So, I am not prepared to use the resources that you agree for the office in a wasteful manner. As accounting officer, I have to make sure that we are devoting resources to the key issues that really trouble the public.

[163] **Jocelyn Davies:** Chris, I know that you wanted to come in on this particular point.

[164] **Christine Chapman:** Yes. I am not asking about any particular case or anything, but I just want to know whether there is a trend for complaints against the ombudsman’s office because of people’s perceptions that you have not handled the case properly or to their satisfaction. I mean, are you taking any—. Is that happening or is it going up or going down or—.

[165] **Jocelyn Davies:** So, are people complaining to you about yourselves?

[166] **Mr Bennett:** It does happen.

[167] **Christine Chapman:** Is it excessive or is it going up or what have you?

[168] **Ms Hudson:** No, actually. If I can find it here quickly—. In our annual report for 2013-14, we have reported on that. Actually, looking at 2013-14 against 2012-13, during 2012-13, overall, there were 59 such complaints—complaints about us—to our office and,

last year, there were 44. So, that is a downward trend. However, some of those would be people who are actually unhappy with the decision rather than the actual service that we have delivered. So, those are matters that are referred to our review manager to have a look at to assure people that we have arrived at the decision correctly and so on and so forth.

[169] **Christine Chapman:** But, I mean, it is obviously taking resources and time, is it not, which takes you away from the actual business of—

[170] **Ms Hudson:** Yes.

[171] **Jocelyn Davies:** But it is a small proportion of the overall complaints.

[172] **Ms Hudson:** Absolutely.

[173] **Mr Bennett:** It is about 1%.

[174] **Jocelyn Davies:** People might complain to you because you have said—. You do not decide whether a local authority decision is the right decision, just whether it has followed the right process to arrive at it, and you might have complaints because people do not like the decision rather than the process.

[175] **Mr Bennett:** Absolutely. We are there to establish whether there has been maladministration or has the code been—. It could still be the case that, if neither of those scenarios have occurred, a decision has been taken that the citizen, unfortunately, does not like—

[176] **Jocelyn Davies:** Does not like.

[177] **Mr Bennett:** Well, we are not there to un-make or remake a decision of an elected official.

[178] **Jocelyn Davies:** Julie, did you have a question on this?

[179] **Julie Morgan:** Does new legislation bring an increase in complaints?

[180] **Mr Bennett:** We are very pleased that jurisdiction has been increased recently through legislation. I think that, from last Saturday, from 1 November, we now have jurisdiction over private care and palliative care as well as public care. I have been up to Coventry to speak to the English local government ombudsman on this. They anticipated a significant increase in the volume of complaints that they got about private care, but what actually happened was that they got an increase in public care complaints, because it reminded the people who had been commissioning public care that the ombudsman route was a route that they could take. So, it is early days, again, because it is just the last few days that we have had an extension there. There are other areas where I would like to see legislative change; I hope to discuss this with the communities committee next month.

[181] On own-initiative complaints, there is certainly evidence that there is a cohort of the population who does not complain and will not complain, so own-initiative powers might be necessary there. They are currently being introduced in Northern Ireland, they exist in the Republic of Ireland, and England is talking about taking on those powers as well. I think that they are containable powers, in that they would be the only powers that we would have in Wales that would be supply based. It is very much a demand-led service. We respond, rather than proactively investigate. So, I think that it is an important issue in terms of us not falling behind other parts of the United Kingdom or the British Isles, and other parts of the continent have own-initiative powers.

[182] There is the issue, and I know that this came up earlier in the summer and will have come to your attention as well, where there was a particular case in Llanelli where, unfortunately, somebody passed away, they had had treatment by the NHS, then privately, then the NHS again. That is one individual. It does not make sense that I have the powers only to investigate either side when maybe something went wrong in the middle or, indeed, the other side. We just do not know. To have powers there, similar to what has happened in terms of social care, so that we could follow the complainant—the citizen—rather than the sector, would be very useful.

[183] The other critical area for us, 10 years on since we had the original Act, is that we can only, legally, currently consider complaints that are written. I have only been in office for a short while and this is nothing to do with my good work, but I have been really impressed that if staff take a complaint from somebody who has an issue in terms of being able to provide a written complaint, they will write it for them, send it to them, get them to sign it with the appropriate advice at their end and then investigate it. So, we are currently expending some effort to work around the legislation to make sure that we can be as inclusive as possible, and I would hope that there would be consensus here that it would make sense that, if we could remove that requirement, we could be more efficient. Having talked to the local government ombudsman in England as well, that was a really encouraging message from them that when they changed their legislation from only written complaints to considering verbal complaints as well, they became more efficient. So, there is not necessarily a conflict or a cost in us doing more for people who might find it more difficult to complain.

[184] **Jocelyn Davies:** What about—

[185] **Nick Ramsay:** Just on that point—

[186] **Jocelyn Davies:** Yes, sure, Nick.

[187] **Nick Ramsay:** I was just thinking about what you were saying earlier—good morning, by the way—about the vexatious complaints. I hear what you are saying about allowing people who might have issues with the written word to make complaints, but does that not open the door to people who might not feel seriously aggrieved enough to put it in writing in the first place, but who might feel that they had an avenue to mouth off?

[188] **Mr Bennett:** The risk with the legislation at the moment is that people who have literacy issues or other issues are the people who most need good-quality public services. So, it is on the complaints side rather than the vexatiousness that we really worry. We do not advertise the fact that we will write a complaint for somebody, given that we have significant volumes, but that service is certainly available, and we would always want to be as inclusive as possible. However, everyone who comes through the door, whether it is on vexatiousness or with a proper complaint, has to be assessed. Is it within jurisdiction? Has an actual issue of maladministration occurred? If it is ultra vires, outside our powers, we cannot deal with it, and that would very much be the case whether it was verbal or written. So, I would hope that if you were to change the legislation, I would not see a huge increase in code of conduct complaints.

[189] **Nick Ramsay:** I hope that you are right.

[190] **Jocelyn Davies:** I guess that even people with adequate literacy skills do not always know how to frame a complaint and use the right—. They just know that something has gone wrong. So, you could assist with that, could you not, over the phone? It does not necessarily mean that somebody is not capable of writing; they just might not know what to write and that would help.

[191] Coming back to the code of conduct complaints, do you find that if you are dealing with a lot of vexatious complaints and silly, trivial—. Some of these things that you have described to me are just trivial, are they not? Does that mean that other complaints that you want to investigate take much longer? Something that we hear is, 'Well, I've had a complaint made against myself and it takes months before it's resolved.' For those people who have had a complaint made against them, it is something that worries them a great deal that they have been accused of breaking the code of conduct when they hold a public office. So, what is the length of time that you would expect somebody to have a complaint made against them, for them to be aware of it and for that to be resolved?

[192] **Mr Bennett:** Four weeks, I think that I am right in saying, is what we would aim to do if there had been a complaint in terms of code of conduct behaviour. However, in terms of the impact, and to give you some reassurance in terms of the way in which this could impact on the more serious public service complaints, it would not have an impact in terms of investigations. What we do have in terms of the structure, and you will see that on the chart in terms of our organisation, are investigative teams, but then also a complaints advice team. That is where it can have an impact. So, in terms of dealing with volumes, if you have a significant increase in the proportion of vexatious complaints there, you have more and more complaints coming through the door, so it can have a real impact in terms of that side of the office.

[193] Looking to the future and, obviously, given where we are in terms of doing more with less, one of the exercises that we are currently conducting internally is to really look at remapping all our processes. So, it is about how we can be as fleet of foot and as efficient as possible for the future, given that our resources will be restricted to growth within the block, whereas demand could increase exponentially. I am pleased to say that that exercise is going well and people are keen to learn and to suggest and come forward with new means of being efficient and innovative, but without raising the bar. We do not want to be in a position where we are turning people away, but we want to be efficient so that if people are coming to us with issues that are outside of jurisdiction, those can be turned away as quickly as possible. Also, of course, there is a broader issue here in terms of people coming to us with what we call 'premature complaints'. So, they have not exhausted the complaints procedure with the particular service provider. Do you have trends there, Susan, in terms of where we are in terms of premature complaints?

[194] **Jocelyn Davies:** The length of time. So, somebody can expect for a complaint to be made, for it to be investigated, and to know the outcome within about a month.

[195] **Mr Bennett:** They would certainly know whether or not we thought that there was a significant issue there that required further investigation, when it comes to the code. I think that I am right in saying that.

[196] **Ms Hudson:** In terms of what we aim to do, when we get a properly made complaint in, the decision will be made within four weeks as to whether this is something that would need to go on for further investigation, or whether, for example, something is out of jurisdiction, or, as Nick mentioned, whether something is premature and needs to go to the public body first. So, it is at that first assessment stage that that decision is made. Then, obviously in terms of the investigation, our backstop, if you like, is that something is completed within 12 months, but obviously, we aim, as much as possible, to complete something at least within three months in terms of the actual investigation. However, again, in terms of health, some of these are very complex in terms of the clinical advice and everything that we need to get. So, as I say, it takes as long as it takes in that sense.

[197] **Jocelyn Davies:** Okay. Julie, shall we go on—.

[198] **Mr Bennett:** Sorry, Chair, can I just clarify something? In terms of trends, as I said, we hope that the level of vexatious complaints will decline. You mentioned the degree to which some of these do not really constitute much. Looking at the overall data and the level of complaints that we had last year, roughly speaking in terms of the stats, off the top of my head, we had about 360 complaints and, of those, 30 were referred by my predecessor to either a standards committee or an adjudication panel. So, I think that that gives you some idea in terms of the proportion of where we thought that there really was something there. Of those 30, I think that it was perhaps on 10 that no action was taken. So, we are actually talking about 20 out of 360, maybe 400, overall complaints where there was a sanction. Also, I do not want to mislead the committee. We very much hope, in terms of recent trends, that vexatiousness declines, but previous spikes and increases have always happened during an election year. I do not want to be giving a hostage to fortune in terms of what might be happening next year, the following year and, indeed, the year after that. We could have three concurrent years of elections, where perhaps my predictions might be tested.

11:30

[199] **Jocelyn Davies:** If those levels of vexatious complaints do not come down, what are you going to do? You have put a marker down and have said that, if people complain and it is trivial and vexatious, that in itself is a breach. You have put that marker down now, but has anybody ever been investigated as a breach for making a vexatious complaint?

[200] **Mr Bennett:** Not since I have taken office, but there is almost additional risk there; if you want to see the trend go down, I might be pushing numbers up myself by ensuring that there is a breach. Some of the data that we receive are very interesting. So, if one considers the fact that—I think that I am right in saying this—there are 735 community councils in Wales, and we were receiving 20% of our overall complaints from one community council, you immediately know that there is an issue there, if 80 out of your 400 complaints are coming from one area. So, in terms of being able to target and deliver certain messages, I would be confident that we would be able to hone in if we did see a failure.

[201] **Jocelyn Davies:** I am confident that we will be returning to this again next year.

[202] **Julie Morgan:** The estimate refers to a review of the complaints handling service. I do not know if that is covering some of the things that you have already mentioned today, but could you tell us how this review has been carried out and when it will be completed?

[203] **Mr Bennett:** I think, first of all, that there has been a significant amount of innovation in the office through the good work of my predecessor. For example, the development of the complaints advice team and local resolution in terms of code of conduct changes. So, when I started the job in August, I was very keen to make sure that, first of all, it was fit for the future, but also that I did not throw away any of the good practice that had been developed by my predecessor. So, I was very keen to listen actively to all staff and all of those who were involved very much at the chalk face in terms of the volume—100 complaints a week and 5,000 a year. How do they think that we need to change in terms of being fit for the future and coping with this ever-increasing number of complaints?

[204] So, we have created an internal task and finish group to look at current complaints handling and the whole process. That has representatives from each different department from within the office. It is managed by an innovation manager between now and Christmas. The terms of reference finish at Christmas, but it is really an exercise in gleaning as much insight as possible from everybody who is currently confronted by complaints handling, but also in looking outside to ensure that we are not being insular about this. So, already, I have been up to Northern Ireland to talk to the ombudsman there. A number of us will be having a trip to

talk to Scotland, looking at some of the success that they have had there in terms of efficiency and innovation, and we will also be discussing this with ombudsmen in England. So, we expect to get the full results by Christmas, to analyse them and to have a clear picture of the way forward in the new year, and then perhaps to implement further changes from April 2015 onwards.

[205] **Julie Morgan:** The estimate states that reviewers found that two additional complaint-handling staff will be required. How will you use those two additional staff? Have you worked that out yet?

[206] **Mr Bennett:** Certainly, there is a huge amount of pressure within the complaints advice team. In the paper that we have given you, I think that we refer to 7% and 11% increases in enquiries and complaints. Already, two months on, those proportions have increased to 8% and 14% respectively. So, as I think I told the Public Accounts Committee, over the next three to four years, the graph for us looks like it is on a 45-degree angle. So, without any review of complaints handling, I think that we could certainly soak up an additional two complaints handlers. However, I am also keen to make sure that we are as efficient as possible and that we can soak up as much additional work. So, in terms of the previous offer here: if not more for less, then certainly much more for the same. If, over the next year, we have an 11% increase in overall volumes, that additional sum to employ two people might make up 1.5% of our existing budget; well, we are going to have to find the other 9.5% through being more innovative and efficient.

[207] **Julie Morgan:** You have mentioned the importance of complaints being dealt with locally, so that they are dealt with properly before they even come to you. Do you do much outreach, in terms of local authorities and health boards, to try to help enable them to deal with complaints in a more effective way?

[208] **Mr Bennett:** We do outreach in a number of ways. I have already referred to my trip to speak to One Voice Wales and community councils earlier. In terms of outreach, we also undertake work with disadvantaged groups and other umbrella bodies, including Oxfam and others, to make sure that, despite the fact that the postbag is growing, if you like, there are voices there that we hear that are most in need of justice and good quality public services. If I could turn to Susan, in terms of outreach, she has had some positive meetings recently with certain organisations.

[209] **Ms Hudson:** Yes. In terms of voluntary groups, we are particularly looking this time around as well—. We have sort of looked at the protected characteristic groups, but we are also looking to target the more socially disadvantaged areas as well. So, we have been looking to go to organisations like Oxfam, and approaching people at credit unions and so on. In that respect, in terms of helping people make their complaints to us, we are reaching out in that regard.

[210] Coming back then to the issue of what we do with the actual bodies in jurisdiction, I am sure that Assembly Members will be aware of the annual letters that the ombudsman has previously issued to, in particular, the key organisations such as the county councils and health boards, where you have the greatest volume of complaints and you can see certain trends. So, there have been, on the back of those, one-to-one meetings with the chief executives and chairs to discuss the issues about how they go around complaint handling.

[211] The other thing that we have recently introduced into the office is to have link officers between some of our investigators and the public bodies themselves, so that they can discuss at a more working level, if you like, how they go about handling complaints and what the messages coming through are. So, we have started trying to work with the complaint-handling people more directly themselves in the health boards. Also, we have had seminars

that we generally hold on a biennial basis, to meet with the complaint handlers. So, not only can we pass on our messages to them, but we can hear from them what their difficulties are as well, because they themselves are pretty much inundated with complaints coming in for them to deal with. So, it is a sort of two-way discussion. There are various avenues that we use to try to get complaint handling done better at the public body level.

[212] **Julie Morgan:** I think that Assembly Members often get complaints brought to them before they have even been through the complaints process, in hospitals for example. This happens an awful lot to me, and I just feel that somehow there ought to be a way of organising that, which means that you are not so inundated in the end.

[213] **Ms Hudson:** Yes.

[214] **Mr Bennett:** I think that there is a specific issue there as well, and I do not know—. We do not have a solution to this yet, but certainly my predecessor would have individual meetings with all of the health boards, in terms of the annual letter and what the trends were in complaints and complaint handling. I have not had any of those individual meetings yet, and I want to take some time to talk to stakeholders and to individual health boards about how we might do that differently. I will be having meetings with other people in the NHS as well about how we might do something specifically in terms of health, given that that proportion has been increasing faster than in other public services.

[215] **Jocelyn Davies:** May I just mention something? I know that you have been looking to do sort of informal resolution—somebody makes a complaint and you ring up that organisation and try to get things resolved before it escalates to a complaint. I have some concerns that you might get too cosy with the organisations that you are supposed to be investigating. How will you ensure that that does not happen, especially now that you are going to be doing this networking with those organisations? How will you ensure that your office is still able to be seen as an independent scrutineer of what goes on?

[216] **Mr Bennett:** That is a very good question and there is a genuine issue here to which we have to be alert, in that, more generally, to what degree can we collaborate with organisations that are within jurisdiction? So, there are issues there, particularly given where we are in terms of public service austerity. Part of our mission has to be to make sure that we are helping to drive improvements in public services. So, we have to communicate the lessons and make sure that we are not seeing a repeat of previous systemic failures, in particular. It can be an awkward line.

[217] In terms of quick fixes, they were introduced by my predecessor with some success—10% of volumes were resolved this way. I certainly have not come across any cosiness of yet and I am happy to test that with other jurisdictions. I know that early resolution has been a key part of good practice in Scotland and we will be going there in a few weeks. That is something that I would want to test there in terms of making sure that there is this balance between independence with your jurisdiction and not compromising your ability. It is important not to disregard quick wins and early resolution, because of those increasing volumes and the fact that it can be a very good and just settlement. Settlement for the complainant is not just about the conclusion, but about timeliness as well.

[218] **Jocelyn Davies:** Yes, I know what the public would prefer, for certain, but I just want to put that marker down there with you. I feel better for the fact that you are prepared to recognise it and you are aware that it is something that you need to guard against.

[219] **Mike Hedges:** Do you benchmark your costs against the offices of other ombudsmen—I am not quite sure what the plural is? Also, do you compare the types of complaints that you get, to see whether proportions are different in Wales, not necessarily just

between health and local government, but perhaps councillor on councillor complaints? Do you identify where we are different, if we are different, in terms of both cost and type of complaint?

[220] **Mr Bennett:** We do and we do not. It is a strange answer. Certainly, Dave has looked at some of those costs more generally in the past and if there was a league table, I think, generally speaking, there are no significant issues of inefficiency. However, it would be unfair for us to share those data without taking a closer look. I am glad to say that we had a meeting with the other British public sector ombudsmen just last week and we have agreed to delve into this a bit more. Bizarrely, the language and the jargon that is used by different jurisdictions can vary, so there is a danger that what is an 'enquiry' in one jurisdiction is a 'complaint' in another, so we have to make sure that we are actually analysing the same data across different jurisdictions.

[221] Also, it is unfair just to take the overall population, or the overall number of complaints and the cost of the office and divide the two to come up with a figure, because jurisdictions vary so much as a result of asymmetric devolution. So, with a complainant in Scotland, if you go there, it has a reserved-powers model and in terms of reserved powers, the scale of complaints would be very different. Welfare is devolved in Northern Ireland, so there is scope there for a different level of complaint, and that analysis of what proportion is local government or what proportion is health would be different. There are also additional complications because the set up in England is different with a separate local government ombudsman to the parliamentary and health ombudsmen, but I hope that we can make progress, looking at this collaboratively, and that we will have some sensible data to share with you in the not-too-distant future.

[222] **Mike Hedges:** I do not necessarily mean that we are looking for the data to be shared with us if there are problems with sharing them. What we are looking for, or what I am looking for, is for you to have confidence that you are not an outlier in terms of costs, or that you do not have some areas that would make you an outlier in that—this is hypothetical and please take it as such—20% of all councillor on councillor complaints in Britain are taking place in Wales, when Wales should only have 5%. That sort of thing would produce an outlier performance.

11:45

[223] **Mr Bennett:** I can give you that assurance, certainly. From the analysis that we have done, crude as it is, we are certainly not an outlier in terms of efficiency in any way. Despite what I said earlier about the fact that we get 20%—. We have a few outliers in terms of community councils within Wales, which are providing 20% of our complaints despite being less than 0.1% of the number of community councils in jurisdiction, but I have not come across any data that would suggest that we are out of kilter with the rest of the United Kingdom.

[224] **Mike Hedges:** That is what I was looking for: reassurance that we are not paying more for less, or that we are not doing a lot of things differently from other parts of the United Kingdom. You can give us that assurance; I do not think we desperately need to see the figures.

[225] **Mr Meaden:** As Nick says, on quite a crude basis and a very high-level basis, the analysis that we have carried out certainly shows us as being favourable when we make comparisons with others. What I think that we have tended to focus on is looking at more our own cost efficiency and our own efficiency figures where we have total reliability on those figures. I am concerned that there is a potential 'apples and pears' situation in making comparisons outside. As I said, we compare favourably, but we tend to focus our resources on

how we are performing internally and improving.

[226] **Ms Hudson:** Perhaps I could just add to that as well in terms of the code of conduct. Of course, that does not fall into—. Code of conduct complaints do not fall into the jurisdictions of other ombudsman schemes, necessarily. Obviously, the standards board for England disappeared, and there is a different arrangement in England. Northern Ireland is just about to acquire a similar remit to ours. So, there is not really a comparison with other ombudsman schemes in other parts of the UK.

[227] **Mike Hedges:** I always like coming to these meetings, as I learn things, because I knew that the standards board in England had been dissolved, but I assumed—you tell me that I am incorrect—that the ombudsman in England had actually picked that up.

[228] **Ms Hudson:** No.

[229] **Mike Hedges:** Who has picked it up, then?

[230] **Ms Hudson:** It sits with the various standards committees of the local authorities. There is no overall equivalent to the standards board or the ombudsman in terms of the code of conduct.

[231] **Jocelyn Davies:** Nick, shall we come to your questions?

[232] **Nick Ramsay:** Yes. I have the \$6 million question for you, Nick, in terms of the increased workflow following new legislation, which the annual report mentions—the Social Services and Well-being Act (Wales) 2014, for instance, and the added responsibility that you have. Are you getting enough money? Are sufficient additional resources provided when you get new demands, like the social services Act? From one hand do you get all of the money in the world that you need to fulfil these extra duties, or are you really not getting enough at all? I think that I probably know where you are going to pitch the answer to that.

[233] **Mr Bennett:** I cannot imagine. [*Laughter.*] I have to say that we were clearly grateful that we were able to model and predict what we thought the social care increases would be, based upon what happened in England. We received that funding, for which we were grateful. We thought that we needed two members of staff. We appointed one. It does take a period of time to really train people up. There was a delay in us using the resource that we received to appoint the second person because there was a delay in the jurisdiction being extended. I think that, originally, we thought that it would be April. It was actually 1 November—so, last Saturday. We have not appointed the second person yet, and we will wait to see what happens in terms of volumes. We are not going to soak up that public resource if it is not required. Do we require additional resources? There is always more that can be done. In terms of where we are in terms of our share of the block, we are taking up 0.03% of the Welsh block, and I think, certainly, that there has been a lag because, obviously, we come with our estimate based upon the prediction for the following financial year. However, of course, after the autumn statement, budget, and so on, there are changes within the block, which could have led to perhaps a 5% increase, according to our calculations from last year. Certainly, I think, given where we are in terms of overall public services, it is important that we demonstrate some leadership. If the order of the day is ‘more for less’, then I think we have to be able to demonstrate that we are doing that as well. This relates back to Mike’s previous question. We cannot give you a detailed picture in terms of how efficient we are compared to other jurisdictions, but we can in terms of our own competitiveness, when we were created 10 years ago. The average cost of a complaint or an enquiry in Wales now is 50% of the cost of what it was in real terms, and that is a precise calculation, not a crude one, is it not, Dave?

[234] **Mr Meaden:** Yes, it is a precise one.

[235] **Nick Ramsay:** How have you managed that?

[236] **Mr Bennett:** Well, business doubled and, I am afraid—*[Interruption.]* Yes. It was pressure of volume and then efficiency within that, which generated that efficiency.

[237] **Nick Ramsay:** So, to put the question that Mike asked in a slightly different way, which you have touched on, actually: over the next year or two years, given the anticipated costs that you think you are going to incur because of legislation coming down the line or whatever changes there might be, do you think that you will be getting the sort of resource that you would expect to get at a time of shrinking budgets across Wales?

[238] **Mr Bennett:** I would like to give the same undertaking that my predecessor gave, which is that, if we can have the surety, if you like, that, whatever happens to the Welsh block, as a proportion we will try to sustain that level, so that that gives us a certain level of certainty, there is honesty from me as accounting officer and accountable officer that, where we seek resources and where we require them, we will spend them, and we will spend public money wisely. Going back to the issue around social care and the resources that you provided us with, if we require them this year, we will spend them. If we do not, we will be returning that aspect of resource. However, if we see future trends where there is a spike in publicly commissioned social care, as has happened in England, then we might require additional resources. I will come back to you with that evidence. There will be no smoke and mirrors.

[239] Similarly—and I have had this conversation separately with the chair—there might be issues around efficiency. You will notice that, for example, there is a significant increase in our office costs. Why? That is because of archiving and other issues, which mean that our unit costs will actually decrease. I would rather be upfront and say, ‘We can achieve an efficiency there’, rather than come up with a new budget line that leads to an increase in the overall cost of running the office. So, we will try to be as upfront, I think, as we can be. However, again, I think there has to be an internal discipline for us, given what is happening with public services, so that we are not somehow detached from the reality of what is happening to all the organisations within our jurisdiction. In terms of legitimacy, for us to be coming to conclusions in terms of public service failure, with a jurisdiction that is under pressure saying, ‘It’s all right for them’, would lead, I think, over time, to erosion in terms of our legitimacy. So, I hope we have got it just about right and that we can continue on that basis.

[240] **Jocelyn Davies:** Peter is next.

[241] **Peter Black:** Since last year, you have directly employed clinical advisers, which has reduced the use of the arrangements with the office of the Parliamentary and Health Service Ombudsman. How has that led to improvements in service and a reduction in cost?

[242] **Mr Bennett:** Certainly, being less dependent on one external supplier has led to efficiencies. I think it is a 20% use of internal rather than what we term external. However, there is a limit in terms of the degree to which we can do that, because I think, certainly on the health side, the more complex or specialist the complaint, the smaller the pool of specialism within Wales. So, in terms of checks and balances, we have to go outside. However, again, in terms of those disciplines and in terms of ‘more for less’, where we can increase our use of internal rather than external, we would always seek to do that, without compromising the independence and the robustness of the service to the complainant.

[243] **Peter Black:** Do you anticipate employing additional specialists in this way?

[244] **Mr Bennett:** Given that it is demand led, we would always want to seek to contain costs, but certainly over the next three years, we anticipate that complaints and enquiries will

go up, therefore the use of specialists is likely to increase as well. The big issue, or perhaps the \$64,000 question, is whether the proportion of specialists will be the same—that is, to what extent we will be dealing with complex cases. It is encouraging, however, that we have been able to reach 20%.

[245] **Jocelyn Davies:** Chris is next.

[246] **Christine Chapman:** Nick, we touched on this earlier on when we talked about the possible new legislation with the Public Services Ombudsman (Wales) Act 2005, and I know that you are keen to look at whether we need to update that. What do you think the cost could be of implementing the legislation? I think that you touched on this, but I wonder whether you want to add some more about the actual cost of this if you—

[247] **Mr Bennett:** I do not anticipate any significant costs at this time for a number of reasons. First of all, in terms of private healthcare, we already deal with complaints there and, actually, the use of that care is limited. Where we would have to be careful there though is in terms of what type of private healthcare we are discussing. Complaints can emerge from other areas, including tattoo parlours and other aspects of private treatment. We have got to keep this very much around hospitals and what we think of as mainstream health-related treatment. I think that costs there would be containable, as they have been very containable so far in terms of the extension of jurisdiction on private social care and palliative care as well. As I said, I was really encouraged by the fact that, in England certainly, the ability to deal with verbal as well as written complaints actually brought no costs. It has brought an efficiency, and I think that it would bring a real efficiency to us. I will be calling this a win-win in terms of the Communities, Equality and Local Government Committee looking at that particular change.

[248] In terms of own-initiative powers, as I said earlier, that is an issue, unlike any of the other services we currently provide, that would not be demand-led. It would be supply-led in that, you know, we would have to be convinced that there was an issue. There is evidence in other jurisdictions that this has had to be used. The type of issues that have come up in the past include certain vulnerable groups, particularly in care scenarios where perhaps people are scared of making complaints themselves because they think that there will be consequences. Increasingly, particularly perhaps over the next 10 years—the current legislation is 10 years old—going back to the graph of doom, it is great that we are going to be living longer and that the proportion of people over 65 goes up by 30%, but, with it, it brings a whole level of complexity, including chronic conditions, some of which will be dementia and other things that will make it difficult for the service user to actually provide the complaint. So, I think that those powers would be really useful there.

[249] Other issues that have emerged that I have been informed about by other jurisdictions include rurality. People are scared of making complaints about public service providers where there is a monopoly and they know the sole provider. Again, it goes back to this issue of consequences. We could manage those costs, however, and we could plan those costs in a way in which we just simply cannot do when it comes to demand-led services. So, I am not overly concerned about the cost. I have sought some indication from Northern Ireland in terms of the provision that they have made, and once I have got some figures there I will be happy to share them with you.

[250] **Christine Chapman:** Okay. I know that we will probably touch on this when you come to the committee that I chair, but I just wonder whether you have any idea of the possible timetable for any change in this legislation if it, you know—

[251] **Mr Bennett:** I am keen for us to make progress in all those areas as soon as possible, particularly given the demographic challenges the whole of the Welsh public sector faces. So,

I am not precious about how we do this. I am not looking for a new ombudsman's Bill or Act. If we can simply amend existing legislation—if that is the most efficient way—great. So, I would be very grateful for your advice, actually, on that one. I think that you are in a much better position to advise me than I am to advise you in terms of the best course of legislative action. I would really favour efficiency over any other issues.

[252] **Christine Chapman:** Okay. Thank you.

[253] **Jocelyn Davies:** Do you take complaints from children?

[254] **Mr Bennett:** Sorry?

[255] **Jocelyn Davies:** Can children make a complaint to you?

[256] **Ms Hudson:** Yes.

[257] **Jocelyn Davies:** Yes, they can. So, the ability to deal with a complaint that is not in writing could be helpful when you are dealing with children's complaints especially.

[258] **Ms Hudson:** Absolutely. Under the Act, children can make a complaint; there is no restriction there. In practice, it generally does not happen. We tend to find, depending on the circumstance, of course, that the parents will make the complaint for the child, but the fact is that they can, yes.

[259] **Jocelyn Davies:** Peter, shall we come to your questions?

[260] **Peter Black:** Thanks. The estimate includes indicative figures through to 2017-18 for the repayment for local government's pension scheme deficit. Can you confirm that the deficit will be fully repaid by 2017-18?

12:00

[261] **Mr Bennett:** Dave, would you like to answer that?

[262] **Mr Meaden:** The latest figures from the actuary to the Cardiff scheme confirm that that should happen. There are no absolute guarantees that that would happen. However, based on what it calls a low-risk basis, the deficit should be fully funded. I also checked the latest position with the fund manager of Cardiff in September, and, again, he confirmed that, by 2018, the deficit should be fully paid. It has already fallen from £1.6 million to £700,000. So, the work that my predecessor did, together with Welsh Government finance on this, is the right trend. Dropping from £1.6 million and over halving that would suggest to me that, barring disasters, it should be fully funded by 2018. It is even possible for the deficit to be reduced before that, but the next review will be in 2016.

[263] **Peter Black:** So, that review could revise those figures.

[264] **Mr Meaden:** Yes, they are every three years. We can ask for one, if we want to, in between, but they are normally every three years.

[265] **Peter Black:** Okay, thank you.

[266] **Jocelyn Davies:** Mike, shall we finish with your question?

[267] **Mike Hedges:** Thank you, Chair. Your premises costs are showing an increase of roughly 14% to 15%. They are just shown as premises costs. You have said in the narrative

that there is no additional cost for rent, but there will be additional service charges. Are you able to explain where that extra £50,000 is coming from now, or could you send us a note identifying it?

[268] **Mr Bennett:** Yes, we can explain it now, if I hand over to Dave.

[269] **Mr Meaden:** There are additional service charges because of what we have been able to do with our existing landlord. To put it into context, our lease is up at the end of January 2015 of our existing building, and, as part of our negotiations with the existing landlord, we discussed some extra accommodation, particularly for archiving, and we were able to negotiate with them that we could get that for free, so there would be no additional charge for that, dropping our cost per square foot to a very low level. However, we are going to have to spend another, say, £20,000 or £25,000 on service charges for it, there are extra utilities, such as electricity, and if there are going to be extra premises, small premises insurance. All those things amount up to an additional charge.

[270] There is, equally, another complication in that, at the end of the 10 years, we no longer benefit from the initial rent-free period that we had when we took the premises over. We had the premises for, I am not sure whether it was 12 or 18 months rent free, but under accounting rules, we could not take that all upfront, and we had to spread that over the 10 years. So, our premises costs, on a resource basis, actually increased by £10,000 anyway. It is just an accounting treatment. In cash, it does not increase, but, in resource it does. So it would be a roughly £20,000 to £25,000 service charge, £5,000 to £7,000 on utilities, £2,000 or £3,000 on insurance, and £10,000 because of the inevitability of the rent-free period, but we may be able to still negotiate harder with our landlord. In fact, we have a meeting with them tomorrow, and we will attempt to drive the cost down even further.

[271] **Jocelyn Davies:** They might be watching you on the television right now. This is going to come as no shock to your landlord. *[Laughter.]*

[272] **Mike Hedges:** You say that it will be £25,000 for additional service charges. What do you get for those additional service charges?

[273] **Mr Meaden:** It is all maintenance costs and everything like that on the building.

[274] **Mike Hedges:** So, you are paying £25,000 extra for maintenance of the building.

[275] **Mr Meaden:** Maintenance of that side of the building, yes.

[276] **Mike Hedges:** Does that not sound rather a lot, or am I missing something?

[277] **Mr Meaden:** I do not want to go on to say the exact figures, because we are, commercially, trying to reduce them, but we have dropped our unit costs from x to y considerably, and our service charges are something like £50,000, £60,000 or £70,000 now, so it is just a proportionate increase in that. The alternative that we have got is to find new premises and the massive upheaval that that would bring about. Offsite storage would be £20,000 to £30,000 minimum, with all the inefficiencies that that would bring in. So, to pay £40,000 to almost bullet-proof us for the foreseeable future in terms of archive and additional space is, I think, a very low-cost option.

[278] **Jocelyn Davies:** I guess that, with the sort of documents that you were dealing with, because they are to do with disputes, they could be required in court cases later on, or they could be required for other purposes later on. You might have originals, for example. So, you really do need to archive these documents very carefully.

[279] **Mr Meaden:** That is right and, you know, we have talked about the growing health cases, and the medical files are huge.

[280] **Jocelyn Davies:** Yes, they are large. I can imagine.

[281] **Mr Bennett:** There is also information security. The fewer miles they travel in terms of confidential data, the better.

[282] **Jocelyn Davies:** Oh, yes. Well, we keep confidential information, and we have to be very careful as well, but it is nothing like the amount of information that you are keeping. Okay, are you happy there, Mike?

[283] **Mike Hedges:** Almost. Can I just throw one last point in? Surely, when you are negotiating with your landlord, the fact that you are talking about the opportunities of moving to alternative premises may well be of benefit. Otherwise, if you let your landlord know that you are going to be the sitting tenant, and that you are fitting to stay there, that gives the landlord more strength in the negotiations.

[284] **Mr Bennett:** Well, that point is taken, and, certainly, just in case the landlord is watching, we would consider a move very seriously if we do not receive value for the public purse.

[285] **Mike Hedges:** Thank you. I was hoping that you were going to say that. [*Laughter.*]

[286] **Jocelyn Davies:** You are not going to be taking anybody by surprise tomorrow, I can assure you. Okay, well, thank you very much for your attendance today. We will prepare a transcript and send it to you. If you could approve it and confirm its factual accuracy, we would be very grateful.

12:06

**Cynnig o dan Reol Sefydlog 17.42 i Benderfynu Gwahardd y Cyhoedd o'r
Cyfarfod**

**Motion under Standing Order 17.42 to resolve to Exclude the Public from the
Meeting**

[287] **Jocelyn Davies:** I now propose that we move into private session under Standing Order 17.42. I move that

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

[288] Are all Members happy with that? Okay, thank you.

*Derbyniwyd y cynnig.
Motion agreed.*

*Daeth rhan gyhoeddus y cyfarfod i ben am 12:06.
The public part of the meeting ended at 12:06.*