

Dame Gill Morgan DBE
Ysgrifennydd Parhaol • Permanent Secretary



Llywodraeth Cynulliad Cymru
Welsh Assembly Government

John Grimes
Clerk to the Finance Committee
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3rd May 2011

Dear John,

Thank you for forwarding a copy of the final report of the Finance Committee: "Inquiry into Welsh Assembly Government staff numbers and costs". The Chair's statement that the Welsh Assembly Government "needs to be supported by a civil service that is lean, equipped for the task and properly incentivised" eloquently summarises what I have been striving to achieve since I joined the Welsh Assembly Government. I believe that we are on our way to achieving this goal and the evidence provided to the Committee over the past 12 months has demonstrated the progress we are making.

My comments on the report's recommendations are below.

Recommendation 1. *That the Welsh Government must have clear efficiency objectives, along with effective mechanisms for measuring progress against them, before merging with any other organisations in the future.*

Mergers in Wales have taken place as a result of political decisions. We have always ensured that the process for integration was efficient and cost effective. If there are any mergers in the future my staff will, of course, advise Ministers about best practice. Research on mergers in both the public and the private sector indicates however, that efficiencies are often minimal and significant financial savings are rarely realised.

Recommendation 2. *That the Welsh Government ensure future early severance/retirement schemes are managed to ensure that reductions in staff do not impact on the ability of any one part of the organisation to carry out its functions effectively.*

It is impossible to mitigate fully the risk of business continuity when forced by budget cuts to make significant headcount reductions. Our approach has been to seek volunteers which means that we have no control over who applies. All we can do is to make decisions based on what will result in the minimum impact on the business. To further reduce the risk, a compulsory approach would be needed,



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as this leaves selection in the control of managers. This is not best practice however, and we do not intend to use a compulsory approach. Our 'Solutions' internal workforce unit is designed as a further mitigation to losing experienced staff by providing appropriately skilled and experienced staff to fill vacancies as, and when, they arise.

Recommendation 3. *That the future National Assembly for Wales committee with a remit for financial matters looks in more detail at how the voluntary early severance/retirement schemes are managed.*

Recommendation 4. *That the future National Assembly for Wales Committee with a remit for financial matters examines the Solutions recruitment approach in more detail.*

Recommendation 5. *That the future National Assembly for Wales committee with a remit for financial matters further investigates the Welsh Government's performance management and financial management systems and the links between them.*

I have taken Recommendations 3, 4 and 5 together. The Wales Audit Office (WAO) looks at these matters routinely and reports to the Public Accounts Committee. WAO reports are, of course, published and we work very closely with them on managerial issues. There needs to be clarity on these issues as currently there is a risk of duplication between the Public Accounts Committee and the Finance Committee.

Recommendation 6. *That the Welsh Government SCS Remuneration Committee invite the WAG Trade Union Side to participate in discussions around issues of SCS pay.*

The governance of the SCS Remuneration Committee was changed in 2008, and is chaired by one of the Welsh Assembly Government's Non Executive Directors to ensure that there is challenge and the performance assessment is robust. This format has now been followed by a number of Whitehall Departments. SCS pay is set at UK level and Trade Unions are involved at that level. We also involve the Trade Union Side on specific issues, for example they were part of reviewing applications from SCS members for the early severance scheme. I will consider this recommendation and discuss with the Trade Union Side, but I am uncomfortable with the concept that individual performance should be discussed widely and believe that the non executive challenge brings a necessary scrutiny.

Recommendation 7. *That the Welsh Government considers the implications of any transfer of functions from Westminster without additional resources and seeks appropriate funding.*

I agree with this recommendation and we have in place a series of concordats which would be used as the basis for negotiations on any further transfer of



functions. There may however, be occasions when Ministers may decide that the benefits of further devolution of functions outweighs the additional costs.

Yours sincerely



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