

Board Paper to note



Llywodraeth Cymru
Welsh Government

Minutes of the Board Meeting, 16 November 2018

Present:

Permanent Secretary (Chair)
Andrew Slade
Andrew Goodall
Tracey Burke
Des Clifford
Gillian Baranski
Gawain Evans
Peter Kennedy
David Richards
Jeff Godfrey
Natalie Pearson
Ann Keane
Ellen Donovan
Jeff Farrar
Gareth Lynn
Helena Bird

In attendance:

Piers Bisson
Jonathan Price
Clare Collett

Secretariat:

Charmain Watts

Apologies:

None

1. Welcome

The Permanent Secretary welcomed all to the meeting and informed the Board that three shadow board members who were shortlisted in the recent recruitment process had been invited to sit on the Board in rotation. The shadow board members will also sit on the People and Corporate Services Sub Committee and Finance Committee in rotation.

The new arrangements will start in the New Year and the first shadow board member will attend the Board meeting on 11 January 19.

2. European Union (EU) Transition (Brexit)

2.1 Piers Bisson, Director European Transition, attended to provide an update on work related to the UK's exit from the EU, with a specific focus on contingency preparations for a 'no deal' scenario.

2.2 Piers Bisson informed the Board that despite there being 6 months to go until the UK is due to leave the EU, there remains significant uncertainty around the outcome to the process, and in particular whether there will be a transition period at this point or whether the UK will crash out in a 'no deal' scenario.

2.3 The Board were updated on and discussed the following

- Welsh Government preparations, including engagement with UK Government
- UK Government technical notices
- Civil contingencies
- Communications; and
- Staff resourcing

2.4 Piers also provided an update on Legislation, which included a particular focus on the delivery plans for drafting and laying correcting statutory instruments required for EU exit under a 'no deal'.

3. Finance Report

3.1 Gawain Evans, Director Finance, presented the monthly finance report. The report covered the period 1 April 2018 to October 2018 (month 7). It included forecast outturn figures set against the 2018-19 budget, which for this, and future periods, is the First Supplementary Budget 2018-19 which was approved on 10 July 2018. The budget has also been adjusted for allocations from reserves made since then, which will be published in the Second Supplementary Budget 2018-19 later in the year

3.2 The Cabinet Secretary of Finance wishes to use up capital within the Wales reserve in order to hold additional revenue; the capital will be managed by negotiating a re-profiling of borrowing with HMT. Work is ongoing with groups to explore bringing forward work.

ACTION 1: GE to discuss with Strategic Budgeting the need for further sessions on Financial Transactions

3.3 Currently shortfall can be absorbed by the Wales reserve. However again, working on options with groups to offset further potential reductions. A meeting is being held with the Cabinet Secretary for Finance on Monday to discuss options.

4 Economic Update

4.1 Jonathan Price provided an Economic and Fiscal update, which covered the UK economic and fiscal context, future UK fiscal pressures, Welsh economic context and fiscal scenarios and implications for the future Welsh tax base.

4.2 A summary of the presentation can be found below:

- Brexit is adding to the UK's pre-existing economic and fiscal challenges.
- There is little scope for real public spending increases without some combination of faster growth and higher taxes.
- UK budget spent a tax windfall on NHS, this does not change the underlying fiscal challenges.
- Welsh short run economic performance is driven by UK factors
- Over medium term (since devolution), Wales has seen big improvement in relative employment rate but little progress on relative productivity/pay.
- Fiscal outlook for Welsh Government looks challenging under all scenarios.
- With tax devolution, relative performance of economy in Wales has fiscal implications.
- Slower prime age population growth poses a risk (but is amenable to policy, at least in part – albeit raising tough choices).
- Housing market trends may provide an early warning of continuing slow growth in Welsh prime age population.
- Trends in undergraduate numbers and graduate employment less concerning, but ongoing loss of graduates may present an opportunity?

5 Governance Statement – Assurance Mechanisms

5.1 **Clare Collett**, Audit Manager, attended to provided further information on governance arrangements and to assure the Board that continuing improvement and progress is being made. Clare Collett advised:

5.2 Following the 2017/18 Internal Audit review and base-lining of Welsh Government governance arrangements against public sector best practice, David Richards completed his review of the overarching governance arrangements early in 2018 and his recommendations are

now being rolled-out.

- 5.3 The Arms Length Bodies (ALB) Review concluded mid-way through 2017, making several recommendations to help the Welsh Government improve its engagement and governance relationships with its ALBs.
- 5.4 An implementation project has been established and the Implementation Manager for Public Bodies has now recruited to the newly established Public Bodies Unit (PBU). This Unit provides an enhanced capability to support sponsor teams with better guidance and advice on arms length body matters.
- 5.5 A new “target operating model” for grants management has been approved. The first key change will be the implementation of a single team to conduct the due diligence work which protects the Welsh Government from the risk of fraud through grant giving.

Decision-Making, (Including Pinewood Studios)

- 5.6 Impact assessments help the WG to meet the requirements of Ministers and of statutes passed by the Assembly and the UK Parliament. A newly introduced approach for Integrated Impact Assessment streamlines the assessment process and also supports a rounded assessment of the impact of a proposed action, including the social, economic, cultural and environmental effects.
- 5.7 Within ESNR, changes have been made to strengthen decision-making in respect of support for businesses. A common risk appetite and risk assessment model is being developed to support more consistent and systematic evaluation of funding bids received.

6 Corporate Risk register

- 6.1 The Board discussed the Corporate Risk Register and proposed a review take place on risk management to ensure the most effective mechanism was in place. The Board also agreed that a process map on how risks were managed/ escalated within sub committees, Executive Committee and the Board would be helpful. They asked that any terms of reference be amended to reflect this map.
- 6.2 The Non Executive Directors proposed that ‘Deep Dive’ sessions were held regularly at future Board meetings to explore the top risks of the Welsh Government.
- 6.3 The Permanent Secretary reiterated the importance of regularly reviewing the Corporate Risk Register to ensure it remains a live document.

ACTION 2: Review risk management and map the escalation process.

ACTION 3: ToR of the sub committees and Executive Committee to be amended to reflect the escalation map.

ACTION 4: Owners to review their risks and ensure they reflect the current situation.

ACTION 5: Highest Welsh Government risks not discussed to be included in future Board agendas for 'Deep Dive' discussions.

7. Sub Committee Reports:

7.1 Audit & Risk Assurance Committee (ARAC) - Update

- Ann Keane, Non-Executive Director and Chair of ARAC, advised the Board that a constructive meeting was held on 25 October at which the committee discussed the ISO 260 from the WAO on the Annual Report and Accounts and the session on the Accounts at the Public Accounts Committee. Plans for the preparation of the 2018-19 accounts were outlined. The Permanent Secretary thanked Gawain Evans for his work on the 2017/18 accounts.
- Plans to take more systematic approach to the reporting of assurances to the ARAC were also discussed in the context of tracking actions on IA, WAO, PAC and NAO reports.

7.2 Senior Civil Service (SCS) Remuneration Committee:

- Jeff Farrar provided an update on the September Remuneration Committee. A discussion took place around diversity and succession planning within the Welsh Government
- Jeff also advised that the Committee had discussed the SCS dashboard which examined issues such as age profiles, time in posts, representation from minority groups and vacancies and agreed it would be helpful to have a narrative about change over time.

7.3 Legislative Programme Board:

- David Richards, Director Governance updated the Board on the last Legislation Programme Board and progress on the Bills.
- David further advised that the new First Minister and Cabinet will be invited to review the Programme”

Actions arising at Board meeting, 16 November 2018

ACTION	LEAD OFFICER	LATEST POSITION
GE to discuss with Strategic Budgeting the need for further sessions on Financial Transactions	Gawain Evans	
Review risk management and map the escalation process.	Helen Morris/ Secretariat	
ToR of the sub committees and Executive Committee to be amended to reflect the escalation map.	Secretariat	
Owners to review their risks and ensure they reflect the current situation.	All Board Members	
Highest Welsh Government risks not discussed to be included in future Board agendas for 'Deep Dive' discussions.	Helen Morris/ Secretariat	

Outstanding Actions 2017-18

ACTION	LEAD OFFICER	LATEST POSITION
Location Strategy		
Location Strategy proposals to be updated and prepared for consideration by the incoming First Minister.	Paul Sullivan	In hand, work ongoing