

Alun Ffred Jones AM  
Chair, Environment and Sustainability Committee.

29 July 2014

Dear Ffred

Well-Being of Future Generations (Wales) Bill

At the Finance Committee meeting on 16 July the Committee considered the financial implications of this Bill. At this stage we have decided not to ask the Minister to attend Committee but we have written to him on a number of points. I attach a copy of this letter for your information.

Furthermore, there are a number of areas in the Bill which your committee may wish to consider with public sector stakeholders, namely:

**Costs to specified public bodies**

The EM states that the costs to public bodies in Wales of meeting the requirements of the Bill are intended to be met within existing resources for setting corporate objectives and reporting against them. The EM also explains that the Welsh Government commissioned research to establish the baseline costs for setting strategic objectives within organisations<sup>5</sup>. The EM details how PSBs will have increased costs of around £537,000 over the first five years of the Bill for attending meetings, publishing well-being assessments and additional scrutiny arrangements. *It would be useful to verify these figures with the specified public bodies to see if they think they are realistic and whether they may need to reprioritise away from frontline resources.*

Yours sincerely,



**Jocelyn Davies AM**  
Chair

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Jeff Cuthbert AM  
Minister for Communities and Tackling Poverty  
Welsh Government

29 July 2014

Dear Minister

**Well-Being of Future Generations (Wales) Bill**

At the Committee meeting on 16 July the Committee considered the financial implications of this Bill. The Members had a number of queries which we would appreciate your views on.

Attached at annex A is details of the areas we would like a response on. I am also sending a copy of this letter to Alun Ffred Jones AM Chair of the Environmental and Sustainability Committee.

Yours sincerely,

**Jocelyn Davies AM**  
**Chair**

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**Croesewir gohebiaeth yn y Gymraeg a'r Saesneg/We welcome correspondence in both English and Welsh**

## **Annex A**

### **Impact of the Williams Commission on Public Service Governance and Delivery**

The costs contained within the Bill on Public Service Boards are based on the current position of 22 local authorities and 19 Local Service Boards, and are split between local authorities and other specified public bodies. If the recommendations of the Commission on Public Service Governance and Delivery are taken forward and there are local authority mergers then consequently there would be fewer Public Service Boards and as the RIA acknowledges 'any costs would reduce accordingly'.

The Committee requests that you provide details as to newly merged local authorities would be required to produce new local well-being assessments and plans and establish new Scrutiny Committees, and if any assessment of potential savings has been made.

### **Costs to specified public bodies**

The EM states that the costs to public bodies in Wales of meeting the requirements of the Bill are intended to be met within existing resources for setting corporate objectives and reporting against them. The EM also explains that the Welsh Government commissioned research to establish the baseline costs for setting strategic objectives within organisations. The EM details how PSBs will have increased costs of around £537,000 over the first five years of the Bill for attending meetings, publishing well-being assessments and additional scrutiny arrangements.

The Committee would be grateful to receive details of any discussions undertaken with the specified public bodies to verify these figures to see if they think they are realistic and whether they think the costs may result in the need to reprioritise away from frontline resources.

### **Additional audit fees**

The EM explains that by law the AGW is required to charge fees for auditing the accounts of local government and other public bodies. Under the provisions in the Bill the AGW will be auditing the specified public bodies with sustainable development as one of their core principles. The EM states that it has not been possible to provide figures for the audit fees charged to each individual body that will be subject to the Bill duties.

The Committee requests that you provide details of additional costs that specified public bodies could be expected to pay to have their accounts audited.

### **PricewaterhouseCoopers (PWC) report**

Paragraph 327 of the EM indicates that PWC were commissioned to assess the administrative impact of the legislation on public bodies subject to the Bill, but – whilst identifying the need for cultural change within organisations, improved leadership and better partnership working – were unable to provide a quantified assessment of the costs involved. The EM explains that the organisations who participated in the PWC research:

(...) were not able to establish a baseline position in relation to their current cultures and behaviours and as a result PWC were unable to provide even a broad estimate of the likely costs associated with cultural change<sup>7</sup>.

The PWC report concludes that the benefits of the Bill significantly outweigh the negative administrative impacts associated with implementation.

The Committee would be grateful if you could provide estimates of the cost of implementing cultural changes in specified public authorities.

Carl Sargeant AC / AM  
Y Gweinidog Cyfoeth Naturiol  
Minister for Natural Resources



Llywodraeth Cymru  
Welsh Government

Eich cyf/Your ref:  
Ein cyf/Our ref: LF CS 0929 14  
Jocelyn Davies AM  
Chair  
Finance Committee  
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17<sup>th</sup> September 2014

**Well-being of Future Generations (Wales) Bill**

Thank you for your letter of 6 June 2014 to the then Minister for Communities and Tackling Poverty, regarding the costs associated with the Well-being of Future Generations (Wales) Bill.

The attached annex provides the information that you have requested. I trust that this is helpful and responds to the Committee's specific questions.

**Carl Sargeant AC / AM**  
Y Gweinidog Cyfoeth Naturiol  
Minister for Natural Resources

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## Annex A

### Impact of the Williams Commission on Public Service Governance and Delivery

The Finance Committee requested that I “provide details as to whether merged local authorities would be required to produce new local well-being assessments and plans and establish new Scrutiny Committees, and if any assessment of potential savings has been made.”

The planning cycle for the production of assessments of local well-being and local well-being plans will be linked to the electoral cycle. The Bill set out that each Public Services Board must publish its first local well-being plan no later than one year after an ordinary election under section 26 of the Local Government Act 1972. An assessment of local well-being is to be undertaken and published a year before this (effectively at the same time as the elections).

At present, the timetable for potential mergers and subsequent elections has not been finalised, although the likely key milestones are set out in the *Reforming Local Government* White Paper and are used below for illustration. We would expect assessments of local well-being and local well-being plans to be produced, triggered by the elections as per the planning cycle set out in the Bill, including in areas where local authorities merge. For example, those local authorities unchanged by the *Reforming Local Government* White Paper and undertaking the elections in 2017 would be expected to publish their assessment of local well-being in April 2017 and to have produced their local well-being plan by the end of April 2018.

The Bill leaves it to the discretion of the local authority as to which overview and scrutiny committee, if there is more than one, it designates for the purpose of reviewing and scrutinising the Public Services Board. Therefore a “new” committee may not be required.

The Regulatory Impact Assessment (RIA) sets out the costs associated with preparing and updating local assessments of well-being, preparing local well-being plans, and scrutiny under “Option 2: Legislate to reform integrated community planning”. The standard approach to developing an RIA is to reflect confirmed policy changes only and, since the revised local authority structure has not yet been finalised, the RIA for the Bill is based on the ‘status quo’ of 19 Local Service Boards currently producing 21 needs assessments and plans.

An illustrative assessment of potential savings has been based on the proposals for strategic mergers set out in *Devolution, Democracy and Delivery: Improving public services for people in Wales*, which sets out a preference for “Option 1” of 12 local authorities.

Using the estimated costs set out in the RIA, the potential savings from the reduced number of Public Services Boards (PSBs) producing a reduced number of assessments and plans could be up to a maximum of £496,800 compared to the status quo.

However, this would be on the assumption that the PSB does this work within the costs estimated in the RIA for an individual PSB. It is likely that the larger local authority areas created by the mergers will require additional resources to produce both assessments and plans and therefore the savings could be less than this. If we estimate that efficiency savings will mean that a new, larger PSB will at most incur 75% of the combined costs of the two PSBs operating prior to merger, then the savings would be in the region of £248,400.

Scrutiny arrangements would result in a saving of approximately up to £90,000 per annum.

	"Status quo" (21 assessments and plans produced)	Reduced number of PSBs (12 assessments and plans produced)	Max saving (if new, merged, PSB operates at costs estimate for a <i>single</i> PSB in RIA)	Min saving (if merged PSB incurs 75% of the combined costs of <i>two</i> PSBs)
Assessment of wellbeing (Estimated in RIA at £26,800 per PSB)	£562,800	£321,600	£241,200	£120,600
Local well- being plans (Estimated in RIA at £28,400 per PSB)	£596,400	£340,800	£255,600	£127,800
Scrutiny (Estimated in RIA at £9,000 per PSB)	(22) £198,000	(12) £108,000	(pa) £90,000	(pa) £90,000

*These calculations are based on the assumption the current joint arrangements for LSBs would have been carried forward as the status quo, i.e. with 19 LSBs in operation, but with only Gwynedd and Anglesey producing joint assessments and plans.*

*It is assumed that even where there are joint LSBs the work of the LSBs is currently scrutinised in each local authority area.*

### **Costs to specified public bodies**

Under this heading you requested that I provide "details of any discussions undertaken with the specified public bodies to verify these figures to see if they think they are realistic and whether they think the costs may result in the need to reprioritise away from frontline resources".

It is important to emphasise that the Bill will impact on the way that specified public bodies set their well-being objectives, and the nature of those well-being objectives. It will impact also on how they go about achieving those well-being objectives and how they allocate their resources. In this way, the Bill will influence the way in which an organisation as a whole works. Most importantly, the sustainable development principle will not be an “add-on” but will be fundamental to what organisations aim to achieve and the way in which they operate.

All the organisations captured by the provisions of the Bill already have the mechanisms in place to meet the duties in the Bill, including publishing their corporate objectives and reporting annually on their actions, therefore there are no additional costs anticipated as a result of the legislation.

The development of the Regulatory Impact Assessment was informed by discussions during seven engagement events run by PwC with an agreed selection of stakeholders looking at the potential administrative impact of the Bill. These were:

City and Council of Swansea  
Natural Resources Wales  
Powys County Council  
Abertawe Bro Morgannwg University Health Board  
Vale of Glamorgan Council  
Cardiff Council  
Welsh Government

Given time constraints, it was not possible to test the finalised figures with the bodies before the scrutiny process began. However, we continue to work with the Welsh Local Government Association and thirteen public bodies as part of our work to encourage early adoption of the Bill's provisions.

### **Additional Audit fees**

Under this heading you requested details of additional costs that specified public bodies could be expected to pay to have their accounts audited.

It is the Wales Audit Office (WAO) that must set a scheme relating to the charging of fees for public bodies to have their accounts audited and so the WAO will be better placed to provide the information that you have requested. The level of those fees is set by the WAO, subject to consultation with certain consultees, and the scheme takes effect after approval of the National Assembly for Wales. It is a fundamental principle in recognition of the independence of the Auditor General for Wales (AGW) and WAO that the Welsh Government does not prescribe how the AGW undertakes his duties or the fees relating to audit.

However, you may wish to note that, as the AGW sets out in his most recent Code of Audit Practice, he has adopted the principle that “*audit work must be undertaken with regard to sustainable development as a central organising principle for integrated decision making and reporting by audited bodies*” within the five principles that underpin the audit work of the AGW.



In his most recent Annual Report, the AGW has confirmed that he is seeking to “report more comprehensively on sustainable development, on equality and on the use of the Welsh language”.

### **PricewaterhouseCoopers report/ Costs of cultural change**

Under this heading you requested estimates of the cost of implementing cultural changes in specified public authorities. I would echo the words in the PwC report that say that “the Williams Commission recommendations and the provisions of the Bill present a unique opportunity to legislate for change in sustainable development behaviours and introduce a delivery vehicle that will enable these behaviours to be more effectively discharged... The Future Generations Bill could have the gravitas and support to trigger the level of change highlighted by the Williams Commission, recognising that although many organisations’ self-assessment was that they had the ability to change their own behaviour, it may require legislation to accelerate the speed and scale.”

It is very difficult to put a cost to changing behaviour and culture particularly as the drivers are often numerous and cannot work independently of one another. The drivers include the signal sent by the legislative duties in the Bill, the example set and messages cascaded by leaders in the public service (Government Ministers, Assembly Members and Chief Executives), formal leadership training programmes and the role of the Future Generations Commissioner for Wales in providing advice, support and challenge.

With regard to the leadership, I agree with the PwC report where it states: “The role of leadership is equally important across executive and political structures. From a risk perspective, organisational culture, whilst complex, is not necessarily costly to change providing that the desire, direction and leadership are clear”.

Alongside the Bill, the Welsh Government has published a delivery agenda for reforming public services in “*Devolution, Democracy, Delivery – Improving public services for people in Wales*” this sets out our vision and describes complementary actions we will be taking to improve the governance and delivery of public service in Wales.

With regard to training and the facilitation of change, it will be for Academi Wales and the Future Generations Commissioner for Wales to ensure that our leaders, both current and future, fully understand the sustainable development principle that the Bill provides for. For example, this will mean in some cases re-purposing our existing leadership programmes to embed the governance approaches set out in the Bill to reflect the fact that they are integral to achieving the objectives set by the public service. The resources allocated for this will be set out as part of the wider service reform programme.

The Bill also gives the Commissioner the power to make recommendations to a public body on how steps can be taken to achieve well-being objectives in a manner that is consistent with the sustainable development principle. The costs of this have been accounted for in the Regulatory Impact Assessment (pages 99 – 103).

