



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

**Y Pwyllgor Cyllid
The Finance Committee**

**Dydd Mercher, 6 Mawrth 2013
Wednesday, 6 March 2013**

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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)
Paul Davies	Ceidwadwyr Cymreig Welsh Conservatives
Mike Hedges	Llafur Labour
Ann Jones	Llafur Labour
Ieuan Wyn Jones	Plaid Cymru The Party of Wales
Julie Morgan	Llafur Labour

Eraill yn bresennol
Others in attendance

Lesley Griffiths	Aelod Cynulliad, Llafur (y Gweinidog Iechyd a Gwasanaethau Cymdeithasol) Assembly Member, Labour (Minister for Health and Social Services)
Edwina Hart	Aelod Cynulliad, Llafur (y Gweinidog Busnes, Menter, Technoleg a Gwyddoniaeth) Assembly Member, Labour (Minister for Business, Enterprise, Technology and Science)
Tim Howard	Pennaeth Eiddo, Busnes, Menter, Technoleg a Gwyddoniaeth Head of Property, Business, Enterprise, Technology and Science
Mark Osland	Diprwy Gyfarwyddwr Cyllid, yr Adran Iechyd, Gwasanaethau Cymdeithasol a Phlant Deputy Director of Finance, Department for Health, Social Services and Children
James Price	Cyfarwyddwr Cyffredinol, Busnes, Menter, Technoleg a Gwyddoniaeth Director General, Business, Enterprise, Technology and Science
Chris Sutton	Aelod o Fwrdd Ardal Fenter Canol Caerdydd ac Aelod o'r Grŵp Gorchwyl a Gorffen Adolygu Ardrethi Busnes Board Member of the Cardiff Central Enterprise Zone and Member of the Business Rates Task and Finish Group
Val Whiting	Pennaeth Cyfalaf, Ystadau a Chyfleusterau, yr Adran Iechyd, Gwasanaethau Cymdeithasol a Phlant Head of Capital, Estates and Facilities, Department for Health, Social Services and Children

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

Dan Collier	Dirprwy Glerc Deputy Clerk
Martin Jennings	Y Gwasanaeth Ymchwil Research Service
Gareth Price	Clerc Clerk

*Dechreuodd y cyfarfod am 9.30 a.m.
The meeting began at 9.30 a.m.*

Cyflwyniad, Ymddiheuriadau a Dirprwyon Introduction, Apologies and Substitutions

[1] **Jocelyn Davies:** Welcome to this meeting of the Assembly's Finance Committee. I remind you to turn off your mobile phones and any other electronic equipment. We are not expecting a fire drill, so if you hear the alarm, please take directions from the ushers. We have received no apologies and are expecting Ann Jones to arrive shortly.

Cynnig o dan Reol Sefydlog Rhif 17.42 i Benderfynu Gwahardd y Cyhoedd o'r Cyfarfod Motion under Standing Order No. 17.42 to Resolve to Exclude the Public from the Meeting

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

the committee resolves to exclude the public from the meeting for agenda items 3, 4 and 8 in accordance with Standing Order No. 17.42(vi).

[3] I see that Members are content. Thank you.

*Derbyniwyd y cynnig.
Motion agreed.*

*Daeth rhan gyhoeddus y cyfarfod i ben am 9.31 a.m.
The public part of the meeting ended at 9.31 a.m.*

*Ailymgynullodd y pwyllgor yn gyhoeddus am 10.30 a.m.
The committee reconvened in public at 10.30 a.m.*

Rheoli Asedau—Tystiolaeth gan Lywodraeth Cymru Asset Management—Evidence from the Welsh Government

[4] **Jocelyn Davies:** Welcome back to this meeting of the Finance Committee. We will move on to the next item on the agenda, which is our inquiry into asset management in the public sector across Wales. We are very grateful that the Minister for Health and Social Services, Lesley Griffiths, is able to be with us this morning to give us evidence for our inquiry. Minister, would you like to introduce yourself and your officials for the benefit of the record?

[5] **The Minister for Health and Social Services (Lesley Griffiths):** Thank you, Chair. On my right is Mark Osland and on my left is Val Whiting—I am sorry, I do not know your title.

[6] **Ms Whiting:** I am the head of capital, estates and facilities within the health

department.

[7] **Mr Osland:** I am the deputy finance director for health.

[8] **Jocelyn Davies:** We will go straight to the first question, Minister, if that is okay with you. In your paper, you state that following the development of service change plans, NHS bodies will be required to re-evaluate and reassign their estate strategies to fit into the refocused framework. We also heard that from the shared service partnership. This suggests that the estate strategies will be adjusted to fit the planned changes rather than informing the decision-making process leading to the changes. Can you clarify that?

[9] **Lesley Griffiths:** Yes. NHS bodies have to take full account of their existing asset base as they go forward. You will have heard me say many times that what we need are excellent services, and it is about the services, not the buildings, but of course the buildings play a huge part in ensuring that we provide services fit for the twenty-first century right across Wales. So, they have to have a look at their detailed property and estate proposals and make sure that they fit in with reconfiguration. Obviously, our overarching strategy, 'Together for Health', sets a very clear direction for effective asset management. It is based around the service modernisation that I want to see; it focuses on the community, primary care and specialist centres of excellence. I have always said that asset management is a key enabler; I think that I say that in the evidence paper, and I firmly believe that. They have to look at making sure that, as they come forward with their service reconfiguration plans, they have the estate and the assets to support that.

[10] **Jocelyn Davies:** At what point in the process do you expect them to take into consideration their existing asset base?

[11] **Lesley Griffiths:** I will have expected them to do it as they have gone through forming their plans.

[12] **Jocelyn Davies:** Right. In your paper, you state that the new estate strategies will be integrated with service workforce, quality and IT plans. However, there is no reference there to integration with financial planning in capital or revenue terms. Was that deliberate?

[13] **Lesley Griffiths:** The focus going forward has to be on integrated planning and it has to fit in, not just with financial plans, but with workforce, IT and estate plans; they all have to come together to enable them to demonstrate how they are going to provide those safe, sustainable and high-quality services that I have talked about. It is essential that all strategies, including the estate strategy, fit in with financial plans. They must make sure that they are very focused and very targeted and that they clearly demonstrate, not just the affordability of the plans, but also the sustainability of their plans.

[14] **Jocelyn Davies:** So, it is a given that financial planning is included, even though there is no reference to it.

[15] **Lesley Griffiths:** Oh, yes; absolutely.

[16] **Jocelyn Davies:** I see. I will turn now to the reviewing of the capital programme. Again, in your paper, you state that £247 million capital is being invested in the financial year 2012-13, but the second supplementary budget for 2012-13 detailed a reduction in the capital budget, showing a total availability of £216 million as a result of capital to revenue transfers. How does this reduction impact on the capital programme for this financial year?

[17] **Lesley Griffiths:** Did you say £216 million?

- [18] **Jocelyn Davies:** Yes.
- [19] **Lesley Griffiths:** That is actually £227 million.
- [20] **Jocelyn Davies:** £227 million.
- [21] **Lesley Griffiths:** Yes, it went from £247 million to £227 million. I am looking at Mark; I am right, am I not?
- [22] **Mr Osland:** Yes.
- [23] **Jocelyn Davies:** Minister, just earlier this morning you told me that maths was not your strong point. [*Laughter.*] Obviously, it is better than mine. Well, okay, there is still a substantial reduction. Perhaps you would like to explain how that reduction, even if it is £20 million rather than more, impacts on the capital programme for this financial year? Was it a result of underspends, or was it a failure of some capital projects to materialise?
- [24] **Lesley Griffiths:** It was several things. As you can imagine, it is a complex capital programme. We have over 100 schemes at various levels of development. So, it is obvious that there will be some movement. We had a detailed review of the capital programme last autumn, which showed some slippage and underspend. Some schemes took longer to go through the outline business case and the approval stages. Some were not progressing as fast as we wanted them to. So, I transferred £35 million from capital to revenue; it was the £20 million that I referred to. Also, we got funding for Flying Start, which is a programme for government commitment. So, I took the decision to transfer £35 million from capital to revenue. We are working with NHS bodies to re-profile their future capital commitments at present. I do not know whether Val would like to say any more about that.
- [25] **Ms Whiting:** While we identified the ability to undertake a £35 million capital to revenue transfer, in the same period we were able to accelerate some of our main schemes. For example, in the Ysbyty Glan Clwyd refurbishment scheme in Betsi Cadwaladr University Local Health Board, we were able to bring forward about £3.6 million-worth of works from next year into this, for the new accident and emergency department and boiler equipment, thereby creating some headroom next year. So, as the Minister has said, there is a variety of factors at play here, and we have tried to be as flexible as we can, in terms of how we allocate the money and how we get the best benefits out of it.
- [26] **Lesley Griffiths:** I should say, Chair, that the investment has not slowed down: I have approved 19 schemes over the past year. I think that it is just under £147 million of investment.
- [27] **Jocelyn Davies:** What made up that £35 million? You were correcting me on my maths earlier, but I am not sure that yours adds up entirely. There was £247 million, a transfer of £35 million, and the budget expenditure line clearly shows £216 million. So, are we talking about different figures? What makes up the £35 million?
- [28] **Ms Whiting:** On the figure of £35 million, there are a number of discrete schemes, and we can provide you with details of those schemes, if that would be helpful. As well as that £35 million, there were other movements within the health budget. We had new money, for example, through the second supplementary budget: we had money for the health technology fund and Flying Start, and a small amount of money for invest-to-save. So, there were movements in and out. What we are picking up is the net position, overall, rather than the total movement.
- [29] **Jocelyn Davies:** Could you give us a note on how the BEL shows the figure of £216

million that I mentioned?

[30] **Lesley Griffiths:** Yes, and there is a list of the capital projects, which is four pages long.

[31] **Jocelyn Davies:** I know that we have said that it can be complex to follow the money, but a note on that to clarify the situation would be helpful. It could be, Minister, that we are both right.

[32] **Lesley Griffiths:** I am sure that we both are, Chair. *[Laughter.]*

[33] **Ieuan Wyn Jones:** Byddaf yn gofyn fy nghwestiynau yn Gymraeg, felly bydd angen yr offer cyfieithu arnoch. Yn eich tystiolaeth i ni rydych chi'n dweud, o safbwynt buddsoddiad gan eich adran a'ch Llywodraeth, fod gennych dros 100 o gynlluniau sydd wedi cyrraedd gwahanol gamau yn y broses, a dros fywyd y Llywodraeth hon byddwch yn gwario dros £1.4 biliwn o arian cyfalaf. Rydych chi hefyd wedi dweud, mewn llythyr at y Pwyllgor Iechyd a Gofal Cymdeithasol, y byddwch yn adolygu eich cynlluniau yn sgîl y newidiadau y mae'r byrddau iechyd yn eu gwneud ar hyn o bryd. Beth, felly, fydd yn digwydd i'r cynlluniau sydd ar y gweill ar hyn o bryd? A fydd y rheini yn cael eu heffeithio?

Ieuan Wyn Jones: I will be asking my questions in Welsh, so you will need the headsets. In your evidence to us, you say that from the perspective of investment by your department and by the Government, you have more than 100 schemes that have reached different steps in the process, and that over the life of this Government you will be spending more than £1.4 billion of capital funds. Also, in a letter to the Health and Social Care Committee, you have said that you will be reviewing your plans in the wake of the changes that the health boards are making at present. What, therefore, will happen to those plans that you have in the offing at present? Will they be affected?

[34] **Lesley Griffiths:** We are having a review, as you referred to, and that work is ongoing. Officials are working closely with NHS bodies. We have had plans brought forward from Betsi Cadwaladr University Local Health Board and Hywel Dda Local Health Board, and from Powys to some extent. We cannot pre-empt the south Wales plans. However, I have said all along that the health boards' proposals for service reconfiguration and what they wanted to do with their assets had to fit in, so we are looking closely at that. It is very important that they focus and target those plans in relation to their assets and buildings. We are now in a position to work with health boards to identify and consider their priorities for strategic investment; that work is ongoing.

[35] **Ieuan Wyn Jones:** Yr awgrym yw, felly, efallai na fydd rhai o'r cynlluniau sydd ar y gweill ar hyn o bryd yn mynd ymlaen, ac, o bosib, fydd rhai newydd yn sgîl yr adolygiad rydych yn ei wneud.

Ieuan Wyn Jones: The suggestion is, therefore, that maybe some of the plans that are in the offing at present will not go ahead, and, possibly, there will be new ones in the wake of the review that you are doing.

[36] **Lesley Griffiths:** We will just have to look very closely at it. However, I expect a great deal of work to have been done before they came forward with their proposals to ensure that they fit in together.

[37] **Ieuan Wyn Jones:** O ran y strategaethau ar gyfer yr ystadau sy'n cael eu hailwerthuso yn sgîl y cynlluniau i newid y gwasanaeth, a fyddwch chi'n gwneud adolygiad, efo'r byrddau iechyd, o'r rhaglen gyfalaf pan fydd y strategaethau newydd

Ieuan Wyn Jones: In terms of the strategies for the estates that are being re-evaluated in the wake of the service change plans, will you be reviewing the capital programme, with the health boards, when those new strategies will be in place, or will that review

hynny yn eu lle, neu a fydd yr adolygiad happen before those strategies are agreed?
 hwnnw'n digwydd cyn i'r strategaethau
 hynny gael eu cytuno?

[38] **Lesley Griffiths:** The review has commenced and I do not think that it would be sensible to pause any of our capital processes at present. The initial focus will be on considering the capital requirement where the consultation outcomes are known. We cannot pre-empt south Wales, but we know more about Betsi Cadwaladr and Hywel Dda health boards. Officials are, and have been, working very closely with them as we go through this process.

[39] **Ieuan Wyn Jones:** A ydych yn gyfforddus, felly, y bydd yr arian cyfalaf yr ydych chi wedi'i neilltuo ar gyfer yr adran dros gyfnod y Llywodraeth hon yn ddigonol ar gyfer unrhyw gynlluniau y bydd y byrddau ieched yn eu cyflwyno? **Ieuan Wyn Jones:** Are you comfortable, therefore, that the capital funds that you have set aside for the department over the period of this Government will be sufficient for any plans that the health boards will bring forward?

[40] **Lesley Griffiths:** Yes, but we will have to make sure that they are sufficient. I will be meeting with the Minister for Finance tomorrow; it is something that we discuss very frequently. Officials are discussing it too. Mark, would you like to add to that?

[41] **Mr Osland:** It is true to say that the capital budget, just like any other budget in the Welsh Government, is under pressure, and we need to ensure that when we spend our capital moneys, we target it and prioritise it in the right way. That is driven by the future vision for health that we have in 'Together for Health'. So, targeting and prioritisation are really important, but we have to deliver within our means. We believe that, with the forward capital budget that we have, we can do that by prioritising and changing the emphasis on some of those schemes. If we consider, as the Minister has already said, there are over 100 schemes in various stages of development—some are through the approval process, some have been identified, some have come forward for approval and some are on site—those that are not on site at the moment are there for us to reprioritise and reconsider in the light of the service change plans. That is exactly what we intend to do when the consultation processes have finished and we have more robust plans in place to take forward, but it has to be informed by that process.

[42] **Lesley Griffiths:** To reassure Members, there is a certain amount of flexibility within the scheme to make sure that that can happen.

[43] **Mr Osland:** That is what I was trying to convey: the flexibility is in there for us to do that.

[44] **Christine Chapman:** I want to ask you some questions on collaboration in terms of asset management. Your paper provides examples of where assets are shared via collaborative arrangements across public sector bodies in the provision of primary and community care. In fact—I know that you mention it in the paper—I visited the Keir Hardie Health Park and was very impressed with the work that was going on there. The shared services partnership recognises such arrangements and stated that the incentive for these had to come from the health bodies themselves. What does your department do to actively promote and encourage such arrangements?

10.45 a.m.

[45] **Lesley Griffiths:** We do a great deal of work on this to encourage and promote collaboration. It is so important; not just in the NHS, but across the public sector. You

mentioned the Keir Hardie Health Park, which I opened last month. How fantastic would it be if we could have one of those in every area in Wales? It was excellent to see the NHS, social services and all the voluntary organisations working together. Obviously, all parts of the public sector have a part to play in it. There are other examples: there is a fantastic facility in Neath Port Talbot, where, again, you have those shared services. While asset management is for individual organisations, I expect them—and we have strategies and guidance in place—to ensure that these organisations get together to ensure that the buildings are used as effectively and efficiently as possible.

[46] **Christine Chapman:** Most of these examples are focused on primary or community care. Are there other areas in the NHS that you think may benefit from shared arrangements? I am thinking of things such as back-office functions, for example. Are you doing anything to drive forwards such arrangements?

[47] **Lesley Griffiths:** Yes, we certainly are. You are right that the two examples that I gave you, Keir Hardie and Neath Port Talbot, are very much primary and community care. We want to see more shared services at a variety of levels, not just in terms of buildings, but with things such as ICT. It infuriates me when I see different organisations going different ways. When we can have all-Wales work, we know that it is much more efficient and often it is more effective, so it is really important that we encourage collaboration, not just in the NHS, as I say, but right across the public sector. We provide guidance to organisations to ensure that that level of collaboration goes ahead.

[48] **Christine Chapman:** When I visited the Keir Hardie Health Park, I could tell that the individuals concerned were really enthusiastic. So, that was obviously a driver. However, I am concerned about examples where there may not be such enthusiasm. How would you help to drive that for those people who may not be particularly enthusiastic? It is about trying to get that sort of systemic change, really.

[49] **Lesley Griffiths:** You are right. Again, it is easier to do it when you have a nice, brand-new, shiny building. It is much easier to get people into that facility and have a level of collaboration rather than just fitting people in. As I say, we give out guidance. Officials work with the NHS. We now have the national assets working group, which is a Welsh Government group, of which there are several members. Val is a member of the group and there are representatives from seven out of the 10 NHS organisations—I think that that is the number at the moment—but I am encouraging every trust and health board to have a representative on that group to drive this agenda forward.

[50] **Christine Chapman:** Will you be monitoring that carefully?

[51] **Lesley Griffiths:** Yes, we monitor it. Val is a member of it, so perhaps she would like to say more about the group.

[52] **Ms Whiting:** The NHS participation has been quite significant. With regard to a number of key projects, such as the development of the e-PIMS database, the electronic property information mapping system database, which I am sure that you have evidence on before—I heard that there was an offer of a demonstration, but I do not know whether it was taken up—the NHS is very good. It is very good at using the e-PIMS database, for example. All of its land and property transactions are on it, and it uses it as a working database. It is not just there to store information that others can look at. Shared services actively use it to look at things such as leases, disposals and acquisitions. With regard to other work that the group is undertaking, there is a project on fleet management, which the Welsh Ambulance Services NHS Trust is participating in. There is also work under way on property management systems and whether there is an approach that could be adopted across the public sector that would give us consistent performance information. The NHS is actively participating, with our

support, in all of those initiatives.

[53] **Jocelyn Davies:** I know that Paul has a supplementary question on this.

[54] **Paul Davies:** On this working group, you mentioned that seven out of the 10 NHS bodies in Wales are on it. Is there any particular reason why not all 10 are involved in this?

[55] **Lesley Griffiths:** No, it is just early days. It could be eight by now, but certainly up until now it was seven.

[56] **Ms Whiting:** Seven out of 10 refers to a sub-group of the national assets working group, which is looking at the asset management system, but there are two members on the main group. That is fixed, because it would not be appropriate to have all 10 around the table. However, with regard to the sub-group's work, we actively encourage all organisations to join in.

[57] **Lesley Griffiths:** Service reconfiguration has made the health boards focus on collaboration much more. If you look at the south Wales plan, for instance, the four health boards have had to consider their property and assets as they have formed the plan. So, I think we have moved to a different level of collaboration for the first time.

[58] **Jocelyn Davies:** Following on from Chris Chapman's questions, there were two examples there, which were Keir Hardie and Neath Port Talbot, and you said that you give guidance. However, Chris asked how you are actively promoting this sort of collaboration. Can you tell us how the Neath Port Talbot and Keir Hardie projects started? Can you give us an idea of what the catalyst was that allowed that collaboration to happen?

[59] **Ms Whiting:** The catalyst came from the organisations themselves. You asked about what we do when there is no enthusiasm, but, to date, people are very actively pursuing this. We have a number of projects going through in the future—Cylch Caron is one of them, in Tregaron—where the local service board and all relevant parties are chomping at the bit to get going. So, there is enthusiasm.

[60] **Jocelyn Davies:** Those are three examples that you have given us. I know that Wales is not a big country, but it is bigger than three examples. Even though the examples that you have given us are very good ones, it does not appear to me that it is widespread and that projects are happening across Wales. Is that because it has not happened from the organisations themselves? What can you, as the Government, add in encouraging and actively promoting it rather than waiting for organisations to take up opportunities—maybe they will chose not to—in order to have better management of the country's available assets?

[61] **Ms Whiting:** We engage with organisations that are at the very early stage of the development of the scheme. So, often, that is when the scheme is just an idea and there may not be a fixed solution as to how it is delivered. We have various mechanisms in the Welsh Government. So, as well as the national assets working group, we have other official groups, such as the Wales infrastructure investment group, which I am also a member of, and there is a strategic capital group, which we are members of, where we can have those conversations at project-specific level so we can drive that from the Welsh Government.

[62] **Jocelyn Davies:** So, I should imagine that there is a quite long time between people thinking about whether they should collaborate and opening a project and the Minister being able to go along to a new building. How many months or years do you think that it takes from the ideas about collaborating, to getting everybody together, to working through to secure the property or whatever?

[63] **Ms Whiting:** It can vary. Depending on the partners involved, you may have different financial and legal constraints, and those issues need to be worked through. It is usually a period of months, but it can take longer. It is very difficult to generalise.

[64] **Jocelyn Davies:** So, we are talking months rather than years, are we?

[65] **Ms Whiting:** It is very difficult to generalise, because it would depend on the partners involved and the specific nature of the proposal.

[66] **Jocelyn Davies:** Perhaps we could have a note on the projects that are in the pipeline that were mentioned just for us to have a feel of the spread and so on.

[67] **Lesley Griffiths:** Of course, Chair. It is also about organisations seeing the benefits. I remember visiting a primary care centre in Mold, and half of it was empty. It was just the general practitioners who worked there, and they had set aside rooms for chiropody, podiatry and dental work, and it was about encouraging partners to come in. It is about making sure that organisations see the benefits of collaboration and sharing buildings. That, again, was a brand new building, but it is about ensuring that older buildings are used in that way as well.

[68] **Jocelyn Davies:** Minister, you feel, certainly from the answers that you have given us, that the focus on reconfiguration of services is really now making NHS bodies have a clearer focus on the actual buildings and assets that they own.

[69] **Lesley Griffiths:** Yes. As I said, we have seen a level of engagement and consultation that we have not seen before, and it has really focused their minds on it.

[70] **Jocelyn Davies:** Peter, shall we move on to your question?

[71] **Peter Black:** I will move on to the transfer and disposal of assets. I am actually looking forward to the e-PIMS demonstration. *[Laughter.]*

[72] **Ieuan Wyn Jones:** I think that you will be on your own, Peter. *[Laughter.]*

[73] **Peter Black continues:** During evidence, we have heard about the differing powers of the NHS with regard to the ability to offer sites for sale below market value, and the powers that you have to declare concessionary sales. Can you explain what the process involves?

[74] **Lesley Griffiths:** Yes. I know that in previous evidence that you have had, others have described the key objective of the land transfer protocols in terms of setting out best practice for the transfer and disposal of land between public bodies, with the aim of reducing the time, and also the cost, of transactions. The protocol notes that each transfer and disposal needs to take account of relevant legal, budgetary and accounting implications for each transaction, but the principal basis is that it should be disposed of or transferred at open market value. There are, obviously, legal powers for the NHS. Local health boards can acquire and dispose of properties, but they need the consent of Welsh Ministers for each transaction. Part of the Act allows trusts to do the same, but no ministerial consent is needed.

[75] **Peter Black:** So, the sale has to take place at open market value.

[76] **Lesley Griffiths:** Yes.

[77] **Peter Black:** I understood that there was a process whereby you could offer a concessionary price in particular circumstances.

[78] **Lesley Griffiths:** There have certainly been no concessionary—

[79] **Ms Whiting:** It is worth clarifying that the relevant legal powers are quite open. They do not actually make any mention of a valuation basis. So, the relevant parts of the National Health Service (Wales) Act 2006 just state that LHBs can acquire or dispose of land and that they need Welsh Ministers' approval to do so. They make no mention of the valuation basis. The valuation basis comes into play when we look at the guidance that has been issued, but that guidance is not a legal requirement; it is best practice over past years. The specific guidance that is relevant is called the estate code, which is the best practice guidance issued to NHS bodies in Wales. It advises on all aspects of managing land and property, including acquisitions and disposals. That guidance asks that concessionary sales, where the concession is over £100,000, are referred to the Minister for approval. That is not a legal requirement; it is a requirement in guidance.

[80] **Jocelyn Davies:** When was the guidance issued?

[81] **Ms Whiting:** The guidance has been in existence for a good number of years, but it was last refreshed in Wales in 2009.

[82] **Peter Black:** How many concessionary sales have been referred to the Minister?

[83] **Lesley Griffiths:** None to date.

[84] **Peter Black:** How many have been below £100,000?

[85] **Jocelyn Davies:** You could let us have a note. If they have not been referred to you, Minister, you will not know.

[86] **Lesley Griffiths:** No. [*Laughter.*]

[87] **Peter Black:** I understood that Lesley would know only about the ones over £100,000. I just wondered whether Val knew about the ones below £100,000.

[88] **Ms Whiting:** I am not aware of any, but we will come back to you on that.

[89] **Jocelyn Davies:** There may very well be some. Do you think that we could see copies of the protocol and the guidance, because I imagine that these are not public?

[90] **Lesley Griffiths:** Yes, of course.

[91] **Jocelyn Davies:** Julie, did you want to come in on this?

[92] **Julie Morgan:** Yes. If the voluntary sector was going to do work very closely aligned with the NHS and wanted to purchase any of the property or land, would there be any specific arrangements for that sort of situation?

[93] **Lesley Griffiths:** Not specifically, I would not have thought.

[94] **Ms Whiting:** There are not any specific to the voluntary sector. It would be covered under the land transfer protocol. We have mentioned the legal issues, but there are also financial and accounting issues that come into play when an LHB may want to dispose of a property at less than market value. Under current accounting rules, the concessionary amount has to be recognised as a loss in that organisation's accounts. Therefore, it impacts on the organisation's financial performance and organisations have statutory targets in relation to their financial performance, so there are a number of quite complex factors that come into

play.

11.00 a.m.

[95] **Peter Black:** I think what we are getting at is that we have heard evidence about how public sector organisations can dispose of land to other public sector organisations in pursuit of Welsh Government objectives, but it seems to us that the provisions around health are far more restrictive and difficult to work with in that regard. For example, there has been a transfer in Swansea, where Hill House Hospital has gone to Gower College Swansea. You may have a situation where health land might be made available for affordable housing, which is a major Welsh Government objective, but it seems to me that that is not easily facilitated within the health regime. I was just wondering whether you are looking at any changes to that to make your rules more flexible, or are you tied down by legislation in that regard?

[96] **Ms Whiting:** The legislation is a key constraint, I suppose. I did not mention this previously, but, where properties are disposed of at less than market value, that may constitute a gift. There are specific rules around gifts in terms of state aid and EU procurement rules, and, when you have those EU requirements, it is very difficult to work around those. So, we are constrained by the legislative framework that is in place.

[97] **Jocelyn Davies:** Have there been any examples of health land being disposed of for affordable housing that have not fallen foul of the legislation?

[98] **Ms Whiting:** We have undertaken eight transfers to date, and they have gone through under the legislative framework that we have.

[99] **Jocelyn Davies:** So, it is possible to do it for affordable housing without falling foul of these rules.

[100] **Ms Whiting:** Yes, it is.

[101] **Peter Black:** Were they at market value?

[102] **Ms Whiting:** They were at market value for affordable housing.

[103] **Mr J. Price:** Shared services are providing us with a note on these issues.

[104] **Peter Black:** I understand the difference. What reviewing of this is going on? Clearly, the Welsh Government has announced that it wants to make better use of its assets to advance its own objectives. How is health looking at this to try to facilitate that objective?

[105] **Ms Whiting:** We are working, through the national assets working group, with colleagues who drafted the original land transfer protocol to look at what opportunities there may be to simplify and clarify. We have already said that some of the legislative constraints are outside our control, particularly where they are EU generated, but we are working closely, through the national assets working group, to see whether there is anything further that we can do.

[106] **Jocelyn Davies:** Paul, you wanted to come in on this.

[107] **Lesley Griffiths:** I would just say that one thing the group could do is look at whether it should allow the transfer of sites at less than market value, to see whether that could be done differently. I hope that that is something that the group would look at.

[108] **Paul Davies:** Just on the legislation issue, you mentioned that legislation is a key constraint in disposing of land. Are you then as a Government looking to try to change some of that legislation or to introduce new legislation? I know that you mentioned that there is EU legislation involved here as well, but is there anything that you can do as a Government to introduce new legislation to make it more flexible?

[109] **Ms Whiting:** Within the legal framework that is in the control of the Welsh Government, there is sufficient flexibility for us to be able to move forward. I suppose the key issue is that each potential transfer will involve different parties for different purposes, and different factors will be brought into account. So, it is difficult to move forward on a generic basis. Within the legislation that is within the Welsh Government's gift, there is sufficient flexibility, but we may be able to do more in terms of processes and clarity of understanding, because quite a lot of people are confused about what they can and cannot do because of all the different things that come into play.

[110] **Ieuan Wyn Jones:** This is quite an interesting area, but the point that has been put to us is that it is more difficult in the health field than it is, for example, in the business, enterprise, technology and science portfolio. That would lead you to believe that, actually, the rules that you operate are different from BETS, and yet it is the same Government. So, if it is not European legislation, it has to be Welsh legislation. Is there Welsh legislation or law affecting your department differently from BETS?

[111] **Ms Whiting:** I do not know enough about the BETS legislation to comment on that.

[112] **Ieuan Wyn Jones:** The question is: is it more difficult to make that transfer from a health organisation than from another department? If it is, that can only be because there is Welsh legislation affecting it.

[113] **Ms Whiting:** We have a good track record of delivering these transfers. So, it is not as if we are not doing any; we can work within the rules that have been set.

[114] **Lesley Griffiths:** We need to look into it and send you a note. My understanding is that it is not different. As Val said, we do have a good record; we look at every potential disposal.

[115] **Jocelyn Davies:** It could be the accounting rules that you mentioned, Minister, as they require the health bodies to show a loss. It could be the accounting rules rather than anything else. Could you let us have a note on the accounting rules, Minister?

[116] **Lesley Griffiths:** Yes; we will let you have a note on that.

[117] **Jocelyn Davies:** Also, we will have the opportunity to question Mrs Hart a bit later on. Of course, she was the Minister for health and she is now the Minister for BETS. *[Laughter.]* She might be able to enlighten us as to the difference between the two regimes.

[118] **Lesley Griffiths:** She may indeed.

[119] **Jocelyn Davies:** Peter, have you finished?

[120] **Peter Black:** Can I just ask a quick question? With the premium that you get when you dispose of land, where does that money go? Does it go to the relevant body, or does it come back to the Welsh Government?

[121] **Mr Osland:** With the disposal of receipts that come to health bodies, the framework within which they operate means that they can keep the first £500,000. Basically, anything

above that is returned to the Minister for health. However, you will find that, in looking at receipts from the past 10 years, for example, all of them have been reinvested in other health projects. So, while the receipts come back in, they do not have an automatic right—

[122] **Peter Black:** I understand that, but have the receipts been invested in health projects in the area where they were generated?

[123] **Mr Osland:** I could not say for definite that that has always been the case, but it will certainly be looked at from a priority perspective. That is, where would the money be best targeted going forward?

[124] **Peter Black:** I am just interested in the incentive for local health boards to dispose of assets.

[125] **Jocelyn Davies:** Peter, are you happy with that?

[126] **Peter Black:** That is fine.

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

[128] **Mike Hedges:** Given that both the questions written down here for me have been already asked and answered, can I move on to questions of my own?

[129] **Jocelyn Davies:** Yes, of course. That will do away with you bothering with the questions that we would like you to ask, but go on.

[130] **Mike Hedges:** Both have actually been asked.

[131] You talked about market value. Now, the land will have a market value under different guises. Take the disposal of the Hill House site in Swansea. That would have had a market value with all planning permissions, and you would probably raise more money from a supermarket than from anything else. Its second most valuable use would have been to build housing, because it is in a relatively affluent area. How do you decide the market value? Do you decide it according to the planning permissions that it has at the time, planning permissions that it might have or planning permissions that would be acceptable in that area? If you are talking about housing—and you talked about having a market value for social housing—the market value for social housing may be substantially lower than the market value for private housing. So, what do you do before you get to the market value bit?

[132] **Ms Whiting:** It would depend on the intended purpose for the site. For example, if a site has been identified under the affordable housing protocol as being suitable for affordable housing, the district valuer will work with the organisation to assess the value for that site based on the required percentage of affordable housing.

[133] **Mike Hedges:** So, you would make the decision based on what you wanted it for first and then you would decide on the market value for it.

[134] **Ms Whiting:** Yes.

[135] **Mike Hedges:** It is not necessarily the market value of the land.

[136] **Ms Whiting:** Well, the organisation would know the market value of the land, but then you may need to get a second valuation, depending on the end purpose.

[137] **Mike Hedges:** Which will vary considerably.

[138] **Jocelyn Davies:** So, for example, a developer, in developing the site, would be required in any case to supply some affordable housing on the site, but it might be a small percentage. In this case, it might be a much larger percentage that will affect the market value of the site as a whole. Of course, social housing is often built to a higher standard than open-market value properties, and that might have an impact as well. With all these things, it is a fine art in coming up with the valuation; it is not simple.

[139] **Ms Whiting:** It would be site-specific.

[140] **Mike Hedges:** I was thinking: use first, value second, rather than the other way round.

[141] **Ms Whiting:** There would be a value on the site anyway, and it would then depend on the use.

[142] **Mike Hedges:** You talked about incentivising people for the first £500,000. I see no benefit for any health organisation that has a highly valuable parcel of land to release it in anything other than £500,000 blocks. Have you thought of increasing that value or giving them a percentage of the money released? There is an awful lot of health land which, to an observer like me, looks as if it could be quite easily sold and used, but which health boards seem very keen to hang on to. I will not mention the one I mean because it is not in my constituency, but there are quite a lot of these parcels of land dotted around, and they do not seem to realise any financial benefit. In some areas, health boards have got rid of this land in parcels. Can you explain why?

[143] **Jocelyn Davies:** I think that the question really is about whether £500,000 is an arbitrary figure, and whether it would be better if it were a percentage of the value of any particular site so that there is an incentive to dispose?

[144] **Ms Whiting:** I think that that is a valid point. The £500,000 limit has been in existence for a good number of years, so it is a historic level. However, to put it in context, of all the disposals that have gone through to date this year, only two of them have been over £0.5 million, so we are seeing a high number of very small disposals.

[145] **Ieuan Wyn Jones:** They are doing that because of the guidance.

[146] **Ms Whiting:** The guidance says that they should not split the parcels of land. *[Laughter.]* However, it is a fair point and it is something that we could look at.

[147] **Paul Davies:** Byddaf yn gofyn y cwestiynau hyn drwy gyfrwng y Gymraeg. **Paul Davies:** I will be asking my questions in Welsh.

[148] Rwyf eisiau gofyn cwestiynau i chi ynghylch pryderon am gysondeb y wybodaeth sydd ar gael a'r gallu i feincnodi perfformiad wrth reoli asedau. Mae pryder wedi cael ei fynegi ynghylch ansawdd y wybodaeth sydd ar gael am sylfaen asedau'r gwasanaeth iechyd o ran cysondeb, ac felly ei allu i feincnodi perfformiad wrth reoli asedau. Dywedodd partneriaeth cydwasanaethau'r gwasanaeth iechyd mai rhan o'r rheswm dros hyn yw bod gwahanol gyrff yn defnyddio gwahanol systemau. A ydych I want to ask questions about concerns regarding the consistency of the information available and the ability to benchmark performance in managing assets. Concern has been expressed regarding the quality of information that is available about the basis of NHS assets in terms of consistency, and therefore the ability of the NHS to benchmark performance in managing assets. The NHS shared services partnership said that part of the reason for that is because various bodies use different systems. Have

wedi ystyried mynd i'r afael â chysondeb y systemau a ddefnyddir ar draws y gwasanaeth iechedd? you considered addressing the consistency of the systems used across the health service?

[149] **Lesley Griffiths:** Thank you, Paul. It is something that the national assets working group is considering. The benefits of a single system would include avoiding the duplication of licence fees and minimising performance data discrepancies. The group is exploring opportunities for specification and development of a centrally procured comprehensive asset management IT system, which is not just for use by the NHS but by all the public sector in Wales.

[150] Regarding your point about data consistency, it is something that we need to look at. It is unacceptable not to have consistent data. It is very important that these issues are addressed. We are working with shared services on this issue, and I agree that we need to do more. It is something that I have asked officials to take forward.

[151] **Paul Davies:** Felly, y nod yw cael system gyson ar draws Cymru. Beth ydych chi'n ei wneud fel Llywodraeth i sicrhau bod hynny yn digwydd? Er enghraifft, a ydych wedi cyhoeddi canllawiau i sicrhau bod hyn yn digwydd? Os ydych chi, pryd ydych yn credu y bydd y cysondeb hwn ar draws Cymru yn digwydd? **Paul Davies:** So, the aim is to have a consistent system across Wales. What are you doing as a Government to ensure that that is happening? For example, have you issued guidance to ensure that this happens? If so, when do you believe that this consistency across Wales will happen?

[152] **Lesley Griffiths:** It is something that I am very keen on doing. We continue to work with shared services to provide the detailed guidance that is needed. It is important that organisations understand and interpret the data definitions in terms of estate performance so that we can get that level of data consistency that I do not think we have at the moment.

[153] **Ann Jones:** When it came to give evidence, the shared services partnership talked about how people get into asset management. It suggested that they came from different backgrounds within the NHS and that they developed into asset management professionals, which resulted in a variable skills base across the asset management teams. The partnership suggested that the provision of training in asset management should be done by the Welsh Government. Is that something that you would consider, given that you say that it is a key enabler?

11.15 a.m.

[154] **Lesley Griffiths:** Yes, I agree with what it said to you. There are over 1,000 staff working in estates across NHS Wales, and a lot of them come from a very generic management background and will not have received any formal training. We have previously worked with NHS bodies to provide focus training in relation to this, and I know that officials are now collaborating within the strategic investment division to specifically target NHS staff to see what training they need in that area. It is certainly something that I would support, but it should be something done right across the public sector, not just within NHS Wales.

[155] **Ann Jones:** So, you would support something that goes through the public sector leadership group, pan-public sector.

[156] **Lesley Griffiths:** Yes.

[157] **Ann Jones:** A number of local government pilot projects running under the public service leadership group have accessed invest-to-save funding for asset management

improvement projects. Are there any such projects in the NHS that you are aware of that have applied to this fund?

[158] **Lesley Griffiths:** The only one that I am aware of—I do not know whether Val knows of any more—is in the Cardiff and Vale University Local Health Board, which has an estates strategy and space utilisation study. It has received funding of £41,250 to consider the estates infrastructure required to support its specific service strategies and operational plan. I am due a draft report on that next month.

[159] **Ann Jones:** Are you aware of whether any projects are constrained by available resource within the NHS? You mentioned that you will put a small amount into invest-to-save. Are people reporting difficulties to you about accessing resources for the invest-to-save projects?

[160] **Lesley Griffiths:** It is repayable. On the revenue side, the NHS has led the way on invest-to-save and we have seen huge benefits. In relation to capital, it is only suitable in very certain circumstances, because of the repayable nature of it. I know that it is something that has been discussed with NHS directors of finance; perhaps Mark can say a bit more.

[161] **Mr Osland:** Certainly, the lead for the invest-to-save fund in the Welsh Government addressed the NHS directors of finance last month, I think, outlining the benefits of the scheme, what it could offer, how much money is likely to come forward through that scheme in the future, and encouraging the finance directors to make use of the fund. So, we are pushing them to do so, but as the Minister said, the NHS itself, in terms of invest-to-save, has led the way—not in this context, obviously, but certainly in terms of workforce modernisation, where we have made a lot of use of that fund. We are looking to extend the use in this area, which is why the gentleman came along last month to address the directors of finance.

[162] **Julie Morgan:** I want to ask about good practice and guidance generally. You have already said that you are planning to give more detailed guidance. What about a general policy directive? Do you have any plans to issue a policy directive about the way in which you want all this to go?

[163] **Lesley Griffiths:** Yes. I do not know if Members are aware—you probably are—that one of the things that infuriated me when I first became Minister for health was that, going around Wales, I would see pockets of good practice and wonder why they were not being rolled out. So, I have set up the best practice and innovation board, which is chaired by Jan Williams, who is doing a great deal of work. This is certainly something that we could have a look at, along with the work being done by the assets management group. It is really important that, where we have this good practice, it is not just kept in one area, but it is rolled out. So, I am very happy to do that.

[164] **Julie Morgan:** Is that where you would see that up-to-date source of good practice in the field of asset management being based—in the board that Jan Williams is chairing?

[165] **Lesley Griffiths:** Yes. It is something that I can certainly ask Jan and her board to have a look at. To be honest, I am seeing so much good practice that I keep sending her examples to have a look at. We issue a lot of guidance in relation to asset management at the moment, which we are reviewing, and if that is the right way forward, I will ask Jan to look at it.

[166] **Julie Morgan:** What about the Welsh Government as a whole? Do you think that guidance should be coming from the Welsh Government as a whole?

[167] **Lesley Griffiths:** Do you mean not just from health?

[168] **Julie Morgan:** Not just from health, but as a resource generally.

[169] **Lesley Griffiths:** Yes, that comes across from right across the public sector.

[170] **Julie Morgan:** What about having a Welsh Government source of good practice?

[171] **Ms Whiting:** That is an interesting point. You briefly discussed the invest-to-save fund and that work of disseminating learning and best practice to as wide an audience as possible; that is interesting. Contact details for each scheme that is supported and case studies are put up on the Welsh Government's website. It is a good way of disseminating that learning. That could be expanded for this purpose.

[172] **Lesley Griffiths:** I know that the Minister for Finance is also keen on this.

[173] **Julie Morgan:** So, this is something that could be expanded.

[174] **Lesley Griffiths:** Yes.

[175] **Jocelyn Davies:** Are there any other questions? I see that there are not. Thank you, Minister. I have to say that pockets of good practice are not only confined to health. We see a lot of them at this committee. You have agreed to send us a number of items, for which we are very grateful. We will send you a transcript for you to check for factual accuracy. However, thank you very much for attending this morning and for giving us your evidence.

11.22 a.m.

Papurau i'w Nodi Papers to Note

[176] **Jocelyn Davies:** We will discuss the final item on the agenda while we wait for the Minister for Business, Enterprise, Technology and Science to arrive.

[177] There are a couple of papers to note. Is everyone happy to note those? Are there any that Members would like to discuss? The papers include the minutes of the last meeting. Is everyone happy with those? I see that you are.

11.25 a.m.

Rheoli Asedau—Tystiolaeth gan Lywodraeth Cymru Asset Management—Evidence from the Welsh Government

[178] **Jocelyn Davies:** Thank you, Minister, for coming to the committee meeting this morning. As you know, we are carrying out an inquiry into asset management in the public sector in Wales. We have just heard evidence from the Minister for Health and Social Services. Obviously, she was able to lay down the context of her departmental approach to asset management. We have a number of questions for you, but would you like to start by laying out the context for us of your departmental approach to asset management? Perhaps you could tell us a little bit about the nature of those assets, the value and so on, and the extent of the portfolio.

[179] **The Minister for Business, Enterprise, Technology and Science (Edwina Hart):** Thank you very much, Chair. Perhaps my colleagues would like to introduce themselves first.

That might be useful.

[180] **Mr J. Price:** I am James Price, director of the Department for Business, Enterprise, Technology and Science.

[181] **Mr Howard:** I am Tim Howard, head of property for the Department for Business, Enterprise, Technology and Science.

[182] **Mr Sutton:** I am Chris Sutton, lead director in Jones Lang LaSalle surveyors in Cardiff.

[183] **Edwina Hart:** Thank you, Chair. Asset management typically refers to the management of the property estate by an organisation, or groups of organisations, to make sure that the value for money is maximised across the estate in terms of making best use of space. Examples will be factory space in a manufacturing company, office space for a financial services company and, in the case of the Welsh Government, how it best utilises its offices to ensure maximum occupancy and therefore minimum costs per person.

[184] Strategic property management is where a property developer plans to hold a portfolio of properties that maximises profits over time as the properties are brought to the market. For BETS, we use strategic property management to ensure that our portfolio of properties is able to maximise the economic benefit for businesses and the people of Wales. Therefore, we apply the principles of asset management in all our property dealings; however, it is the strategic property management that is crucial for BETS, because we are holding and providing property to support the economy, not to provide space in which we deliver public services, such as local government, offices, schools, libraries and hospitals. If I may crave your indulgence, Chair, I would like to ask Chris Sutton to say a few words on particular issues around asset management.

[185] **Mr Sutton:** We need a balanced portfolio of properties for economic development that meets the needs of existing industry, emerging industry and anticipated industry. I refer to industry in the wider sense of office and professional services, and also mainstream industrial concerns. If we can have that portfolio in-house, we can respond to queries and enquiries from our indigenous base, from new businesses—the small and medium-sized enterprise sector—and also through inward investment.

[186] From a personal context, I was involved in presenting a proposal to Jaguar Land Rover two years ago for its engine plant. Okay, it went to Wolverhampton, and that may well have been the right site for it in terms of geography, but also the site in Wolverhampton was owned by the public sector—Advantage West Midlands in that instance. The site in south Wales was owned by a very good property company, but it was also looking at maximising the commercial return from its perspective. So, in order for us to respond proactively and quickly, it is in Wales's best interest that it has a balanced portfolio; not necessarily the widest portfolio, but a balanced one of different property types and different property locations.

[187] **Peter Black:** In terms of systems and processes, who holds responsibility for obtaining and managing the portfolio of assets within your department? Does it lie within the property team that you mentioned, or is the Welsh Government's central property division involved?

[188] **Edwina Hart:** No, we deal with it internally. The central property team in the Welsh Government deals with office accommodation and issues like that. Everything that is related to economic development is held and management by us.

[189] **Peter Black:** Who makes decisions when you want to dispose of assets? For

example, if a local businessman came to you and said, 'I want to buy a piece of land to do this development', would that decision be made centrally or by the local team?

[190] **Edwina Hart:** That would be made by me. I take responsibility now for the signing off of all decisions within the department. I am considering whether I will do future delegations on certain amounts, but I think that it is important that I understand what industry and business require, and that matters are dealt with centrally, based on advice from officials, so that I can clearly understand where our land is, what purpose it has, and how it can be utilised.

11.30 a.m.

[191] **Peter Black:** What criteria would you apply to making that decision?

[192] **Edwina Hart:** The decisions are based on whether it would be value for money and whether it fits into our strategic plans, but I take the advice of officials on these matters.

[193] **Peter Black:** In terms of the portfolio of assets held, what is the process involved in determining the size of a portfolio held? Is there an optimum size, or does it depend on other factors, such as budget constraint and availability?

[194] **Mr J. Price:** That is quite a difficult question, but it is a good question. If you go back a long way, the size of the property portfolio held by the then Welsh Development Agency/Land Authority for Wales was significantly bigger than it is now. So, over time, we have shrunk the property portfolio, and we believe that the size of the portfolio, as it is now, is about the minimum necessary to deliver the flexibility required in the current economic climate. Obviously, things change all of the time, and you can hone the portfolio so that it is more effective, and we are in a process of trying to do that now, moving out assets that are less attuned to the economic development strategy and bringing in assets that are more attuned to it. However, if you have a portfolio below a certain size, your ability to react to opportunity, and to develop for strategic reasons over the longer term, is lost. So, it is difficult to give an absolute answer, but, overall, we think that it is about the right size, currently.

[195] **Edwina Hart:** Based on the valuation last February, our assets are currently worth just under £200 million. We are currently doing a revaluation, and those figures, in terms of the assets and what they are worth, will be available at the end of March. However, our portfolio has shrunk considerably over the past five years. We think we have a balance of sites, as you indicated, but we are also taking a private sector view now on what current range of property we should have available for offer. That is why we have Chris Sutton with us, who has been giving us some advice, because he sits on the enterprise zone board in Cardiff.

[196] **Peter Black:** Is all your portfolio directed towards those economic gains, or are you able to make land available for wider Welsh Government aims as well?

[197] **Edwina Hart:** Yes, we are. As the Chair of the committee knows, there was a lot of discussion when she was a Minister about the transfer of land, particularly for social housing, and I have been keen to undertake that. We have also helped highways and environmental issues with land. However, there are issues for us about the transfer of land. Shall I go into those, Chair?

[198] **Jocelyn Davies:** That would be useful, because we heard from the previous witnesses about the difficulties of protocols, accounting and so on, and I told the Minister for health that, perhaps, you would be in a position to enlighten us as you are now in a different department. We are not sure whether some of those problems were confined to the health estate.

[199] **Edwina Hart:** In terms of the health estate, originally, the responsibility for health land was at the centre. I understand that responsibility has now gone to the local health boards for some management of land, which changes it slightly. All the land decisions with us are here. However, there are issues, because there is no clear protocol on options for the transfer of land between Government departments. There are four different options, only two of which have been used. This was at no cost to the receiving department, as we have done on a project for transport, on salt barns—a lower cost and net realisable value, as we have done on small sites.

[200] There are another two options that are at full market value, which has never happened, and for the value of future revenue streams lost by the BETS department, because we use our land, as Ieuan Wyn Jones will fully understand, to get the revenue streams in to enable us to have economic development. I would not say that this is an ideal situation, but it is historic and this is where we are. We have invested quite a lot in some of the land that we have already in terms of planning consents, design work, highways environmental studies, infrastructure and purchase costs, and we need to get those back if we are transferring, because it affects the balance of income into my portfolio. Do you want to give some illustrations that might be helpful on this, Tim?

[201] **Mr Howard:** For example, a single asset that we have in our portfolio that currently has an asset valuation of around £12 million and, in which, investment to date has been in the region of £8 million, if that was worked over a period years, in a traditional sense, with further investment of maybe £7 million or £8 million, we would potentially have an asset that would realise between £30 million and £40 million of income over a period of time if sold. The asset value of £12 million is on a point-of-sale at an individual point in time.

[202] **Edwina Hart:** Also, we have relied on our land sales to substantively help our income by £16 million per annum.

[203] **Mr Howard:** We have, yes, by about £16 million per annum.

[204] **Edwina Hart:** There are other issues when we transfer land, because if you change the way in which you put housing on land, it affects what we are going to do in terms of the land value. Therefore, it causes additional problems for me regarding the annual managed expenditure and how the systems work, and there is a potential loss to me all the time in terms of my BETS portfolio and how I am able to utilise my resources to encourage economic growth and wealth. So, there needs to be a greater understanding of these issues and how they impact, because we have identified plots of land that we would like to transfer and that we think are suitable for housing purposes.

[205] We have been prepared to do the financial stuff ourselves so far, but if it is always going to dig into our budgets, meaning it stops us doing other things that we need to do within the BETS portfolio and the way that it works strategically, it could prove quite difficult.

[206] **Jocelyn Davies:** So, how did you overcome the state aid rules in relation to affordable housing?

[207] **Edwina Hart:** We had no problems on the Ely project.

[208] **Mr Howard:** No; we did not.

[209] **Edwina Hart:** We have had no problems at all.

[210] **Peter Black:** May I ask one more question?

[211] **Jocelyn Davies:** I know that Julie wants to come in. Is it on this point, Julie?

[212] **Julie Morgan:** No, it is on an earlier point.

[213] **Jocelyn Davies:** Okay. You can come in after Peter; I have not forgotten.

[214] **Peter Black:** In terms of all the protocols and problems that you have talked about, should this not be addressed by an overarching Welsh Government asset management plan?

[215] **Edwina Hart:** Absolutely not. At the end of the day, these are financial issues. It could be addressed by the fact that the centre could recompense the departments if they do the transfer, but not an asset managed plan, in that sense. Asset management, which is dealt with by the centre, is all about how they are using the Llandudno office and how they are using our resources. This is a very different environment; we use this land to realise money as income to attract inward investment, so it is different. Chris, do you want to highlight that point?

[216] **Mr Sutton:** There is a clear difference here between the occupational estate and the land that is there for economic development. In terms of economic development, you need the balanced portfolio and it is a range of different sites and characteristics, and you can have emerging trends, as well. We could sell assets now and then find ourselves hamstrung in the future because we have had the right asset and transferred it for whatever reason.

[217] If you have a site that sits there for 10 years, that can be okay as part of a balanced portfolio. We might all agree that we want a 100-acre car plant site, but the winds of change in the economy mean that it is not there for a decade, but when it comes back, you have the site there. Dare I say it, in the past, in other parts of the UK, the temptation is to sell off the front acre for a McDonald's premises, or something, but then you suddenly lose the feel.

[218] A current emerging trend, for example, would be internet commerce. That will require parcel delivery and food delivery-type units, which will be M4-related, good-quality sites. In a south Wales context, we would need to capture that investment rather than allow it to go to Avonmouth. In north Wales, it would mean sites, for example, along the A55, rather than allowing the investment to go over the border. We need to capture that investment and anticipate that trend, and I know that the department is doing work on that.

[219] **Peter Black:** So, it is the financial protocol.

[220] **Edwina Hart:** Yes, it is the financial protocol. But, the point that you have raised is relevant, because we need to be able to manage these on a daily basis in terms of what we do. If we look at the history of some of these sites and take, for example, the LG site, which was talked about a lot, nothing came of it. We now have two significant projects there—Next Generation Data in Newport and QUINN Radiators—and we have interest and possible further announcements on that site. Another example is Cardiff Aviation and the utilisation of the St Athan site. That has been available.

[221] More importantly in terms of some of the trends to which Tim alluded, we have used our land to put first-line suppliers into the supply chain in north Wales by doing something in terms of aerospace. So, we use a major anchor company—we have put something in—so that we can put the supply-chain companies in next to it on the land that we have. So, it is quite important that we keep this land and that there is that split.

[222] **Julie Morgan:** On this issue, I was very struck by what Chris Sutton said about Jaguar and the fact that the land was owned by a property landlord or property company, and that that might have played a role in it not coming to Wales. Do you have any other similar

examples, where, because you have been unable to get a balanced portfolio, we have lost something because we do not have the land asset?

[223] **Mr Sutton:** First, Jaguar Land Rover chose Wolverhampton because it was an exceptionally good location for Liverpool and the midlands, so there were other issues there. Having the sites in public ownership allows you the confidentiality aspect, rather than it being out to the four corners in terms of public knowledge. There is a clear point there. Wales has had a good reputation in the past, and still has, in terms of the Team Wales approach in being able to sort out your planning, utilities and grant aid—it is that package, bringing it forward in one go. It is also holding the right site at the right time, and not necessarily taking the quick buck by selling it and saying, ‘Oh well, we can put that project there, but actually, as the balanced portfolio, you could do that’.

[224] I would look back at the Sony project at Pencoed as being a prime example. Maybe the way that the economy is going means that very large projects are not necessarily going to come forward in that way, but for that project, the land was acquired, and service and planning were in place within 12 months, by the public sector. It was an amazing response to that particular inquiry. Now you have land next-door to that plant, the Pencoed Technology Park, and my understanding is that there are very strong inquiry levels for that. So, in terms of producing the right product, it is creating a response from the market.

[225] **Edwina Hart:** Also, if you look at the Callaghan Square site that we recently purchased, how many years has that been going on—forever and a day? There is certainty now because it is in the hands of the public sector, and we can then engage in the confidential nature of inquiries from companies that are interested in coming to the Callaghan Square site, and they have certainty that we will be able to drive through the agenda for them. Callaghan Square took years, did it not?

[226] **Jocelyn Davies:** Is that okay, Julie? Ieuan is next, and then Mike.

[227] **Ieuan Wyn Jones:** I obviously know very well that some of your departmental budget comes through the sale of land, as you have highlighted, and you may be coming to a point where, because of the economic circumstances, there is great pressure to get rid of land in order to get some income in.

[228] **Edwina Hart:** Exactly.

[229] **Ieuan Wyn Jones:** If we take Chris’s logic, there could be an argument for saying that, rather than selling land, you should be buying land.

[230] **Edwina Hart:** Absolutely.

[231] **Ieuan Wyn Jones:** You mentioned Callaghan Square. Do you see that as part of your ongoing priorities?

[232] **Edwina Hart:** Yes, we do, actually, because we feel that we are at a low point in terms of the assets we hold. We have to get the right balance there, but during a recession it gives confidence to the private sector when it sees the Government looking at sites, purchasing sites, and wanting to develop sites. There is an issue for me—and you are quite right; 20% of my available capital currently comes from what I do on land sale, which is substantial—because I could do with the capacity to purchase more land at strategic points. We have been discussing that, especially given the development of growth in certain sectors that we want to encourage.

[233] **Jocelyn Davies:** Mike, you have a point on this.

[234] **Mike Hedges:** Tangentially on this, at least.

[235] **Jocelyn Davies:** Well, try to link it.

[236] **Mike Hedges:** The Swansea SA1 development has been one of the great successes where land was purchased for mixed-use development. Quite a large number of people are employed there, and there is a large amount of housing. Are you committed to further mixed development of that sort?

[237] **Edwina Hart:** We will do developments that are appropriate for the purpose.

[238] **Mike Hedges:** I will rephrase that question, then. Are you opposed to mixed developments?

[239] **Edwina Hart:** No. We have no policy strategy to oppose that at all. We look at every case on its merits in terms of how we can utilise the land.

[240] **Jocelyn Davies:** Peter, have you finished with your questions? Then we will come to yours, Chris.

[241] **Christine Chapman:** In point 8 of your paper, Minister—and I know that we have touched on some of this—when you are talking about the processes for asset management, you say that the nature of the activity is often medium to long term. I know that we have discussed some sort of timescale here, but could you be very specific about this? For example, on average, how long would you hold on to such assets?

[242] **Edwina Hart:** Some assets have been in public ownership for over 30 years, currently. There are development cycles as well, depending upon the planning process, and, of course, we are going into planning changes now with all the local development plans. We have places where we have wanted to work where planning has taken 10 to 20 years, so there is a scale there. You have only to look at the scale I alluded to in terms of Callaghan Square and SA1. When we started work on SA1, it was a mixed development in the late 1990s because it was a mixed sector approach. There is benefit in undertaking planning and providing infrastructure as well—a benefit to us when we have the sites and making sure that they are up to standard and everything. James, do you want to come in?

11.45 a.m.

[243] **Mr J. Price:** I think that you have said it all, Minister. There is no simple or single answer to it. It depends on why you have purchased it, why you are holding it and what the economy does. The reality is that we might hold land for 12 months or 18 months, and sometimes for even less time. Other land is about strategic investment for the long term. Thirty years tends to be at the top end of what we would be doing.

[244] **Christine Chapman:** Is that the longest period that you would hold land?

[245] **Mr J. Price:** Yes, for about 30 years.

[246] **Christine Chapman:** Would you say that that was good practice, or would you want to avoid that in the future?

[247] **Mr J. Price:** It depends on why you are holding it. Chris can come in after me, but I would make the difference between whether you are doing it for strategic development purposes—almost trying to create a market and trying to develop an area—or you are

reacting to a market and trying to push something that is happening already. If you are trying to push something that is happening already and move with the market, they should be much tighter timescales. We would not have wanted to purchase Callaghan Square and sit on it for 20 years. But, if you thought that there might be potential for a new road to be built into an area where there is currently no access, if you can purchase land and work up planning on it for a long period of time for employment sites or housing sites of the future, that is a different thing. So, you have to be very clear about why you are purchasing different pieces of land, what the phasing of it is and what the strategy is for getting out of it if things change in the future. That is the approach that we are adopting in the all-Wales approach, but particularly in the Cardiff stuff that we are doing currently.

[248] **Mr Sutton:** To reinforce that, the private sector would look at the interventions in terms of responding to need and responding to demand. The purchase of Callaghan Square is a case of responding to demand. There is a clear area and focus of demand in central Cardiff for the financial professional services sector. That can be taken forward in terms of procuring buildings. If we go back 10 years, there were Cyprium and the Welsh investment strategic partnership. It was an overriding lease that created a building in Swansea, and now is the time to judge that: 10 years on, there are 1,000 people working in Swansea for Admiral Insurance UK, which was facilitated by that initial intervention. You also look at areas of need, such as some of the secondary markets in our more deprived communities. Sometimes, to put it quite bluntly, the property market is not going to work in those locations, and there has to be intervention in terms of building. It may even be a case of speculative development or a joint venture to bring forward land or buildings. There are also cycles that come around. For example, in the Heads of the Valleys, which is a pretty tough area in terms of demand, there are now emerging industries in terms of energy. We can now respond to those types of projects as well.

[249] **Christine Chapman:** In your paper, you also talk about a rolling programme of investment. How does this operate in practice, and how would it fit within the Welsh Government's wider infrastructure investment plan?

[250] **Edwina Hart:** We currently look at the sale of non-core assets to provide an income stream for re-investment. Some current investment projects are focused on our enterprise zones. We have Rhyd y Blew in Ebbw Vale, which is a strategic 50 acre employment site that we are currently looking at. We are currently undertaking infrastructure work at the 40 acre Parc Bryn Cegin in Bangor. We have infrastructure work in Amazon Way in Swansea because we are having a new road to open up the development around Amazon. There is also the Welsh European Funding Office aspect in terms of the money that it is involved in.

[251] We also have some recent sales. We have been selling stuff off, such as the Opto-electronics Technology and Incubation Centre, Llanbedr airfield and British Steel's plot in Port Talbot. We have done quite a lot in those areas, so we try to manage it.

[252] Going back to the earlier point made by Ieuan Wyn Jones, we have been constrained by budget on some of these issues. Sites during a recession are very important, and they are also not a bad price in a recession, in terms of the Government building up its assets.

[253] **Jocelyn Davies:** Thirty years is a long time for a government to hold land. Are you a landlord in relation to the land? That predates the Assembly by a very long time, to the time of the WDA and something else, I suppose.

[254] **Ieuan Wyn Jones:** I suppose that most of it was purchased by the former Land Authority for Wales.

[255] **Mr Howard:** A lot of it was.

[256] **Jocelyn Davies:** We cannot possibly be running with the same strategy that was developed 30 years ago—

[257] **Edwina Hart:** No, we are not.

[258] **Jocelyn Davies:** So, obviously, some of this is legacy, which was not part of the strategy, and how industry and things would develop could not be foreseen. Periodically, you have a reassessment of the land that you own. Some of it has been held for 30 years; why is that still in the ownership of the Welsh Government?

[259] **Mr Howard:** It is not entirely unusual and it is certainly not a feature of government. There are such examples of private sector sites with investors and developers. Cardiff Gate business park is one example: I think that it started in the late 1980s, it is still in private ownership, it has been successful and it is only around 60% completed. We are 25 years down the track, it is still in private ownership and it is still being taken forward and developed.

[260] **Jocelyn Davies:** So, this still fits in with the strategy.

[261] **Edwina Hart:** Yes.

[262] **Jocelyn Davies:** Sometimes, land is a liability—we see that all the time, especially in the industrial Valleys. There is land there that is, quite frankly, dangerous and, no doubt, there is an absentee landlord who has owned it for many years and could not care less. I would not imagine that the Welsh Government would take the same approach. Did you say that you were a landlord?

[263] **Edwina Hart:** We are landlords in certain areas and we review the strategy all the time.

[264] **Jocelyn Davies:** Does that provide you with your revenue stream?

[265] **Edwina Hart:** Yes, it does. You made an interesting point, Chair, when you said that we have a lot of joint ventures as well. Where we are holding on to land, we have agreements with local authorities and others, and we are currently reviewing all those again in terms of where we see a future for some of them. Where we do not see a future for some of them, we ensure that disengagement can take place. That work is ongoing. It is very difficult because a lot of people assume that we are going to help out because, historically, we had an arrangement, but if they have not brought anything to the table and there is no likelihood that they will bring anything to the table, we have to think about our disengagement so that we can recycle our resources.

[266] **Ieuan Wyn Jones:** Rwy'n mynd i ofyn un neu ddau o gwestiynau yn Gymraeg. Rwy'n meddwl bod un neu ddau o'r pethau roeddwn yn mynd i holi amdanynt wedi cael eu hateb beth bynnag. At bwrpas y record, pan fyddwch yn ystyried yr hyn fyddwch yn ei wneud efo'r asedau sydd gennych chi—eiddo yn arbennig—sut fyddwch yn mesur ac yn gwerthuso'u gwerth am arian? Sut y mae hynny'n digwydd?

Ieuan Wyn Jones: I am going to ask one or two questions in Welsh. I think that some of the things that I was going to ask about have been addressed already. For the record, when you consider what you are doing with the assets that you have—property in particular—how do you measure and evaluate the value for money of those assets? How does that happen?

[267] **Edwina Hart:** As you are aware, there is an annual asset valuation. All investment and disposal projects are subject to a vigorous business analysis and challenge process by the

property leadership team. There are independent valuations to support sales and acquisitions, and decisions are recorded in all statements of information. As I have already indicated, I have taken responsibility for that in terms of assets.

[268] **Paul Davies:** Byddaf hefyd yn gofyn fy nghwestiynau yn Gymraeg. Fel yr ydym i gyd yn gwybod, nid oes gan Lywodraeth Cymru gynllun rheoli asedau cyffredinol. Rydych wedi ei gwneud yn glir bod eich adran chi, fel un o'r prif adrannau sy'n berchen ar dir, yn gyfrifol am reoli ei hasedau ei hun. Roeddech wedi ei gwneud yn glir yn eich cyflwyniad fod gennych strategaeth yn ei lle ynghylch rheoli asedau. A wnewch chi egluro a oes gennych gynllun rheoli asedau penodol ar gyfer eich portffolio asedau ac a ydych yn cynnal cynllun o'r fath?

Paul Davies: I shall also ask my questions in Welsh. As we all know, the Welsh Government does not have a general asset management plan. You have made it clear that your department, as one of the main departments that owns land, is responsible for managing its own assets. You have made it clear in your introduction that you have an asset management strategy in place. Will you explain whether you have a specific asset management plan in place for your asset portfolio and are you maintaining a plan of that kind?

[269] **Edwina Hart:** Yes. Asset management is a key part of the business planning that we deal with. We know exactly what we are doing in terms of where the portfolio is, what we think the balance is, where we think we need to acquire more land and where we need to disinvest from land. I think that we do have clarity of purpose in the department.

[270] **Paul Davies:** Felly, a ydych yn adolygu ac yn diweddarau'r cynllun hwnnw mor aml ag sy'n bosibl?

Paul Davies: Therefore, do you review and update that plan as often as possible?

[271] **Edwina Hart:** Yes, we do. We obviously do the annual valuation of assets, but I also looked at joint ventures when I first took on the portfolio. My predecessor also looked at joint ventures and we are reviewing them again two years in. This is a process whereby we have to take the market into account—what is going on and what trends are emerging in terms of what we require from land. With the very useful introduction of the sector panels, the sectors are also interested in what they require from land development. Now, of course, with the enterprise zones, I have another group of chairs and boards saying to me, 'We are actually interested in this land here; will you purchase it for us?' Examples of that, of course, are Cardiff and the Haven, where the Government has purchased land to assist the enterprise zones.

[272] **Paul Davies:** Clywsom yn gynharach oddi wrth y Gweinidog iechyd a'i swyddogion fod cyfyngiadau, oherwydd deddfwriaeth, ar werthu a throsglwyddo tir. A ydych yn credu y dylai fod mwy o hyblygrwydd yn y fframwaith deddfwriaethol?

Paul Davies: We heard earlier from the Minister for health and her officials that, because of legislation, there are restrictions on the sale and transfer of land. Do you think that there should be more flexibility in the legislative framework?

[273] **Edwina Hart:** I am not sure what legislation the Minister for health was referring to. I have freedom within my portfolio for the sales that I undertake and the purchases that I make, as long as I have sufficient resources available. I am not aware of any problems. Are you, Tim?

[274] **Mr Howard:** No. That is one of the advantages in economic development in terms of us owning assets. As Chris mentioned earlier, in the case of JLR, you had a site owner with particular investment criteria to meet. We have perhaps more flexibility in the way that we can deliver sites or premises, by way of a choice of sale or leasing, or leasing on certain

terms, which an individual owner in the market might have a fixed view of.

[275] **Jocelyn Davies:** And you can move quickly.

[276] **Edwina Hart:** Oh, yes. We can move very quickly indeed. We have moved very quickly in various developments recently—that is what we try to do. We have found in the department that we are quite fleet of foot in this regard, and we have to continue to be so. I have to say, however, that everybody else in Government has to understand that, as a department, we need to be fleet of foot. It is not just us as a department necessarily; there are other people involved, in terms of our submissions. We have to deal with central finance, for example. What are the other divisions, clients—

[277] **Mr J. Price:** And legal.

[278] **Edwina Hart:** Yes, legal. Usually, if any delays occur, it is not my department that is responsible for causing them.

[279] **Mr J. Price:** Do you want me to touch on this?

[280] **Edwina Hart:** Yes, if you want to touch on the subject, it would be useful.

[281] **Mr J. Price:** The only constraining factor at all that we have is the state aid rules. In reality, you need to understand that before going into something. Certainly, from an economic development perspective, it has not caused us any problems. Basically, it binds us like this: you cannot sell a site at below its value, certainly not to the private sector. This all applies to the private sector; it would not apply to another part of the public sector. Also, you cannot purchase a site for more than its value, because you would be conferring aid to the person you were buying it from, or you would be conferring aid to the person you were selling it to. Provided that you do not fall into either of those traps, there are all sorts of ways of making sure that the rules are as effective as they can be, and so, simplistically, it is quite easy, really.

[282] **Ieuan Wyn Jones:** When you say, ‘not to the private sector’, does that include the voluntary sector?

[283] **Mr J. Price:** The rules are about whether they are engaging in a tradable activity, so it would depend on the interpretation—

[284] **Ieuan Wyn Jones:** So, if somebody came up with a community proposal, that would not fall foul of state aid rules.

[285] **Mr J. Price:** The specifics would determine whether it would or would not, and I think that you would argue it on a case-by-case basis. The question is whether it would be something that could be competing with the private sector. That is the test.

[286] **Paul Davies:** Mae gennyf un **Paul Davies:** I have one last question. You cwestiwn olaf. Rydych chi wedi cyffwrdd â'r have touched on the land transfer protocol. protocol trosglwyddo tir. Pan ystyrir gwaredu When looking to dispose of land or property tir neu eiddo yn eich adran, a yw'n arferol in your department, is it usual to use that land defnyddio'r protocol trosglwyddo tir ar gyfer transfer protocol for transactions of that kind? trafodion o'r fath?

[287] **Mr Howard:** We, as a department, have our sites registered on the electronic property information management system, which is cross-Government. Under that arrangement, where we intend to sell properties, we advertise them on e-PIMS to the wider public sector for a period of 40 days. If another body comes forward with an interest in

acquiring, we will engage the public sector land transfer protocol. Indeed, if another body came forward for an asset that we were not actively trading, we would tend to default to that protocol, unless there were other reasons—for example, that it was a core economic development asset that we wanted to keep and work, or it was already on the market and perhaps subject to interest.

12.00 p.m.

[288] **Mike Hedges:** Before you tell me off for returning to Swansea, Chair, the Minister mentioned SA1. It is a classic example of commercial, private and social housing properties. How do you decide what proportion of the land to make available for social housing? I heard the Minister for health saying that they valued land in health according to what its future use would be, so land for social housing would be valued less than that for private development. Do you do the same?

[289] **Edwina Hart:** I look to the technical experts for the answer to that question.

[290] **Mr Howard:** With regard to the SA1 development split, that is largely a planning-led decision. Where we are in a position of dictating the form of development, we have additional discretion, subject to agreement with the planning authority, to require certain forms of development, which may have an impact on the price, depending on whether it is increasing commercial space, a typical type of commercial space—retail or offices—or private or affordable housing.

[291] **Mr Sutton:** The balance is driven by the market, to an extent, but then tempered by your political expectations of what you are looking to achieve out of it. If you are in a joint venture with a private sector developer, perhaps it would be less inclined to go down the affordable or social housing element, because, bluntly, there is less money in it, from its perspective. It will be how the joint venture is set up and how the aims and aspirations of the parties come together.

[292] **Mike Hedges:** Do you have any land that is likely to be released for social housing in the near future?

[293] **Edwina Hart:** Yes, we have an arrangement with colleagues in the housing department for looking at what possible land we can release. As I indicated, there are issues to do with transfer value and so on that impact our portfolio, but we are pretty keen to do it. We have had discussions about a number of sites with them, but, of course, they are in a difficult position, because the budget in housing is finite. They want the best deal that they can get with us, but that best deal then affects our resources. So, it comes back to the discussion that arose from a question from you, Chair, about how it should be dealt with if the Government is helping other departments with no-one losing out with regard to how they manage their portfolios as a result of any transfer.

[294] **Jocelyn Davies:** So is it easier, Minister, for you to transfer out of Government, to a third party, than between Government departments? You would not then have that accounting issue and you could just negotiate the price.

[295] **Edwina Hart:** In many ways, if we sell land to the private sector for development, we get the market value for it. We then have the money back in for us to utilise. On that narrow point, if I answered it like that, the answer would be 'yes', but, on the other hand, we would like to transfer more land if we could, as long as the budget was available, so that there could be more social housing as a result of this development.

[296] **Jocelyn Davies:** That is so that there is no disadvantage to your budget for releasing

land for affordable housing. There is a budget consideration, so it is not for free.

[297] **Edwina Hart:** No.

[298] **Jocelyn Davies:** Mike, are you happy with that?

[299] **Mike Hedges:** Yes.

[300] **Julie Morgan:** My question is about good practice and expertise. We have heard in previous evidence that, in some sectors, the professionals who are involved in property asset management have disparate backgrounds. Can you tell us whether you have sufficient skills within your property team to deal with this?

[301] **Mr J. Price:** That is a really good question.

[302] **Jocelyn Davies:** Mr Price, we only ask good questions, but some of them are harder than others. [*Laughter.*]

[303] **Mr J. Price:** It is a harder question. The BETS property team is all professionals, and there is a mixture of different professions—we have surveyors, people with a legal background, engineers, planners and people with financial expertise. There is a mix within the team. I think that we are in a genuinely good place to be skilled in the delivery of what we do. If you were to ask whether we are in the perfect place—that is why I said that it was a tricky question—I would never be happy with what we were doing because we can always improve it and hone our skills a bit more. We can always bring more people into the team to augment the skill set, but are we a professional team with professional skill set? The answer is ‘absolutely, yes’, and we require people to have those skill sets if they are going to work for us. Furthermore, we invest in continuing professional development training for those people so that they keep their skill sets up to date. Can we always improve everything that we do? From a civil service perspective, the answer is ‘yes’ and we should do so, and we are happy to be challenged on that. We are not a team of amateurs.

[304] **Edwina Hart:** I have discussed with the director general that it would be good for staff who have been with us for a while to go back out to the private sector for a period of months to see what is going on and then come back in. We are looking at a two-way secondment process, which will enhance what we are currently able to do.

[305] **Julie Morgan:** Is there any skill that you could build on more?

[306] **Edwina Hart:** Manufacturing and development would be handy. [*Laughter.*] No, I do not think so.

[307] **Mr J. Price:** No, it is just about keeping in tune with the market; that is what we really need to do.

[308] **Julie Morgan:** Is it usual for your department to seek assistance from a central source of expertise, such as the central property division of the Welsh Government?

[309] **Edwina Hart:** It can give us independent assurance. It depends on what we want to discuss.

[310] **Julie Morgan:** You do not have a service level agreement with them. Do you think that it would be beneficial to have one?

[311] **Edwina Hart:** No.

- [312] **Julie Morgan:** This goes back to what you said earlier on.
- [313] **Jocelyn Davies:** You have considered this, Minister, and you have decided not—
- [314] **Edwina Hart:** We do not consider that it would be particularly beneficial.
- [315] **Mr Howard:** The bulk of our activity is of a nature for which we have the skills within the department to deliver what we need to do.
- [316] **Edwina Hart:** We are exceptionally commercially focused as a department.
- [317] **Julie Morgan:** You say that it is better not to have a service level agreement.
- [318] **Mr J. Price:** It is on a case-by-case basis.
- [319] **Jocelyn Davies:** Service level agreements do not work on a case-by-case basis.
- [320] **Mr J. Price:** No, but how we deal with this is on a case-by-case basis. We would use it when we needed to bring in some external challenges within Government to do a peer review of something. Maybe, if there was a very complex project management requirement, we might have someone in as part of a gateway process and ask them to challenge what we have done. This is all at management level, not a political level, obviously. SLAs are not really required for that. SLAs would be required if you were engaging in volume transactional services, but we do that ourselves. If you looked at the relative sizes of the team, our team is bigger than their team and probably has more relevant skills.
- [321] **Jocelyn Davies:** So you possess the expertise that you need. If you find that you need extra expertise, it is from the private sector outside of Government.
- [322] **Mr J. Price:** Yes, exactly.
- [323] **Edwina Hart:** The people, places and corporate services generally advise departments that have little or no property resource, so they advise the ones that are not like us.
- [324] **Julie Morgan:** Finally, some of the evidence that we have heard has called for the Welsh Government to establish a centre of expertise, property and assets management to provide advice, guidance and good practice. Do you think that that would be beneficial? Could the expertise in your department contribute to this?
- [325] **Edwina Hart:** This goes back to the discussion that we had earlier. Assets relating to economic development need to be retained and managed within my department. It may be beneficial for the centre to take help and assistance from us.
- [326] **Julie Morgan:** So, you would say that you had something to contribute to the centre, would you?
- [327] **Edwina Hart:** We may have something to contribute. It may be good and enabling, but it may not be. However, we would like to keep the expertise that we have, and we are always happy to assist other departments.
- [328] **Jocelyn Davies:** Thank you, Minister, and officials for attending and giving us evidence this morning. We will send you a transcript to correct any factual inaccuracies.

[329] **Edwina Hart:** Thank you, Chair.

[330] **Jocelyn Davies:** We have noted the papers. We will now go into private session, in line with the motion that we agreed earlier, to consider the evidence that we received this morning.

Daeth rhan gyhoeddus y cyfarfod i ben am 12.09 p.m.
The public part of the meeting ended at 12.09 p.m.