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National Library of Wales – A Review of Governance

On 30 January 2017, the Public Accounts Committee (the Committee) discussed briefly my Review of Governance at the National Library of Wales (the Library), published in December 2016. My review included 12 recommendations, ten of which were addressed to the Library's Trustees and managers, with two recommendations being addressed to the Welsh Government.

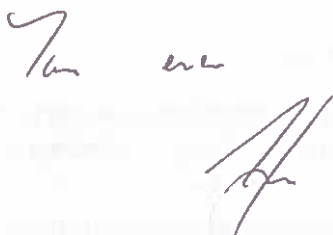
In my briefing to the Committee, I advised that Wales Audit Office staff would track the Library's progress in implementing its action plan in response to my recommendations. The Committee agreed to include the Library as part of its 'scrutiny of accounts' work in autumn 2017, providing the Committee with an opportunity to revisit the overall progress that is being made in response to the issues identified in my report.

The Appendix to this letter summarises my assessment of progress against each of the 12 recommendations in my report. Progress has been good in relation to most recommendations, particularly those relating to the effectiveness and transparency of the Board, and in improving the levels of trust and co-operation between management and staff. The Library has not yet fully addressed my recommendations in relation to workforce planning and asset management planning, but the work is in hand. Overall, the positive and systematic way in which the Library has responded to the recommendations is indicative of the considerable improvements in its governance arrangements and internal communication over the last 18 months.

I reported last December that the Library's ability to plan and manage its service delivery in the medium term is constrained by aspects of the Welsh Government's current funding arrangements. In my report I stated that the Library needed to re-assess the range and scale of services it provides and the quality standards it seeks to achieve in response to reductions in funding and staffing. Grant-in-Aid for 2017-18 included additional revenue funding of £324,000 (3.5% of the baseline running costs). The Library will also see a significant level of capital investment between 2017-18 and 2019-20, allowing it to

address some of the building's most urgent health and safety issues. The Library has continued to offer its full range of services. Nevertheless, staffing reductions have continued, albeit at a slower pace than before. The Library has not yet addressed explicitly in its strategic planning the difficult questions of what core services it may need to reduce or cease providing in future if levels of Grant-in Aid reduce.

However, the Library is necessarily proactive in seeking external grant funding. The award of Heritage Lottery Funding to accommodate the BBC Archive, for example, represents a significant recent success in this respect. The change from an annual operational plan to a four-year plan, updated annually to reflect the Welsh Government's Remit Letter, is beneficial in that it allows the Library the flexibility to re-prioritise and to adapt in order to accommodate such developments, and to align them as far as possible with existing workstreams. Nevertheless, the sustainability of the core services that the Library is required by its Royal Charter to provide remains a significant risk.



HUW VAUGHAN THOMAS
AUDITOR GENERAL FOR WALES

Appendix

National Library of Wales – A Review of Governance

Progress against recommendations

Recommendation	Progress
<p>R1. We recommend that the Welsh Government clarifies its position in response to the Public Accounts Committee's recommendations that:</p> <ul style="list-style-type: none">• there should be greater clarity around the Library's insurance arrangements; and• those insurance arrangements should be reviewed.	<p>Implemented</p> <p>With the Welsh Government's financial support, the Library dealt with the direct consequences of the fire in 2013. However, when we were carrying out our initial review, discussions were continuing as to whether the Library might instigate a successful legal action against a contractor in order to recover some of the expenditure incurred. In its Scrutiny of Accounts 2014-15, the National Assembly for Wales Public Accounts Committee expressed the view that, 'the fire of 2013 raises questions regarding the National Library's insurance arrangements.' The Committee recommended (Recommendation 3) that the Library's insurance arrangements, 'be reviewed as a matter of urgency to ensure future arrangements are cost effective and minimise losses to the public purse' and (Recommendation 4) that 'there is a need for greater clarity around the National Library's insurance arrangements and we recommend that discussions take place with the Welsh Government to address this.'</p> <p>The Welsh Government has funded the costs incurred in considering the pursuit of litigation against other parties in respect of the fire in 2013. This legal process is now complete.</p> <p>In addition the Library has reviewed its own insurance arrangements and there is now greater clarity around them. In particular, the Library is strengthening its contracting arrangements to ensure that all suppliers of goods, services and capital works have appropriate insurance in place.</p> <p>After consultation with the Welsh Government and the Charity Commission, the Library has also decided to take out and fund commercial trustee indemnity insurance that covers all Trustees, whether appointed by the Welsh Government or by the Library.</p>

Recommendation	Progress
<p>R2. In order to increase the level of mutual understanding of the roles of staff and the Board, the Library should:</p> <ul style="list-style-type: none"> • create both formal and informal opportunities for Trustees and staff to meet regularly; and • establish protocols to ensure that engagement between Trustees and staff does not undermine the Library's line-management structures. 	<p>Implemented</p> <p>The level of mutual understanding of the roles of staff and the Board is increasing.</p> <p>Trustees are constructively engaging with staff, both formally and informally, in a good range of different ways. For example:</p> <ul style="list-style-type: none"> • Trustee involvement in formal committees and groups that include staff; • Trustee attendance at Library events; • new internal communication channels designed to raise the profile of Trustees, such as the issuing of a Board Bulletin and pen-pictures of Trustees on the Library's website. <p>The President and Trustees are keen to have further engagement with staff wherever possible so that both sides have a better understanding of the work of each other.</p> <p>To guard against Trustees undermining the Library's line management structure, the Library has revised its Corporate Governance Framework (incorporating the Trustees' Code of Conduct), amplifying the Library's Regulations in relation to the standards of conduct expected of Trustees. Also, newly appointed Trustees follow an induction programme covering their duties as Trustees and their role in the functioning and operation of the Library, and they are also well supported by a governance handbook.</p>
<p>R3. In order to improve the effectiveness of its meetings, the Board should:</p> <ul style="list-style-type: none"> • in formulating and scheduling agenda items, give priority to those items requiring a decision; • focus discussion on reaching a decision where such a decision is required; • record decisions clearly in the minutes; and • establish and maintain an action log, and review its status at each Board meeting. 	<p>Implemented</p> <p>The effectiveness of Board meetings has improved.</p> <p>Board meetings are well run and business-like, with matters that require discussion and decisions being prioritised.</p> <p>Decisions are clearly reported in the minutes and action logs are in place and reviewed at each Board meeting.</p>

Recommendation	Progress
<p>R4. In order to enhance the quality of decision making at Board meetings, the Board should establish further committees with clear terms of reference, and whose remits might include matters relating to:</p> <ul style="list-style-type: none"> • the workforce, including staff remuneration; and • the Library estate. 	<p>Implemented</p> <p>The Board and the Governance & Performance Committee have considered the need for further committees. The role of the Governance & Performance Committee has become fully established, and the Board has also created the Financial Planning Committee to support the work of the Board. The work of the committees is making a positive contribution to the Board's effectiveness.</p> <p>The Board plans to establish an Estates Panel and has concluded that, at present, no further committees are necessary.</p>
<p>R5. In order to increase the level of trust and co-operation between staff and the Library's leadership:</p> <ul style="list-style-type: none"> • the executive team should engage the Trades Unions when considering the structure, content and frequency of a single staff perception survey, and seek the support of the Trades Unions in encouraging full participation by all staff; and • the results of future staff surveys should routinely be reported to the Board. 	<p>Implemented</p> <p>Internal communication and engagement within the Library are much improved, reflecting the efforts of the Board, management and staff. This has contributed extensively to increasing levels of trust and co-operation between staff and the Library's leadership. The Library acknowledges the need to maintain its focus on further developing internal communication.</p> <p>In order to maintain comparability with previous surveys and with surveys conducted in other public bodies, the Library and Trades Unions have chosen to implement separate staff perception surveys for 2017.</p> <p>In previous years, there has been limited communication between the Executive, the Trades Unions and, in particular, the Board about the results of staff perception surveys.</p> <p>The Library and Trades Unions have now agreed to present a consolidated analysis of the two surveys to the Board in 2018. This represents a significant step forward.</p>
<p>R6. In order to increase the transparency of Board meetings, the Library should publish on its website:</p> <ul style="list-style-type: none"> • papers supporting agenda items in open sessions; and 	<p>Implemented</p> <p>The transparency of Board meetings has improved.</p> <p>Alongside agendas and minutes, the Library now publishes covering reports for agenda items on its</p>

Recommendation	Progress
<ul style="list-style-type: none"> brief reasons supporting the decision to restrict the public from those items to be discussed in closed session. 	<p>website in advance of Board meetings. The covering papers outline the nature of the full report.</p> <p>Although the detailed supporting papers for each agenda item are not published, the Library is acting in accordance with its revised Regulations. We consider that the level of information published is proportionate as it sufficiently informs the public of issues to be discussed and allows them to seek further information before the meetings should they wish to do so.</p> <p>The use of closed sessions is more limited than in the past, and public agendas reference what is to be discussed in closed sessions.</p>
<p>R7. As part of future financial planning, the Board should consider establishing targets for the upper and lower limits of its balance of unrestricted private funds and set out clearly the reasons for its decision.</p>	<p>Implemented</p> <p>The Library has approved a Private Funds Investment Policy that includes upper and lower limits of its balance of unrestricted private funds. The new policy provides the Library with adequate flexibility and, at the same time, provides reference points for decisions about the use of private funds, and a rationale to justify the level of funds held.</p>
<p>R8. In order to support the Library in fulfilling its statutory duty to plan for a sustainable future, the Welsh Government should consider:</p> <ul style="list-style-type: none"> notifying the Library of its annual funding allocation at the earliest opportunity in the preceding financial year; and resume the practice of providing indicative budgets to the Library once the UK Government confirms indicative levels of future funding to the Welsh Government. 	<p>Partially implemented</p> <p>The Welsh Government's response on 2 February 2017 to the recommendation is set out below:</p> <p>"We always inform the National Library of their budget on the day on which the Welsh Government's Draft Budget is published. This is subject to confirmation in the Final Budget. Budgets since 2015-16 have been developed against the backdrop of unprecedented uncertainty. Our intention throughout summer 2016 was to publish a budget for a three-year horizon, which would have provided our partner organisations with greater certainty in planning for a longer budget period. However, the lack of clarity about the revenue resources available beyond 2017-18 meant this ambition was not possible. As a result, we were able to only lay a one-year revenue budget, with capital budgets for four years.</p> <p>As we consider future Welsh Government budgets, we will continue to work with partners to provide the available indicative information to inform their forward financial planning. Our aim</p>

Recommendation	Progress
	<p>is always to provide a longer run of budgets whenever possible.”</p> <p>The Welsh Government’s draft budget, published on 24 October 2017, sets out the Library’s draft Grant-in-Aid for 2018-19 and a planned figure for 2019-20.</p>
<p>R9. In implementing its income generation strategy, the Library should ensure a consistent approach to the implementation and monitoring of departmental business plans that includes a rigorous analysis of income generated and the associated costs.</p>	<p>Implemented</p> <p>The Financial Planning Committee approved an action plan for income generation in February 2017. Departments are adopting a consistent and more business-like approach and consider income alongside the costs incurred in generating it, with clear departmental income targets for 2017-18 being established.</p> <p>The Board and the Financial Planning Committee monitor the implementation of the income generation strategy regularly at both corporate and departmental levels.</p>
<p>R10. In developing its new Strategic Plan to succeed ‘Knowledge for All’, the Board should adopt a three-year business plan, to be updated annually, that:</p> <ul style="list-style-type: none"> • enables the more timely production of the annual Operational Plan, thereby allowing sufficient Board engagement; and • establishes a suite of projects and accompanying budgets and governance arrangements that, together, will deliver its Strategic Plan. 	<p>Implemented</p> <p>The Library has produced a new Strategic Plan and a new Operational Plan, each covering the four-year period 2017-2021. The two documents are consistent with each other and their content reflects both internal and external engagement. An annual supplement to the Operational Plan addresses the requirements of the Welsh Government Remit Letter.</p> <p>The Library’s four-year work programme, underpinned by detailed annual operational plans, assumes a stable financial settlement.</p> <p>The Library’s ability to plan and manage its service delivery in the medium-term remains constrained by aspects of the Welsh Government’s current funding arrangements (see Recommendation 8). The Library has not yet had to re-assess the range and scale of services it provides and the quality standards it seeks to achieve in response to the reductions it has experienced in funding and staffing.</p> <p>The Library’s strategic planning has not yet explicitly addressed the difficult questions of what core services it may need to reduce or cease providing in future if levels of Grant-in Aid reduce.</p>

Recommendation	Progress
	<p>The approach of having a four-year Operational Plan that identifies the outputs and outcomes the Library aims to deliver by 2021 gives the Library the opportunity to identify the medium-term consequences of any difficult decisions it needs to make to respond to unforeseen changes in its external environment.</p>
<p>R11. In producing its Workforce Development Strategy, implement a two-phased approach to managing workforce planning by:</p> <ul style="list-style-type: none"> • assessing the current workforce arrangements in order to inform a strategic review of the Library's functions and future delivery; and • once the strategic direction is clear, develop a 'People Strategy' that reflects the corporate plan and which includes the elements of workforce planning, succession planning, and talent management. 	<p>Ongoing</p> <p>Most of the work required for this recommendation lies ahead, and many of the problems of the past remain in terms of recruitment, retention and the consequent erosion of the skill base.</p> <p>There is a clear, timed commitment within the Strategic Plan and Operational Plan to address this recommendation. A Skills Audit is planned for December 2017 and the Library has committed to producing a People Strategy and a Workforce Development Plan during 2018.</p>
<p>R12. In developing its asset management planning, the Library should:</p> <ul style="list-style-type: none"> • align the plan with its medium-term strategic planning, taking account of the agreed vision for the nature and volume of services that the Library will offer from its site in Aberystwyth; • assess the current condition of its estate assets, identifying how well they are serving the needs of the Library, and the costs of the action needed to bring them up to the required standards to deliver the Library's Strategic Plan; • establish a realistic baseline for future routine maintenance costs; 	<p>Ongoing</p> <p>Since the report was published the Welsh Government has provided capital funding of £7.75 million to carry out a major capital programme over the period 2017-2020.</p> <p>The Library is prioritising how to use this funding carefully to address significant health and safety risks and storage issues. A Programme Board has been set up to deliver this capital programme. The Library is also responding well to the challenge of accommodating the BBC archive.</p> <p>Looking into the medium-term, the Library's Strategic Plan and Operational Plan set out its commitment to developing its long-term asset management plans. An Estates Panel is soon to be established that will be strategically-focused and look at the Library's future estate requirements.</p>

Recommendation	Progress
<ul style="list-style-type: none"> • prioritise the assets that need attention, demonstrating how planned improvements will contribute to delivering the Library's strategic objectives and the risks associated with not carrying out the work; and • work alongside the Welsh Government to identify the sources of the funding needed to develop and maintain the assets. 	

