

National Assembly for Wales
Public Accounts Committee

Annual Report 2013-14

August 2014



Cynulliad
Cenedlaethol
Cymru

National
Assembly for
Wales

The National Assembly for Wales is the democratically elected body that represents the interests of Wales and its people, makes laws for Wales and holds the Welsh Government to account.

An electronic copy of this report can be found on the National Assembly's website:
www.assemblywales.org

Copies of this report can also be obtained in accessible formats including Braille, large print; audio or hard copy from:

Public Accounts Committee
National Assembly for Wales
Cardiff Bay
CF99 1NA

Tel: 029 2089 8041

Fax: 029 2089 8021

Email: PublicAccounts.Committee@Wales.gov.uk

© National Assembly for Wales Commission Copyright 2014

The text of this document may be reproduced free of charge in any format or medium providing that it is reproduced accurately and not used in a misleading or derogatory context. The material must be acknowledged as copyright of the National Assembly for Wales Commission and the title of the document specified.

National Assembly for Wales
Public Accounts Committee

Annual Report 2013-14

August 2014



Cynulliad
Cenedlaethol
Cymru

National
Assembly for
Wales

Public Accounts Committee

The Committee was established on 22 June 2011. The role of the Public Accounts Committee is to ensure that proper and thorough scrutiny is given to Welsh Government expenditure. The specific functions of the Committee are set out in Standing Order 18. The Committee will consider reports prepared by the Auditor General for Wales on the accounts of the Welsh Government and other public bodies, and on the economy, efficiency and effectiveness with which resources were employed in the discharge of public functions.

Current Committee membership



Darren Millar (Chair)
Welsh Conservatives
Clwyd West



William Graham
Welsh Conservatives
South Wales East



Mike Hedges
Welsh Labour
Swansea East



Alun Ffred Jones
Plaid Cymru
Arfon



Sandy Mewies
Welsh Labour
Delyn



Julie Morgan
Welsh Labour
Cardiff North



Jenny Rathbone
Welsh Labour
Cardiff Central



Aled Roberts
Welsh Liberal Democrats
North Wales

The following Members were also members of the Committee during this inquiry:



Mohammed Asghar (Oscar)
Welsh Conservatives
South Wales East



Jocelyn Davies
Plaid Cymru
South Wales East



Gwyn R Price
Welsh Labour
Islwyn



Linday Whittle
Plaid Cymru
South Wales East



Leanne Wood
Plaid Cymru
South Wales Central

Contents

Chair's foreword	5
1. Introduction	7
The Public Accounts Committee.....	7
2. The Committee's work 2013-14	9
Summary.....	9
Grants Management in Wales	9
Background.....	9
Key Findings.....	10
Main Outcomes	10
Welsh Government's Acquisition and Action to Dispose of the Former River Lodge Hotel, Llangollen.....	11
Background.....	11
Key Findings.....	12
Main Outcomes	13
Civil Emergencies in Wales	13
Background.....	13
Key Findings.....	14
Main Outcomes	14
Consultant Contract in Wales: Progress with Securing the Intended Benefits.....	15
Background.....	15
Key Findings.....	16
Main Outcomes	17
The Procurement and Management of Consultancy Services	17
Background.....	17
Key Findings.....	17
Main Outcomes	18
Caldicot and Wentlooge Levels Internal Drainage Board	19
Background.....	19

Key Findings.....	19
Main Outcomes	20
Implementation of the National Framework for Continuing NHS Health Care	21
Background.....	21
Key Findings.....	21
Main Outcomes	22
Governance Arrangements at Betsi Cadwaladr University Health Board	23
Background.....	23
Key Findings.....	23
Outcomes	24
Health Finances 2012-13 and Beyond	26
Background.....	26
Key Findings.....	26
Main Outcomes	28
Looking Forward.....	29
Appendix.....	30

Chair's foreword

I am very pleased to introduce the first Annual Report of the Public Account Committee. While no Committee's work fits neatly into one financial year or Assembly term, particularly the Public Accounts Committee, this report gives a good snapshot of the breadth of subjects and variety of issues the Committee has considered over the 12 months that are the subject of the report.

As a Committee, we seek to ensure that public money is spent effectively in Wales. This involves consideration of how the Welsh Government makes decisions regarding spending and whether value for money has been achieved. We also examine spending by other public sector organisations, identify any problems and consider how these can be overcome so that others can learn from them.

Given that health comprises the largest proportion of devolved spending in Wales and is of significant public interest, it is natural that a number of the Committee's inquiries this year considered various aspects of the Welsh NHS. We also looked at how the Welsh Government manages grants, its use of consultants, and some very particular issues around governance in publicly-funded organisations which provided examples of decision-making that led to inefficient use of public money.

During the course of our inquiries we are often able to identify good practice, but this is not always widespread or applied consistently. The Committee regularly returns to issues considered previously to monitor the impact of our recommendations and ensure that they have been implemented. In preparing this report we were encouraged by the number of areas where public money is being used more efficiently and to greater effect as a direct consequence of the Committee's work. The Committee works closely with the Auditor General for Wales and the Wales Audit Office, and I'd like to express my gratitude to them and the Committee Clerks for the diligence with which they undertake their important role and the professional and collaborative way they have worked with the Committee.

This year the Committee has sought to improve its own working practices and to try new approaches. This report is an example of that, as are the two inquiries mentioned in this report that the Committee

initiated. The Committee is keen to maximise its impact in ensuring that taxpayer-funded organisations and officers satisfy the public's expectations in respect of value for money, good governance and efficiency. We will continue to work towards these ends in the current year and as we move into the next Assembly term.

1. Introduction

1. This is the first annual report on the work of Public Accounts Committee (PAC). The production of an Annual PAC report to be tabled for debate by the whole Assembly was agreed by the Committee as part of new ways of working at the beginning of the year. The intention of this report is to raise the profile of the work of the Committee and help to further hold the Welsh Government to account for its response to the Committee's recommendations.

2. Furthermore, looking forward to the 2014-15 budget process, we are conscious that the National Assembly may benefit from information on what has historically been achieved with allocated resources.

3. This report summarises the Committee's activities between 1 April 2013 and 31 March 2014 and highlights a number of issues arising from the work of the Committee during this time. We hope the issues identified in this report may contribute to scrutiny of the draft budget and inform the forward work plans of other Assembly Committees.

The Public Accounts Committee

4. The Committee is a cross-party committee of the National Assembly for Wales, made up of eight Members representing all four political parties at the Assembly. The Committee is not part of the Welsh Government.

5. The role of the Committee is to ensure that proper and thorough scrutiny is given to Welsh Government expenditure. The specific functions of the Committee are set out in Standing Order 18. The Committee considers reports prepared by the Auditor General for Wales on the accounts of the Welsh Government and other public bodies, and on the economy, efficiency and effectiveness with which resources were employed in the discharge of public functions.

6. We are advised by, and receive briefings from, the Auditor General and Wales Audit Office staff. However, we are also independent from that office, and have our own team of officials to support us in our work.

7. In undertaking inquiries the Committee considers value for money, probity and governance arrangements. It is the aim of the Committee to ensure that public money is being spent effectively and efficiently. We

also aim to bring salient issues into focus, stimulate change and drive improvement in service delivery and the use of public money.

8. The Committee can also agree to undertake its own inquiries where it believes there to be merit and public interest in doing so and going forward this is an area of work we are keen to develop. This area of our work is discussed further in Paragraph 10 of this report.

2. The Committee's work 2013-14

Summary

9. The Public Accounts Committee undertook nine major inquiries between 1 April 2013 and 31 March 2014. The Committee considered a range of issues from Grants Management to Health Finances. We also considered the governance arrangements of a number of organisations. The key themes and findings of these inquiries are explored further in this chapter.

10. During this period the Committee also reviewed how we worked and agreed a number of proposals to change the ways of working. One of the most significant developments has been the undertaking of PAC-led inquiries. These are inquiries generated by Committee Members' concerns about value for money aspects of key Government policies. In 2013-14, the Committee took evidence on two PAC-led inquiries: senior management pay in the public sector and the Intra-Wales Cardiff to Anglesey Air Service. The Committee will be reporting on the findings of these inquiries later in 2014.

Grants Management in Wales

Background

11. The Auditor General for Wales published a report *Grants Management in Wales* on 29 November 2011. In the report, the Auditor General commented that grant administration costs in Wales were relatively high and that many grants were poorly managed, with funders and recipients failing to learn from past mistakes. However, the report also found clear evidence of a desire by some funders to improve.

12. Arising from the findings of the Auditor General's report, the Committee considered it appropriate to conduct an inquiry into the issues.

13. The Committee published an interim report on *Grants Management in Wales* in August 2012, detailing our consideration of these issues. This was an interim rather than final report, because we anticipated that we would take further evidence on this subject in light of the then on-going Wales Audit Office review of the Welsh Government's relationship with AWEMA, the All Wales Ethnic Minority Association.

14. Following the publication of our report, the Welsh Government welcomed our findings and published a response to our recommendations.

15. Our final report of June 2013 considered the Welsh Government's response to our original recommendations and also took into account evidence from the Big Lottery Fund, the Northern Ireland Local Government Association, the Wales Audit Office and the Wales Council for Voluntary Action on general issues associated with grants management.

Key Findings

16. The Committee's report highlighted the importance of the Welsh Government operating collectively in its approach to grants management and working cohesively to ensure this management is undertaken consistently and efficiently.

17. Our report made 18 recommendations including:

- that the Welsh Government publish an annual grants report setting out how individual grants were reviewed in its Grants Management Review, which alternative funding options were considered, and what rationale was used to determine the most effective funding options in each case;
- that the Welsh Government set out timescales for the introduction of a central grants management IT system, and the implementation of a Customer Relationship Management system; and
- that the Welsh Government develop a mechanism for escalating its monitoring arrangements in response to specific concerns arising around financial irregularities or governance issues, including when an organisation is given 'the benefit of the doubt'.

Main Outcomes

18. The Committee reported that there were a large number of grants provided by the Welsh Government without an administration-wide understanding of who had received a grant and the purpose of each grant. There was a risk this could lead to organisations receiving a number of different grants from the Welsh Government, and the purpose of grants could possibly undermine the purpose of others received. The dispersed administration of grants was also found to be

inefficient, with potential savings to be made from more collective operations. These are areas the Committee will remain interested in.

19. However, the Welsh Government's response to the Committee's report was positive and we welcomed its acceptance of all 18 of our report's recommendations.

20. In its response the Welsh Government also highlighted its appreciation of the time and effort invested by the Committee during our detailed investigations into grants management and that it valued our continued interest in this topic.

21. Advice from the Auditor General on the Welsh Government's response reiterated this stating that:

"It is clear that the Committee's sustained focus on this topic has served to raise awareness of the importance of good grants management within senior levels of the Welsh Government, and that officials are making progress on a wide range of actions to deliver some significant planned improvements."

22. The Committee revisited the issue of Grants Management in June 2014 following the publication of the Welsh Government's *Annual Report on Grants Management*, an innovation prompted by the Committee's inquiry, alongside our consideration of a series of reports published by the Auditor General for Wales relating to this topic, including *Public Funding of the Cywain Centre – Bala*, *Public Funding of Penmon Fish Farm* and *European Union Structural Funds 2007-2013*. The Committee's work generally concluded that some progress has been made in overhauling the grants management system and we welcomed the publication of the Welsh Government's *Annual Report on Grants Management*, which addressed many of the issues set out in our recommendations.

Welsh Government's Acquisition and Action to Dispose of the Former River Lodge Hotel, Llangollen

Background

23. The Auditor General for Wales's report on *The Welsh Government's acquisition and action to dispose of the former River Lodge Hotel, Llangollen* was published in June 2012. The report concluded that the Welsh Government's decisions in 2007 to buy the former River Lodge

Hotel for £1.6 million and in 2009 to enter into a lease agreement with an organisation known as Powys Fadog were flawed and did not represent good value for money. In light of this, and the increasing likelihood that Powys Fadog would be unable to fulfil the conditions of the lease agreement, the report considered that the Welsh Government's decision in 2010 to carry out an appraisal of options for the disposal of the property was both prudent and necessary.

24. The report also found that the Welsh Government had been slow to react to external and internal concerns about the probity and value for money of its earlier decisions.

25. The Auditor General for Wales's report did not include any specific recommendations to the Welsh Government. In light of this and given the concerns of the Committee regarding its findings, the Committee agreed to conduct an inquiry into the issues raised by the report, with particular regard to determining lessons learned.

Key Findings

26. The Committee's inquiry found that flaws in Welsh Government systems and processes led to more than a million pounds of public money being wasted. The inquiry found that successive ministers were largely unaware of the plan to purchase the River Lodge Hotel in Llangollen for £1.6 million and lease it to a social enterprise organisation for the purpose of creating a martial arts training centre and spiritual retreat.

27. The Committee was also told that the offer to purchase the derelict buildings in 2007 was made before the valuation process was completed and that the price paid was not a good use of public funds.

28. The inquiry also highlighted that the decision to purchase the hotel was made, in part, to use up leftover funds at the end of the financial year and that briefings and communications between successive Welsh Government Ministers had been inadequate.

29. The Committee was particularly concerned about the flaws in civil service systems and processes which the inquiry has exposed, and those which came to light in our wider inquiry into the Welsh Government's grants management.

30. The Committee made 21 recommendations, including:
- that the Welsh Government review its processes to minimise the risk that a rush to spend money before the end of a financial year will impede efforts to ensure value for money;
 - that Welsh Government civil servants ensure that incoming Ministers are fully briefed on all aspects of their new portfolios, including on-going and outstanding correspondence; and
 - that the Welsh Government review its systems for handling Ministerial correspondence, so that concerns about a conflict of interest (or the conduct of an official) are not responded to by the person who is being complained about or their line manager.

Main Outcomes

31. The Welsh Government accepted all of the Committee's 21 recommendations and we considered the response to be satisfactory. The Committee noted the Wales Audit Office's intention to monitor how the Welsh Government updates and clarifies its progress with implementing the Committee's recommendations.

Civil Emergencies in Wales

Background

32. The Auditor General for Wales published his report on *Civil Emergencies in Wales* in December 2012. The report found that when called upon, civil contingency arrangements have, to date, worked satisfactorily in Wales. It also detailed that the Welsh Government has supported an effective and skilful response from the partnership of organisations responding to major services.

33. The Committee agreed to undertake an inquiry based on issues raised in the Auditor General's report focussing on the Welsh Government's and UK Government's role in supporting organisations involved in the management of civil contingencies, an overall view on the financial challenges facing organisations in managing civil contingencies, and the particular challenges faced by all organisations in developing and implementing emergency plans.

Key Findings

34. The Committee's inquiry found that there was potential for improvement in the way organisations respond to civil emergencies such as major floods and extreme weather. We recommended closer scrutiny of how organisations such as the police, fire, medical services and local authorities plan for and cope with civil emergencies and what lessons can be learned.

35. The Committee also concluded that a proposal to shift to a regional model of response to such emergencies will require a 'step change' in coordination and cooperation between all relevant bodies.

36. In noting the Welsh Government's desire for its role in managing the response to civil emergencies to be put on a statutory footing, we recommended that the Welsh Government clarified what resource it would require in order to take over such responsibilities before powers were conferred. Currently these powers lie with the Cabinet Office, a department of the UK Government, with the Welsh Government effectively acting as a go-between. The Committee heard that this was not the case in Scotland and Northern Ireland where responsibilities are devolved.

37. The Committee's final report included 14 recommendations including:

- that the Welsh Government publish a schedule of those resources required to carry out such duties prior to functions being transferred;
- that a move to the four different regional models must require all parts of the resilience community to overcome a number of challenges, including cultural barriers; and
- that both the Welsh and UK Governments ensure that all Category One responders are consistent in their implementation of the Civil Contingencies Act 2004 and that their performance is regularly monitored and scrutinised.

Main Outcomes

38. The Welsh Government accepted 10 of the Committee's 14 recommendations and partially accepted the remaining four. A number of the Welsh Government's responses to the recommendations lacked clarity and we wrote to the Welsh Government seeking further detail on

these matters. The Committee was satisfied with the further correspondence received.

39. However, looking forward, the inquiry found that local authorities and other responding organisations can find that their budget allocations for civil emergency planning are exhausted in the event of a major incident. In addition, while the main area of expenditure was staff costs, and predictable, unplanned costs could be incurred when an emergency incident arose. The Committee believed that some local authorities would be more exposed to certain risks, and budgets for planning for civil emergencies should be aligned to an accurate assessment of risk.

Consultant Contract in Wales: Progress with Securing the Intended Benefits

Background

40. The first consultant contract was introduced in the UK in 1948 and essentially remained unchanged until new contract negotiations started in 2000. Following various negotiations a Welsh contract became binding on all consultants in Wales on 1 December 2003.

41. The Auditor General for Wales's report *Consultant Contract in Wales: Progress with Securing the Intended Benefits* was published in February 2013. The report found that consultant recruitment and retention had improved since the amended contract was introduced in 2003, with the number of full-time consultants increasing by 37 per cent between 2004 and 2011. However, the report also found that:

- some consultants were still working excessively long hours, with one in six are working at least 46.5 hours and often exceeding the 48-hour European Working Time Directive limit; and
- the amended contract had not driven service modernisation in the way originally envisaged.

42. The report also highlighted that fewer than half the consultants who responded to a survey felt that the amended contract and job planning had led to better clinical practice, and fewer still thought it had improved patient care and consultants' working methods.

43. The Committee considered that there was considerable merit in conducting a short inquiry into issues raised by the Auditor General for Wales's report.

Key Findings

44. The Committee found that the job planning process for NHS consultants in Wales was considered little more than a 'tick-box' exercise by some clinicians and NHS organisations.

45. The inquiry found that while recruitment and retention of consultants had improved since the introduction of the contract in 2003, many other key intended benefits had not been realised.

46. The Committee was also told that a significant proportion of consultants' working hours each week went beyond the European Working Time Directive. We also found that many consultants' job plans were not reviewed annually which, in the Committee's view, limited the Health Boards' ability to marshal and plan their resources effectively, weakening their ability to plan for the demands ahead.

47. The Committee concluded that individual Health Boards were largely left to implement the benefits of the contract- or not- by themselves, with limited input from the Welsh Government. We believed that it was vitally important that NHS organisations strengthen their arrangements for working with consultants and that they undertake job planning more effectively to ensure that they deliver the services that their local populations need and identify and mitigate risks arising from excessive clinical workloads.

48. The Committee made nine recommendations in its report including:

- that the Welsh Government publish a timetable of its actions to provide strategic leadership on job planning arrangements in Wales, including the development of all-Wales guidance and how it intends to hold Local Health Boards to account for its implementation;
- that the Welsh Government work with NHS organisations to develop national guidance on consultants' working hours and action Health Bodies can take to reduce the need for excessive working hours; and

- that the Welsh Government provide the Committee with annual updates on its work with health boards and the deanery to develop and implement specific strategies for recruiting specialist consultants to address workforce and expertise shortages.

Main Outcomes

49. The Welsh Government accepted all eight of the Committee's recommendations that directly affected it and we considered the response to be satisfactory.

The Procurement and Management of Consultancy Services

Background

50. The Auditor General for Wales's report on *The Procurement and Management of Consultancy Services* was published in February 2013. The report found that, although public bodies had reduced their expenditure on consultants, they were unable to demonstrate good value for money in the planning, procurement and management of consultancy services. The extent to which public bodies exercised generally accepted standards of good practice in the various stages of procuring and managing consultants also varied considerably.

51. The Committee considered it appropriate to conduct a short inquiry into the issues raised by the Auditor General's report.

Key Findings

52. The Committee's findings highlighted the need for more evidence of savings and value for money with the introduction of the Welsh Government's new National Procurement Service.

53. During its inquiry the Committee also found that Welsh public bodies had reduced spending on external consultants. Figures in evidence presented to the Committee showed a significant fall across the public sector from £173 million in 2007-08 down to £133 million in 2010-11.

54. The Welsh Government reduced its spend on consultants from £52 million to £42 million over the same period. The Committee welcomed these reductions though noted that they were not attained by achieving greater value for money, but rather as a consequence of the consolidation of public finances. The Committee also found that there

was a lack of evidence from many public bodies to demonstrate that they were achieving value for money in their arrangements for planning, obtaining and managing consultancy services. The Committee was concerned with such failures, particularly at a time of tight financial constraints for the public sector.

55. The Committee made 12 recommendations in its report including:

- that the Welsh Government publish annually a report on the impact of the National Procurement Service in improving procurement practices and generating procurement savings, including analysis of its impact in challenging and managing demand for the use of consultancy services across the Public Sector;
- that the Welsh Government work with potential users of the National Procurement Service, and put in place robust monitoring arrangements to ensure that the potential savings expected from the Service are delivered; and
- that the Welsh Government ensure that a specific objective of the National Procurement Service is to maximise the benefits of public expenditure in the private sector in Wales, as part of its broader objectives of maximising value for public money.

Main Outcomes

56. The Welsh Government accepted all 12 recommendations made by the Committee.

57. However, the overall implementation of the Committee's recommendations seemed to be heavily reliant on the establishment of a National Procurement Service, with its director being charged with responsibility for seven of the 12 recommendations.

58. The National Procurement Service will produce its first annual report in April 2015, and the Wales Audit Office has indicated that the Auditor General will undertake an examination of public procurement and the National Procurement Service in 2014-15. The Committee will reconsider this issue after publication of the Auditor General's report and the NPS's annual report and monitor progress at that time.

Caldicot and Wentlooge Levels Internal Drainage Board

Background

59. The Appointed Auditor's *Audit of Accounts 2010-11: Caldicot and Wentlooge Levels Internal Drainage Board* was published in October 2012. It was issued in the public interest under Section 22 of the Public Audit (Wales) Act 2004.

60. The Public Accounts Committee does not usually take evidence on public interest reports made on the governance of local bodies. Committee inquiries are more usually based upon reports conducted under the Auditor General's value-for-money powers. However, in this instance the Committee considered that the implications of this report had clear ramifications for the Welsh Government and other public bodies across Wales, rather than just the Drainage Board itself.

61. The Committee's inquiry focused on:

- the Welsh Government's actions to reassure itself that there are approved decision-making frameworks for Drainage Boards in Wales;
- the Welsh Government's role in working with Caldicot and Wentlooge Internal Drainage Board (IDB) to deliver the improvements needed;
- the future of IDBs in Wales;
- the role of civil servants and why concerns were not raised sooner;
- local authorities' presence on public boards and bodies; and
- the Wales Audit Office methodology for the audit of small public bodies, in particular its method for auditing the 2010-11 accounts of the Caldicot and Wentlooge IDB.

Key Findings

62. The Committee's inquiry found that a breakdown of relationships, staffing disputes and infighting at Caldicot and Wentlooge IDB was the result of poor governance and accountability. The Committee recommended that the Welsh Government use the poor practices of the Board as an example for other public organisations across Wales to guard against.

63. The Committee recognised that, since the audit of the 2010-11 accounts, significant changes in personnel and operations at the Board had occurred and its findings did not reflect on the current management team.

64. Among the 16 recommendations contained in the report were:

- that the Welsh Government publish clear guidance regarding the accountability of Internal Drainage Boards operating wholly or mainly in Wales;
- that the Welsh Government review the governance arrangements of Internal Drainage Boards operating wholly or mainly within Wales and that a system of monitoring of governance arrangements be introduced to ensure that they are transparent, consistent with best practice elsewhere in the public sector and have appropriate documents and plans in place;
- that the Welsh Government re-issues guidance on governance, citing the problems experienced at Caldicot and Wentlooge Levels Internal Drainage Board as an illustration of what can go wrong; and
- that the Welsh Government set out a clear framework for joint working between Internal Drainage Boards, and other organisations accountable to Welsh Government including local authorities and Natural Resources Wales, for flood risk management. This framework should include details of roles and responsibilities of each organisation.

Main Outcomes

65. Of the Committee's 13 recommendations made to the Welsh Government nine were accepted, two accepted in principle and two partially accepted.

66. The Committee was satisfied with the response but noted the Welsh Government's intention to transfer the functions, assets and staff of the three IDBs which are wholly or mainly in Wales to Natural Resources Wales. This would provide entirely new governance arrangements for these functions, at a standard consistent with that expected of public bodies.

67. The Committee noted the risks involved with this transfer process and will continue to monitor these.

Implementation of the National Framework for Continuing NHS Health Care

Background

68. The Auditor General for Wales's report on the *Implementation of the National Framework for Continuing NHS Healthcare* was published in June 2013. While the report found that the framework has delivered some benefits it also highlighted that more needed to be done to ensure that people are dealt with fairly and consistently.

69. The Auditor General for Wales's report's findings covered two themes:

- the Framework could be improved in a number of areas, and its impact monitored more closely: it had not been implemented fully across Wales; and full assurance was lacking that decisions were fair and consistent within and between Health Boards.
- there was a significant risk that the national project to deal with retrospective claims will not meet the agreed deadline and those new backlogs of retrospective claims had developed in health boards.

Key Findings

70. The Committee found that the *National Framework for Continuing NHS Healthcare*, the guidelines the Welsh Government sets out for health services to follow, was inconsistently applied and there was a lack of understanding among the general public over who is eligible for funding and how they can apply.

71. Of particular concern to the Committee was the impact on patients and their families of delayed decisions relating to claims for continuing healthcare, which could leave some facing financial hardship while claims are settled.

72. The inquiry found that part of the reason for this was a shortage of staff employed to process claims, which had created a backlog. The Welsh Government confirmed that it aimed to clear the backlog within two years.

73. The Committee concluded that it would like to see claims processed according to the circumstances of individuals and their families, rather than the first-in-first-out system currently in place.

74. However, the Committee recognised that the Welsh Government had made some progress since the publication of the Auditor General for Wales's report, but sought more information on how Ministers would improve the timeliness of decisions, improve consistency, and ensure a fair system in which people can access the care they need.

75. The Committee made 10 recommendations including:

- that the Welsh Government give consideration to prioritising claims according to the circumstances of individuals and families;
- that a proactive approach was needed to ensure information is provided to those who need it, enabling them to challenge decisions on eligibility. Such information should be clear and simple; and
- that the Welsh Government provide the Public Accounts Committee with an interim progress update on the clearance of claims in March 2014 and also provide a further update in September 2014 following the June 2014 deadline.

Main Outcomes

76. The Welsh Government accepted seven of the ten recommendations made in the Committee's report and partially accepted the remaining three.

77. The Welsh Government agreed to provide the Committee, in March and September 2014, with reports on the progress being made in clearing retrospective claims. The Committee considered the first of these reports in April 2014 and will revisit this issue during the autumn term upon receipt of the September update report and alongside the Welsh Government's revised *Continuing NHS Healthcare – the national framework for implementation in Wales*, published in June 2014. The Auditor General for Wales will also be providing the Committee with a memorandum on the progress made on reducing the claims deficit and the launch of the revised framework at this time.

78. The Committee acknowledges the outstanding risks involved with dealing with retrospective claims. Although we welcomed the Welsh Government's provision of additional resources to the national project to clear claims and to strengthen the monitoring of progress, we remained concerned about the rate at which cases were being cleared and the risks to the recruitment and retention of staff described in the

Auditor General's report. As highlighted in the paragraph above this is an area of risk we will continue to monitor.

Governance Arrangements at Betsi Cadwaladr University Health Board

Background

79. The Wales Audit Office and Healthcare Inspectorate Wales undertook a joint review, *An Overview of Governance Arrangements – Betsi Cadwaladr University Health Board (BCUHB)*, which was published in June 2013.

80. The joint report found that:

- BCUHB's governance arrangements and procedures did not adequately address the gap between the ward and the Board;
- routine governance arrangements within the Health Board had not paid sufficient attention to infection control;
- the effectiveness of the Board had been significantly compromised by a breakdown in working relationships between some senior leaders in the organisation; and
- the Board collectively lacked the capacity and capability to provide appropriate levels of scrutiny in relation to service delivery.

81. Following the publication of the report, the Committee undertook an inquiry into the governance issues at BCUHB raised in the joint report and how these were being addressed.

Key Findings

82. The inquiry examined the governance arrangements at Betsi Cadwaladr University Health Board and evidence found that differing priorities among health board directors had led to conflicts occurring, which the former Chair of the Board could not reconcile.

83. The Committee also heard criticism of the then-outgoing Chief Executive of the Board, who admitted during evidence that she had concerns about governance problems but failed to report those concerns to the Welsh Government.

84. The Committee's inquiry concluded that the Welsh Government needed to take the opportunity to ensure that all Welsh Health Boards should learn from what happened at BCUHB so that similar failings did not occur elsewhere and that patient risks were minimised.

85. The Committee made 21 recommendations including:

- that the Welsh Government review and, where necessary, strengthen the performance management and appraisal process arrangements for chief executives and chairs of NHS organisations to ensure they are appropriately robust, clearly understood and implemented;
- that the Welsh Government undertake an urgent review of the training available to board members across all Welsh NHS bodies. The outcome of this review should inform the development and delivery of a national training programme for board members, participation in which should be a condition of board membership;
- that the Welsh Government emphasise to Health Boards that they should, wherever possible, avoid utilising unsustainable solutions to financial pressures, such as cancelling or postponing operations, which simply deferred costs to the next accounting period;
- that the Welsh Government ensure that all health boards minimise the inconvenience and distress caused to patients and their families by requiring that Health Boards communicate with patients as soon as possible following a decision to cancel or postpone elective operations; and
- that the Welsh Government review its processes for validating quality and safety, and other critical data from NHS organisations. It was vital that such data was reported accurately if meaningful action was to be taken.

Outcomes

86. The Welsh Government accepted all of the Committee's recommendations addressed to it which included direct action to:

- ensure that performance review processes are robust and clearly understood;

- work with Academi Wales and Chairs of NHS organisations to develop a framework for appraisals and putting in place a peer mentoring scheme for independent members. The Welsh Government will also ensure that Chairs are held to account for their part in ensuring the appraisal of independent members is robust and considers training and development needs;
- make data available on RAMI scores across all hospital sites in Wales together with contextual narrative, through My Local Health Service website. Work will continue to develop a range of mortality measures which better reflect the Welsh NHS and to make those easily accessible to the Welsh Public;
- re-emphasise the need for effective communication with the public about the reason for the need to postpone operations;
- re-emphasise the need for LHBs to minimise the inconvenience and distress caused to patients and their families by ensuring more effective and timely communication about cancelled or postponed elective operations;
- develop clearer arrangements for escalation and intervention when problems arise at NHS bodies in Wales. The Committee welcomed the publication of the Welsh Government's new protocol on *NHS Wales Escalation and Intervention Arrangements* on 20 March 2014;
- publish Good Governance Guide for NHS Wales Boards, *Doing it Right, Doing it Better* setting out a framework for Board learning and development.

87. The Committee noted that the Welsh Government's response also highlighted that Health Boards already took action to avoid using unsustainable solutions to financial pressures. The response also outlined that decisions were taken by Health Boards to postpone operations for a variety of reasons that are not linked to financial pressures. This includes the Health Board taking appropriate action to cope with surges in demand for surgical beds as a result of emergency admissions, unexpected absences of key staff and the need to take infection control measures.

88. However, the risks posed to adequate infection control and patient safety arising from financial pressures within the NHS will be remain an area of concern to the Committee.

89. The Committee re-visited this issue in July 2014 and welcomed the progress made to date as outlined by the Chief Executive and Chair of BCUHB. The Committee would look to discuss with the Welsh Government the wider governance issues raised by BCUHB and may revisit the issue once the Auditor General for Wales provides a further update on progress in 2015.

Health Finances 2012–13 and Beyond

Background

90. The Auditor General for Wales published his report *Health Finances 2012-13 and Beyond* in July 2013. This report considers the financial position of NHS Wales during 2012-13 and follows on from the previous Auditor General for Wales's *Health Finances* report, published in July 2012, which the Public Accounts Committee considered in late 2012, and reported on in February 2013.

91. The Auditor General for Wales's report set out a detailed assessment of the financial position of the NHS bodies in 2012-13. It considered performance in the delivery of services, particularly those areas which have been identified as a priority by the Welsh Government's Department for Health and Social Services. The report also considers future financial and service challenges for the NHS over the short, medium and long term.

92. The Committee received a briefing on the report findings from the Auditor General at its meeting on 24 September 2013. Following this session, the Committee agreed to undertake an inquiry looking at:

- Quality of 3 year plans and the risk of potential 'frontloading' in Year 1;
- Difficulties in achieving savings;
- The deterioration of performance in some services areas;
- Service reforms and the link to reducing costs;
- Increase in negligence claims; and
- How Tier 1 priorities are determined

Key Findings

93. The Committee's inquiry concluded that the funding of NHS Wales remained a huge challenge. Whilst significant efforts had been made by

those working with the Welsh Health Service to make the immediate savings needed to break even, the Committee concluded that there was still a great deal more needed to be done to ensure that action taken is sustainable and does not store up even greater problems in the longer term.

94. The Committee welcomed the action taken by the Government to introduce a more flexible system for financial planning for the Welsh NHS; this was also recommended in our report on *A Picture of Public Services*, published in 2012. However, throughout the course of this inquiry it became apparent to us that there was a need for the Welsh Government to take further action to ensure that the system they intend to introduce is fit for purpose.

95. The Committee also welcomed the introduction of the NHS Finances (Wales) Act 2014, which changed the current financial duties of Health Boards from an annual statutory requirement for expenditure to a regime that considers the financial duty to manage its resources within approved limits over a three-year period. The Committee will focus on the impact this has made in its introduction when considering health finances in future years.

96. The Committee noted some of the progress made by the Welsh Government in addressing health finances, particularly with regard to more flexible arrangements, which the Committee had called for in previous reports.

97. However, the Committee had significant concerns about the controls in place to assist Health Boards in planning more flexibly, and the inquiry concluded that there was a need for more stringent accountability of senior managers and greater transparency regarding financial planning.

98. We concluded that the unplanned in-year funding of health boards was not sustainable.

99. The Committee made 12 recommendations in its report, including:

- the Welsh Government publish a clear rationale for funding allocations of additional in year resources to NHS bodies. This would allow greater transparency and clarity in budgets and help to ensure that the resources are being allocated appropriately and value for money;

- the Welsh Government hold senior management to account more rigorously, to ensure transparency in financial decisions; and
- given the risks of financial planning over three years, the Welsh Government should require:
 - fully balanced plan over three years for each Health Board with supporting detail;
 - collective financial planning showing how budgets will balance across the whole NHS every year; and
 - detailed contingency plans setting out how Health Boards will respond if planned savings from up-front investment do not materialise and/or there are additional cost pressures.

Main Outcomes

100. The Welsh Government accepted all of the Committee's recommendations in full and we welcomed that much of the response set out that action was already in progress in some areas, such as the approval and implementation of NHS bodies' three year plans.

101. The Committee welcomed the action taken by the Welsh Government to introduce a more flexible system for financial planning for the Welsh NHS. However, the quality of three-year financial planning will be crucial and the potential risks of front loading in year one need to be carefully managed and avoided. This is an area of risk the Committee will continue to oversee.

102. Despite these concerns it is important not to undermine the significant change that has occurred with the move towards three-year financial planning. In terms of the impact of the work of the Public Accounts Committee, we recognise the influence we have had in driving forward this change and the contributions of our work to the formation and implementation of the NHS (Wales) Finance Act. We wish to highlight our efforts, over several years, in recommending that the previous regime was no longer fit for purpose.

103. The Committee notes that the Auditor General for Wales will be undertaking further work to examine health finances and performance across 2013-14 and intends to publish his findings in early autumn 2014. That work will consider many of the issues set out in our reports recommendations and we will revisit this subject at that time.

Looking Forward

104. During the forthcoming year, the Committee intends to move forward with the new ways of working agreed at the beginning of 2014. We will be publishing two reports resulting from our own Committee-led inquiries, and will be undertaking further similar work, generated from the concerns of the public about value for money.

105. The Committee will continue to undertake its important responsibilities of considering reports produced by the Auditor General for Wales on aspects of value for money.

106. The Committee has also agreed to undertake a piece of work considering the consolidated accounts for the Welsh Government and some independent bodies funded by the Welsh block grant. This is an important piece of scrutiny for the Committee to consider how public money is being spent and whether there are any serious concerns.

Appendix

Title of report	Date of publication
Grants Management in Wales	June 2013
Welsh Government's Acquisition and Action to Dispose of the former River Lodge Hotel, Llangollen	June 2013
Civil Emergencies in Wales	July 2013
Consultant Contract in Wales	September 2013
The Procurement and Management of Consultancy Services	September 2013
Caldicot and Wentlooge Internal Drainage Board	October 2013
Implementation of the National Framework for Continuing NHS Health Care	December 2013
Governance Arrangements at Betsi Cadwaladr University Health Board	December 2013
Health Finances 2012-13 and Beyond	March 2014