

Memorandum by the Auditor General for Wales

Final Programme of Value for Money Examinations for 2005-2006

Submitted to the Audit Committee of the National Assembly for Wales

April 2005

Final programme of value for money examinations to start in 2005-06

1. At its meeting on 30 September 2004, the Audit Committee considered the proposed forward value for money programme for 2005-06 (AC(2)-08-04) prepared by my predecessor, Sir John Bourn. In preparing this final programme for 2005-06, I have taken into account that proposed programme, together with the Committee's views on it.

2. In the past, the programme has been designed to ensure that the Committee had the opportunity to take evidence across the full range of the Assembly's activities with due regard to risk to value for money and materiality. I agree with the merits of that approach, so I have not sought to make changes for change's sake. Where I have changed the programme from that presented in September, it is because of members' comments, other events, such as the advent of the Making the Connections policy initiative, or because I have seen early opportunities to tie the programme into the overall strategy for the Wales Audit Office that I am developing. I expect to relate future programmes of value for money examinations explicitly to that strategy.

3. That overall strategy will build on the existing approach of providing comprehensive, risk-based examination of expenditure. Such an approach will include a systematic search and pursuit of scope for improvement in the value money provided by public bodies, both individually and across organisational boundaries. The selection and design of examinations and other work will therefore be closely based on the need to develop public sector bodies and services so that they perform better.

4. While a great deal of this final programme is based on Sir John's proposals, it is nonetheless my programme, and I have actively adopted it rather than passively inherited it. The subjects that I have decided to include for 2005-06 are:

- Chronic disease management;
- The new General Medical Services (GMS) contract;
- Public access to the countryside;

- Higher and further education institution mergers and collaboration;
- Regional Selective Assistance (RSA) and other economic development grants;
- The Homelessness and Rooflessness Grant Programme;
- Increasing physical activity and its benefits;
- Procurement of the new building for the National Assembly for Wales;
- Services for children.

I have set out short summaries of these in the annex to this memorandum.

5. At its meeting on 2 December, the Committee asked for more information on how the Auditor General's programme of value for money examinations would contribute to and complement the Making the Connections initiative. Since Making the Connections has explicit aims of 'value for money' and 'making the most of our resources', my programme of value for money examinations is entirely consonant with those aspects of Making the Connections. The attached Annex shows how the individual studies contribute to the aims of Making the Connections. I intend that my strategy for the Wales Audit Office will specifically address the ways in which my external scrutiny of public services in Wales can support those aims. Such general support, in principle, as it were, does not and must not imply uncritical support for specific actions that may be taken by the Assembly Government as part of the practical implementation of Making the Connections. In examining implementation, I shall, of course, maintain and be seen to maintain my independence, and, by extension, that of the Committee.

6. I have changed the forward programme in respect of health and social services. Nevertheless, there is continuity with the proposals presented in September. The chronic disease management examination is a refinement of the 'Implementation of Wanless' proposal. This concentration of the scope of the examination should enable it to more readily address the changes in structure and balance of care that are needed to make the NHS more efficient and effective. It should also usefully complement the recent NHS waiting times examination.

7. The examination of the General Medical Services contract is also relevant to improving the efficiency and effectiveness of NHS Wales through better balancing of the system of health care. Part of it will address GP recruitment and retention, and I consider that such a comprehensive approach to a group of health care professionals is preferable to looking at recruitment and retention across several groups in less depth. Indeed, this possibility was acknowledged in the proposal put forward in September.

8. Both the Dentists proposal and the Hospital Acquired Infection proposal presented timing problems. With the former, a new contract is being implemented, and with the latter I consider that, in this case, it would be expedient to give the Assembly Government's new strategy time to bed in. I therefore think it would be best to reconsider these proposals in the autumn.

9. I have also changed the programme in the education area from that proposed in September. In considering the original proposals, and subsequently in correspondence, the Committee expressed considerable interest in the issue of mergers of higher and further education institutions. Such mergers

potentially contribute to the financial health of the institutions in Wales. I have therefore replaced the proposal for an examination of the financial health of further education institutions with an examination of higher and further education mergers and collaboration.

10. I do not now intend to undertake in this programme an examination of participation and completion in higher education. Recently available information indicates that good progress is being made in Wales in terms of participation and completion. I shall, however, keep the possibility of undertaking an examination of school capital funding in view when considering proposals in the autumn. I shall also revisit the possibility of an examination of the Teacher Workload Agreement in 2006-07, as this has been a matter of concern to the Committee.

11. In September 2004, the Committee requested consideration of an examination of the commercial competence of public servants. Such an examination would have considerable merit. My own professional work over the past twenty years has been closely engaged with that subject. I am very keen to pursue an examination in that area. Among other things, it should, for example, be helpful to the achievement of 'smarter procurement' outlined in Making the Connections. However, the Assembly Government's Welsh Procurement Initiative Team is currently undertaking 'Procurement Health Checks' at the Assembly and its sponsored bodies, including a comprehensive analysis of the skills and experience of procurement staff. These checks are intended to evaluate current procurement performance and identify deviations from good practice, which is work that I would regard as an essential part of any examination that I might undertake. As the Welsh Procurement Initiative Team's work is not expected to be completed until early 2006, I have concluded that it would be better not to start an examination before April 2006. Nevertheless, I will continue to consider how such an examination should be done, and I expect to put a proposal on this subject to the Committee in the autumn.

12. The Committee was also keen for an examination of Sustainable Development before the end of the Second Assembly. While I am keen to start this as soon as possible, I would not want it to be before 2006-07, in order to allow the Assembly Government's performance measurement systems to be fully implemented.

13. Like my predecessor, I do not regard my programme as carved in stone. I intend that the overall service that I shall provide to the Committee should benefit from being responsive to changing circumstances. Changes in my programme will undoubtedly often be made at the suggestion of members of the Committee, but I shall keep the Committee informed of any changes as they arise.

Jeremy Colman

Auditor General for Wales

April 2005

Examinations to be commenced in 2005-06

Health

Chronic Disease Management

People with chronic diseases, such as diabetes, asthma and arthritis, constitute a major source of demand for acute hospital treatment—at least 55 per cent of acute hospital beds in Wales are occupied by patients with acute escalations of chronic diseases. Arranging treatment elsewhere, such as putting facilities into place to help patients manage their illness, might enable some of these people to avoid becoming acute hospital patients. That could be not only better treatment in more appropriate settings, but also more efficiency through reduced reliance on acute hospital bed capacity. Improving chronic disease management is therefore an essential part of efforts to manage demand for acute hospital treatment, which, as set out by the Review of Health and Social Care in Wales (Wanless), is of strategic importance for NHS Wales. This examination would look at how some of the main chronic diseases are managed in particular health communities in Wales, and it will make comparisons with similar work in Scotland. By helping the NHS to design its services for people with chronic diseases in a way that meets their needs more closely, it would contribute to the aim of supporting people to live healthily and independently set out in Wales: a better country. And by promoting greater efficiency in the use of facilities, it would help the NHS to make better use of its resources.

The new General Medical Services (GMS) Contract

The development of effective primary care services is a major part of the effort to improve the balance of the system of health and social care in Wales. The new General Medical Services (GMS) contract between Local Health Boards (LHBs) and primary healthcare professionals, such as GPs, is intended to reward higher quality care, improve practitioners' working lives and ensure patients benefit from a wider range of services in the community. The contract also makes LHBs responsible for the provision of out of hours services. Alongside the intended benefits, the new contract has significant cost implications—expenditure on primary medical services in Wales is expected to increase from £302 million in 2002-03 to £402 million in 2005-06, a rise of 33 per cent. Obtaining the intended benefits of the new contract is therefore critical to ensuring that the additional money is not wasted. This examination would look in depth at some of the matters identified by the Audit Commission in Wales 'themed paper' The New GMS Contract for GPs and other Healthcare Professionals. In particular, it might look at how LHBs were dealing with their new responsibilities, especially out of hours services, and at progress in addressing problems of recruitment and retention. It would also provide comparisons with progress in other parts of the UK. By helping to ensure that services are shaped to meet public need more closely, and that better use is made of the time and expertise of healthcare professionals, it would contribute to the achievement of the Making the Connections aim of "making the most of our resources"

Environment, Planning and Countryside

Public access to the countryside

Walking for recreation is important to the rural economy in Wales. Its annual value is some £550 million. Improving access to the countryside is also a matter of compliance with the Countryside and Rights of Way (CROW) Act. As it has a statutory remit to keep public rights of way open, the Countryside Council for Wales has a major role in the implementation of the legislation. The Countryside Council has to work with local authorities, to which the Assembly provides grants (some £2.4m). Nevertheless, many public access routes remain closed. Some local authorities appear to be making more progress in implementing the Act than others, and Wales is generally making slower progress than England. There are also concerns over the quality of the path network and the time being taken to prepare open-access maps. This study will examine progress in implementing the legislation, including how local authorities have used the grant funding. It will also look at how well different parts of the public sector have worked together, taking account of the roles of organisations, such as the Wales Tourist Board. It would therefore provide lessons that are relevant to the Making the Connections aim of "working together as the Welsh public service". As it will look across different sectors of public service, it will require the exercise of a range of the Auditor General's powers across the Assembly and local government sectors.

Education and Training

Higher and Further Education: mergers and collaboration

Many higher and further education institutions in Wales are small. Small institutions can suffer poor competitiveness and financial health, particularly in the face of strong competition from large institutions outside Wales. The Assembly Government's strategic policy on higher education (Reaching Higher, 2002) proposed closer collaboration between institutions, including mergers, and called for 'reconfiguration clusters', to rationalise overheads and reduce duplication. Proposals were requested from the sector in 2002-03, and funding was provided by both the Assembly and the Higher Education Funding Council for Wales (beginning with £5.3 million in 2002-03). Further education institutions face some similar problems, and there have been mergers and collaboration in the sector too. This study will examine the mergers and alliances that have taken place in, and across, both sectors. As well as explaining why certain merger attempts have fallen through, it will seek to identify how the barriers to merger and collaboration might be overcome. It will also identify the benefits being obtained from the varying degrees of collaboration, and draw out the factors that have led to success in achieving such benefits. As such, this study would contribute to the Making the Connections aims of "working together" and "making the most of our resources".

Economic Development and Transport

Regional Selective Assistance (RSA) and other economic development grants

Regional Selective Assistance (RSA) is a long-established scheme that provides grants to firms for job-creating investments that would not otherwise take place. The Welsh Assembly Government has developed new arrangements that came into force in April 2004. These permit a more flexible approach with more emphasis on added value and the quality of jobs. Expenditure on RSA has risen sharply as grant rates have risen and the Assembly Government now offers a premium for high-quality jobs, R&D facilities and jobs filled by people who were previously not active in the labour market. The scheme is demand-led and has no formal targets. The study would examine the efficiency and effectiveness of the scheme in meeting its objectives, and whether the scheme is having the desired impact in the most needy locations and sectors. It would seek to review the contribution of RSA to the broad objectives of Assembly Government policy in the context of similar schemes and initiatives, and to consider the administrative cost to both applicants and the Assembly Government itself.

Social Justice and Regeneration

The Homelessness and Rooflessness Grant Programme

Assembly statistics show a sharp rise in homelessness in the last three years. This may in part be attributable to real changes in the housing supply situation, with first-time buyers increasingly priced out of the market while council housing stock continues to be sold off under the Right to Buy provisions. It may also be influenced by a change in the administrative definition of homelessness in 2001. The Assembly's Homelessness and Rooflessness Grant Programme provides 100 per cent funding to voluntary sector projects to prevent or respond to homelessness and rooflessness. While it may fund bedspaces, it is also used to provide such things as advice services and family mediation, which can also help prevent homelessness. The budget for 2005-06 is £5 million. This study would examine assessment and monitoring arrangements. It may also examine whether supported projects are delivering planned objectives and the scope for improving the targeting of resources.

Culture, Sport and the Welsh Language

Increasing physical activity and its benefits

The trend towards sedentary lifestyle is leading to increased obesity and related illness. This in turn leads to reduced quality of life, reduced economic productivity and places additional demands on NHS Wales. This study would examine initiatives aimed at increasing physical activity, such as those covered by the Assembly Government's consultation document Climbing Higher. It will look at the Health and Active Lifestyles in Wales framework, which includes schemes, such as Dragon Sport. It will assess the success of the efforts made by the Assembly Government and the Sports Council for Wales to increase physical activity, with particular regard to tackling social exclusion, and contributing to overall health and well-being. The emphasis on tackling social exclusion is relevant to the Making the Connections theme of "front-line access and support to ensure equality and social justice".

Administration of the National Assembly for Wales and Welsh Assembly Government

Procurement of the National Assembly for Wales' new building

In 2001, the National Assembly decided to suspend the construction of the new debating chamber following substantial increases in cost estimates, and this led to the termination of the employment of the architect. It subsequently agreed a fixed cost lump sum contract worth £41 million (excluding VAT; a percentage for art, client's supplied fixtures, fittings and furniture, ICT and broadcasting equipment, professional project management fees and other professional fees). This study would review the procurement and construction of the building, which we expect to open in the autumn of 2005. Our examination would not start until the building is in operation, and so could be deferred if there is slippage in the project. The examination would make full use of preceding reviews of the project, including the previous report by the Auditor General for Wales, Accommodation arrangements for the National Assembly for Wales (November 2000), as well as comparing the process with the construction and procurement of the new Scottish Parliament Building in Edinburgh. It would yield lessons that contribute to the Making the Connections aim of "smarter procurement"

Cross-cutting

Services for children

The Welsh Assembly Government spends around £80 million a year on children's services. It has taken a cross-cutting approach to provision with seven core aims for children, and a number of strategies and initiatives related to children, such as Children First. These all depend on effective joint working between the Welsh Assembly Government, the NHS, local government (education and social services) and the voluntary sector. The National Assembly has appointed a Children's Commissioner with a wide-ranging remit to promote the interests of children in Wales and investigate causes of concern. A Children's National Service Framework is also being developed. This study would examine such matters as how effectively the Assembly Government deals with child poverty, whether it listens to children, how effectively different sectors and organisations work together under the auspices of the Assembly Government, and lessons for improving the implementation of cross-cutting policies in Wales, such as in terms of incentives, shared budgets and avoidance of duplication. By looking at this range of issues, it would contribute to the Making the Connections aims of "putting the citizen centre-stage" and "working together as the Welsh Public Service."