



# **Memorandum by the Auditor General for Wales**

## **The implications of Making the Connections: Delivering Better Services for Wales**

Submitted to the Audit Committee of the National Assembly for Wales

**November 2004**

### **Making the Connections: Delivering Better Services for Wales**

#### **Introduction**

1. Members will be aware that last month the First Minister announced the Welsh Assembly Government's proposals for how it intended to deliver its strategic policy objectives, in Making the Connections: Delivering Better Services for Wales. The purpose of this paper is to set out for the Committee the main features of the Welsh Assembly Government's proposals, how they relate to the audit and other regulatory functions, and how I intend to respond.

#### **Main features of Making Connections**

2. The Welsh Assembly Government's proposals are based on linking public service providers through partnership and collaboration, rather than competition; league tables are explicitly rejected on the

grounds that they do not support service improvement because they make it harder to turn around under-performers. To enhance partnership and collaboration, the theme of a unified Welsh public service, including NHS bodies and local authorities, runs through the paper.

3. A specific element of this is the further assimilation of Assembly-Sponsored Public Bodies (ASPBs) into the Assembly. In July this year, the First Minister announced the Government's intention to bring the Welsh Development Agency, the Wales Tourist Board and ELWa - the National Council within the Assembly itself. A further announcement regarding the remaining ASPBs will be made later this year. Three other important features in the paper are the need to improve the ICT infrastructure in Wales; access and citizen participation - where the Welsh Assembly Government plans to develop measures of citizen satisfaction to assess public sector performance; and improving public sector management capacity.

4. The report sets out a target of achieving £600 million worth of value for money improvements across the entire public service by 2010, with at least half delivered by 2008. This represents 5 per cent of current total investment in public services and a 1 per cent year on year efficiency improvement. Specific financial commitments include:

- up to £120 million value for money improvements through better procurement by 2008;
- up to £120 million gains from improving and sharing support functions (such as finance and human resources) by 2010; and
- reducing sickness absence: the paper notes that a one day reduction per person per year would be worth around £25 million a year.

In addition, the report states that the Welsh Assembly Government "will actively pursue value for money opportunities that may arise through public-private partnerships". Unlike the efficiency report prepared by Sir Peter Gershon in the summer for the UK government, Making the Connections makes no mention of any need for job losses among public sector staff.

5. Making the Connections is a consultation paper, with a closing date for responses of 31 January 2005. In the spring of next year, the Welsh Assembly Government intends to publish its five-year action plan which will put its proposals into effect. It is also establishing a Public Services Improvement Board, chaired by the First Minister, to oversee the action plan and report yearly on progress; and is allocating £32 million over the next three years to underpin the action plan on an invest-to-save basis.

## **The role of audit, regulation and inspection**

6. There are a number of references to the role to be played by audit, regulation and inspection. The paper notes that the Welsh Assembly Government spends over £40 million a year funding the various bodies which undertake these functions. The establishment of the Wales Audit Office from April 2005 is specifically cited as enhancing the accountability of public services. The Government:

- intends to reduce the burden of regulation and inspection: the layers involved will be simplified and activities should be more proportionate to risk, so that successful bodies receive less scrutiny than those doing less well;
- will place greater emphasis on scrutinising the regulatory impact of proposed legislation and policy, with a view to minimising the burden on business;
- will promote greater co-ordination between regulation and inspection bodies through initiatives such as the Concordat on health and social care (which includes audit) and joint reviews by inspectorates; and
- stresses the importance of inspection and regulation focusing on outcomes and a "citizen-focused" approach.

Importantly, the paper includes a commitment for the Welsh Assembly Government to consult with partners and audit bodies on the arrangements for defining, securing, monitoring and validating progress against the £600 million target for value for money gains.

## **How I intend to respond**

7. Against this background - and particularly in view of the specific mentions of audit and inspection in Making the Connections - I am keen to respond positively to this consultation paper. However, in engaging with the programme, my over-riding concern will be to ensure that my independence - and, by extension, that of the Audit Committee - is not, nor perceived to be, compromised in any way.

8. There are two aspects to my potential involvement in the programme: ensuring that the themes of the paper are reflected in my own work plans; and participating directly in the programme, as outlined in the paper. In terms of the former, members might recall that, in my proposed forward value for money programme considered by the Committee on 30 September, I flagged (at paragraph 12 of that paper) the need to keep in view reform of the public sector in Wales, as is now set out in this consultation document. Now that the thrust of the Welsh Assembly Government's plans is clear, I am working on finalising my value for money programme which I intend to bring to the Committee in the new year. And, as I explained in my Estimate paper, also considered by the Committee in September, audit has an important role to play in ensuring that the assimilation of ASPBs into the Assembly does not jeopardise propriety or regularity.

9. Members will recall from the stocktake paper that I provided for their meeting in September that audit has already played an important role in delivering real financial savings of some £36 million in the bodies that I audit, and in identifying the scope for further potential savings of over £110 million. In terms of a direct contribution to the Making the Connections agenda, and bearing in mind the need to protect my independence, staff of the National Audit Office Wales and the Audit Commission in Wales have been in discussions with Welsh Assembly Government officials on how best to take matters forward. We are also taking account of the parallel action being taken by the non-Welsh arms of both organisations in response to the Gershon review. And the Committee might note that the Auditor General's greater ability to follow public money right across all areas of the public sector after April

next year is very much in tune with one of the main thrusts of Making the Connections.

10. At this relatively early stage of our deliberations, I would therefore welcome any comments from members - either at the Committee meeting on 2 December or in writing. I shall provide further information to the Committee in due course, setting out the course of action that I have decided to adopt.

**John Bourn**

**Auditor General for Wales**

23 November 2004