



WALES **AUDIT** OFFICE  

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SWYDDFA **ARCHWILIO** CYMRU

# Final programme of value for money examinations to start in 2006/2007

**February 2006**

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## Final programme of value for money examinations to start in 2006/2007

1. At its meeting on 6 October 2005, the Audit Committee approved my estimate for the financial year 2006/2007 and considered my proposed programme of value for money examinations to start in 2006/2007 [AC(2) 08-05(p2)]. I have considered Committee members' views, and am now in a position to inform the Committee of my decisions on the examinations that I intend to start in the coming financial year.
2. The subjects that I have decided to include in my final programme of value for money examinations to commence during 2006/2007 are:
  - a Informing Healthcare;
  - b hospital-acquired infection;
  - c flood risk management;
  - d capital investment in schools;
  - e integrated transport;
  - f the Homebuy scheme;
  - g the Wales Millennium Centre;
  - h sustainable development: business decision making; and
  - i maintaining commercial skills during the process of incorporating ASPBs into the Assembly Government.

A short synopsis for each examination is provided in the attached Annex.

3. Members will see that, as an outcome of my taking account of their views, I have decided to include an examination of the Homebuy scheme. Before starting such an examination, I will consider the results of the Welsh Assembly Government's review of low cost home ownership policies, which includes coverage of the Homebuy scheme. As a consequence of my inclusion of the Homebuy scheme in the 2006/2007 programme, I have deferred my examination of Communities First, which is likely to feature in my proposed programme of value for money examinations to start in the following year, 2007/2008, which the Committee will consider later this year.
4. I am continuing to take account of the Committee's other comments, such as those that concern regulatory impact and various forms of partnership working in relation to spending programmes. Those comments will inform my planning of proposals for examinations in 2007/2008 and beyond.
5. As the Committee knows, I do not regard my programme as immutable. The overall service that I provide to the Committee should, I think, be responsive to changing circumstances, often, of course, at the suggestion of members of the Committee. I shall keep the Committee informed of any substantive changes to my programme.



**Jeremy Colman**  
**Auditor General for Wales**  
**8 February 2006**

## Outlines of value for money examinations to start in 2006/2007

### Health and Social Care

#### *Informing Healthcare*

Informing Healthcare is the Welsh Assembly Government's strategy to support the modernisation of health services in Wales using information and communication technologies over the next 10 years. The National Assembly for Wales has provided £88 million funding for the next three years to support implementation and established a dedicated project team. This is an ambitious programme and has substantial risks associated with it, particularly with regard to the implementation of new systems. The examination would look at the overall management of the programme, especially the management of key risks. It would assess organisational capacity, capability and leadership, awareness raising and training for staff, all of which are necessary to ensure effective implementation. It would also examine the robustness of frameworks to ensure value for money from functions to be delivered through PFI/PPP schemes, and how the benefits of the programme are being realised.

The study would also examine the current quality of information that is based on clinical data, which is essential for the good management of services. Local audit work at NHS trusts indicates that much of this is of poor quality and that trusts spend some £300,000 on data and benchmarking from commercial sources. This work would therefore seek to identify means of improving NHS Wales' clinically based data so that this can be taken into account in the Informing Healthcare project.

#### *Hospital-Acquired Infection*

Research by the Health Protection Agency indicates that excessive bed occupancy to deal with waiting lists, combined with staff shortages and poor hygiene practices, is leading to one in ten patients in England acquiring infections while in hospital. Some of the infections are increasingly common causes of death. For example, death caused by methicillin-resistant staphylococcus aureus (MRSA) has risen by a factor of 16 between 1993 and 2002. The Comptroller & Auditor General (C&AG) has produced reports on hospital-acquired infection in England in 1999 and 2004, identifying the scale and cost of the problem, and the limited progress being made to address it.

Together with the newly formed National Public Health Service for Wales, the Welsh Assembly Government has established surveillance requirements and systems for NHS trusts in Wales and is providing other support for infection control. This study would examine the position in Wales and draw on the C&AG's report to make comparisons with England. It would, in particular, aim to estimate the cost of hospital-acquired infection in Wales and assess whether sufficient countermeasures are being taken, including a safe overall approach to hospital throughput. It would draw on data provided by the Acute Hospital Portfolio, particularly the ward management and pathology topics. It would also follow-up elements of the Auditor General's hospital cleaning study.

## Environment, Planning and Countryside

### *Flood risk management*

Owing to climate and geography, Wales is highly susceptible to flooding and has in recent years experienced a number of incidents that have caused widespread damage. Major flooding incidents have a massive impact on quality of life and are probably the biggest natural disasters faced in Wales. The management of flood risks also requires a great deal of joined-up working, which, in his report on flood defence, the Comptroller & Auditor General described as “a massive challenge”. The system for managing flooding risks has recently changed, with a single Regional body overseeing all aspects of decision making, guided by policy from the Welsh Assembly Government. The Assembly Government would welcome an early assessment of the new arrangements, in particular, comparing the system to that in England.

This study fits with the Making Connections themes of reshaping services and working together. It also fits with the Assembly Government’s Sustainable Development agenda – the increased incident of flooding is often linked to climate change. Ineffective risk management and insufficient collaboration with stakeholders within the context of a new administrative and funding regime could lead to increased costs and disruption to other services in tackling emergency situations.

## Education and Training

### *Capital investment in schools*

The School Buildings Improvement Grant, which is to rise from £36.5 million in 2002/2003 to £74.7 million in 2007/2008, is linked to the BetterWales.com target that all schools in Wales should be in a good physical condition by 2010. The money is provided with the intention that local authorities use the grant to fund school building and improvement schemes. Local authorities were to produce asset management plans in 2004.

This study would look at how the Grant was being spent and compare expenditure to priority areas of need. It would draw on the newly extended powers of the Auditor General, so as to consider not only how well the Welsh Assembly Government is monitoring and providing guidance but also local authority use of the funds. It would therefore take into account Councils’ broader asset management planning for consideration of the potential for community use of school buildings, and would also consider the need to reduce surplus school capacity. The study would not necessarily be confined to the School Buildings Improvement Grant alone; it could also consider the use of a variety of sources of funds to address the school buildings issue, and might be extended to cover school Disability Discrimination Act access issues.

## **Economic Development and Transport**

### ***Integrated Transport***

The Welsh Assembly Government plans to spend some £830 million in 2005-06 on transport. While the largest element of this spending is on trunk roads and motorways (some £650 million), it also includes funding for initiatives to reduce the use of cars and provide sustainable, integrated transport solutions. Integrated transport is an important part of the Assembly Government's sustainable development agenda, and it has a bearing on the overall value obtained from transport spending. Integrated transport initiatives include capital funding for passenger services on the Ebbw Vale and Vale of Glamorgan rail lines and free bus travel for the over-60s. The Welsh Assembly Government provides most of the funding, but local authorities are largely responsible for delivering the schemes, while railway services are provided by Arriva Trains Wales.

The study would examine whether the various initiatives provide genuinely integrated transport, the level of service for passengers and the initial social and environmental impacts. It would also examine how well the initiatives complement each other, how well they are co-ordinated, and how well the management and funding arrangements work in practice. It would include consideration of the use and administration of the transport grants provided to local authorities by the Assembly Government.

## **Social Justice and Regeneration**

### ***The Homebuy scheme***

Homebuy was introduced in Wales in the mid 1990s to encourage low cost home ownership. It is a form of equity loan whereby part of the initial purchase cost is met by a registered social landlord, using Social Housing Grant, and is treated as an interest free loan to the purchaser. On disposal, or sooner if the purchaser so decides, the registered social landlord receives the relevant percentage of the current market value. These receipts are reinvested to provide further Social Housing Grant. The standard equity loan is 30 per cent of the approved purchase cost, but this can be increased to 50 per cent in rural areas or in social housing redevelopment schemes.

The use of Homebuy is a matter for local authority determination from the total Social Housing Grant allocated to them annually. In 2003/2004, £5.68 million was used to support the purchase of 198 houses in 15 local authorities. This study would examine the administration of the scheme, the level of underlying demand and the extent to which it was meeting its objectives. The Welsh Assembly Government has commissioned its own review of low cost home ownership, including the Homebuy scheme, and the results of that work would need to be taken into account before commencing this study.

## Culture, Sport and the Welsh Language

### ***Wales Millennium Centre***

The Wales Millennium Centre in Cardiff opened in November 2004 at a total cost £106 million, including £80 million of public money (mainly from the Welsh Assembly Government, the Millennium Commission and the Arts Council of Wales—much of it therefore of Lottery origin). The Assembly Government currently provides £2 million a year in revenue support for the Centre. The Centre has ambitious audience targets to achieve, which present significant challenges to management. This study would examine how well the project to establish the Centre was managed, and how well the Centre has operated in its first year or so, especially in terms of operating costs and visitor numbers.

## Administration of the Assembly

### ***Sustainable development: business decision making***

The National Assembly for Wales has a statutory duty to promote sustainable development: development that meets the needs of the present without compromising future generations. This involves taking social, economic and environmental issues into account in all that the Assembly does, and influencing other organisations to do the same. The new Welsh Assembly Government *Sustainable Development Action Plan (2004-2007)* has identified that the Assembly Government can make a difference by “Making our money talk”: making sure the Assembly and other public spending is focused on delivering sustainable development.

This study would examine how far and how rigorously the Welsh Assembly Government takes sustainable development into account in business decision making. One particular focus would therefore be a review of how sustainable development is taken into account in business cases. As well as identifying shortfalls in the consideration of sustainability issues and the barriers to progress, the study would seek to identify possible means of overcoming such barriers by, for example, highlighting good innovative approaches. The examination would complement the forthcoming Auditor General’s report on sustainable development in local government. It could also lead to a series of examinations of how well sustainable development is being taken into account in different facets of public business.

### ***Maintaining commercial skills during the process of incorporating ASPBs into the Assembly Government***

The public sector interacts with the private sector in a variety of ways, ranging from standard procurement contracts to multi-agency grant-based partnerships. Consequently, the public sector needs to develop and maintain commercial skills to ensure value for money from its interactions with private sector suppliers, contractors and partners. In particular, public bodies such as the Welsh Development Agency, ELWa and Wales Tourist Board have provided substantial grant funding, loans and equity funding to the private sector in various forms. In April 2006, these ASPBs will be absorbed into the Welsh Assembly Government, with the consequent risk that key commercial skills might be lost. The loss of commercial skills would also compromise the realisation of the benefits envisaged from consolidating public sector commercial skills within the Welsh Assembly Government.

This study would assess the extent to which the Welsh Assembly Government has taken appropriate steps to maintain the commercial skills base through the merger process. It will take account of other relevant work, such as internal skills audits.



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