



Memorandum by the Auditor General for Wales

Programme of Value for Money Examinations

Submitted to the Audit Committee of the National Assembly for Wales

October 2003

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Programme of Value for Money Examinations

Introduction

1. This memorandum sets out my proposed programme of value for money examinations for 2004-2005 and subsequent years. As in previous years, I would welcome the Committee's views on my proposals before I finalise the programme. To provide context, before turning to my proposals for the coming year, I set out in the following paragraphs the reports that I have published in the last year and a brief outline of current work in progress.

Reports published and work in progress

2. Since last autumn I have published the following reports:
 - *Osiris: the PFI Contract for Information Technology in the National Assembly*
 - *The National Assembly's New Building: Update Report*
 - *National Council for Education and Training for Wales: Accounts for the Period Ending 31 March 2002 (irregular payments)*
 - *The Procurement of Primary Care Medicines*
 - *Management of the Further Education Estate in Wales*
 - *The Management and Delivery of Hospital Cleaning Services in Wales*
 - *The Finances of NHS Wales 2003*
 - *National Council for Education and Training for Wales: Financial Management of Partnership and Innovation & Development Projects*
 - *Renewal of Private Sector Housing in Wales*
 - *Compensating Farmers for Bovine Tuberculosis in Wales*

The Committee has taken evidence on the first eight reports above.

3. Staff of the National Audit Office Wales—on whose services I rely as regards undertaking value for money reviews—are currently engaged at various stages in a number of other examinations. This work in progress will form the basis for the Committee's coming evidence sessions in the New Year through to the summer recess, and next autumn. The examinations currently being worked on, together with their progress as at October 2003, are set out Table 1.

Table 1: Value for money examinations currently under way or commencing shortly

<i>Examination</i>	<i>Progress</i>
Late payments to farmers	Report being drafted
The management of sickness absence in NHS Trusts	Report being drafted
Management of the collections of the National Museums and Galleries	Report being drafted
The National Council for Education & Training for Wales: Accounts for the period ending 31 March 2003	Report being drafted
Follow-up memorandum on the disposal of the Mid Wales Hospital	Memorandum being drafted
Managing trunk road and motorway improvements	Report being drafted
European Union Structural Funds: follow-up	Fieldwork in progress
Environment Agency Wales regulation of waste management	Fieldwork in progress
Procurement in the higher education sector	Fieldwork in progress
Estate management in the higher education sector	Preliminary scoping work under way
Waiting times in the NHS	Preliminary scoping work under way
The effective use of grants for education and in-service training	Preliminary scoping work under way
Addressing the problem of violence in the NHS	Preliminary scoping work commencing shortly
Procurement of utilities in the NHS	Preliminary scoping work commencing shortly

Proposed programme of value for money examinations

4. I always seek to be responsive to developments in the audit field, while undertaking a planned programme of value for money examinations. I take a flexible approach to my programme to ensure that my studies are timely and focused on issues that matter. Since my appointment in 1999, I have been pleased to take on additional work, often at the request of the Audit Committee. Similarly, I have, on occasion, deferred work from within my planned programme in response to developments which affect the timeliness and relevance of that work.
5. While I am always ready to consider requests and suggestions from the Audit Committee, it is the case, however, that I have finite resources, and any substantial additional work will displace other planned work. The past year has seen an unprecedented level of work undertaken in response to

developments, leading to five additional reports. I have now published two reports on the National Council for Education and Training for Wales, regarding inadequacies in its financial management leading to irregular payments and the financial management of partnership and innovation and development projects; and I am currently working on a third report on the National Council, regarding its continuing inadequacies in financial management. Also, in response to the interest of the Audit Committee, I am undertaking an examination of delays in making agriculture payments. The report that I produced on the disposal of the Mid Wales Hospital was itself unplanned work. Following concerns raised in correspondence with me, I undertook a detailed examination of the disposal. My work on this topic is ongoing, in view of the Committee's interest, and I am now producing a follow-up memorandum.

6. To allow resources for these additional outputs, and to avoid overloading officials in certain expenditure portfolios, I have deferred four of the study proposals that I had intended to undertake during this current financial year. These are examinations of the Countryside Council for Wales (which, because of the Assembly's own recent review, I now intend should focus mainly on the Tir Gofal programme), flood protection, managing staff sickness absence in further education, and Sports Council lottery funding and priorities. It is not critical that any of these studies are done quickly. For example, in the case of flood protection, changes to the complex administration that I proposed to examine make it appropriate to undertake the study when those changes have been made, and I propose to defer this examination beyond 2004-05.
7. In summary, in the coming financial year (2004-05), I plan to start not less than eight studies, and, taking account of my work in progress, I plan to publish eight studies and a further two reports on financial audit work. My aim is to publish these reports throughout the year, so as to provide the Committee with a steady stream of material for its consideration.
8. Table 2 below lists my proposed topics for examination in the future; a brief summary of each is at Annex A. The focus of this paper, however, is on those studies that I propose the National Audit Office Wales should work on during the 2004-05 financial year; these are indicated by the use of **bold text** in Table 2. Work on some of these projects will not commence until later in 2004-05 and the reports will not fall to be published until the following year. To set these studies in context, Table 2 also includes some proposals for examinations during 2005-2006 and subsequent years. However, I plan to continue to consult the Committee each year on my proposed examinations for the coming financial year. I shall therefore return to the Committee next autumn in order to discuss my proposals for 2005-06.
9. I have included in Table 2 some further contextual information. To give the Committee a sense of the materiality of each broad study area, I show the Assembly's indicative budget for 2004-05. This is because one of my aims in putting together these proposals is to ensure that, taking one year with another, the Committee has the opportunity to take evidence on each category of expenditure for

which the Assembly is responsible. Furthermore, as in previous years, in seeking to secure systematic coverage of the Assembly's expenditure, I have analysed the audit field by broad category of audit focus in relation to the use of resources, and also by the Assembly's ten objectives, or action areas, as outlined in its current strategic plan, *Plan for Wales*.

10. Since my appointment as Auditor General for Wales, my work has identified potential savings of up to £90 million. I remain as keen as ever to undertake examinations that have financial impacts, so enabling the reinvestment of public funds into necessary services. Therefore, in planning my programme of examinations, I have included studies designed to achieve such impacts. However, not all subjects lend themselves to such a design, as there are often other good reasons for undertaking an examination, such as suspected weak financial management. Rather than neglecting subjects that present little likelihood of financial impact, but which are nevertheless important, I have sought to present a programme that strikes a balance between potential savings and other matters of interest to the Committee.
11. The Assembly's statutory duty to consider sustainable development in its policy making and service delivery is an additional factor to be taken into account in designing value for money examinations. This does not mean that all my proposals contain explicit coverage of sustainable development issues, but it is a factor that is to be considered in all scoping work. My proposed 2004-05 examinations of NHS clinical waste and of Tir Gofal are particularly likely to address relevant elements of sustainable development.
12. For 2005-06, it is my current intention specifically to address sustainable development in a high-level study that will provide an overview of the Assembly's progress in making this a mainstream element of policy development and delivery. This study should also help the new Wales Audit Office develop its ability to address sustainable development issues in all its other examinations. I will of course revisit this proposal next year in the light of the Assembly's statutory review of its scheme to promote sustainable development. Sustainable development is also likely to be a key element of my proposed examinations of the Wales Waste Strategy, the Rural Recovery Plan, flood protection, administration of Transport Grant, traffic management, and the provision of business premises.

Table 2: Proposed programme of value for money examinations, by Assembly budget area

<p>Key:</p> <p>Broad categories of audit focus:</p> <p>A delivery of programmes and services</p> <p>B management of assets</p> <p>C procurement of assets and services</p> <p>D redeployment and disposal of assets and resources</p>	<p>Assembly's ten main objectives or action areas:</p> <p>1 developing the learning country</p> <p>2 improving health and care services</p> <p>3 a modern economy</p> <p>4 creating strong communities</p> <p>5 where we live</p> <p>6 supporting rural Wales</p> <p>7 identity</p> <p>8 modern government (openness and effectiveness etc.)</p> <p>9 promoting ICT</p> <p>10 putting it into practice (performance management)</p>
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<i>Spending Area</i>	<i>Indicative budget 2004-05 £m</i>	<i>Audit focus</i>	<i>Assembly objective</i>
<p>HEALTH AND SOCIAL SERVICES</p> <p><i>New work that may be started in financial year 2004-2005</i></p> <ul style="list-style-type: none"> • Ambulatory care and day surgery • NHS clinical waste <p><i>Possible subjects for inclusion in 2005-2006 or subsequent years</i></p> <ul style="list-style-type: none"> • Recruitment and retention in the NHS • Clinical negligence (follow-up) • Procurement of education of health professionals • Adaptations to homes to enable independent living • Dentists • PFI in the NHS • The Welsh Ambulance Services Trust 	4,370	A A B A C A A C A	2 2 2 2 2 2 2 2 2
<p>ENVIRONMENT, PLANNING AND COUNTRYSIDE</p> <p><i>New work that may be started in financial year 2004-2005</i></p> <ul style="list-style-type: none"> • Tir Gofal (Countryside Council for Wales) <p><i>Possible subjects for inclusion in 2005-2006 or subsequent years</i></p> <ul style="list-style-type: none"> • The Wales Waste Strategy • Rural Recovery Plan • Farming Connect • Flood protection 	427	A A A A A	6 5 5, 6 6 5

<i>Spending Area</i>	<i>Indicative budget 2004-05 £m</i>	<i>Audit focus</i>	<i>Assembly objective</i>
EDUCATION AND TRAINING <i>New work that may be started in financial year 2004-2005</i> <ul style="list-style-type: none"> • Managing staff sickness absence in further education <i>Possible subjects for inclusion in 2005-2006 or subsequent years</i> <ul style="list-style-type: none"> • Improving participation and completion in higher education • Work-based learning • Careers Wales • Disability access to education institutions • Education institution mergers • Impact of Basic Skills Strategy • Estyn – procurement of registered inspectors 	1,259	A A AC A AB BD A A	1 1 1 1 1 1 1 1
ECONOMIC DEVELOPMENT AND TRANSPORT <i>New work that may be started in financial year 2004-2005</i> <ul style="list-style-type: none"> • Managing the performance of trunk road agents <i>Possible subjects for inclusion in 2005-2006 or subsequent years</i> <ul style="list-style-type: none"> • An examination of the administration of Transport Grant • Business innovation and knowledge exploitation • Effectiveness of the business gateway service • Wales Tourist Board: marketing activity • Traffic management • Provision of business premises 	1,256	A A A A AC AC C	3 5, 3 3 3 3 5, 3 3
SOCIAL JUSTICE AND REGENERATION <i>Possible subjects for inclusion in 2005-2006 or subsequent years</i> <ul style="list-style-type: none"> • The Homebuy scheme • The Homelessness and Rooflessness Grant Programme • Communities First • The regulation of registered social landlords • The transfer of council housing stock 	640	A A A A AB	4 4 4 4 4
CULTURE, SPORT AND THE WELSH LANGUAGE <i>New work that may be started in financial year 2004-2005</i> <ul style="list-style-type: none"> • Arts Council – follow up • Middleton: The National Botanic Garden (Joint study with C&AG) <i>Possible subjects for inclusion in 2005-2006 or subsequent years</i> <ul style="list-style-type: none"> • Sports Council lottery funding and priorities • Welsh language promotion • Widening access to the National Library of Wales • Wales Millennium Centre 	97	A AC A A A AC	7 6, 7 7 7 7 7

<i>Spending Area</i>	<i>Indicative budget 2004-05 £m</i>	<i>Audit focus</i>	<i>Assembly objective</i>
ADMINISTRATION OF THE ASSEMBLY AND CROSS-CUTTING STUDIES (See note* below)	201		
<i>New work that may be started in financial year 2004-2005</i>			
• Merlin: the Assembly's new IT and business improvement programme		C	8, 9, 10
• Sickness absence management in the Assembly		B	10
<i>Possible subjects for inclusion in 2005-2006 or subsequent years</i>			
• Sustainable development		all	All
• Procurement of the Assembly's new building		C	10

*Note: Many studies assigned to particular spending areas have cross-cutting elements to them; for example, the proposed study of procurement of education of health professionals affects education as well as health matters. However, where there is a clear policy and spending lead area, as is the case procurement of education of health professionals, for clarity, such studies are presented in that area.

Cost of the Auditor General's proposed programme of value for money examinations

13. I am submitting my Estimate for 2004-05 to the Committee also for consideration on 23 October. My proposed value for money programme for 2004-05—which assumes that the Committee will continue to consider such reports on at least seven occasions each year—is consistent with the level of funding for my value for money work in that Estimate. At this level of funding, my programme will consist of a mix of some high level reviews, some wide ranging examinations and some more detailed investigations. However, as I have explained to the Committee on previous occasions, my proposals are not set in stone. I shall continue to respond wherever possible to significant unforeseen developments and report to the Committee, adjusting my programme where necessary in order to remain within the allocation of funding set out in my Estimate.

Conclusion

14. I invite the Committee to give me an indication of the subjects that particularly interest Members and to suggest any other topics that are not among those that have been listed for possible inclusion in the programme for 2004-05 and future years.

John Bourn

Auditor General for Wales

16 October 2003

Annex A: Background on possible topics for value for money examinations

Health and Social Services

New work that may be started in financial year 2004-2005

1. Ambulatory care and day surgery

The number of people treated as day cases in hospitals in Wales has increased in recent years to some 138,000 for the year ending in March 2002. Many routine procedures, such as cataract surgery, provide better value for money if performed as day cases. However, the rate of day case surgery is uneven across Wales and hospitals have not been making as much use of day surgery as they could. The Assembly's *Waiting times in Wales: a strategy for the future* (September 2000) announced that there should be an expansion in day and short-stay surgery and the development of more Ambulatory Care Units, for example at University Hospital of Wales in Cardiff, to accommodate patients who require a single overnight stay. The study would consider the variation in day case treatment across Wales and examine the potential for further expansion.

2. NHS clinical waste

NHS treatment produces waste that can cause infection or other harm. Such clinical waste needs special measures to ensure its safe disposal and consequently currently costs some £300 per tonne more to dispose of than inert non-clinical waste. The majority of hospitals do not segregate their waste, causing all their waste to be treated as clinical waste. Segregation would appear to present scope for reducing disposal costs. The scope for financial impact from this study is likely to increase as disposal costs are set to increase significantly from June 2004 when the EU Landfill Directive severely restricts the disposal of clinical waste in landfill sites. There has also been a high profile court case involving the disposal practices of contractors employed by the NHS in Wales. This study would identify clinical waste disposal costs and practices in the NHS in Wales, and would seek to disseminate good practice where it is evident. Financial savings may be achievable from identifying efficiencies in the classification, segregation and disposal of waste. The study would also take into account health and safety and sustainable development issues concerning clinical and other hospital waste, and the impact it has on staff, patients and visitors.

3. Recruitment and retention in the NHS

The NHS employs some 90,000 staff, and more than two thirds of the total health budget is spent on pay. The Welsh Assembly Government has developed a framework for recruitment and retention. However, the *Review of Health and Social Care in Wales* (Wanless) recommends that the Assembly Government reviews the workforce planning mechanisms in order to address staff shortages in particular specialties, improve retention, and reduce the use of bank and agency staff, which cost £38 million in 2003-03. Each NHS trust has developed a recruitment and retention strategy to address issues concerning recruitment and retention. In the short to medium term, a number of steps are being taken to alleviate the problem: overseas recruitment, “Return to Practice” courses for nurses, increasing flexibility of employment, the NHS Vacancy Survey to identify shortage areas, childcare initiatives, and the promotion of careers in the NHS. Since February 2002, recruitment and retention of GPs is being boosted by “golden hellos” and a range of grants. The study could look at how well trusts and other NHS bodies are progressing with their strategies and what sort of return the extra funding is achieving. One approach would be to concentrate on a particular professional group in which recruitment and retention problems are most severe. The study would also take account of the recommendations made in the Audit Commission report on recruitment and retention across the public sector published in September 2002.

4. Clinical negligence (follow-up)

I reported on this subject in February 2001, highlighting the significant costs to the NHS of clinical negligence and setting out the steps that the Assembly was taking to deal with the problem. I found that a lack of basic information on clinical negligence cases prevents managers having a clear view of the problem, making it difficult to learn from mistakes and avoid repeating them. Although incidents might be caused by a number of factors, over a third involved an administrative, communications or system error that might have been avoided. While the Welsh Risk Pool had been working to improve risk management standards, only five out of 15 trusts complied with the benchmark. Of the five trusts that did, four had the lowest incidence of claims, suggesting that good risk management standards may help keep the level of negligence claims down. I also identified that there is scope to explore the greater use of mediation and ex-gratia payments to the benefit of both patients and the NHS. Since my February 2001 report, the financial problem has continued to grow: NHS Wales paid out £27 million in settling clinical negligence cases in 1999-2000; in 2001-02, this had risen to £46.3 million. The sharp rise in claims meant that the Welsh Risk Pool had to collect a further £20 million of premiums at short notice. This follow-up examination would assess whether improvements in managing the problem have been made.

5. Procurement of education of health professionals

The NHS is a major procurer of education courses from higher education institutions. There are substantial variations in the cost between different providers of courses yielding the same qualifications. This study would seek to identify means of ensuring that the NHS optimises the value for money it gets from such professional education.

6. Adaptations to homes to enable independent living

Making adaptations to homes, such as the installation of stair-lifts, is a means of enabling people to live independently rather than institutionally. This can maintain quality of life, as well as potentially reducing hospital and long-term care costs. For example, the *Review of Health and Social Care* (Wanless) estimated that 1,000 hospital beds are being used unnecessarily by patients at any one time because of, among other things, the need to provide equipment and make adaptations to their homes before they can return to them. Various grants are available to facilitate such adaptations, including the Rapid Response Adaptations Programme, which provides small grants up to £350, and the Disabled Facilities Grant system, which allows for work to be carried out up to the value of £20,000. However, it often takes more than six months for an application to be handled and the work to be carried out. This study would look at the administration of the major public sector grant schemes, with a view to identifying means of making improvements.

7. Dentists

Wales has a major shortage of NHS dentists in many parts of the country. There is only one dentist per 3,005 people compared with 2,846 in England, while oral health in Wales is worse than in England. There is concern that dentists are leaving the NHS as they do not like the current funding system. Funds have been made available since 1995 specifically to attract more dentists, but problems still persist, particularly in rural areas. The British Dental Association estimates that an additional 40 dentists are needed across Wales. The Assembly launched a dentistry strategy in September 2002 to try and address problems of access and recruitment and retention of dentists into the NHS. It is currently consulting on the future of NHS dental services and will be reporting after the summer recess. This study would establish the scope of the problem, identify its causes and assess the effectiveness of measures to address it.

8. PFI in the NHS

The proposed study would examine one of the three major hospital PFI procurements, the candidates being the Neath Port Talbot Hospital, Chepstow Community Hospital and St David's Community Hospital in Cardiff. The combined capital cost of these is estimated to be some £90 million. It would consider how robustly the trust and the Assembly determined that the PFI deal represented good value for the taxpayer and how well the Trusts and the construction consortia managed the building phase of the project.

9. The Welsh Ambulance Services Trust

The Welsh Ambulance Services Trust was formed on 1 April 1998 when the four ambulance trusts that had previously served Wales merged. It employs 2,000 staff providing ambulance and related services and has fixed assets valued at some £32 million. In 2002-03 the Trust's turnover was some £79 million. The Trust has been following a financial recovery plan since March 2001. Although the Trust's service target is to meet 75 per cent of emergency calls in time, it is only meeting around 50 per cent. The Trust has reported that it needs an extra £9.8 million to deliver required response standards across all Local Health Board areas before taking into account the 17 per cent increase in activity in Category "A" calls. This study will review the performance of the Trust.

Environment, Planning and Countryside

New work that may be started in 2004-2005

1. Tir Gofal (Countryside Council for Wales)

Tir Gofal is an agri-environmental scheme, which began in March 1999. It is managed by the Countryside Council for Wales on behalf of the Assembly. It provides support to farmers for the maintenance of the landscape and environment, rather than rewarding the level of production, which can have damaging environmental effects. It also seeks to create further opportunities for people to enjoy the Welsh countryside. The scheme is funded by the European Union and the National Assembly, and forms a key component of the Rural Development Plan for Wales. The budget for the scheme is growing fast: from £11 million in 2001-02 to £21 million in 2004-05. By March 2003 there were 1,500 signed agreements with farmers and landowners. By December 2003 this will rise to 2,000. The average annual value of a ten-year agreement is £10,375. The study will review the operation of Tir Gofal, its initial impact, including progress towards sustainable development objectives, and the effect of administrative changes arising from the Assembly's recent review of the scheme.

Possible subjects for inclusion in 2005-2006 or subsequent years

2. The Wales Waste Strategy

Wales has the worst recycling record in Europe and is overly reliant on landfill, burying some 4.5 million tonnes of waste every year. This sits rather awkwardly with the Assembly's duty to pursue sustainable development. Of the 1.3 million tonnes of domestic waste produced each year, about 80 per cent is suitable for recycling, but currently only some four per cent is recycled. In order to improve this situation, the Assembly issued *Wise about Waste: The National Strategy for Wales* in June 2002, and agreed over £80 million funding to help achieve the recycling and composting targets in the strategy. The strategy sets challenging targets for local authorities, the Assembly, the Welsh Development Agency, the Environment Agency and the public sector in general. The Audit Commission has completed a review of the 22 local authorities to assess how well prepared they are to meet the challenges in the strategy, and it plans follow up work to measure progress against the targets. This study would be a similar review of the Assembly and its sponsored bodies. It would assess whether they are on course to achieve the targets within the strategy, and identify areas where more effort needs to be made. Taken together with the Audit Commission's work, this study would give a comprehensive view of whether Wales is likely to meet the Wales Waste Strategy.

3. Rural Recovery Plan

The Rural Recovery Plan sets out to help the Welsh economy to recover from the effects of foot and mouth disease. The Assembly has allocated £65 million to fund the plan over three years. Of this, £60 million is new money with the other £5 million having been reprioritised by agencies in response to the outbreak. Each budget is administered by a lead body, such as a Local Authority, the Welsh Development Agency (WDA), Forest Enterprise, Wales Tourist Board etc. The Plan ends in the summer of 2004. Our study would look at the publicly funded assistance provided and the efficiency and effectiveness of the administration of the funds, including whether sustainable development obligations have been effectively taken into account.

4. Farming Connect

Farming Connect is a service provided by the Assembly, designed to provide farming businesses the opportunity, information and expertise to help them make informed decisions about the future of their business. It started in 2001 with just over £20 million available for the first two years and more set aside for future years depending on the services that evolve. Farming Connect involves a number of partners, primarily the Assembly and Welsh Development Agency but also ELWa, the Forestry Commission, the Wales Tourist Board, the Countryside Council for Wales and others. The scheme provides farmers with free business plans based on three-day business reviews. The study would consider the efficiency of the business plan provision process and the extent to which the scheme was meeting its objectives.

5. Flood protection

The Assembly supports economically justified and environmentally acceptable measures against erosion by the sea and flooding by assisting the Environment Agency Wales, local authorities and drainage boards. This study would consider the planning and management of the programme for arterial drainage, flood defence and coast protection, and would assess the effectiveness of the actions taken since the major floods of autumn 2000. Last year I proposed to commence this study in 2003-04 because I was concerned at the risk to value for money presented by the complexity of the administrative arrangements for providing flood protection. However, the Department of the Environment, Food and Rural Affairs has recently concluded a review of the arrangements and is currently introducing new single-tier arrangements in England. In Wales, the Assembly has decided to consult further on some of the aspects of the review and is not likely to implement changes until April 2005. I propose to defer this study until the changes have been made.

Education and Training

New work that may be started in financial year 2004-2005

1. Managing staff sickness absence in further education

Previous work by the NAO has demonstrated the operational benefits that can accrue from the effective management of sickness absence—an area where traditionally the public sector has been perceived as a poor performer. This study would follow on from a study currently underway on the NHS in Wales. It would identify the effects of sickness absence on service delivery, and examine the management of sickness absence in terms of corporate direction, monitoring, intervention and prevention.

Possible subjects for inclusion in 2005-2006 or subsequent years

2. Improving participation and completion in higher education

The Higher Education Funding Council for Wales, like the National Council, is required to make efforts to increase and widen participation, in the interests of social inclusion. Improving student completion rates is a parallel challenge, and various performance targets and performance indicators have been set. Fee waiver and access funding schemes are in place to increase and widen participation, and the Assembly has increased the financial provision available for access and hardship funds. Against the background of current patterns of, and barriers to, participation, this study will look at the effectiveness of initiatives to widen participation and improve completion rates, highlighting examples of good practice. It will focus on the targeting of measures to particular social and economic groups, and on the coherent working of incentives to education providers and students.

3. Work-based learning

Work-based learning, such as modern apprenticeships, accounts for some £100 million—a fifth of the National Council's budget. Hundreds of firms, the majority of them small, provide work-based learning. The nature of most of the providers, and a lack of prescription of standards to be delivered, raises the risk of much of the training being of poor quality. The study would examine the variations in training quality and would aim to identify means of ensuring greater quality and consistency.

4. Careers Wales

Careers Wales, a product of the Learning and Skills Act, was launched 1 April 2001. It is the first all-age guidance service in the UK. It draws together the seven careers companies in Wales (independent local companies) that contract annually with the Assembly on the basis of a business plan. The seven companies under the brand Careers Wales received funding of £32 million in 2002-03. There are 70 centres across Wales, which aim to provide access to independent and impartial careers information, advice and guidance

to help young people and adults make informed and reasoned decisions on learning and career options. The study would examine the effectiveness of their work, including how they balance addressing the needs of specific groups against the more general needs of the majority. It would also set out to identify the extent of any deadweight caused by overlaps with other providers, and may therefore identify some scope for financial savings.

5. Disability access to education institutions

Education institutions, along with other public bodies, have a duty under the Disability Discrimination Act to enable reasonable access to persons with disabilities. Failure to comply with the Act presents a risk to value for money in terms of inequitable service delivery, and may have financial consequences through litigation. Disability access is known to be a problem in Further Education institutions, where some £20 million of work was required as at 2001 to achieve compliance with the Act. The extent of the problem in Higher Education institutions is being identified from work on my examination of Higher Education estates management. This study would examine education institutions' efforts to achieve compliance, identifying both good practice and areas for improvement. The Audit Commission have plans to consider Disability Discrimination Act compliance as part of their school buildings study, and this work would be complementary.

6. Education institution mergers

The Higher Education Funding Council for Wales' annual report stated that there was a "continuing decline in financial health across the sector" in 1999-2000. ELWa set a target that no higher education institutions would be in such a position by 2007. The Assembly's recent review of higher education proposes mergers and collaboration, and called for 'reconfiguration clusters', to rationalise overheads and reduce duplication. Proposals were requested from the sector in 2002-03, and £3 million earmarked to assist this. The Assembly is providing an additional £5 million for this work in 2002-04. This study will examine mergers in order to identify whether the investment is worthwhile, and assess the impact on operations.

7. Impact of Basic Skills Strategy

A Basic Skills Strategy for Wales was launched in February 2001 to run to 2004. A total of £27.3 million was provided for the Wales Strategy from central government funds. The strategy aims to reduce the numbers of children leaving school struggling with basic skills, and to sharply reduce the number of adults who experience basic skill problems. This study would look at the success of the Strategy in achieving its intended outcomes.

8. Estyn – procurement of registered inspectors

Estyn is the office of Her Majesty's Inspectorate for Education and Training in Wales. It is independent of, but funded by, the National Assembly for Wales under Section 104 of the Government of Wales Act 1998. Estyn is responsible for inspecting a very wide range of education providers, including schools, further education institutions and Careers Wales companies. Some of these statutory duties are met through work done exclusively by Estyn's own staff (approximately 60 inspectors). Other work is done by contracted registered inspectors. The study would look at the process of the procurement of registered inspectors, which accounts for approximately half of the annual £10 million provision.

Economic Development and Transport

New work that may be started in financial year 2004-2005

1. Managing the performance of trunk road agents

The Assembly aims to provide a high quality, well maintained, trunk road network which benefits Wales. Of the £130 million the Assembly spent on them in 2002-3, some £70 million was spent through trunk road agents. Against this backdrop, the road condition is deteriorating. There are eight trunk road agents, essentially consortia of local authorities, that maintain most of the network on behalf of the Assembly. These arrangements are different in England and Scotland, where all contracts are held by private organisations. In Wales the current arrangements are under review. This value for money study will examine the Assembly's current arrangements for managing the performance of the agents.

Possible subject for inclusion in 2005-2006 or a subsequent year

2. An examination of the administration of Transport Grant

The Transport Grant, totalling some £80 million, is the main source of capital grant for local authorities' major transport schemes. Grants provide support for road schemes costing more than £5 million, and for integrated transport packages, including those involving the railways, costing over £1 million. The Assembly plans to revise its administration of such grants, but there is concern in several quarters at how this money is used by local authorities. New access powers that may be provided to me by the Public Audit (Wales) Bill should allow me to look beyond the Assembly's administration of the grant and examine how local authorities use the grant. The examination will address whether the Assembly has clear policy objectives and priorities for the award of the Grant, whether appraisal procedures are defensible, and whether the Assembly is using the Grant to optimise investment in transport infrastructure. It will also include an assessment of whether the grant arrangements are compatible with the Assembly's sustainable development obligations. The scope of the study might be made more manageable by restricting it to certain classes of item indicated by users to pose particular risk to value for money.

3. Business innovation and knowledge exploitation

The WDA runs and sponsors a wide range of programmes designed to foster business innovation. Innovation in this context means the commercial exploitation of new ideas, which is one of the main means of improving productivity and business viability. Examples of the programmes include the Technology Commercialisation Centre, Spin Out Wales, and the Technium network. The latter provides state-of-the-art facilities, university expertise and business support under a single roof. The study would examine how well the programmes are being managed in terms of efficiency, and the extent to which there

is scope for greater strategic direction and co-ordination of their operations and objectives. It would focus particularly on the use of the education sector for business innovation.

4. Effectiveness of the business gateway service

Business Eye (formerly Business Connect) is a “gateway”: a telephone and internet service that provides businesses with a single point of entry to the full range of public sector business support services in Wales. It is intended to provide callers with expert, objective business advice and information on the services available, and if necessary to refer them to specialist sources of support. Following the Assembly’s *Business Services Review*, the service was revamped and revised arrangements came into force in April 2002. These aim to provide a more integrated and streamlined system with national quality standards. The service is provided by private companies under contract to the Welsh Development Agency. The Assembly will provide approximately £4 million for the gateway service in 2003-04. The study would examine the effectiveness of the programme in fulfilling its objectives in the context of wider support services provided to businesses in Wales. In particular, it would examine whether it is channelling businesses to appropriate services, co-ordinating those services and maintaining quality standards.

5. Wales Tourist Board: marketing activity

The Wales Tourist Board is undergoing a step change in the scale of its marketing activity, with a budget of £42 million over the three years to 2004-05, much of it from European sources. This study would review the marketing strategy and associated spending plans, contract management and evaluation arrangements, and would assess the extent to which it meets its objectives.

6. Traffic management

My forthcoming reports on trunk road and motorway improvements and maintenance address the Assembly’s arrangements for the management of such work. To complement that report, it would be appropriate to examine the impact of such work on users. Such an examination would include in its coverage the Assembly’s five year Intelligent Transport Systems (ITS) strategy of investment in traffic management infrastructure. The investment is directed at making better use of infrastructure, and includes the provision of a new traffic control centre and state of the art ‘Variable Message Signs’ (VMS). The examination would assess whether the investment in trunk road and motorway improvements was leading to better prevention and management of congestion and greater safety, and whether it meets wider Assembly policies, such as those relating to sustainable development. Among other things, it would specifically address whether the ITS programme meets the needs of users. The study could possibly be broadened to take into account the interaction of trunk road and motorway improvements with provision funded by Transport Grant, such as park and ride schemes. I shall take the planned transfer of traffic management responsibilities from police authorities to the Assembly in 2006-07 into account in determining the timing of this study.

7. Provision of business premises

The public sector is heavily involved in the provision of industrial property in Wales, primarily through the Welsh Development Agency (WDA), which spends about £80 million a year on bespoke and speculative developments. The Objective 1 programme is providing £37 million for sites and premises to the end of 2006, with a further £34 million for nine strategic employment sites across Wales. Although these sums are substantial, there are difficulties in meeting the demand for modern, good quality property in many areas of the country. The WDA has recently announced that it intends to change the way that it provides business premises. Rather than selling premises, often at substantial financial loss, it plans to maximise its financial leverage by developing innovative private financing mechanisms based on long-term leases. The study would focus on cost and contract management, the quality and running cost of the accommodation provided, and the funding mechanisms used. It could also assess how well the property meets the needs of particular groups, such as small or growing businesses and those reliant on public transport, and compliance with sustainable development obligations. It would not specifically address the Red Dragon project at St Athan, as that will still be at the initiation stage over the next five years and is a large and complex subject in its own right. However, the study should be able to help inform that project.

Social Justice and Regeneration

Work that may be undertaken in financial year 2005-2006 or a subsequent year

1. 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 2002-03, £6.26m was used to support the purchase of 262 houses in 14 local authorities. The study would examine the administration of the scheme, the level of underlying demand and the extent to which it was meeting its objectives. The Assembly is commissioning its own review of low cost home ownership, in particular the Homebuy scheme, and I would wish to review the results of that work before commencing my own study.

2. The Homelessness and Rooflessness Grant Programme

The Homelessness and Rooflessness Grant Programme provides 100 per cent funding to voluntary sector projects that provide accommodation for homeless and roofless people, subject to satisfactory performance and demonstration of continuing need. Funding for 2003-4 has risen to £4.7 million. This study would examine assessment and monitoring arrangements, and whether supported projects are delivering planned objectives.

3. Communities First

Communities First is intended to help deprived communities to help themselves. The programme provides 'co-ordinators' who work with local people, local authorities, voluntary groups and business to establish projects that help develop the community in sustainable social and economic ways, such as the establishment of community-based childcare facilities. The Assembly is providing £82 million for the programme over three years. This study would examine how funds are deployed and monitored, and assess the impacts achieved.

4. Regulation of registered social landlords

The Assembly's Housing Directorate is responsible for the regulation of registered social landlords in Wales, which in England is one of the main functions of the Housing Corporation. It has recently introduced the best value regime into the registered social landlord sector. This study would provide a

strategic overview assessment of the Assembly's regulation of registered social landlords, particularly the management of financial risk, drawing on the inspection work of the Audit Commission and the Assembly's own forthcoming evaluation of best value guidance to registered social landlords.

5. Transfer of council house stock

The Assembly estimates that there is a backlog of essential repairs and modernisation for council housing in Wales to the value of £750 million. Much of the work is necessary to meet sustainable development obligations. The Local Government and Housing Committee has concluded that the transfer of local authority housing stock to community ownership is a means to generate funds for necessary investment that cannot be raised through local authority borrowing because of UK government restrictions. The results of the review have been fed into the Assembly's National Housing Strategy, published in September 2001. This study would look at the success of any transfers in reducing the burden on local councils and the Assembly. The Assembly is commissioning research into the potential economic effects of stock transfer, and I would wish to review the results of that before commencing my own examination.

Culture, Sport and the Welsh Language

Work that may be undertaken in financial year 2004-2005

1. Arts Council - follow up

In November 2001, the Auditor General for Wales published a report on the Arts Council of Wales' involvement with the Centre for Visual Arts, a project that was forced to close after a year due to financial difficulties. The findings of this report were followed up by the National Assembly's Audit Committee, which issued its own report, encompassing eleven wide-ranging recommendations. The Minister for Culture, Sport and the Welsh Language accepted these recommendations in July. A follow up study would assess the extent to which the Arts Council of Wales has implemented those eleven recommendations.

2. Middleton: the National Botanical Gardens (joint study with C&AG)

The establishment of the National Botanical Gardens was funded by a combination of funds from the Millennium Commission (£21.6 million), Europe (£6.2m), other public sector bodies (£5.9m) and the private sector (£8.2m). The Gardens are owned and run by a private company. Visitor numbers to the Gardens are believed to be falling short of the level needed for long-term viability. The Assembly has provided an additional £1.3 million of revenue support in 2002-03, and announced a further £0.23 million in September 2003. This study would review the Assembly's business case for supporting the Gardens, looking in particular at benefits and contingency plans. Also, through joint working with the Comptroller & Auditor General, the study may examine the original case for Millennium Commission and other public sector funding.

Work that may be undertaken in financial year 2005-2006 or a subsequent year

3. Sports Council lottery funding and priority areas

SPORT LOT is the National Lottery sports fund for Wales. It provides some £12.5 million a year for capital projects to develop facilities and for various non-capital projects designed to increase participation, develop standards of excellence and increase access for under-represented groups. The focus of lottery funding is shifting from capital to revenue projects, and from increasing general participation to projects targeted at reducing social exclusion. The study would examine how well the funds are being managed, whether specific projects are being sustained, and how effectively they are contributing to the Sports Council for Wales' strategy for sport.

4. Welsh language promotion

The Welsh Language Board's budget has grown rapidly from £1.6 million in 2002-03 to £3.4 million in 2004-05. This follows the setting of the *Iaith Pawb* action plan, which is intended to promote the Welsh language. The Assembly is providing the *Iaith Pawb* plan with £68.5 million over three years, and, while this money is largely directed at other bodies, the Board will have a management role beyond its own funding. The Board will be procuring its first £1 million project in 2003-04. For a sample of projects, this study would examine the Board's procurement, project management and evaluation arrangements.

5. Widening access to the National Library of Wales

The National Library of Wales has several initiatives for widening access to its collections. The Open Library Initiative aims to attract more visitors by working more closely with educational institutions and by creating a visitor centre. The Digital Library Initiative is putting more of the Library's material on the internet. As well as these new initiatives, the Library continues to lend material for touring exhibitions. The study would focus on the success of these initiatives in widening access, how efficiently they are being managed and the extent to which the Library is making the most of outside sources of income to fund its initiatives.

6. Wales Millennium Centre

The Centre is being built in Cardiff Bay and is intended to be a showcase for the Arts in Wales. It is to serve as a base for the Welsh National Opera and provide facilities for a range of other cultural organisations. The Centre had a projected capital cost of £75 million, which has now risen to £104 million. Some £43 million of this will come from the public sector and £10 million from lottery funds. Cost estimates were unrealistic because items, such as land, were omitted. Construction has begun and the Centre is scheduled to open at the end of 2004. The study would examine how well the project to establish the Centre was managed, and how well the Centre is operating in its early years, especially in terms of operating costs and visitor numbers.

Administration of the Assembly and cross-cutting studies

Work that may be undertaken in 2004-2005

1. Merlin: the Assembly's new IT and business improvement programme

The Merlin contract is being let in November 2003 to replace Osiris in April 2004. The contract value is estimated to be £22 million per year. It is far more ambitious in scope than Osiris, as it includes strategic change management and business process improvement frameworks. The contract will provide some form of public private partnership. This study would be narrow in scope, examining whether the procurement and contract was handled effectively, whether Merlin is a good deal, and whether the Assembly dealt adequately with the Audit Committee's recommendations on Osiris.

2. Sickness absence management in the Assembly

The Assembly's reported sickness absence rate for the year ending 31 March 2003 was 9.8 working days per person. However, financial audit has revealed a consistent failure to reconcile payroll and personnel headcounts, and, together with the apparently extensive use of overtime and temporary staff, this leads to some concern at the robustness of sickness absence monitoring and wider sickness absence management. The study would examine sickness absence levels and management in the Assembly. It would identify the extent and cost of the problem, examples of good practice and the scope for efficiency gains and possibly financial savings.

Possible subjects for inclusion in 2005-2006 or a subsequent year

3. Sustainable development

Sustainable development—promoting development that meets the needs of the present without compromising the ability of future generations to meet their own needs—is one of the Assembly's overarching cross-cutting themes. The Assembly has a unique statutory duty to promote sustainable development. 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 Assembly is widely regarded as leading the field in governance arrangements for sustainable development. However, there is some concern about how much has actually changed as a result of the Assembly's considerable efforts in terms of sustainable development. This study would examine the Assembly's sustainable development performance management and identify through a major survey what has changed as a result of the Assembly's efforts.

4. Procurement of the Assembly's new building

In 2001 the Assembly decided to suspend the construction of the new debating chamber following substantial increases in cost estimates, terminating the employment of the architect. This study would examine the topic once the new building has been completed and is in operation. It would review project management procedures against best practice and consider the reasons for the breakdown in relations with the architect. 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).