

Assembly's  
five main  
**objectives** or  
action areas:

1 better  
opportunities  
for learning

2 a better,  
stronger  
economy

3 better health  
and well-being

4 better quality  
of life

5 better, simpler  
government

# 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 2000**

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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 2001-2002 and subsequent years. The possible topics for examination are listed below and a brief summary of each study is at Annex A. Before I finalise my programme of value for money examinations, I would welcome the Committee's comments and views and will take full account of these in setting my priorities for the programme. My final programme for 1999-2000 and 2000-01 was determined after consultation with the Committee at the meeting on 21 September 1999 and the scope of those examinations is set out in Annex B.

2. As the Committee appreciates, the resources that the Assembly makes available to me will determine the size of my programme of value for money examinations for 2001-2002 and subsequent years. My draft Estimate proposes a steady state budget for my value for money work, set at the same level in real terms as 2000-01, and that is the basis on which I have planned my forward programme.

3. This memorandum therefore invites the Committee once again:

- to give the Auditor General for Wales an indication of the subjects which particularly interest Members and to suggest any other topics that are not among those listed below for possible inclusion in the programme for 2001-02 and future years; and
- to decide on the number and nature of studies that the Committee will need, and to notify the Assembly of the financial requirement.

### Proposed Programme of Value for Money Examinations

4. My proposed programme of value for money examinations aims to provide the Committee with the volume and quality of work that it requires to discharge its responsibilities effectively. I will continue to produce reports on as wide a range of topics as possible that focus on performance and outcomes, seek to identify examples of the effective use and management of resources, and show how performance can be improved. In this way my examinations should provide the basis for the Committee to make a significant contribution to the process of ensuring that the resources available to the Assembly are used to best effect, that the intended outcomes are achieved and that the best value for money is secured. I plan to carry out my work in consultation with the Audit Commission in Wales, where appropriate, for example in the areas of health and social services, local government and housing. In the health field in particular, all my proposed studies will be carried out in conjunction with the Audit Commission in Wales or will involve close liaison with the Commission.

5. In arriving at my proposals for 2001-2002 and beyond, I have taken account of suggestions made by Committee Members last autumn but which I was unable to include in my programme for 2000-2001. The proposed programme for 2001-2002 and beyond is set out in Table 1 by Assembly budget area and distinguishes between those studies that I propose the National Audit Office should work on during the 2001-2002 financial year and those that it might undertake during 2002-2003 and subsequent years. As Table 1 indicates, one of my aims in putting together these proposals is to

ensure that in the course of the next two years the Committee has the opportunity to take evidence on each category of expenditure for which the Assembly is responsible.

6. In the Memorandum submitted alongside this one on the value for money work that I have undertaken hitherto, I draw attention to the period of time between the start of work on a topic and the publication of the completed report. Thus my programme for the current year, 2000-01, will start to result in outputs for the Committee's consumption later this autumn and will continue to provide material for the Committee for the first few months of the next financial year, 2001-02. This pattern will be repeated in future years. Studies from next year's programme, once finalised, will start to be completed in the latter half of 2001-02.

7. 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. Table 1 indicates into which broad category each proposed study falls. I have also taken account of the Assembly's five objectives, or action areas, as outlined in its first strategic plan, *A Better Wales*. Consequently, Table 1 also shows the Assembly's main objectives to which my proposed studies link. Furthermore I have taken account of the Assembly's accelerated programme of quinquennial reviews of executive Assembly sponsored public bodies in planning my coverage of these organisations in the next few years.

**Table 1: Proposed programme of value for money examinations, by Assembly budget area**

**Key:**

**Broad categories of audit focus:**

A delivery of programmes and services

B management of assets

C procurement of assets and services

D redeployment and disposal of assets and resources

**Spending Area**

**Audit focus**

**Assembly objective**

**Health and social services**

*Work being undertaken in financial year 2000-2001*

Clinical negligence

A

3

Management of the NHS Estate in Wales

B, D

2, 3

<input type="checkbox"/> Drug prescribing	A	3
<i>Work that may be undertaken in financial year 2001-2002</i>		
<input type="checkbox"/> A review of hospital cleaning services	A	3
<input type="checkbox"/> A review of hospital catering services	A	3
<input type="checkbox"/> A review of non-medical education and training	C	1, 3
<i>Work that may be undertaken in financial year 2002-2003</i>		
<input type="checkbox"/> A review of the Welsh strategy for dealing with drug and alcohol misuse	A	3
<input type="checkbox"/> A review of the Wales Blood Service	A	3
<input type="checkbox"/> A review of procurement in the NHS in Wales	C	3
<i>Possible subjects for inclusion in 2003-2004 and subsequent years</i>		
<input type="checkbox"/> An examination of the PFI deal for Baglan hospital	C	2, 3
<input type="checkbox"/> A review of estate management in an individual NHS Trust in Wales	B, D	2, 3
<input type="checkbox"/> Managing sickness absence in the NHS in Wales	A	3
<input type="checkbox"/> A review of arrangements in Wales for dealing with consultants suspended on full pay	A	3, 5
<input type="checkbox"/> An examination of the performance of the All-Wales Ambulance Trust	A	3
<input type="checkbox"/> Addressing the problem of violence in the NHS	A	3
<input type="checkbox"/> A review of the Welsh Health Gain Initiative	A	3
<input type="checkbox"/> Health promotion in Wales	A	3

## Education and training

*Work being undertaken in financial year 2000-2001*

<input type="checkbox"/> Management of the Further Education Estate in Wales	B, D	1
<i>Work that may be undertaken in financial year 2001-2002</i>		
<input type="checkbox"/> Progress report on procurement in the Further Education Sector in Wales	C	1
<input type="checkbox"/> Managing the collections of the National Museums and Galleries of Wales	A, B	4
<i>Work that may be undertaken in financial year 2002-2003</i>		
<input type="checkbox"/> A review of the merger of the Further Education Funding Council and Training and Enterprise Councils in Wales	A	1, 5
<input type="checkbox"/> An examination of space management in the Higher Education sector in Wales	B, D	1
<i>Possible subjects for inclusion in 2003-2004 and subsequently</i>		
<input type="checkbox"/> The effective use of grants for education and in-service training	A	1
<input type="checkbox"/> An examination of procurement in the Higher Education sector in Wales	C	1
<input type="checkbox"/> Managing sickness absence in higher and further education in Wales	A	1
<input type="checkbox"/> A review of the New Deal for School scheme	A	1
<input type="checkbox"/> A review of the National Grid for Learning	A	1
<b>Economic Development</b>		
<i>Work being undertaken in financial year 2000-2001</i>		
<input type="checkbox"/> WDA support for LG	A, D	2
<input type="checkbox"/> Administration of European Union structural funds	A	2, 4
<input type="checkbox"/> The wind up of the Cardiff Bay Development Corporation	A	2
<i>Work that may be undertaken in financial year 2001-2002</i>		
<input type="checkbox"/> Effectiveness of the Business Connect service	A	2, 5
<i>Work that may be undertaken in financial year 2002-2003</i>		
<input type="checkbox"/> Follow up study on European Union structural funds	A	2, 4
<input type="checkbox"/> An examination of the performance of the WDA in meeting its operational targets	A	2

<i>Possible subjects for inclusion in 2003-2004 or subsequently</i>		
<input type="checkbox"/> Follow up study on the operation of the Harbour Authority	A	2
<input type="checkbox"/> Effectiveness of Regional Selective Assistance in Wales	A	2
<input type="checkbox"/> Management of the Finance Wales Development Fund	A	2
<input type="checkbox"/> An examination of the Bute Avenue (Lloyd George Avenue) PFI project	C	2
<b>Environment TRANSPORT AND PLANNING</b>		
<i>Work that may be undertaken in financial year 2001-2002</i>		
<input type="checkbox"/> Flood protection in Wales	A	4
<input type="checkbox"/> A review of the trunk road improvement programme in Wales	A	4
<i>Possible subjects for inclusion in 2002-2003 and subsequent years</i>		
<input type="checkbox"/> A review of the impact of road safety campaigns in Wales	A	3, 4
<input type="checkbox"/> A review of the operations of the Countryside Council for Wales	A	4
<i>Possible subjects for inclusion in 2003-2004 and subsequently</i>		
<input type="checkbox"/> A review of the Environment Wales Initiative	A	4
<input type="checkbox"/> An examination of the administration of Transport Grant	A	4
<b>Agriculture and rural development</b>		
<i>Work that may be undertaken in financial year 2001-2002</i>		
<input type="checkbox"/> A review of the sheep annual premium scheme	A	2
<i>Work that may be undertaken in financial year 2002-2003</i>		
<input type="checkbox"/> The Jigsaw project	A	2, 5
<input type="checkbox"/> A review of the implementation and initial impact of Tir Gofal	A	4
<input type="checkbox"/> An examination of the sheep compensation scheme	A	2, 3
<i>Possible subjects for inclusion in 2003-2004 and subsequently</i>		
<input type="checkbox"/> A review of the Arable Area Payments Scheme	A	2
<input type="checkbox"/> A review of Tir Mynydd	A, D	2

<b>Local Government and Housing</b>		
<i>Work being undertaken in financial year 2000-2001</i>		
<input type="checkbox"/> Homelessness and rooflessness	A	4, 5
<i>Work that may be undertaken in financial year 2002-2003 or subsequently</i>		
<input type="checkbox"/> The operations of the Assembly's Housing Division	A	4, 5
<input type="checkbox"/> The transfer of council housing stock	A	5
<b>Administration of the Assembly</b>		
<i>Work being undertaken in financial year 2000-2001 (having begun in 1999-00)</i>		
<input type="checkbox"/> The Assembly's accommodation arrangements	B, C	5
<i>Work that may be undertaken in financial year 2001-2002</i>		
<input type="checkbox"/> A review of the Assembly's IT strategy and procurement arrangements	C	5
<i>Work that may be undertaken in financial year 2002-2003 or subsequently</i>		
<input type="checkbox"/> An examination of the Assembly's performance management systems	A	5
<input type="checkbox"/> Government on the web in Wales	A	5
<b>Other</b>		
I shall continue to provide the Committee with regular reports prepared by the Audit Commission in Wales summarising their work		

8. While I aim to provide the Committee with a package of studies that covers the Assembly's spending areas, main objectives and different types of audit focus, the funding available to me means that my final programme will also comprise a mix of studies in terms of scope and depth. As I set out last year, some areas for examination can be dealt with at a reasonably high level, resulting in a briefer report that would provide the basis for a very effective meeting of the Committee; an example is my report on the Welsh Development Agency's support for indigenous businesses in Wales. Other subjects require a more wide-ranging and detailed approach, including, for instance, a programme of visits to institutions; this category of study is more likely to lead to illustrations of good practice and potential financial savings. Examples from this year's programme include the studies on estates management in Further Education and the NHS, and clinical negligence. Categorisation of value for money studies in this way is not precise and the examples above are illustrative only. But at the level of funding proposed, I will aim to include at least two studies which fall into the latter - more detailed and wide ranging - category.

9. Following the award of European Union Objective One funding to parts of Wales, the country stands to benefit from increased public expenditure of around £1.3 billion over the next few years. Public interest in the proper management and administration of this funding is naturally very high. Examination of this topic features in my programme for this year. This first study will consider the lessons that have been learnt from the way that the most recent European Union structural funds programmes have been administered in Wales, with a view to identifying how the maximum benefit might be obtained from the new programme. I intend to return to this matter after some 18 months, in 2002-03, to assess progress against the findings of the first study. And the pervasiveness of the funding means that it may well come to figure as part of my work elsewhere, on the financial audit side as well as in my value for money work.

10. In planning my overall programme for value for money examinations, I recognise that there may be significant unforeseen developments in the areas of expenditure for which the Assembly is responsible. In these circumstances, I will report to the Assembly drawing specific matters of concern to the attention of the Audit Committee. Similarly, I will report on any cases of fraud, theft, corruption or impropriety that may emerge. Should it prove necessary to produce an unplanned report of this kind, I may need to defer for a few months parts of my planned programme. This is because of the need to stay within the allocation of money that the Assembly gives me for my value for money examinations, though I would aim to keep any effects of this kind to a minimum. In addition to this planned programme of work, I will also respond positively to all requests for information or advice from the Committee even in areas where my rights of access are limited.

11. As part of the service which it provides for me as Auditor General for Wales, the National Audit Office will monitor developments in the Assembly's activities and review its value for money coverage to ensure full account is taken of change, new priorities and new concerns as the scope of examinations is developed. In turn this will enable me to give the Committee each year a revised and updated set of proposals for the studies to be included in the forward programme for my value for money examinations. The National Audit Office will also supplement these studies by monitoring closely for me initiatives in the rest of the United Kingdom to identify any aspects that are of particular relevance to Wales and the Assembly. This includes, for example, the development of the Modernising Government Agenda and progress on the implementation of performance measurement in the public sector.

### Cost of the Auditor General's Proposed Programme of Value for Money Studies

12. My continuing assumption on the demand for and consequently the volume of my value for money work is that the Committee will be likely to consider my value for money reports on at least seven occasions each year. I will therefore continue to provide the Committee with sufficient material for this number of meetings as well as some additional material to give the Committee some degree of choice about what it could consider. As outlined above, the level of funding that I am proposing - the same, in real terms, as in 2000-01 - means that my programme will comprise a mix of some high level reviews, some wide ranging examinations and some more detailed investigations. I shall ensure that my reports are each of a scope and depth appropriate to the subject under examination, so that they are interesting and useful, add value, and help the Committee to achieve a measurable impact as soon as possible, including securing financial savings. Any reduction in the budget would of course restrict my ability to deliver the volume and depth of my proposed examinations.

### Conclusion

13. The Committee is invited:

- to give the Auditor General for Wales an indication of the subjects which particularly interest Members and to suggest any other topics that are not among those listed below for possible inclusion in the programme for 2001-02 and future years; and
- to decide on the number and nature of studies that the Committee will need, and to notify the Assembly of the financial requirement.



John Bourn

Auditor General for Wales

19 October 2000

Annex A

## Possible topics for value for money examinations by the Auditor General for Wales

### Health and Social Services

*Work that may be undertaken in financial year 2001-2002*

#### 1. Review of hospital cleaning services

The National Audit Office report published earlier this year on hospital-acquired infection has brought home the importance of effective cleaning services. That report found that infections picked up in hospitals caused up to 5,000 deaths a year and cost £1 billion to treat. This study will look at the effectiveness of cleaning services in the NHS in Wales, and whether they are being provided in a way which gives value for money.

#### 2. A review of hospital catering services

According to the British Nutrition Foundation, hospital catering is so poor that some patients become clinically malnourished during their stay. And up to 40 per cent of NHS meals are thrown away. The study will look at the efforts being made in the NHS in Wales to provide cost-effective, nutritional food.

#### 3. Non-Medical Education and Training

The education and training of nurses and other professions allied to medicine is a key factor in ensuring the suitability of the NHS workforce in Wales. In Wales, non-medical education and training costs were some £40 million in 1998-99. The study will be undertaken in conjunction with the Audit Commission and will be linked to a similar study in England. It will focus on workforce planning, commissioning and contracting for education and quality assurance issues.

*Work that may be undertaken in financial year 2002-2003*

#### 4. The Welsh strategy for dealing with drug and alcohol misuse

A total of £1.1 million has been allocated to support this programme in 2000-01. The effective implementation of this strategy requires joint working between different public agencies and the voluntary sector. It will involve establishing the Welsh Drug and Alcohol Unit, the funding of voluntary sector schemes, the development of publicity material and the development of systems to measure the impact of the strategy. The study will review progress.

#### 5. The Wales Blood Service

With expenditure of some £12 million a year, the Wales Blood Service is the statutory monopoly collector and

supplier of blood in Wales (with the exception of North Wales which obtains its blood from the National Blood Authority, the body that collects and supplies blood in England). The study will focus on whether the Wales Blood Service meets hospitals' demands and what measures it is taking to improve its performance.

## **6. Procurement in the NHS in Wales**

Each year Health Authorities and Trusts in Wales spend some £300 million on goods and services. This study will assess how well the procurement function in the NHS in Wales is managed to ensure resources are used as efficiently and effectively as possible. This would be the first study in a series of reports on this important subject.

*Possible subjects for inclusion in 2003-2004 and subsequent years*

## **7. An examination of the PFI deal for Baglan hospital**

The provision of the new £66 million Neath Port Talbot Hospital hospital, to be built and run by Baglan Moor Healthcare plc for Bro Morgannwg NHS Trust, is the largest PFI scheme so far to go ahead in Wales. The hospital is designed to provide 270 beds, outpatient and day hospital facilities, rehabilitation and palliative care, and a full range of diagnostic services. The hospital will also have a mental health unit. Building work began in June 2000 and the hospital is scheduled to admit its first patients in Autumn 2002. The proposed study will examine how robustly the Trust and the Assembly determined that the PFI deal represented good value for the taxpayer and how well the Trust and the construction consortium managed the building phase of the project

## **8. Estate management in an individual NHS Trust in Wales**

This study would follow the study outlined above that will look across estate management in the NHS in Wales as a whole. The aim would be to use a case study approach to identify aspects of good practice that could be applied by all Trusts in Wales to use land and buildings more efficiently and effectively and so identify and dispose of land and buildings that are surplus to requirements.

## **9. Managing sickness absence in the NHS in Wales**

Previous work by the NAO has demonstrated the operational benefits that can accrue from the effectiveness management of sickness absence - an area where traditionally the public sector has been perceived as a poor performer. This study would complement a similar study envisaged for the education sector.

## **10. The suspension of consultants on full pay**

There have been a number of recent cases in the NHS of consultants suspended for a number of years on full pay. The most recent involved Bernard Charnley who was reinstated by North Glamorgan NHS Trust after four years suspended on full pay. The study will consider whether the way in which these cases are handled represents value for money.

## **11. The All-Wales Ambulance Trust**

The All-Wales Ambulance Trust was formed on 1 April 1998 when the four ambulance trusts that had previously served Wales merged. In 1998-99, the Trust's income was £61 million and its expenditure amounted to £58 million. It employed 2000 staff and had fixed assets valued at some £28 million. The study will review the performance of the Trust.

## **12. Violence in the NHS in Wales**

The incidence of violence in NHS hospitals has been rising in recent years. Early in 1999 the then Secretary of State for Wales wrote to the Chairs of all NHS Trusts and Authorities in Wales asking them to consider how to take action

to identify and tackle the problems of violence. The study would examine the effectiveness of the preventative measures taken by the NHS against violent incidents.

### **13. The Welsh Health Gain Initiative**

In June 1997, the Welsh Office published a set of 15 Health Gain Targets. These covered, for example, premature deaths from certain cancers, heart disease and strokes, low birth-weight babies, and backpain and arthritis. Most targets were set for achievement by 2002. The most recent results of monitoring (for 1997) show that, for all targets based on death rates, Wales compares badly with England. The study would assess monitoring arrangements and describe the progress made in meeting the 15 targets.

### **14. Health promotion in Wales**

The Assembly plans to spend some £3 million a year by 2001-02 on health promotion as part of its agenda to improve the underlying problem of poor health in Wales through education and prevention mechanisms. The Assembly has a national strategy to promote health and well being that provides direction and a framework for organisations in the public, private and voluntary sectors to contribute to a co-ordinated and sustained approach. The Assembly also aims to give the people of Wales the information they need to make informed choices and so take greater responsibility for their own health and well being. The proposed study will examine progress with the implementation of the Assembly's health promotion strategy and the success of specific initiatives on health education and disease prevention.

Note: all studies in this area would be carried out in conjunction with the Audit Commission or would involve close liaison with the Commission.

## **Education and Training**

*Work that may be undertaken in financial year 2001-2002*

### **1. Progress report on procurement in the Further Education Sector in Wales**

This study would follow up the report on Further Education in Wales which the National Audit Office published in July 1999 and the Audit Committee's own report which was published in June 2000. It would assess the extent to which the sector is taking account of the examples of good practice which the National Audit Office identified. It would also examine how the Further Education Funding Council is encouraging better procurement practices in the sector.

### **2. Managing the collections of the National Museums and Galleries of Wales**

The gross expenditure of the National Museums and Galleries of Wales in 2000-01 will be an estimated £15.6 million. One of the organisation's key objectives is to curate, conserve and document the collections to appropriate standards. The study will focus on how well this objective is met, as well as embracing the extent to which the public has appropriate access to the collections.

*Work that may be undertaken in financial year 2002-2003*

### **3. The creation of the Council for Education and Training in Wales**

The Further Education Funding Council for Wales and the four Welsh Training and Enterprise Councils are due to merge on 1 April 2001, to form a new body, the Council for Education and Training in Wales. The study will focus on the management of the merger and the effectiveness of the new arrangements for delivering education and training in Wales.

#### **4. Space management in the Higher Education Sector in Wales**

In 1996, the National Audit Office published a report on the Management of Space in Higher Education Institutions in Wales. This report drew attention to the significant scope for institutions to improve the utilisation of their estates by applying more effective space management techniques. The study will follow up the findings of this earlier report to see what progress has been made by higher education institutions to make better use of their existing accommodation, and to thereby secure the potential benefits to the sector.

*Possible subjects for inclusion in 2003-2004 and subsequent years*

#### **5. The effective use of grants for education and in-service training (GEST)**

These grants have a total annual budget of £50.6 million for 2000-2001, of which around 60% is grant-aided by the Assembly. The scheme is administered to schools by local education authorities, and operates under 19 activity headings that have separate budgets and reflect the Assembly's educational priorities. These activities include targeted support for literacy, numeracy and special educational needs. The grants are intended to supply effective training and support to achieve improved educational outcomes.

#### **6. Procurement in the Higher Education Sector in Wales**

Using the methodology developed for the Further Education sector, this study would assess the extent to which good procurement practice is being followed by institutions in the Higher Education Sector.

#### **7. Managing sickness absence in higher and further education in Wales**

Previous work by the NAO has demonstrated the operational benefits that can accrue from the effectiveness management of sickness absence - an area where traditionally the public sector has been perceived as a poor performer. This study would complement a similar study envisaged for the NHS in Wales.

#### **8. A review of the New Deal for Schools scheme**

The New Deal for Schools scheme funds approved capital projects to repair school buildings, improve security and provide CAD-CAM technology in schools. The projects are selected and administered by local education authorities, which claim back all of the amounts spent from the Assembly. The scheme has a budget of £64 million over its five-year life and is due to end on 31 March 2002. The study would look at the success of the scheme in meeting its objectives.

#### **9. A review of the National Grid for Learning**

The National Grid for Learning is a computerised information network for schools, accessible through the Internet. The scheme's objective is to provide a national focus and agenda for harnessing new technologies to raise educational standards, particularly in literacy and numeracy. Grants are available through the GEST programme (see above) to provide IT equipment, training, services and software to ensure that all schools can make effective use of the Grid. The aim is to ensure that all schools have access to the Grid by 2001, although the scheme itself lasts until March 2002. The budget for the scheme is £4 million in 2000-01 and is expected to cost £14 million over its four year life. The study would examine the way in which the programme has been implemented and its effectiveness in meeting its objectives.

### **Economic Development**

*Work that may be undertaken in financial year 2001-2002*

## **1. Effectiveness of the Business Connect service**

Business Connect is 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. The objective is 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. The service is managed by Business Connect Wales Ltd, which will receive £2.5 million from the Assembly in 2000-01. The company receives executive support from the WDA and contracts with four regional consortia to provide advice and support to business callers. The study would examine the effectiveness of the programme in fulfilling its objective.

*Work that may be undertaken in financial year 2002-2003*

## **2. Follow up study on European Union structural funds**

The aim of this study would be to consider whether the management of the programme had taken account of the study the Auditor General is carrying out this year. It would be timed to leave a sufficient period for any necessary remedial action to be taken before the programme was subject to its mid-point external evaluation; depending on the findings of this review, the programme may qualify for a 4 per cent performance reserve, worth some £50 million.

## **3. The Welsh Development Agency**

This study will follow up the current NAO examination of the creation of the enlarged Welsh Development Agency. The Agency will be subject to a quinquennial review during 2000-2001. The study will concentrate on the performance of the Agency, in particular the extent to which it has met its targets.

*Possible subject for inclusion in 2003-2004 or a subsequent year*

## **4. Follow up study on the operation of the Harbour Authority**

This study will focus on the management of the Cardiff Bay by the Harbour Authority after the new arrangements have had some time to bed in.

## **5. Effectiveness of Regional Selective Assistance in Wales**

Regional Selective Assistance is the main form of public sector financial assistance available to industry to cover investment and growth in Wales. Grants are paid to cover part of the cost of capital projects that generate jobs in assisted areas and are limited to the amount required for projects to go ahead; they are also subject to aid intensity ceilings set by the European Commission. The scheme cost £45 million in 1999-2000 and there is a provision of £63 million for 2000-01. The scheme was restructured in July 2000 with the approval of new assisted areas by the European Commission. RSA is often paid in conjunction with assistance from other public sector bodies such as the WDA. The study would therefore focus on the role of RSA in the broader context of business support and economic development in Wales. It could also consider specific issues of interest, for example the effect on the priority areas (West Wales and the Valleys), inward investment and small businesses.

## **6. Finance Wales Development Fund**

This is a new scheme that will provide loan and equity capital to small and medium-sized businesses in Objective 1 areas. The aim is to help potentially viable businesses that cannot raise sufficient capital in the private sector because of their size, risk profile or management inexperience. The scheme will be administered by Finance Wales Ltd, a subsidiary of the Welsh Development Agency, and will be funded jointly by the private sector (55 per cent) and Objective 1 funding from the EU (45 per cent). The current proposal is for a series of funds totalling £51.8 million, which will be self-financing. The first loans will be made before the end of the 2000-01 financial year,

subject to approval from the Welsh European Funding Office and the European Commission. The study would examine the implementation of the scheme, its financial performance and the extent to which it has met its objectives.

## **7. The Bute Avenue PFI Project**

The Bute Avenue PFI scheme involves the construction of a continental style boulevard linking Cardiff city centre to the waterfront and the redevelopment of the land on both sides of the boulevard. The Cardiff Bay Development Corporation signed a Heads of Terms Agreement with City Link and the estimated capital cost of the scheme is £45 million. Following the wind up of the Corporation in March 2000, the Welsh Development Agency took on responsibility for this scheme. The study will consider the steps taken to secure value for money, including the risk sharing arrangements with the private sector, and evaluate whether the forecast economic regeneration is achieved.

## **Environment, Transport and Planning**

*Work that may be undertaken in financial year 2001-2002*

### **1. Flood protection in Wales**

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 internal drainage boards. By way of illustration, the Environment Agency Wales plans to spend £12.1 million on flood defence during 1999-2000. This study will focus on the planning and management of the programme for arterial drainage, flood defence and coast protection.

### **2. Trunk road improvement in Wales**

The Assembly is directly responsible for the trunk road network in Wales, valued at some £7 billion. The budget for improvements to the network - as opposed to maintenance - is £34 million in 2000-01. This study will focus on the planning and management of this programme.

*Work that may be undertaken in 2002-2003*

### **3. Road Safety**

The objective of expenditure on road safety in Wales is to encourage the achievement of a one-third reduction in road casualties by the year 2000, based on the average level of casualties over the period 1981 to 1985. In 1997, the number of people killed and seriously injured as a result of road accidents in Wales was 50.6 per cent below the 1981-85 baseline. This was offset by an increase in the number of slight casualties and consequently the overall number of casualties in 1997 was 2.7 per cent above the 1981-85 average. New strategies and plans are being developed for road safety in Wales and this study will focus on their implementation and initial impact.

### **4. The Countryside Council for Wales**

The Council is the statutory adviser on all nature conservation and countryside matters. During 2000-01 it will receive £33 million in grant in aid from the Assembly. The Council aims to meet a series of targets for its work. The Council will be subject to a quinquennial review in 2000-2001. This study will focus on the performance of the Council and the extent to which it has met its targets.

*Possible subjects for inclusion in 2003-2004 and subsequent years*

### **5. The Environment Wales Initiative**

Environment Wales is managed on the Assembly's behalf by the Prince's Trust Cymru and during 2000-01 will spend around £0.7 million on projects and grants. The objective of this programme is to support voluntary action which contributes to sustainable development by helping to improve and protect the environment in Wales. The study will focus on how well the initiative is administered.

## **6. The administration of Transport Grant**

The Transport Grant is the main source of capital grant for local authorities' major transport schemes. In 2000-01 grants of £47 million will be supported. Grants provide support for road schemes costing more than £5 million, for integrated transport packages - including those involving the railways - costing over £1 million and for safe routes to school initiatives. The study will focus on the management and administration of the scheme.

## **Agriculture and Rural Development**

*Work that may be undertaken in financial year 2001-2002*

### **1. Sheep annual premium scheme**

The purpose of the sheep annual premium scheme is to compensate producers for the extent to which the average price for sheep meat falls below the basic price set by the European Union. In 1999-2000 the provision for the scheme in Wales was £93.1 million. The scheme is fully funded by the European Commission, but failure to comply with regulations and guidance on sound financial control can result in a reduction in Commission reimbursement; in 1993-96 this disallowance amounted to £29.2 million, more than either England or Scotland and some 5.8 per cent of payments. The study would build on a National Audit Office report published in March 2000 which considered the quality of the scheme's administration in England.

*Work that may be undertaken in financial year 2002-2003*

### **2. The Jigsaw project**

The Joint Initiative for Government Services across Wales (Jigsaw) is a £16 million three-year programme launched in April 1999, aimed at improving the administration of CAP in Wales, improving service delivery and reducing running costs. It seeks to bring together government services in rural Wales under the network of existing accessible local offices, providing an effective one-stop shop service to farmers and others in rural areas. The study will examine the effectiveness of this project which is an important basis for the implementation of further schemes.

### **3. Tir Gofal**

The objective of Tir Gofal, started in the financial year 1999-2000, is to encourage agricultural practices that will help to protect and enhance the landscape and wildlife of the countryside in Wales. It also seeks to create further opportunities for people to enjoy the Welsh countryside. The Countryside Council for Wales administers Tir Gofal in partnership with the Farming and Rural Conservation Agency and the Snowdonia National Park Authority. The budget for the scheme is £7.5 million in 2000-01. One of the Council's targets is to achieve a minimum of 600 Tir Gofal agreements from the first round of applications. The study will review the implementation of Tir Gofal and its initial impact.

### **4. The Sheep Compensation Scheme**

Following the Chernobyl accident in 1986, and the subsequent radioactive contamination of parts of North Wales, there has been continual monitoring of sheep in the interests of food safety. The objective of this scheme is to compensate farmers for work associated with this monitoring. At the end of 1998, restrictions affected around 360 farm holdings or parts of holdings and up to that point £9.4 million had been paid in compensation. Expenditure in

1999-2000 will amount to some £700,000 with associated scientific work costing a similar amount. The study will focus on the management and operation of the Scheme.

*Possible subjects for inclusion in 2003-2004 and subsequent years*

## **5. The Arable Area Payments Scheme**

The Arable Area Payments Scheme compensates growers of cereals, oilseeds and protein crops for loss of income due to the reduction of support prices. One element of the scheme requires farmers to set aside a prescribed percentage of land, in return for which they receive compensation. Expenditure in Wales on this scheme is likely to amount to around £10 million during 2000-01. The study will focus on the quality of the administration of the scheme in Wales.

## **6. Review of Tir Mynydd**

Tir Mynydd is the successor scheme to Hill Livestock Compensation Allowances (budget £27 million in 2000-01). Under Tir Mynydd, payments will be based on land area rather than numbers of hill cattle and sheep. First payments under the scheme are due to be made in spring 2001. Since some farmers will benefit at the expense of others, the Assembly proposes to put arrangements in place to cushion the effect of the switch in the early years.

## **Local Government and Housing**

*Possible subject for inclusion in 2002-2003 or a subsequent year*

### **1. Housing for Wales**

In October 1998, Housing for Wales/Tai Cymru, a Welsh Office non-departmental public body, was abolished and its activities, such as monitoring Housing Associations, brought within the oversight of the Welsh Office's - now Assembly's - Housing Division. The study will review the success of the new arrangements.

### **2. 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 £750m. The Local Government and Housing Committee is to undertake a review of housing stock transfer over the coming months. The review will consider the policy on the transfer of local authority housing stock into community ownership as a means to generate the necessary investment. The study would look at the outcomes of this review and the success of any such transfers in reducing the burden on local councils and the Assembly.

## **Administration of the Assembly**

*Work that may be undertaken in financial year 2001-2002*

### **1. A review of the Assembly's IT strategy and procurement arrangements**

The Assembly spends around £10 million a year on computerised information systems, nearly all of which relates to the PFI contract for its OSIRIS core system. The OSIRIS contract runs for seven years from 1998-99. The Assembly also operates a number of other systems supporting a variety of administrative processes and interfacing with outside agencies. The proposed study would review the Assembly's management of the OSIRIS PFI contract and the performance by the prime contractor (Siemens Business Services) with developing and implementing the system at around the half way stage of the contract. This would include examining what efficiency and effectiveness gains are being realised in practice through the Assembly's IT systems.



*Possible subject for inclusion in 2002-2003 or a subsequent year*

## **2. The Assembly's performance management systems**

The Assembly is responsible for a range of subsidiary bodies: executive agencies (such as Cadw), and Assembly-sponsored public bodies (such as the Welsh Tourist Board). The study will examine whether the arrangements in place for exercising oversight of subsidiary bodies strike the right balance between control by the Assembly on the one hand and freedom to operate by the bodies on the other hand.

## **3. Government on the web in Wales**

The Assembly has taken the opportunity to try and maximise its use of internet technology. The study will apply the findings of the 1999 National Audit Office study of government's use of this technology to assess the progress made in Wales. The study will embrace the Assembly's sponsored bodies and include analysis of the extent to which electronic delivery of public services has been achieved.

**Annex B**

# **National Audit Office Value for Money Examinations currently being undertaken for the Auditor General for Wales**

This Annex summarises the scope of ongoing value for money examinations being carried out by the National Audit Office Wales for the Auditor General for Wales in 2000-2001.

## **The handling of clinical negligence claims**

At March 2000 the total value of outstanding claims for clinical negligence against the NHS in Wales was more than £400 million. Recent changes in the legal system have been introduced, aimed at encouraging more efficient handling of these claims. This study examines the management of the process of handling clinical negligence claims and seeks to identify improvements. The report is planned for presentation to the Assembly early in 2001.

## **The management of the NHS estate in Wales**

The NHS in Wales occupies an estate totalling some 1,100 hectares, with an existing use value of some £1.1 billion. There are around 140 hospitals, 300 health centres and clinics, and 80 ambulance stations. Managing these estate assets is a considerable challenge for the NHS in Wales and the Assembly. The study examines the strategic and operational management of the estate, including the disposal of surplus property assets. The report is planned for presentation to the Assembly before the end of March 2001.

## **Drug prescribing**

The study considers the how the current prescriptions process and its associated control framework is operating to ensure that the income due from prescription charges is maximised. The study examines the eligibility of a sample of patients claiming free prescriptions and the potential loss of income to the NHS from invalid claims. The study is planned for presentation to the Assembly in December.

## **Management of the Further Education Estate in Wales**

The further education (FE) sector in Wales currently comprises 27 institutions. They occupy an estate with a total gross internal area of 584,500 square metres and a current rebuilding cost of approximately £584.5 million. The

accommodation across the sector is a mixture of modern, 1950s/60s and pre-war/Victorian buildings and is hence variable in terms of both quality and suitability for use. The study examines how well the sector manages its estate, how suitable the FE estate is for its purpose and how well the FE estate is utilised. This study will provide an interesting comparison to that currently being carried out on the NHS estate in Wales and will demonstrate to the Assembly how different areas of the public sector cope with this issue. The report is planned for publication in May 2001.

## Administration of European Union Structural Funds

Following the award of European Union "objective one" funding to parts of Wales, the country stands to benefit from an increase in public expenditure of around £1.3 billion over the next seven years. There is thus considerable pressure on the Assembly to ensure that these funds are put to the best possible use. The study will look at the way that previous tranches of structural funding have been administered in Wales, with a view to drawing out the lessons learnt for the objective one programme.

## The wind up of the Cardiff Bay Development Corporation

The Cardiff Bay Development Corporation was set up in 1987 to regenerate nearly 1,100 hectares of South Cardiff and enable the city to stand comparison with any equivalent maritime city in the world. In July 1997, the Secretary of State for Wales announced that the Corporation would wind up by 31 March 2000. The study is focusing on: the management of the wind up process; the handover arrangements; and the operation of the successor organisations.

## The support given to the LG project

The LG project is an inward investment project by the Korean LG group of companies to establish two separate plants at Imperial Park, Newport for the manufacture of electronics components and semiconductors. The LG group originally planned phased capital investment of some £1.6 billion over the six years 1996 to 2001 to develop the two plants and to create over 6,000 jobs as a direct result. The project is being supported by a package of publicly funded assistance worth up to £247 million, funded from the budgets of the Assembly (and the former Welsh Office), the Welsh Development Agency, the Gwent Training and Enterprise Council and Newport County Borough Council. The examination, undertaken at the request of the Audit Committee, is a review of the publicly funded assistance provided to date in support of the LG project.

## Homelessness and rooflessness

Local authorities have a statutory duty to house people who are eligible for assistance, unintentionally homeless and in priority need, as defined by the Housing Act 1996. This includes families with dependent children, pregnant mothers, the elderly, the disabled, the mentally ill and ex-offenders. Our study will focus on initiatives to alleviate homelessness for those people who do not receive such assistance, primarily the grants paid to voluntary organisations by the National Assembly under section 180 of the Housing Act 1996. These grants total £1.85 million per year and provide revenue funding for a variety of projects, including hostels, resettlement support and advice, and rent deposit guarantee schemes.

## The Assembly's accommodation arrangements

The study, specifically requested by the Audit Committee, covers the decision to locate the Assembly in Cardiff Bay, the agreements negotiated with Grosvenor Waterside to acquire the site, the project management arrangements, the adaptation of Crickhowell House and the Pierhead Building for the Assembly, and the new building. The study examines the total cost of the project and the reasons for the delay of the new building. The report is currently being discussed with the interested parties and will be presented to the Assembly in November.

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