

Finance Committee

Meeting Venue:
Committee Room 2 – Senedd

Meeting date:
16 January 2013

Meeting time:
08:45

Cynulliad
Cenedlaethol
Cymru

National
Assembly for
Wales



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Agenda

Private briefing (8:45 – 9:00)

1. Introductions, apologies and substitutions (9:00 – 9:05)

2. Invest to Save – Evidence from Minister for Finance (9:00 – 9:45) (Pages 1 – 4)

Jane Hutt AM, Minister for Finance and Leader of the House
Richard Clarke, Head of Invest-to-Save Unit
Jeff Andrews, Special Adviser

3. Invest to Save – Feedback from Committee Member visits (9:45 – 10:10)

4. Papers to note (Pages 5 – 22)

FIN(4) 01–13 – Paper 1 – Financial implications of Recovery of Medical Costs for Asbestos Diseases (Wales) Bill

FIN(4) 01–13 – Paper 2 – Financial implications of Human Transplantation (Wales) Bill

FIN(4) 01–13 – Paper 3 – Correspondence from Minister for Local Government and Communities regarding Invest to Save

FIN(4) 21–12 (Mins) – Minutes of previous meeting

5. Motion under Standing Order 17.42 to resolve to exclude the public from the meeting for the following business:

Item 6 to 7.

6. Consideration of Ministerial responses to Committee reports on the Welsh Government's draft budget 2013-14 (10:10 - 10:40)

7. Consideration of evidence on Invest to Save (10:40 - 11:00)

Jane Hutt AC / AM
Y Gweinidog Cyllid ac Arweinydd y Ty
Minister for Finance and Leader of the House



Llywodraeth Cymru
Welsh Government

Eich cyf/Your ref
Ein cyf/Our ref
Jocelyn Davies AM
Chair, Finance Committee
National Assembly for Wales
Cardiff Bay,
Cardiff
CF99 1NA

30 January 2013

Dear Jocelyn

Following my attendance at the Finance Committee on 16 January and your subsequent letter of 17 January, I am writing with the additional information sought in relation to your inquiry into Invest-to-Save. The information is provided in the order set out in your letter.

The geographical spread of Invest-to-Save applications

Although the geographical location of bids is not part of the fund's assessment criteria, I am always mindful of how the public service across the whole of Wales responds to the opportunity presented by the fund.

When I gave evidence to the Committee earlier this month, I said that there had been a good response to my invitation to the public service to bring forward new project proposals under Round VII of the Fund. Overall, there are 21 proposals; however, one of these is an emerging programme by the National Assets Working Group which currently has three specific projects. Proposals have a wide geographical distribution with: eight being all-Wales proposals, six being from North Wales; five being from Mid and West Wales; two being from Gwent; and, single proposals from both Cwm Taff and Cardiff & Vale.

A note explaining how the Welsh Government ensures that projects are clear about the criteria that they need to follow when bidding for Invest to Save funding

The Fund's criteria are set out in guidance and the expression of interest application form asks questions on each of these. The guidance and application form are made available to all potential applicants and is available on the Welsh Government's web site.

Anyone considering making an application to the Fund is strongly recommended to discuss their project proposal with a member of the Invest-to-Save Unit before they apply for funding. Members of the Invest-to-Save Unit are happy to provide advice and further guidance to potential applicants and to discuss specific project proposals, including their likely eligibility.

Bae Caerdydd • Cardiff Bay
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Wedi'i argraffu ar bapur wedi'i ailgylchu (100%)

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Further details on the membership of the stage 2 panel, including details on the levels of expertise on those panels, and of measures taken to ensure that the process is less intimidating for bidders

The work of the Invest-to-Save Panel and Unit is overseen by the Director General, Strategic Planning, Finance and Performance, including the making of appointments to the Panel. Core membership of the Panel currently includes the Welsh Government's: Deputy Director of the Strategic Investment Division; Chief Economist; Head of NHS Financial Management; Deputy Director of Public Service Reform; and, the Head of the Invest-to-Save Unit.

The stage 2 panel meetings provide project promoters the opportunity to present their proposal and for Welsh Government officials to discuss key aspects of the project with those responsible for taking it forward. The aim of such meetings is to provide a simple and non-bureaucratic mechanism for the panel to be able to quickly arrive at a recommendation on whether or not a project proposal should be supported.

Since the approach was introduced we have responded to suggestions that the approach was "daunting" for short-listed applicants and have introduced guidance on "*what to expect*", which is provided in advance to those attending meetings. Officials also provide a steer to applicants on the key areas that the panel wishes to discuss – previously identified during the short-listing process.

Clarification on how perceived similarities between the assessment criteria for the Invest to Save Fund and the Regional Collaboration Fund will be managed by the Welsh Government

In answering your query, I think that it is important to re-state the point that I have made previously about how the Minister for Local Government and Communities and I have worked and will continue to work closely on these funds to ensure compatibility. Furthermore, our respective officials have also worked on our behalf to align criteria and processes.

In preparing for the introduction of the Regional Collaboration Fund (RCF) the Minister for Local Government and Communities wrote to local authority leaders about the his new Fund, but at that time also drew attention to the continued availability of Invest-to-Save support and therefore the sector has been made aware of both forms of support and of their availability in different circumstances.

Both funds are currently assessing applications in readiness for approvals to be made in good time before the start of the new financial year, when funding becomes available. The broad alignment of appraisal timetables provides the opportunity for us to manage the complementary funds to best effect.

We have also sought commonality regarding those officials considering applications, with the RCF advisory panel including members drawn from my department who are members of the Invest-to-Save officials' panel. My officials will draw from their experience and the lessons learned from the introduction and development of the Invest-to-Save Fund and specifically offer advice about the level of evidence required to meet assessment criteria and on what type of Welsh Government support would be the most appropriate for individual projects. Additionally, I have agreed with the Minister for Local Government and Communities that any proposals submitted under RCF that lend themselves more to an I2S approach, will be referred to that fund.

Given the newness of the Regional Collaboration Fund (RCF), arrangements have of course yet to be fully tried and tested, but we have put in place arrangements to help the funds run smoothly together and to help mitigate any potential overlap or confusion for applicants. We will, however, take stock of the arrangements as matters progress.

A note on the disparity between evaluations conducted by Swansea University and CSSIW of the Neath Port Talbot County Borough Council Lean project

In responding to your request, I will comment upon the provision of Invest-to-Save funding to the Neath Port Talbot project and offer some observations on the evaluations to which you refer.

Invest-to-Save support was provided towards proposals aimed at improving children's services at Neath Port Talbot. Specifically, the investment was provided so that the authority could implement its project proposal:

- to reduce demand on children's social work services by refining systems by which assessment and case management staff work;
- to transform guidance for the procedures and processes related to the support and safeguarding of children in need, in need of protection and children looked after;
- to produce a service user centred approach to delivery of assessment and case management services;
- to redevelop support systems & structures in accordance with the outcome of the review; and,
- to translate learning from the review across Wales.

The short-term repayable funding was made available to help towards the cost of back-filling posts to enable staff sufficient time to engage in the project and, to pay for specialist advice.

The "evaluations" to which you refer although having some common ground are nevertheless very different pieces of work that were undertaken at different times. Swansea University evaluation was commissioned by Neath Port Talbot to undertake an evaluation of the project relating to the roll-out of the systems review work. This was undertaken when the project was on-going and as such the evaluation report provided an overview for management of the early progress of the project. The University's report recognised that it was unrealistic to expect the full benefits of the new approach to be evidenced in the short-term and it drew attention to some areas where good progress was thought to have been made and it identified issues possibly requiring future attention.

The CSSIW inspection and subsequent report considered the authority's Children's Social Services. The inspection was undertaken some 12-months on from the Swansea University project evaluation and therefore at a time when further progress on the systems review had been made and when its impact was more apparent. Inspection reports by CSSIW stand on their own.

*I hope this is helpful,
Best wishes,
Jane*

Jane Hutt AC / AM

Y Gweinidog Cyllid ac Arweinydd y Ty
Minister for Finance and Leader of the House

Finance Committee

Financial Scrutiny of *Recovery of Medical Costs for Asbestos Diseases (Wales) Bill*

Paper to note: Financial Memorandum

Date of paper

5 December 2012

Related Information

[*Recovery of Medical Costs for Asbestos Diseases \(Wales\) Bill*](#), 3 December 2012

[*Recovery of Medical Costs for Asbestos Diseases \(Wales\) Bill, Explanatory Memorandum*](#), 3 December 2012

This briefing has been produced by the Research Service for use by the Finance Committee.

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Research
Service

Committee Reference: XXXXXX

1. Introduction

On 21 March 2012, Mick Antoniw AM was successful in his ballot to introduce a Proposed Member Bill relating to recovering the costs of medical treatment and care provided to patients in Wales who have sustained asbestos-related diseases and have received compensation. On 16 May 2012 the National Assembly for Wales agreed that Mick Antoniw AM could lay a Bill based on the pre-ballot information he had provided. Following a consultation exercise in May 2012 on his proposals for legislation, Mick Antoniw AM introduced the *Recovery of Medical Costs for Asbestos Diseases (Wales) Bill*¹ on 3 December 2012. The scrutiny of this Bill is the responsibility of the Health and Social Care Committee. The Health and Social Care Committee will consider and report on the Bill's **general principles** by 8 March 2013.

2. Aims

According to the Explanatory Memorandum (EM) treating asbestos-related disease costs the NHS in Wales at least £2million per annum². The principle behind the Bill is that 'the cost to the public purse of providing NHS services should be recouped from the person who has caused (or is alleged to have caused) the harm that gave rise to the need for those services'. This principle already underpins other existing legislation in the UK³. However, the comparable legislation that the EM discusses limits this 'harm' to injuries rather than, as in the case of the Bill, diseases.

3. Content of Bill

The Bill proposes that in cases where a compensation payment has already been made to victims of asbestos related disease⁴, the Bill will enable Welsh Ministers to recover charges in respect of the cost of the care and treatment of asbestos-related disease to the NHS in Wales from insurance companies or employers. The scale of these charges will be set using a tariff that will be established by future subordinate legislation.

Once recovered, the money will go into the Welsh Consolidated Fund, though the Bill states that the Welsh Ministers 'must have regard to the desirability' of making an amount equal to that reimbursed available for the 'treatment of, or other services relating to, asbestos related diseases'⁵.

The EM explains how the proposed scheme builds on the existing personal injury compensation scheme which is operated on a UK basis under the *Health and Social Care Act 2003*. The current scheme is administered by Compensation Recovery Unit (CRU) at the Department for Work and Pensions (DWP).

¹ [Recovery of Medical Costs for Asbestos Diseases \(Wales\) Bill](#), 3 December 2012 [accessed 5 December 2012]

² [Recovery of Medical Costs for Asbestos Diseases \(Wales\) Bill, Explanatory Memorandum](#), para 30, 3 December 2012, [accessed 5 December 2012]

³ [Recovery of Medical Costs for Asbestos Diseases \(Wales\) Bill, Explanatory Memorandum](#), paras 6–12, 3 December 2012, [accessed 5 December 2012]

⁴ Asbestos related diseases are defined in the Bill as; asbestosis, mesothelioma, asbestos-related lung cancer and pleural thickening.

⁵ [Recovery of Medical Costs for Asbestos Diseases \(Wales\) Bill](#), 3 December 2012, paragraph 16 [accessed 5 December 2012]

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4. Financial implications of the Bill

The EM considers three potential options looking at **how** and **by whom** the scheme would be administered:

- 2.i The Compensation Recovery Unit (CRU) at the Department for Work and Pensions (DWP) administers the scheme (the preferred option)
- 2.ii Welsh Government administers the scheme
- 2.iii Local Health Boards (LHBs) in Wales administer the scheme.

The EM states that the preferred option (Option 2.i) will give rise to **transitional costs in 2013–14 of around £97,500** and **annual costs of £29,000 for the subsequent four years**. These costs would fall on the Welsh Government, the CRU, LHBs, insurance companies and employers and are detailed below.

Transitional costs

Transitional costs in 2013–14 include:

- **Redeveloping the existing CRU administration systems**, which is estimated to cost around **£82,500** to cover all the changes needed (including changing automated tariff calculations, developing a new electronic data collation form and ensuring the relevant payments are made to Welsh Ministers)
- **Training for staff** in the CRU, Welsh Government and LHBs on how to use the new system which is assumed to be **£5,000** in total.
- **Insurance companies and employers familiarising themselves** with the requirements of the scheme which is estimated to cost **£10,000**.

Average annual costs

Annual costs from 2014–15 to 2017–18 include:

- Processing charges and additional management and system monitoring costs to the CRU which are assumed to be around £7,000 per annum.
- The administrative cost to LHBs and NHS Trusts of providing the CRU with details of the care provided to individuals, this is estimated to be £10,000 per annum in total.
- The additional cost of complying with legislation which is assumed to cost employers or insurers £12,000 per annum.
- The cost to insurance companies and employers of compensating the NHS for mesothelioma treatment calculated using the NHS standard tariff system would be around £2.01 million per annum based on 80 cases in Wales per year.

Average annual benefits

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The recovered NHS treatment costs are also a benefit and making an allowance of one per cent for disputes and other non-payment issues gives a net recovered income of around £2.01 million per annum.

Net benefits 2013-14 to 2017-18

The result of subtracting the average annual costs from the average annual benefits gives an annual net loss of £29,000 for each year from 2014-15 to 2017-18. Adding the transitional costs in 2013-14 of £97,500 to the average annual costs of £29,000 per annum (over 2014-15 to 2017-18) gives a total net benefit of -£213,500 for the five-year period.

As shown in table 1 below the EM converts these future costs and benefits into present values to give a net present value⁶ (NPV) of -£197,100 for Option 2.i over this five year period.

Table 1: Summary table of additional costs of Option 2.i – CRU administers the scheme

	<i>£ (thousands)</i>						
	2013-14	2014-15	2015-16	2016-17	2017-18	Total	NPV
Welsh Government	87.5	0.0	0.0	0.0	0.0	87.5	84.5
CRU	0.0	7.0	7.0	7.0	7.0	28.0	24.8
LHB	0.0	10.0	10.0	10.0	10.0	40.0	35.5
Employers/ insurance companies	10.0	2,020.6	2,020.6	2,020.6	2,020.6	8,092.4	7,180.5
Total cost	97.5	2,037.6	2,037.6	2,037.6	2,037.6	8,247.9	7,325.3
Total benefit (recovered income)	0.0	2,008.6	2,008.6	2,008.6	2,008.6	8,034.4	7,128.2
Net benefit	-97.5	-29.0	-29.0	-29.0	-29.0	-213.5	-197.1

Source: *Recovery of Medical Costs for Asbestos Diseases (Wales) Bill, Explanatory Memorandum*, para 70, 3 December 2012, [accessed 5 December 2012]

Note: The Welsh Government costs comprise of £82,500 for system developments and £5,000 for training. The system development costs are based on assumptions outlined in the EM (para 79), if fewer system amendments were required this cost would reduce substantially

The EM states that:

Each option has a negative net present value showing the costs to society of the proposed legislation outweigh the financial benefits. The negative NPV reflects the transitional and administrative costs of the scheme. Although each option has a negative NPV (...) making the liable party pay mesothelioma victims' treatment costs represents a more equitable outcome than the NHS having to meet the costs⁷.

⁶ The EM uses a discount rate of 3.5 per cent (para 69) which is taken from HM Treasury, to adjust for inflation *Green Book: Appraisal and Evaluation in Central Government*, July 2011 [accessed 5 December 2012]

⁷ *Recovery of Medical Costs for Asbestos Diseases (Wales) Bill, Explanatory Memorandum*, para 121, 3 December 2012, [accessed 5 December 2012]

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5. Key Issues

Use of recovered funds

The Bill is not prescriptive when it comes to the matter of where the recovered medical costs will go. The Bill states that the money would go to the Welsh Ministers, with the EM explaining:

The 2003 Act requires recovered NHS charges to be paid over to the hospital or ambulance trust that provided the treatment or services in question (section 162). That approach is considered too prescriptive in the context of this Bill. Instead the recovered sums will be returned to the Welsh Ministers to be retained. Within the Annual Budget Motion, allocation of income for the recovered costs to the Department for Health, Social Services and Children Main Expenditure Group (MEG) would be sought, and for allocation of resources to the same MEG for the provision of services to asbestos victims and their families⁸. [My emphasis]

Though the EM states that the recovered costs could be used “for the general benefit of asbestos victims and their families”, there will be no compulsion for this to happen. On this topic, section 16 of the Bill states:

The Welsh Ministers must **have regard to the desirability** of securing that an amount equal to that reimbursed by virtue of section 2 is applied, in accordance with the National Health Service (Wales) Act 2006, for the purposes of treatment of, or other services relating to, asbestos-related diseases.⁹ [My emphasis]

Amount of net recovered income

The figure for net recovered income in the EM is **based solely on looking at the anticipated number of mesothelioma claims** and settlements in Wales; it is assumed there will be 80 cases per year¹⁰. When the full range of asbestos-related diseases covered by the Bill is included we would therefore expect the annual net recovered income to be higher. **The EM does not make it clear how much higher this figure could be expected to be.**

Whilst considering the net recovered income the scheme would generate, the EM notes that the costs of NHS treatment for **11 patients** who had been diagnosed with mesothelioma ranged from £6,870 to £53,035. This is a small sample size and the EM states that **additional research** will be commissioned to develop a **tariff of charges** that relate directly to asbestos related diseases.

Impact on employers and insurance companies

It is not clear what assessment has made of the overall benefit to taxpayers given that **insurance companies may respond by increasing premiums** to cover the costs associated with this Bill.

⁸ [Recovery of Medical Costs for Asbestos Diseases \(Wales\) Bill, Explanatory Memorandum](#), para 40, 3 December 2012, [accessed 5 December 2012]

⁹ [Recovery of Medical Costs for Asbestos Diseases \(Wales\) Bill](#), 3 December 2012, paragraph 16 [accessed 5 December 2012]

¹⁰ [Recovery of Medical Costs for Asbestos Diseases \(Wales\) Bill, Explanatory Memorandum](#), para 68, 3 December 2012, [accessed 5 December 2012]



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It is also not apparent if any assessment of the potential difficulties in recovering costs from companies and insurers based overseas has been factored into the costs and benefits.

Administration costs

The assumptions on how the administrative costs in options 2.i, 2.ii and 2.iii have been calculated are not clear. Given that the preferred option is particularly sensitive to an increase in the cost of redeveloping the CRU system (£82,500) it would be helpful to know if this is the minimum or maximum cost.

Finance Committee

Financial Scrutiny of Human Transplantation (Wales) Bill

Paper to note: Financial Memorandum

Date of paper

16 January 2013

Related Information

[The Human Transplantation \(Wales\) Bill](#) (as introduced)

[Explanatory Memorandum to the Human Transplantation \(Wales\) Bill](#)

Welsh Government, [Consultation on the Draft Human Transplantation \(Wales\) Bill](#), closed September 2012

This briefing has been produced by the Research Service for use by Finance Committee.

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Research
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Committee Reference: xxxx

1. Introduction

The *Human Transplantation (Wales) Bill* (hereafter the *Bill*) was introduced before the Assembly on Monday 3 December 2012. The Health and Social Care Committee will consider and report on the Bill's **general principles** by 22 March 2013.

2. Aims and content

The Bill's main overarching objectives are:

- To increase the number of organ donors through the introduction of a soft opt-out system;
- Make provisions for what constitutes as consent;
- Impose a duty on the Welsh Ministers to promote transplantation in order to improve the health of the people of Wales;
- Impose a duty on the Welsh Ministers to ensure people are aware of the arrangements for deemed consent;
- Make amendments to the *Human Tissue Act 2004*.

The Bill applies to people 18 year old and over, who have the mental capacity to understand that consent could be deemed, who have been ordinarily resident in Wales for a period of at least six months before they died¹ and who die in Wales².

The Bill will provide people with the opportunity to express a decision (**express consent**), i.e. opt-in or opt-out of organ donation by placing their name on a register, or by taking no action, despite having the opportunity to do so, be treated as giving their **deemed consent**. As it is the introduction of a soft opt-out system a person in a qualifying relationship³ to the deceased will be involved in the decision making process. The wishes of the deceased, whether through deemed or express consent, will be made known to a person in a qualifying relationship as part of discussions.

The Bill introduces the concept of deemed consent and it therefore restates, for Wales, certain sections of the *Human Tissue Act 2004* which directly relate to consent for the purposes of transplantation. The Bill does not affect the law relating to provisions of the 2004 Act which are not directly related to consent and have therefore not been restated as they will continue to apply in Wales.

The Bill will not alter the existing arrangements with the NHS Blood and Transplant (NHSBT) service, therefore Wales will still share a transplant waiting list with the rest of the UK and organs will be allocated on the basis of clinical need and suitable match.

The NHS Organ Donor Register (ODR) will be redeveloped so that it can provide both its existing functions for people outside Wales, and provide the opportunity for people in

¹ Where the deceased does not live in Wales the NHS Organ Donor Register (ODR) would be checked and procedures followed accordingly. If they haven't lived in Wales for at least six months the new register and ODR will be checked to ascertain if the deceased had expressed a wish.

² If people living in Wales die in England, Scotland or Northern Ireland then the new register will be checked by the NHS staff and procedures followed accordingly. Deemed consent would not apply outside of Wales.

³ What constitutes a qualifying relationship is set out in section 17(2) of the Bill.

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Wales to express their wish for or against donation (including partial donation of some but not all of their organs).

3. Financial implications of the Bill

The Explanatory Memorandum (EM) considers **one policy option** – to introduce a soft opt-out system of deceased organ and tissue donation in Wales.

Costs

The costings in the Regulatory Impact Assessment (RIA) are separated into two broad categories:

- **Fixed setup costs** – the RIA states that these are infrastructure costs (business and system changes; the process of processing opt-out requests; public communications and evaluation) required to operate a soft opt-out system of organ donation. The RIA estimates the costs (discounted over 10 years at 3.5 per cent) to be approximately **£8 million** and will be **borne by the Welsh Government**. Of this, almost 40 per cent (£2.9 million) relates to communications and just over 30 per cent (£2.5 million) to IT changes.
- **Variable costs** – the RIA states that there are costs which will be incurred when organs are retrieved from deceased people and transplanted, these costs will differ by organ type. The regulatory impact assessment only considers kidneys, livers, hearts and lungs as they are the most common organs transplanted. Costs will be borne in part by the NHS in Wales within existing Local Health Board resources and in part within the Welsh Government Grant to NHS Blood and Transplant.
- **Costs not included in the Bill** – the RIA states that some costs have not been included in the analysis as they are likely to be relatively minor and would be met within the Welsh Government grant to NHS Blood and Transplant. These costs are associated with the retrieving, storing and transporting of any additional organs that may be retrieved as a result of a soft opt-out system being adopted.

Annual benefits

The financial benefits in the RIA are separated into two categories:

- **Quality of life improvements (QALYs)** – the RIA states that patients who receive transplants on average benefit from extended life and an improvement in quality of life valued at £60,000 per additional year of perfect health⁴. The QALY approach weights life years (saved or lost) by the quality of life experienced in those years.⁵ In the Net Present Value (NPV) calculation these weighted QALYs reflect that years of good health are more desirable than years of poor health e.g. in the case of a person receiving a kidney transplant the annual benefit equates to four QALYs as compared to a patient treated with dialysis i.e. £240,000 benefit per annum.⁶

⁴ National Assembly for Wales, Human Transplantation (Wales) Bill, [Explanatory Memorandum](#) paragraph 127 [accessed 10 December 2012]

⁵ Ibid Appendix 3

⁶ Ibid Appendix 2a

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- **Savings from not having their conditions managed medically** which differ by organ – from £22,000 per annum for savings against medical management of a heart to £306,000 for savings against kidney dialysis.⁷

Net Present Value

Appendix 2a–2d reflects the NPV over a 10 year appraisal period of 1 additional transplant by main organ taking into account the annual net benefits discounted at 3.5 per cent (1.5 per cent for QALYs)⁸

Appendix 2e of the RIA produces a summary NPV table of a given number of changes in transplantations. **The table shows that even with one additional donor the NPV is an additional £3 million.**⁹

Key Issues

The overall net financial impact of the Bill cannot be specifically determined due to the difficulty in predicting changes in organ donation numbers. The EM assumes that the Bill will lead to additional donors so no consideration is included in the event that the Bill reduces the levels of donors (although the financial consequences have been modelled in the Appendices).

- The RIA states that of the £8 million fixed costs, **the greatest uncertainty is in the £2.5 million of system development costs.**¹⁰
- Predicted savings are dependent on the value attached to each additional year of perfect health following transplant surgery. The EM includes analysis reflecting a range from £20,000 to £60,000 per QALY. Even if a QALY is valued at £20,000 the RIA shows that **breakeven would be achieved after only two additional donors a year.**
- The RIA recognises that it is likely that a large proportion (up to 70 per cent) of any additional organs donated by residents of Wales as a result of introducing a soft opt-out system could be transplanted into residents living in other parts of the UK. The RIA states that if benefits were calculated on a **Wales only basis** (i.e. claiming 30 per cent) it **would have no material impact on the number of donors** needed for an opt-out system to break-even i.e. breakeven would still be achieved after 2 additional donors.¹¹

⁷ National Assembly for Wales, Human Transplantation (Wales) Bill, [Explanatory Memorandum](#) Appendix 2a – 2d [accessed 12 December 2012]

⁸ National Assembly for Wales, Human Transplantation (Wales) Bill, [Explanatory Memorandum](#) para. 110 states that the HM Treasury discount rate of 3.5% was used except when estimating the QALY benefits where 1.5% was used as recommended by the UK Department of Health. [accessed 12 December 2012]

⁹ Ibid Appendix 2e

¹⁰ Ibid paragraph 131

¹¹ Ibid paragraph 130

Carl Sargeant AC / AM
Y Gweinidog Llywodraeth Leol a Chymunedau
Minister for Local Government and Communities



Llywodraeth Cymru
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Ein cyf/Our ref SF/CS/4143/12

Jocelyn Davies AM,
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5th January 2013

Inquiry into the Welsh Government's Invest-to-Save Fund

You wrote to me on 6 December inviting me to contribute evidence, following the Finance Minister's attendance at the Finance Committee's hearing on 7 November. I am writing in response to the specific questions you raise in that letter. I consider the Invest-to-Save Fund to be an important part of the Welsh Government's approach to working at a strategic level to help deliver public service improvements and, in doing so, release cashable savings.

1. *How has the PSLG utilised the invest-to-save fund since its inception in 2009? We would be grateful if you could provide details of specific projects in your answer.*

The Government has a consistent approach to public service reform and improvement across the breadth of its responsibilities. This approach focuses on collaboration and collective action, simplification and accountability. The Invest-to-Save fund has a key role in investing in strategic projects that help deliver improvement programmes across the public sector including those elements directed through the Public Services Leadership Group (PSLG) and the Partnership Council for Wales. It supports public service providers by providing short-term funding to assist transformation before improvement savings are realised.

The Invest-to-Save Fund has maintained a close link with the PSLG. As the Finance Minister has already set out in her evidence to the Committee, the Fund maintains alignment with the Welsh Government's public service reform and improvement programme and specifically with key initiatives developed through the work of the PSLG. This has seen investments being made in initiatives relating to procurement, public sector assets and vulnerable people. The Finance Minister's publications

“Investing-to-Save” set out case studies of specific projects as well as a full directory of I2S supported projects.

Similarly, the Government ensures that other funding programmes are consistent with and used for public service reform as appropriate, for example ESF funding for an LSB ‘team around the family’ project and the Big Lottery’s AdvantAGE and Improving Futures programmes.

2. *The PSLG’s role, specifically:*

- a. *What role does the PSLG have in advising which projects should/should not go ahead?*
- b. *What involvement does the PSLG have on the panel that approves invest-to-save projects?*
- c. *How do the PSLG promote the use of the Fund?*
- d. *What role does the PSLG have in an invest-to-save projects implementation and delivery?*
- e. *What role does the PSLG have in on-going monitoring and evaluation of invest-to-save projects?*
- f. *How does the PSLG promote best practice across local authorities?*

You ask about the role of PSLG in the Invest-to-Save project appraisal process. The Invest-to-Save officials advisory panel does not approve projects; instead it provides advice and recommendations to help the Finance Minister in reaching decisions on which projects to support. In doing this the panel seeks views and opinions about project proposals from various stakeholders including those of the PSLG workstreams, which is done via correspondence. The general approach is that where projects are specifically “sponsored/ promoted” by workstreams the panel looks for confirmation of this, but in the case of other projects, the panel looks for advice on whether a project would further the specific objectives of that workstream and whether the workstream would endorse an investment being made. Membership of the Invest-to-Save officials’ advisory panel includes an official from the team in my Directorate that supports the work of the PSLG.

The promotion of the Invest-to-Save Fund is done at various levels by PSLG. For example, as Chair of the PSLG, I have previously written jointly with the Finance Minister to local authority leaders concerning the Invest-to-Save Fund and in doing this, we have drawn specific attention to the projects already being promoted by local government where Invest-to-Save support has been provided. At the workstream level, the National Assets Working Group (NAWG) and the Procurement workstream both encourage specific bids which have resulted in a programme of projects being taken forward with Invest-to-Save support by NAWG (see below) and the development of procurement initiatives. In the case of the latter, this includes the role out of the xchangewales e-procurement system at Merthyr Tydfil CBC and, as mentioned by the Finance Minister to the Committee, it is expected to support the development of proposals for a National Procurement Service. The PSLG brings together senior public service leaders, acting as regional leads for each of the six areas for public service collaboration, and those Chief Executives who have agreed to lead specific workstreams. Consequently awareness of this Fund amongst key public service leaders is high and can be raised with others through existing networks and regional fora.

On implementation and delivery, the NAWG and procurement work-streams have a supporting role in the projects that they sponsor, which usually involves being part of the project governance arrangements with regular monitoring of progress being undertaken. The role is however much greater where a workstream leads on an initiative; for example, in the case of the roll-out of xchangewales e-procurement and the development of the National Procurement Service.

The arrangements for the evaluation of projects continues to be developed, but there are already various synergies being explored including using the forthcoming evaluation of the Invest-to-Save Fund to target specific PSLG sponsored projects. Furthermore, the Knowledge Transfer Partnership between Welsh Government and Swansea University's Centre for Innovative Ageing led by the "Effective Services for Vulnerable Groups" work-stream is developing the means to assess the quality and cost of integrated health and social care delivery services for older people by developing an impact assessment toolkit. The desired outcomes are to be able to assess and evaluate the benefits of various models of integrated service delivery to improve: service user experience, independence, and wellbeing; and the cost effectiveness of service delivery.

The application of the prototype measurement framework and toolkit is being extended beyond the original testing and pilot work planned with Abertawe Bro Morgannwg University Health Board (ABMU) to include further testing in three Invest-to-Save integrated service delivery projects in Cardiff and Vale, Cwm Taf and Hywel Dda Health Boards.

The sharing of good practice amongst public service partners is essential. Public service organisations use their existing professional associations and networks such as on procurement, finance officers and the Community of Practice on Continuous Improvement; information is also exchanged through the Good Practice Wales website and through WLGA. Specific projects under PSLG or other programmes will disseminate good practice through seminars and workshops, such as those that have taken place to promote independent living and through the local service boards. The representative senior public service leaders who sit on the PSLG for each of the six collaborative regions are asked to lead on ensuring that the decisions made through PSLG and good practices identified are actively promoted in their region. Invest-to-Save projects are encouraged to identify lessons learned, undertake an evaluation of their project and support the cascading of knowledge from their project approach.

3. *How does the £10 million local authority regional collaboration Fund differ from the Invest-to-Save Fund?*
4. *What criteria will projects have to meet to receive funding from the regional collaboration fund and how does this differ to Invest-to-Save fund criteria?*

The Welsh Government is promoting and encouraging transformative collaboration. With the spending review to come we will need to ensure that we are working collaboratively to help best meet the challenging times ahead. The financial storm faced by public services is not going away and local authorities need to be doing all they can now to ensure the resilience of services for citizens in the future.

My officials have been working closely with the Invest-to-Save team to ensure that these two investment opportunities are appropriately aligned and complement each other. The Regional Collaboration Fund will be used for projects that bring about real and significant change at a regional level. Local authorities have told me that at times collaboration has not been taken forward as the initial costs of implementation are inhibitive. This fund will act as a catalyst and, if appropriate, help to remove such barriers.

Sometimes, a grant scheme may be more appropriate than Invest-to-Save, for example where regional collaborative projects may not have an initial saving stream, but may be intended to bring significant benefits in terms of resilience or service improvement, or may have longer term financial benefits. As such, I consider that this fund has its place within the regional collaborative agenda and alongside the Invest-to-Save scheme.

The Invest-to-Save Fund is an established and valued model that pump-primes public service improvement schemes that lead to significant on-going savings. The Regional Collaboration Fund will support work to ensure the long-term resilience of local government and its partners so that they are well positioned to manage future financial and demand pressures against the background of on going public expenditure constraint. These Funds support a consistent Welsh Government public service agenda that continues to encourage collaboration and joint working to achieve the most effective and efficient public services for the people of Wales. I have published the criteria for the Regional Collaboration Fund and this is attached at Annex A.

The key differences between the funds can be summarised as follows:

- i) the Regional Collaboration Fund will be provided as a grant, whereas Invest-to-Save funding continues to be provided on a repayable investment basis;
- ii) the Regional Collaboration Fund will be available to collaborative projects between public service providers based on the Regional Collaboration Footprint areas. Invest-to-Save is also available to further collaborative working, but it can be provided in circumstances where a single public service provider is seeking support for a proposal that releases significant savings and where the approach proposed has the potential to benefit other public service providers by providing a pilot that others might then replicate; and,
- iii) the Regional Collaboration Fund will be local authority led. This reflects the local authority's role in providing integrated approaches to planning and the Government's continuing focus on supporting the delivery of services in the most effective way; whether that is nationally, in collaboration or by individual authorities informed by shared information on what works.

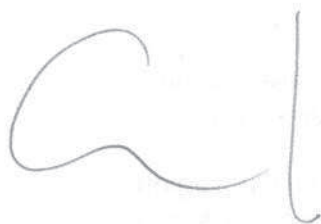
5. How do the Asset Management pilot programmes funded through Invest-to-Save meet Invest-to-Save criteria, including the minimum threshold?

The National Asset Working Group's Essential Skills Support programme currently includes four specific pilot projects that are being supported under the Invest-to-Save Fund: Blaenau Gwent CBC's collaborative asset management project; Cardiff local

service board's collaborative asset project; Cardiff and Vale UHB's estate strategy and space utilisation strategy; and, Powys CC's property scoping exercise for the proposed regeneration of Brecon town centre.

These projects meet the Invest-to-Save criteria by seeking to bring about public service improvements through better/improved asset management, which over time will lead to the delivery of savings. During the appraisal of the bid for Invest-to-Save support the Fund's de-minimus threshold was applied at the programme rather than project level.

I hope that you find this information helpful. If you require anything further please let me know.

A handwritten signature in blue ink, appearing to read 'Carl Sargeant'.

Carl Sargeant AC / AM
Y Gweinidog Llywodraeth Leol a Chymunedau
Minister for Local Government and Communities

Annex 1: REGIONAL COLLABORATION FUND CRITERIA

The table below sets out the eligibility criteria against which project proposals will be considered.

Collaborative	It should involve authorities within a region as defined by the Regional Footprint; it may also include other public service partners within the region.
Transformational	It should lead to a recognisable shift in the way services are delivered or in the ways the collaborating organisations operate. Its impact must be long-term rather than short-lived.
New/ Additional	It should constitute a new direction or enable service change that would not otherwise have been delivered.
Deliver benefits	It should reduce costs or improve services in the region, preferably both. Improving the resilience of services is a high priority.
Strategic	It should align with the strategic – Programme for Government – priorities for the region. Projects should be appropriately endorsed by the political and executive fora in place within the region.
Challenging	It should tackle substantive service or organisational challenges, including Education and Social Services.
Well-managed	It should be managed within a rigorous and transparent governance framework with clear leadership, accountabilities, milestones and progress measures.
Cost-effective	It must demonstrate value for money in terms of return on investment, cost avoidance or savings.

Finance Committee

Meeting Venue: **Committee Room 2 – Senedd**

Meeting date: **Wednesday, 5 December 2012**

Meeting time: **09:30 – 10:45**

This meeting can be viewed on Senedd TV at:

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Wales



Concise Minutes:

Assembly Members:

Jocelyn Davies (Chair)
Peter Black
Christine Chapman
Paul Davies
Mike Hedges
Ann Jones
Julie Morgan
Ieuan Wyn Jones

Witnesses:

Gretel Leeb, Living Wales Programme
Kevin Ingram, Finance Manager, Environment Agency Wales

Committee Staff:

Gareth Price (Clerk)
Daniel Collier (Deputy Clerk)
Martin Jennings (Researcher)
Eleanor Roy (Researcher)
Joanest Jackson (Legal Advisor)
Kerry Dearden (Researcher)
Ben Stokes (Researcher)

1. Introductions, apologies and substitutions

1.1 The Chair welcomed Members and members of the public to the meeting.

2. Invest to Save – Natural Resources Wales

2.1 The Chair welcomed Gretel Leeb, Senior Responsible Officer, Living Wales programme; and Rob Bell, Finance Department, Living Wales Programme.

2.2 The Committee questioned the witnesses.

Action points:

Living Wales Programme agreed to provide:

- Further information on the borrowing powers available to the Living Wales Programme to fund the establishment of the single environment body.
- Further information on what the environmental improvements and services to people and businesses would be from the total project savings.

3. Papers to note

3.1 The Committee noted the papers, including an additional private paper on the Silk Commission. The minutes of the meeting on 21 November 2012 were also noted.

4. Motion under Standing Order 17.42 to resolve to exclude the public from the meeting for the following business:

Items 5 to 7

5. Consideration of evidence on Invest to Save

5.1 The Committee discussed the evidence received on its inquiry into Invest to Save.

6. Consideration of draft report 'The Effectiveness of European Structural Funding in Wales'

6.1 The Committee agreed its draft report 'The Effectiveness of European Structural Funding in Wales'.

7. Consideration of work programme for the spring term 2013

7.1 The Committee discussed its draft forward programme for the spring term 2013.

TRANSCRIPT

View the [meeting transcript](#).