

Public Accounts Committee

Meeting Venue:
Committee Room 2 – Senedd

Meeting date:
18 April 2013

Meeting time:
09:30

Cynulliad
Cenedlaethol
Cymru

National
Assembly for
Wales



For further information please contact:

Policy: Tom Jackson
Committee Clerk
029 2089 8597
Publicaccounts.comm@Wales.gov.uk

Agenda

1 Introductions, apologies and substitutions (09:30–09:35)

2 Consideration of advice from the Auditor General for Wales on the committee report 'Progress in delivering the Welsh Housing Quality Standard' (09:35–10:00) (Pages 1 – 32)

PAC(4) 10–13 Paper 1 – Welsh Government Response to Committee report

PAC(4) 10–13 Paper 2 – Advice from the Auditor General for Wales on the Welsh Government response

PAC(4) 10–13 Paper 3 – Update from Welsh Government on Welsh Housing Quality Standard– 11 July 2013

PAC(4) 10–13 Paper 4 – Correspondence from AGW on Progress in delivering the Welsh Housing Quality Standard – 9 November 2012

PAC(4) 10–13 Paper 5 – Update from Welsh Government on Welsh Housing Quality Standard (recommendation 11) – 24 January 2013

3 The Procurement and Management of Consultancy Services – Evidence from NHS Shared Services Partnership (10:00–11:00) (Pages 33 – 36)

Neil Frow, Director, NHS Shared Services Partnership

Mark Roscrow, Assistant Director Procurement Services, NHS Shared Services Partnership

Adele Cahill, Project Lead, NHS Shared Services Partnership

4 The Procurement and Management of Consultancy Services – Evidence from the Welsh Government (11:00–12:00) (Pages 37 – 40)

Michael Hearty, Director General – Strategic Planning, Finance & Performance
Alison Standfast, Deputy Director, Procurement Value Wales

5 Papers to note (Pages 41 – 43)

6 Motion under the standing order 17.42 to resolve to exclude the public from the meeting for the following business

7 Consideration of Evidence on the Procurement and Management of Consultation Services (12:00–12:30)

PAC(4) 10-13 – Paper 1

Welsh Government Response to the Public Accounts Committee Report; Progress in delivering the Welsh Housing Quality Standard

October 2012

Recommendation 1: We recommend that the Welsh Government publicly sets out – utilising the regulatory framework and following consultation with the WLGA and other relevant bodies – how it will:

- **Identify and promote good practice in engaging tenants; and**
- **Challenge landlords that are not performing well in such**

Response: Accept

The Welsh Government is about to commission an evaluation of the WHQS which will report in 2013. The identification of specific examples of good practice on tenant engagement will form part of it. This will feed into work currently being undertaken by the Chartered Institute of Housing Cymru and Welsh Tenants Federation to develop and promote good practice in tenant engagement for social landlords. *Focus on Delivery* is due to be completed in Spring 2013. The results of the evaluation and the joint project will form the basis for a consultation with landlords, WLGA, CHC and other relevant bodies with a view to implementation of guidance promoting good practice by March 2014.

A Registered Social Landlord (RSL)'s performance in engaging tenants including on WHQS service is assessed against key outcomes in the Welsh Government's Regulatory Framework for Housing Associations Registered in Wales. Local authorities retaining their housing stock have agreed on a formal but voluntary basis to report against delivery outcomes for tenants similar to that of housing associations. This work is already underway and where landlords are not performing well, they will be subject to regulatory intervention.

Recommendation 2: We recommend that the Welsh Government enables the introduction of independent, external verification of landlords' reported compliance with the WHQS

Recommendation 3: We recommend that the Welsh Government ensures that any external verification of landlords' compliance with the WHQS includes consideration of landlords' interpretation of acceptable fail criteria

Combined Response to 2 & 3: Accept in principle

Some landlords already secure independent validation of their progress in meeting the Standard, however the 'accept in principle' response reflects a concern that smaller landlords may find it difficult to implement this on cost grounds. We will work with the sector to identify potential costs and take a decision on how to proceed by 31 March 2013.

The planned evaluation of WHQS referred to above will include random independent sampling of properties and draw on data and information from the independent verifications already carried out. The researchers will report their findings including feedback on the rigour and usefulness of the independent verification process, including any lessons learned. In discussion with RSLs, local authorities, Community Housing Cymru (CHC) and Welsh Local Government Association (WLGA) we can then decide how to move forward.

A new WHQS monitoring regime introduced in 2010 was made more robust this year, and sought to improve and clarify how acceptable fails are recorded. The 2012 survey results were published on 15 October and information is now available from landlords on the number of 'acceptable fails' and the reasons for them. The Welsh Government is looking at the returns to see for example whether further work is needed either with the sector as a whole or with individual landlords. This will be decided by December 2012.

Recommendation 4: We recommend that the Welsh Government places a requirement on landlords to demonstrate that they have gone through process of identifying and prioritising wider environmental improvements to the immediate surrounding area of a property

Response: Accept

The current work being undertaken by the Tenant Participation Advisory Service (TPAS) to produce guidance and hold seminars on the environmental standard requirements is very welcome and builds on their work *Guidance on the Interpretation of the WHQS Environmental Standard* published in 2008. The Welsh Government will reinforce this work by issuing guidance to landlords by 31 March 2013, requiring them to demonstrate that they have gone through an appropriate process in their business plans.

Recommendation 5: We recommend that the Welsh Government sets out a clear intended timetable for its negotiations with HM Treasury on reforming the HRA system. As part of this, the Welsh Government should also clarify how and when other appropriate organisations may be engaged in taking forward reform of the HRA system.

Response: Accept in principle

The Welsh Government is very keen to exit from the current HRA system. The Minister for Housing, Regeneration and Heritage has already said that ideally he would like to see an end to the transfer of revenues by 31 March 2013 but we have no control over HM Treasury's decision making processes and despite our commitment to the timetable, it is important to recognise that this could undermine our ability to fulfil the Minister's wishes. We are continuing to negotiate with HM Treasury to meet this deadline. Once an agreement has been reached, the Welsh Government will publish a timetable to demonstrate how this can be achieved and how and when other organisations will be engaged.

Recommendation 6: We recommend that the Welsh Government produces guidance for landlords on how to maximise the potential benefits of making refurbishments to properties to meet the WHQS.

Response: Accept

The role of Value Wales is to provide support and guidance to the public sector on maximising the benefits of its investment. Housing expenditure is a core part of that. The Value Wales guide – *Community Benefits - Delivering Maximum Value for the Welsh Pound* published in 2010 - offers advice on the different approaches procurers are encouraged to take to deliver added value by the inclusion of community benefits in their procurement activities. This guide provides specific advice to landlords with direct links to the Housing *Can Do Toolkits*, including technical guidance and model material.

The advice is further supported by the work of Inform to Involve (i2i) who offer targeted, direct support to landlords including through joint seminars and bespoke advice to individual organisations..

The Value Wales Guide is due for updating and we will look at how this can be improved to ensure the Committee's recommendation is fully implemented. If separate guidance is needed we will produce it in conjunction with Value Wales and CIH Cymru. The revised guide is due in January 2013.

Recommendation 7: We recommend that the Welsh Government develops guidance on how landlords can effectively communicate with tenants including:

- **Informing tenants of compliance/non-compliance with the WHQS;**
- **Appropriate language to communicate the concept of an 'acceptable fail'**

Response: Accept in principle

This recommendation is related to action required under Recommendation 1. The Welsh Government is fully supportive of the principle of landlords communicating effectively with tenants and has stated earlier in this response its intention to commission an evaluation of WHQS which will include looking for examples of good practice in tenant engagement.

Good practice in terms of informing tenants of compliance or non-compliance with the WHQS and using appropriate language around 'acceptable fails', is something that will be specifically explored in the research. This will help to inform the guidance (see response to Recommendation 1) currently being developed by CIH Cymru and Welsh Tenants for implementation by March 2014.

Recommendation 8: We recommend that the Welsh Government develops guidance to ensure landlords' data collection highlights the reasons for acceptable fail classifications.

Response: Accept

The WHQS data collection system introduced in 2010 and made more robust for 2012, now includes a requirement on landlords to report the numbers of properties that have achieved WHQS but also include at least one component that is classified as an acceptable fail. The latest data published on 15 October indicates that there is significant variation between landlords in numbers of properties containing components classified as an acceptable fail. We will urgently undertake sample visits to landlords to establish how acceptable fails are being interpreted on the ground and then issue appropriate guidance in consultation with landlords.

The data collection planned for 2013 will be enhanced to record the number of WHQS compliant properties with acceptable fails by main reason (i.e. cost of remedy; timing of remedy; residents' choice; physical constraint).

Recommendation 9: We recommend that the Welsh Government assesses – in discussion with landlords – the cost implications and practicality of landlords being required to update individual tenants on the compliance of their home with the WHQS

Response: Accept

The evaluation of WHQS will be looking for good practice on tenant engagement and will establish the costs and issues associated with an individual approach. This issue will be incorporated into the implementation of guidance promoting good practice by March 2014.

Recommendation 10: We recommend that the Welsh Government ensures that external validation of landlords' compliance with the WHQS also takes health and safety into full consideration.

Response: Accept

The evaluation of the WHQS – which will report in 2013 - will look for evidence that Health and Safety requirements are being complied with.

Recommendation 11: We recommend that the Welsh Government provides the Public Accounts Committee with an update on progress against the Auditor General's recommendations before the end of December 2012, including how it is taking forward wider lessons learnt from the report.

Response: Accept

Welsh Government will report progress as requested.



WALES AUDIT OFFICE

SWYDDFA ARCHWILLO CYMRU

Wales Audit Office / Swyddfa Archwilio Cymru

24 Cathedral Road / Heol y Gadeirián

Cardiff / Caerdydd

CF 11 9LJ

Tel / Ffôn: 029 20 320502

Fax / Ffacs: 029 20 320600

Email / Epost: wales@wao.gov.uk

www.wao.gov.uk

Date: 11 April 2013
Our ref: HVT/1860/fgb
Page: 1 of 3

Mr Darren Millar AM

Chair of the Public Accounts Committee

National Assembly for Wales

Cardiff Bay

Cardiff CF99 1NA

Dear Chair

PROGRESS IN DELIVERING THE WELSH HOUSING QUALITY STANDARD (WHQS)

On 9 November 2012, I wrote to you regarding the Welsh Government's response to the Committee's September 2012 report on *Progress in Delivering the Welsh Housing Quality Standard*. In that letter, I noted that there were a number of matters arising from the response that the Committee might have wished to pursue with the Welsh Government. However, I also indicated that there was merit in awaiting the promised Welsh Government response to the recommendations in my own January 2012 report on this topic. The [then] Minister for Housing, Regeneration and Heritage wrote to you on 24 January 2013 with an update on action in response to the recommendations in my report. While that response addresses some of the issues covered by my previous advice, it also raises some fresh queries.

In light of these outstanding issues, and with the original deadline for achieving the WHQS having now passed, the Committee might consider devoting a small amount of its time before the end of the summer term to take further evidence from the Welsh Government on this topic, rather than embarking on a further exchange of correspondence. Returning to this matter later this term could be timely because, based on the information provided in the responses, some key developments should be well advanced, if not complete, including:

- The collection of data on compliance with the WHQS as at 31 March 2013, giving the Committee an opportunity to consider the effectiveness of measures to improve data quality.
- The proposed WHQS evaluation exercise.
- The work of the Ministerial Task Force that has been established to address progress in achieving the WHQS for particular social landlords.

Direct Line: 029 2032 0510

Page 5

E-mail: huw.vaughan.thomas@wao.gov.uk



Date: 11 April 2013
Our ref: HVT/1860/fgb
Page: 2 of 3

- Negotiations with HM Treasury regarding reform of the Housing Revenue Account Subsidy (HRAS) system in Wales. We understand that the Welsh Government has now decided to continue with its existing rent policy for 2013-14 with a view to tying in rent reform with reform of the HRAS system.
- Work to identify wider requirements for data on housing condition across Wales.
- The production of updated guidance on the environmental standard requirements of the WHQS.

A further evidence session would also provide the Committee with an opportunity to explore with the Welsh Government some issues relating to its response to the recommendations in my report, including:

- Practical examples of how the Welsh Government has applied the general lessons for policy development, monitoring and evaluation.
- The timescales for certain actions. For example, why it is likely to take some two years since the publication of my report to complete discussions with landlords on the practicalities of consolidating various data returns (recommendation 3c), or why my recommendation (3b) about examining progress against previous commitments related to achieving the WHQS could not already have been discharged as part of business planning processes in 2012-13.

- The resource constraints that appear to have further delayed the response to recommendations arising from the previous Ministerial Task and Finnish Group on housing and regeneration sustainable community investment, and any wider implications arising from these resource constraints for other areas of housing policy. In his letter to the Committee in July 2012, the Accounting Officer acknowledged that the recommendations had not been addressed as quickly as the Welsh Government would have liked.

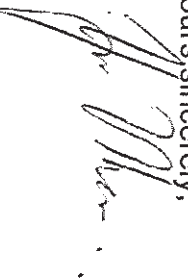
- How, beyond the deployment of the Value Wales community benefits measurement tool for contracts with a value greater than £2 million, the Welsh Government has clarified its expectations of all social housing landlords regarding data collection on the overall value for money and wider benefits achieved from WHQS-related expenditure. The community benefits methodology is unlikely to capture evidence in relation to all of the potential wider benefits highlighted in my report, such as improved health, improved security and a reduced fear of crime, and in terms of tackling fuel poverty. When the Accounting Officer wrote to the Committee in July 2012, he indicated that the Inform to Involve project was developing a framework to sit behind use of the community benefits tool, and which would capture the wider benefits achieved outside of procurement, but there is no further update on the development of that framework in the Welsh Government responses to the Committee's and my own recommendations.

Date: 11 April 2013
Our ref: HVT/1860/fgb
Page: 3 of 3

- Whether the Welsh Government has seen any significant changes in landlords' business planning assumptions regarding their future WHQS-related expenditure as a consequence of some of the uncertainties highlighted in my report, including changes to housing benefit. In his letter to the Committee in July 2012, the Accounting Officer acknowledged that the Welsh Government was concerned about the potential impact of housing benefit changes on the future revenue flows of social landlords and that a steering group was being established to address the issues raised by these changes.

I trust that this further advice is helpful to the Committee. The Committee clerks may also wish to confirm whether any of the other National Assembly committees have plans to look at issues related to the delivery of the WHQS in the near future.

Yours sincerely,



HUW VAUGHAN THOMAS
AUDITOR GENERAL FOR WALES

Public Accounts Committee
PAC(4) 10-13 – Paper 3



Llywodraeth Cymru
Welsh Government

Mr Darren Millar
Chair
Public Accounts Committee
National Assembly for Wales
Ty Hywel
Cardiff Bay
Cardiff
CF99 1NA

11 July 2012

Dear Mr. Millar

Thank you for your letter dated 22 March 2012 raising further questions following my evidence session at the PAC meeting on 20 March 2012.

The questions and my answers below follow the same numbering in your letter.

1. **Question:** Paragraphs 2.46 to 2.49 of the Auditor General's report states that the slower than expected pace of stock transfer in some local authorities has hampered the achievement of the WHQS. The report estimates that stock transfer has required financial support from the taxpayer of £476 million to date, including the £430 million cost to the UK Treasury of writing off local authorities' housing related debts. In light of this conclusion, what assessment has the Welsh Government made of the value for money of stock transfer as a policy tool, given the Auditor General's estimate that stock transfer has required financial support from the taxpayer of £476 million cost to date?

Answer:

At the start of the pre ballot process, local authorities undertake a stock condition survey and an options appraisal which considers the feasibility and value for money of each option available. The options appraisal identifies how a local authority can reach and maintain the Welsh Housing Quality Standard. The options appraisal is considered by full Council which votes on whether to pursue the transfer option.

The options appraisal and Council decision form part of a local authority's application to Welsh Government for provisional approval to proceed to ballot.

Following a positive result in a tenant ballot, the Welsh Government undertakes a full financial, value for money appraisal of the effect of transfer and presents a business case to HM Treasury. This seeks Treasury's support to agreeing to provide debt funding (this funding is not chargeable to existing Welsh Government budgets).



Continued...

The financial effects of the proposed transfer on public expenditure are assessed with regard to its impact on the public sector borrowing requirement (PSBR). The analysis compares the PSBR cost of a local authority retaining the housing stock with the PSBR cost of transfer.

The financial appraisal is carried out on a case by case basis as the financial circumstances of individual local authorities vary considerably and 'one size does not fit all'. Careful consideration of the support required from tax payers has underpinned each decision.

2. Question: Paragraphs 2.24 to 2.28 of the report highlight that Landlords have business plans indicating that they intend to spend around £2.54 billion on work related to the WHQS between April 2011 and March 2017. However the report also finds that landlords have identified various areas of uncertainty that could affect their investment plans, for example assumptions about future income, required expenditure and organisational and contractor capacity (paragraph 2.29 and Appendix 3 of the report). How will the Welsh Government ensure that landlords actually commit to WHQS-related work the funds they have identified in their business plans (given some of the uncertainties identified in the Auditor General's report)?

Answer:

It is recognised in paragraph 2.29 of the report that not all the uncertainties identified should be regarded as significant, however the Welsh Government is supporting social landlords to mitigate risk in the following ways:

Business Planning

Local authorities submit annual business plans that relate to the ring fenced Housing Revenue Account (HRA). The business plans are subject to an annual review and the local authorities are also required to provide details of progress made against achieving WHQS.

LSVT associations are subject to a similar review process and have to demonstrate satisfactory progress in order to continue to receive Dowry Funding.

Traditional RSLs have to manage their business planning within the Welsh Government Regulatory Framework and Delivery Outcomes which applies to all housing associations registered and regulated by the Welsh Ministers under Part 1 of the Housing Act 1996. It sets out the regulatory framework that housing associations have to meet from 2 December 2011 and contains ten "Delivery outcomes" (standards of performance). The Welsh Government has described what the landlords need to do to meet the outcomes in terms of housing provision, governance and financial management.

Stock Condition Information

In order help landlords keep their business plans up to date, guidance has been issued regarding the commissioning of condition surveys of their stock at least every 5 years, or alternatively a 5-year rolling programme of surveys based on a representative sample of 20% of the stock each year.

Rent Policy

The Welsh Government has consulted upon a proposed new rent policy that would apply consistently to local authority and RSL landlords which would be fairer to tenants. Implementation of the new policy is expected by April 2013 to enable the policy proposals to be revised in light of consultation responses and any changes to the Housing Revenue Account Subsidy (HRAS) system. There are safeguards built into the new rent policy to ensure that no landlord's financial position would be untenable following implementation.

HRAS System

A review of HRAS has identified a need to negotiate a revised financial settlement on HRAS before reform in Wales can be determined and negotiations are also still continuing with HM Treasury to leave the HRAS system.

A new technical sub group, including representatives from all stock retention authorities, has been set up to develop options for reform once the outcome of HMT negotiations are known and the implications for local authorities are being looked at. An important aim of this work is to ensure that HRAS reform provides a better way forward than the continuance of the status quo.

Housing Benefit Reform

Welsh Government is also concerned about the Housing benefit (HB) rule changes and the potential impact on the future revenue flows of social landlords. Steps are being taken to mitigate the effects of these changes which would put more pressure on demand for social housing. A steering group is being set up by WG to address the issues raised by changes in HB rules.

Organisational Capacity

Although it is acknowledged that LSVT associations have complex work programmes to meet five year completion timeframes a mid year progress review which took place in September 2011 indicated that only one of the LSVT associations (Bron Afon) was reporting slippage to its programme as a result of exceptionally bad winter weather in 2010/11.

Contractor Capacity

A number of initiatives are funded by Welsh Government to provide practical support to contractors. The Supplier Development Service is an all Wales service that provides practical assistance to Welsh based SMEs in securing both public and private sector contracts. Value Wales have worked closely with suppliers to develop the Supplier Qualification Information database (SQulD) to remove the barriers that procurement can pose. I2i have developed the Can Do Toolkit to encourage purchasers to use their purchasing powers to support SMEs and enable job and training gains where procurement is used as a policy tool.

3. Question: Recommendation 4 of the Auditor General's report relates to the development of a clear framework to assess value for money (including the wider benefits achieved) from WHQS-related expenditure. The report also urges the Welsh Government to respond promptly to the recommendations of a Ministerial Task and Finish Group's March 2011 report on housing and regeneration sustainable community investment to better co-ordinate work to maximise the benefits of WHQS-related expenditure. Why hasn't the Welsh Government already made clear its plans in response to the recommendations of the Ministerial Task and Finish Group's March 2011 report on housing and regeneration sustainable community investment?

Answer:

The Welsh Government has accepted the recommendations of the Ministerial Task and Finish Group on Housing and Regeneration Sustainable Community Investment and welcomes the recommendation in the Auditor General's report that they should be taken forward. This is a complex area and we are looking to develop suitable approaches but we acknowledge the recommendations have not been addressed as quickly as we would have liked.

In the interim we have been working jointly with Value Wales to take forward the Community Benefits agenda in the housing and regeneration sectors. We have also provided continuing support for i2i this financial year and they are working to ensure awareness is raised of existing social clauses in procurement resources and to ensure social landlords are supported and encouraged to adopt good procurement practice promoted by Welsh Government.

4. Question: Paragraphs 2.68 to 2.83 of the Auditor General's report conclude that there is positive evidence of wider social, economic and environmental benefits from work to achieve the WHQS but some landlords have focused on this more strongly than others and there is no clear framework for measuring success. How does the Welsh Government intend to measure the wider benefits flowing from the projected £2.5 billion investment in WHQS-related work between April 2011 and March 2017?

Answer:

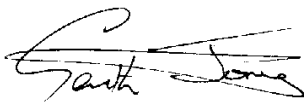
The Housing White paper has given a clear commitment to collaborative working with Value Wales to develop a clear framework for assessing value for money and ensuring the wider community benefits, including jobs and training opportunities, are embedded in public sector procurement practice.

Value Wales has developed a Community Benefits Measurement Tool which captures the value delivered in terms of workforce, training, supply chain, community activity and environmental benefits of capital investment contracts. I2i are working jointly with Value Wales to encourage the take up of the Welsh Communities Benefit Tool across all social landlords by holding joint seminars and providing bespoke advice to individual organisations. The resulting data will be brought together by Value Wales and will support the assessment of the impact of this significant investment on the economy.

The Welsh Government is continuing to work with landlords to maximise the social and economic benefits associated with housing improvement programmes and will be looking at ways of improving the promotion and capture of wider benefits from the remaining WHQS-related work. I2i are currently developing a framework to measure and monitor added value from WHQS' which sits behind the Value Wales Community Benefits Tool and will capture the wider benefits that have been achieved outside of procurement.

Please let me know if we can provide any additional information that may be of assistance to deliberations of the committee.

Yours sincerely



Gareth Jones
Director General – Sustainable Futures.

**Public Accounts Committee
PAC(4) 10-13 Paper 4**

Date: 9 November 2012
Our ref: HVT/1759/fgb
Page: 1 of 6

Mr Darren Millar AM
Chair of the Public Accounts Committee
National Assembly for Wales
Cardiff Bay
Cardiff CF99 1NA

Dear Chair

PROGRESS IN DELIVERING THE WELSH HOUSING QUALITY STANDARD (WHQS)

The Clerk's letter of 26 October 2012 requested my advice on the response from the Welsh Government to the Committee's September 2012 report *'Progress in Delivering the Welsh Housing Quality Standard'*. This letter sets out my advice on the response.

I am responding promptly, and perhaps more fully than is usual, as I am aware that there is a plenary debate scheduled for 14 November to discuss the Committee's report. However, in doing so I should point out that the WAO study team has not yet had the opportunity to discuss with Welsh Government officials the response and other issues arising from the Welsh Government's recent publication of updated figures on social housing landlords' compliance with the WHQS. That statistical release, published on 15 October 2012, is available at <http://wales.gov.uk/topics/statistics/headlines/housing2012/121015/?lang=en>.

The Welsh Government has indicated that it accepts seven of the Committee's 11 recommendations. The remaining four recommendations have been accepted in principle, as acceptance is subject to further work or developments that are outside the Welsh Government's direct control.

While the Welsh Government's overall response to the Committee's recommendations is positive, there are several issues that would benefit from further clarification. Set out below are my observations on the responses to the individual recommendations. I have also included comments on the extent to which the Welsh Government's responses address the (additional) recommendations set out in my January 2012 report, which formed the basis of the Committee's examination of the WHQS.

Observations on the Welsh Government's responses to the Committee's recommendations

- The responses to *Recommendations 1-3, 7, 9 and 10* refer to a planned evaluation of the WHQS.
 - The responses refer to some of the issues to be covered by that evaluation, such as tenant engagement and the validation of compliance data, that are linked to the Committee's recommendations. In light of the prominence given to the planned evaluation in the Welsh Government's response, the Committee may wish to seek further information on the scope, likely costs and timetable of the proposed exercise and, in particular, how it will add to rather than duplicate previous and other ongoing work related to the delivery of the WHQS.
 - One of the recommendations in my January 2012 report on the delivery of the WHQS concerned the Welsh Government clarifying its intentions in terms of possible changes to the minimum requirements of the WHQS. The Committee's report recognised the concerns of various stakeholders about the possible impact of any changes but also considered that there were strong arguments for reform, particularly in respect of energy efficiency standards. The Committee may wish to confirm whether the requirements of the WHQS are being considered afresh as part of the planned evaluation.
 - The timescales for the completion of the proposed evaluation could be clearer. The Welsh Government's response refers simply to it being about to commission this work, which will report at some point during 2013 to inform the implementation of further good practice guidance by March 2014.
- The Welsh Government's response to *Recommendation 1* notes that the performance of registered social landlords in engaging tenants, including in relation to the WHQS, is being assessed against key delivery outcomes set out in the regulatory framework. The Committee may wish to know more about the extent of variation that the Welsh Government is identifying in the performance of registered social landlords under the new regulatory framework. The response also explains that local authorities retaining their housing stock have agreed on a formal but voluntary basis to report against similar delivery outcomes. The Committee may be interested in exploring how this voluntary reporting arrangement will work and what, in practice, the Welsh Government's statement that 'where landlords are not performing well, they will be subject to regulatory intervention' means for local authority landlords.

- *Recommendations 2, 3 and 10* related to the introduction of independent, external verification of landlords' reported compliance with the WHQS, building on a recommendation in my report about arrangements for validating landlords' monitoring returns. The Welsh Government has accepted in principle the Committee's recommendation that it should enable the introduction of such external verification. The response describes how the planned evaluation of the WHQS will include random sampling of properties, although the scale of the planned sampling exercise is not clear. It will also draw on information from verification work already commissioned by individual landlords. The Welsh Government's response raises concerns about the potential cost impact on smaller landlords of them commissioning their own external verification. However, the Committee's recommendation related to the Welsh Government assuring itself about the robustness of landlords' monitoring returns. In any case, there should be nothing to stop landlords collaborating to achieve economies of scale.
- In responding to *Recommendation 4*, the Welsh Government refers to ongoing work with regard to the environmental standard requirements by the Tenant Participation and Advisory Service. The Welsh Government has confirmed that it will issue guidance to landlords by 31 March 2013 requiring them to demonstrate that they have gone through an appropriate process in their business planning to identify and prioritise wider environmental improvements to the surrounding areas of properties. Given that the guidance has not been developed yet we cannot comment on its quality. However, the proposal to issue guidance should be welcomed. This is because the statistical report published by the Welsh Government in October 2012 indicated that some landlords had still not developed a strategy or policy to support compliance with the WHQS environmental standard requirements.
- During the course of its inquiry, the Committee expressed particular interest in the possible reform of the Housing Revenue Account Subsidy system in Wales. In response to *Recommendation 5*, which it accepts in principle, the Welsh Government has indicated that the Minister for Housing, Regeneration and Heritage has already said that ideally he would like to see an end to the transfer of revenues by 31 March 2013. However, given that no agreement has yet been reached on the principle of any reform of the system the Committee may wish to explore the practicalities of now meeting that deadline. The Committee may also wish to enquire further as to how the Welsh Government is engaging with other appropriate organisations to inform its negotiations with HM Treasury, ahead of any further engagement about the practical arrangements for delivering change if and when an agreement is reached. Apart from the possible reform of the Housing Revenue Account Subsidy system, one of my recommendations had encouraged the Welsh Government to explore the full range of policy options to overcome barriers to the achievement of the WHQS, in particular for those local authorities that still retained their housing stock but that had not identified means

of achieving the WHQS. Whether or not possible solutions, other than reform of the HRA system, are being looked at is not set out in the Welsh Government's response to the Committee's recommendations.

- The Welsh Government accepts *Recommendation 6* and notes that there is already a range of guidance in place with regard to maximising wider benefits from WHQS-related expenditure. The Welsh Government has also indicated that Value Wales guidance on maximising community benefits from procurement is currently being updated for issue in January 2013. As I set out in my report on the WHQS, a previous Ministerial Task and Finish Group on housing and regeneration sustainable community investment had concluded that there was no shortage of advice for landlords on sustainable procurement related issues but, despite some examples of excellent practice, take up of that advice was patchy. The Task and Finish Group was established in 2010 by the then Deputy Minister for Housing and Regeneration and reported in March 2011. One of our recommendations concerned the need for the Welsh Government to respond promptly to the Task and Finish Group's recommendations by publishing a clear action plan to better coordinate work to maximise the wider benefits of WHQS-related expenditure. The Committee may wish to confirm whether or not the Welsh Government has yet responded, or intends to respond, to the recommendations of the Task and Finish Group. We also recommended that the Welsh Government should develop a clear framework for assessing value for money (including the wider benefits achieved) from landlords' expenditure on the WHQS and clarify its expectations in terms of landlords' data collection regarding those wider benefits. It is not clear from the Welsh Government's response whether, as part of its 2012 WHQS monitoring exercise or through other means, it has now sought to establish processes for collecting more consistent data about those wider benefits.
- One of the issues raised by the Committee's report concerned the quality of the underpinning data supplied by landlords to inform the figures published by the Welsh Government in March 2011 on compliance with the WHQS. The concerns about data quality also related to the interpretation and reporting of the number of, and reasons for, 'acceptable fails'. *Recommendation 8* urged the Welsh Government to develop guidance to ensure landlords' own data collection highlights the reasons for acceptable fail classifications. The Welsh Government's response and the statistics published in October 2012 suggest that the most recent data collection exercise, earlier in 2012, focused on reporting the overall prevalence of acceptable fail classifications. However, the Welsh Government has indicated that data collection in 2013 will be enhanced to record the main reasons for acceptable fails and that, in the meantime, there will be sample visits to landlords to establish how acceptable fails are being interpreted. Overall, the Welsh Government has indicated that it regards the data collection exercise undertaken earlier in 2012 as having been more robust than the previous exercise in 2010. The Committee may wish to explore the

basis of this assertion and the steps taken by the Welsh Government to confirm the validity of the data already collected for 2012, which are not clear from the Welsh Government's response.

- *Recommendation 11* in the Committee's report requested an update from the Welsh Government by the end of December 2012 on progress against the recommendations in my January 2012 report on the WHQS. Given their common themes, it is surprising that the Welsh Government's responses to some of the Committee's recommendations did not provide an update on related actions flowing from my recommendations. Nevertheless, the Welsh Government has accepted the Committee's recommendation and confirmed that it will provide a further response within the indicated timeframe.

Observations on the most recent data on landlords' compliance with the WHQS

In advance of the plenary debate on 14 November, the Committee might also find helpful my observations on the most recent data on landlords' compliance with the WHQS. These are set out below.

The data published by the Welsh Government in October 2012 – which report compliance with the WHQS as at 31 March 2012 – provide an overview across all social housing and compare performance between local authority landlords and other registered social landlords. The statistical report indicates that compliance data for individual landlords will be published later in the year.

While there appear to have been some changes in the reporting arrangements, the data published by the Welsh Government point to increased compliance with the various elemental requirements of the WHQS and an increase in the overall rate of compliance on a whole-house basis. The results of the Welsh Government's monitoring exercise in 2010 indicated that 26 of social housing complied with the requirements of the WHQS at 31 March 2010. The latest figures indicate that 42 per cent of social housing complied with the WHQS at 31 March 2012. Around one in four of these compliant properties included an acceptable fail classification on at least one element of the WHQS requirements.

The Welsh Government's latest statistical release does not include any information relating to projected compliance with the WHQS in future. The results from the 2010 monitoring exercise indicated that landlords expected that 60 per cent of all social housing would comply with the WHQS by 31 March 2013. In late 2011, some landlords reported to the Welsh Government that they expected to achieve full compliance sooner than they had previously indicated. The figures published by the Welsh Government in October 2012 suggest that substantial progress is still needed during this financial year to achieve the level of compliance previously projected by 31 March 2013. However, it is possible that some properties need relatively little work to move from non-compliance to compliance. We reported previously that, based on landlords' projections in 2010:

- 42 per cent of all local authority owned social housing would comply with the WHQS by 31 March 2013 – the figures published by the Welsh Government as at 31 March 2012 show 23 per cent compliance (taking into account acceptable fail classifications); and
- 73 of all registered social landlord/housing association owned housing would comply with the WHQS by 31 March 2013 – the figures published by the Welsh Government as at 31 March 2012 show 54 per cent compliance (taking into account acceptable fail classifications).

Further action by the Committee

The Committee's report on the WHQS is to be the subject of a debate in plenary on 14 November and the Welsh Government, in responding to *Recommendation 11* of the Committee's report, has promised to provide an update on progress in response to the recommendations in my report by the end of December 2012. I would advise that the Committee awaits that further response and reflects on any matters of concern raised during the plenary debate before considering what, if any, further action may be merited in the short-term.

I trust that this advice is helpful to the Committee ahead of the scheduled plenary debate.

Yours sincerely,

HUW VAUGHAN THOMAS
AUDITOR GENERAL FOR WALES

SF/HL/0208/13

Huw Lewis AC / AM
Y Gweinidog Tai, Adfywio a Threftadaeth
Minister for Housing, Regeneration and Heritage



Llywodraeth Cymru
Welsh Government

Darren Millar AM
Chair
Public Accounts Committee
National Assembly for Wales
Cardiff Bay
Cardiff
CF99 1NA

24th January 2013

Dear Darren,

**UPDATE TO PUBLIC ACCOUNTS COMMITTEE ON PROGRESS AGAINST THE
AUDITOR GENERAL'S RECOMMENDATIONS IN DELIVERING THE WELSH HOUSING
QUALITY STANDARD (PAC REPORT (4) 24-12 RECOMMENDATION11)**

Please find enclosed copy of the Welsh Ministers response to the above recommendation which will be laid before the Table Office.

Yours sincerely,

A handwritten signature in dark ink, appearing to read 'Huw'.

Huw Lewis AC / AM
Y Gweinidog Tai, Adfywio a Threftadaeth
Minister for Housing, Regeneration and Heritage

Bae Caerdydd • Cardiff Bay
Caerdydd • Cardiff
CF99 1NA

Wedi'i argraffu ar bapur wedi'i ailgylchu (100%)

English Enquiry Line 0845 010 3300
Llinell Ymholiadau Cymraeg 0845 010 4400
Correspondence.huw.lewis@wales.gsi.gov.uk
Printed on 100% recycled paper

Update Report for PAC on Recommendation 11

Jan 2013

WELSH GOVERNMENT RESPONSE to PAC on:

Recommendation 11: We recommend that the Welsh Government provides the Public Accounts Committee with an update on progress against the Auditor General's recommendations before the end of December 2012, including how it is taking forward wider lessons learnt from the report.

WAO Report Recommendations	Target Date	Status
General lessons for policy development, monitoring and evaluation		These are lessons that are applicable to Welsh Government (WG) as a whole.
1. There are lessons from the development and delivery of the WHQS	Complete	Response to 1 (a)-(d) - Agree. The recommendations will be taken into account as part of ongoing work across the Welsh Government

<p>that can be applied to help improve the quality of future policy-making and the effectiveness of its delivery. The key lessons for the Welsh Government relate to:</p>		<p>to develop and deliver policy more effectively. Staff developing a policy are expected to document the case for it step by step, including the case for change, the options considered, the details of the preferred option, how it will be delivered and how it will be evaluated. At each stage, consideration should be given to how the policy fits the Government's priorities, the expected impacts, the costs both for Welsh Government and for delivery partners, the delivery mechanisms and the arrangements for managing development and delivery. This approach properly applied, and combined with HM Treasury's <i>Five Case Model</i>, should address the WAO recommendations.</p>
<p>a. having a clear idea of the baseline position and likely cost implications of its policy aims before establishing realistic targets for their achievement;</p>		<p>See above</p>
<p>b. where it is dependent on third-party organisations to achieve its policy objectives, ensuring that:</p> <ul style="list-style-type: none"> those organisations are not constrained in terms of their capacity (including financial 		<p>See above</p>

<p>capacity) to deliver;</p> <ul style="list-style-type: none">• those organisations have a clear and consistent understanding of the requirements upon them, and that any necessary guidance is provided on a timely basis; and• there is an effective performance management framework in place, including appropriate incentives and sanctions to encourage delivery;		
<p>c. giving clear consideration to the merits of establishing interim targets; and</p>		See above
<p>d. putting in place robust arrangements to monitor progress, demonstrate overall</p>		See above

value for money and share good practice.		
<p>Monitoring and reporting compliance with the WHQS</p> <p>2. The Welsh Government first sought to monitor landlords' compliance with the WHQS in 2010, and published the results in March 2011. However, we have identified a number of concerns about the quality and consistency of the data supplied by landlords. The Welsh Government has reconvened a monitoring group to discuss future data collection arrangements. We recommend that the Welsh Government should:</p> <p>a. introduce annual monitoring of landlords' compliance with the WHQS from 31 March 2012 onwards;</p>	Complete	<p>Building on the pilot monitoring introduced in 2010, an annual statistical monitoring return has been introduced. The first return was published by Welsh Government on 15 October 2012. The second release is planned for October 2013.</p> <p>The statistical release titled: <i>Welsh Housing Quality Standard</i></p>

		(WHQS) as at 31 March 2012 is available at the following link: http://wales.gov.uk/topics/statistics/headlines/housing2012/121015/?lang=en
b. assess the consistency of landlords' interpretation of the acceptable fail criteria and the circumstances in which the criteria are being applied;	Dec 2013	The planned evaluation of WHQS - referred to in the response to the PAC's other recommendations - will cover this issue. WG officials will be collecting data on acceptable fails from 2012/13 which will inform any necessary amendments to published guidance.
c. request that landlords describe the evidence base that supports any data they supply;	Complete	Landlords will be asked to supply details of the evidence base that supports the data they provide as part of the annual monitoring landlords compliance
d. ensure that all landlords have in place or are committed to developing systems capable of reporting the necessary data, including a clear record of the circumstances of 'acceptable fails';	Oct 2013	The WHQS data collection system introduced in 2010 and made more robust for 2012, now includes a requirement on landlords to report the numbers of properties that have achieved WHQS but also include at least one component that is classified as an acceptable fail. The data collection planned for 2013 will be enhanced to record the

		number of WHQS compliant properties with acceptable fails by main reason (i.e. cost of remedy; timing of remedy; residents' choice; physical constraint).
e. redesign its monitoring return in order to measure the proportion of homes where whole-house or elemental compliance with the WHQS is due, at least in part, to acceptable fails;	Complete	This requirement was included in the monitoring return published on 15 October 2012.
f. publish fuller details of individual landlords' reported compliance with the different elements of the WHQS, in order to make clear the volume and significance of the work completed, and that still required to achieve full compliance; and	Complete	This has been published on the StatsWales website in January 2013 https://statswales.wales.gov.uk/Catalogue/Housing/Social-Housing-Quality
g. validate landlords' returns by,	Nov 2013	As part of the WHQS Evaluation Framework, work is being

<p>for example:</p> <ul style="list-style-type: none"> • commissioning independent spot-checks on a sample of properties that are deemed to be fully compliant with the WHQS in order to check the consistency of landlords' interpretation of the WHQS requirements; or • commissioning a stock-condition survey, such as the 2008 Living in Wales survey, to provide a comparison with landlords' returns. 		<p>commissioned to investigate how landlords' are validating that they are meeting WHQS requirements. This will report in autumn 2013.</p> <p>Since the discontinuation of the Living in Wales property survey, there are a number of unmet demands for evidence of house condition. Work is underway to identify the evidence requirements across the Welsh Government. This will also explore other potential sources of data, costs and funding options.</p>
<p>3. In September 2011, the Welsh Government requested an update from all landlords to establish their latest projected timescale for achieving full WHQS compliance. We recommend that:</p>		
<p>a. landlords expectations should</p>	<p>Complete</p>	<p>Continued annual monitoring of WHQS progress will ensure that the</p>

be regularly re-assessed as part of recommended annual monitoring returns with the focus, once compliance with the WHQS has been achieved, switching to the action necessary to maintain compliance;		Standards, post achievement, will be maintained.
b. progress against previous commitments related to achieving the WHQS should also be reported, in much the same way as LSVT associations are required to demonstrate progress against the commitments made to tenants as part of stock transfer;	Dec 2013	Welsh Government will look to all landlords to report progress against WHQS as part of their normal business planning process.
c. the Welsh Government should consider with landlords the benefits and practicalities of bringing together into one consolidated annual return some	Dec 2013	Welsh Government is working with landlords through the Housing Information Group to consider the benefits and practicalities of bringing together into one consolidated annual return some or all of the current requests for information relating to landlords' business plans, WHQS compliance, other statistical returns

or all of the current requests for information relating to landlords' business plans, WHQS compliance, other statistical returns and, in the case of housing associations, the more general self-assessments that are required as part of the new regulatory framework; and		
d. the Welsh Government should encourage all landlords to report to individual tenants whether their home is deemed to comply with the WHQS and, if not, to indicate a timetable for improvement.	Dec 2013	The response to the PAC's recommendations confirmed that this forms part of work being commissioned to investigate how landlords' are validating that they are meeting WHQS requirements. This will report in autumn 2013.
Promoting and evaluating the achievement of wider benefits from WHQS-related		On 6 December the Finance Minister published the Wales Procurement Policy Statement (WPPS). The WPPS advocates utilising public procurement creatively as a strategic tool to help deliver economic benefits to the people and communities of Wales including employment, training and supply-chain opportunities.

<p>work</p> <p>4. The Ministerial Task and Finish Group's March 2011 report on housing and regeneration sustainable community investment made a number of recommendations that, if implemented effectively, should both improve procurement processes and promote a greater emphasis on maximising and monitoring the wider benefits that could flow from WHQS expenditure. Given that landlords anticipate spending some £2.2 billion to meet and maintain the WHQS between April 2011 and March 2017, the Welsh Government should:</p>		<p>The adoption of 'community benefits' is one of the nine principles of the WPPS. It recognises public procurement as a major lever to change the way business is done in Wales, using Welsh Government expenditure to stimulate growth and maximising the creation and retention of jobs in Wales. Housing expenditure through the achievement of WHQS has already made a significant impact and the Welsh Government and Local Government have committed to adopt the policy for all public sector contracts over £2 million where such benefits can be realised. This is reflected in the Local Government Compact for Change. Similarly, Community Benefits have also been included in the NHS Standing Orders.</p>
<p>a. respond promptly to the recommendations of the Task and Finish Group's report and publish a clear action plan to better co-ordinate work to maximise the wider benefits of WHQS-related expenditure;</p>	<p>2013-14</p>	<p>The Welsh Government is continuing to work with landlords to maximise the social and economic benefits associated with housing improvement programmes and will be looking at ways of improving the promotion and capture of wider benefits from the remaining WHQS-related work. All contracts over £2 million in the housing and regeneration sectors will in the future contain community benefit clauses and the Welsh Government will use grant conditions where necessary to achieve this.</p> <p>The recommendations of the Task and Finish Group although fully accepted when published have not been collated into a clear action</p>

		<p>plan reflecting the ongoing staff and financial pressures. However current advice and guidance continues to be made available to the Housing and Regeneration sectors by Value Wales and a Community Benefits Task and Finish Group was established by the Finance Minister in 2012. The main aim of the group is to strengthen the social and economic benefits delivered through public procurement in Wales and it contains representation from housing and regeneration sectors. Once the findings of the group are published a composite action plan will be produced to include the report on housing and regeneration sustainable community investment recommendations and resources will be applied to take this forward.</p>
<p>b. develop a clear framework for assessing value for money (including the wider benefits achieved) from landlords' expenditure on the WHQS that clarifies its expectations of all landlords with respect to data collection; and</p>	2013/14	<p>The Value Wales Measurement Tool enables better output and outcome tracking. It supports organisations to evaluate the benefits of procurement contracts, assess the value of re-investment in local communities, track the opportunities that are created to help disadvantaged people back into employment & training as well as benefits to local supply chains. Welsh Government will work with the housing and regeneration sectors to ensure Measurement Tools are completed for all contracts with a value greater than £2 million. Value Wales will collate this information across all sectors allowing value for money assessments to be undertaken.</p>

<p>c. work with the Welsh Local Government Association to review the way in which local authorities are fulfilling their strategic housing functions and to share good practice, including about the way in which authorities are working with social-housing landlords to maximise the benefits of WHQS-related improvement work.</p>	<p>2013-14</p>	<p>Strengthening the strategic housing function of local authorities is a commitment in the Housing White Paper. Legislative and non-legislative action is being considered and we are taking this forward in conjunction with the Welsh Local Government Association. Identifying and sharing good practice, support and training for local authorities, and promoting collaboration between authorities are features of the work.</p>
<p>Possible changes to the WHQS</p> <p>5. The Ministerial Task and Finish Group's June 2008 review of affordable housing in Wales and the 2010 housing strategy, <i>Improving Lives and Communities</i>, have both raised the prospect of changes to the WHQS, particularly in respect of fuel poverty, health and climate change. However, we found that landlords were concerned about the impact of potential changes on their existing funding and work</p>	<p>Complete</p>	<p>At the moment there are no plans to amend the Standard: the focus is on ensuring that all social landlords meet the existing one by 2020. The current economic climate and the impact on landlords' business plans and funding are a significant concern too. Whilst the economic climate is of concern, landlords' business plans are being monitored annually.</p> <p>The concerns of the WAO are recognised and the decision will be kept under review.</p>

<p>commitments. The Welsh Government, in consultation with landlords and tenants, should clarify its intentions in terms of introducing any changes to the minimum requirements of the WHQS and the timescales that would apply to any new requirements. This would dispel uncertainty and allow landlords to incorporate any changes into their work programmes more efficiently.</p>		
<p>Identifying solutions for homes not anticipated to meet the WHQS by March 2017</p> <p>6. According to landlords' 2010 projections, 21 per cent of all social housing (46,000 homes) was not expected to meet the WHQS in full by 31 March 2017. Almost all (95 per cent) of these homes were owned by one of the five local authorities where tenants have voted against stock transfer or where a ballot is planned but yet to take place.</p>		<p>The latest statistical release published in October indicates that landlords are continuing to make good progress towards WHQS, particularly when considering the progress made in improving individual elements; for example almost two-thirds of social housing now has acceptable kitchens and three-quarters now have central heating.</p>

<p>These projections are subject to change following the recent revision of some local authorities' business plans and the outcome of planned stock-transfer ballots. Nevertheless, the Welsh Government should:</p>		
<p>a. set out clearly its expectations, in terms of delivering improvements in housing conditions, of those landlords that are unable to achieve full compliance with the WHQS within a reasonable timescale and in the context of the current policy and financial framework; and</p> <p>b. explore the full range of policy options available to help overcome the barriers to achievement of the WHQS.</p>	<p>Dec 2013</p>	<p>A Ministerial Task Force has been established to address progress in achieving WHQS in RSLs and local authorities whose business plans demonstrate they cannot meet the Standard by 2020. This includes those who are due to meet the Standard close to 2020 and may be at risk of non compliance. The Task Force will work with social landlords to look at all potential options including financial and governance models and will ensure the costs of each option are fully taken into account. The Task Force will report its initial findings in Spring 2013.</p> <p>There has been significant expenditure in Wales on achieving the standard. It has been estimated that approximately £1.6 billion has been invested in bringing peoples homes up to the standard to date.</p> <p>The Major Repair allowance budget of £108m that funds the achievement of the WHQS has been protected for the next 2 years.</p>

ADDITIONAL INFORMATION FOR PUBLIC ACCOUNTS COMMITTEE ENQUIRY

Following the recent attendance at the Public Accounts Committee on the 18th April 2013, the NWSSP were asked to provide a note to address three specific questions.

The responses are detailed below.

NHS Shared Services Partnership agreed to provide:

1. Further information on the reduction of non-pay expenditure in a range of specific areas of NHS procurement;

The NWSSP has been working with NHS health boards and trusts across Wales in a number of areas to try and reduce non-pay expenditure. Examples of the main product ranges in which savings have been made include:

- Orthopaedics
- PACS – Picture Archiving
- Mental Health Low Secure placements
- Mobile Phones
- Oxygen @ Home services
- Cardiac Devices
- Enteral Feeding syringes
- 3rd sector Service Level agreements
- Managed Service contracts, reclamation of VAT: Pathology, Haematology & Ultrasound
- Voluntary Disclosure notices Hepatitis C Drugs
- Rationalisation of cleaning materials
- 24 Hour relational supported accommodation

2. Clarification on how the consultancy self-assessment toolkit is used within the NHS;

The toolkit is not widely used within the NHS, and this in part relates to the relatively low level of individual areas of expenditure which would not necessarily warrant the full use of the comprehensive self-assessment toolkit. There are, however, some illustrations of the principles of the model being utilised, and the following example highlights its applicability.

- **Example:** Consultancy to support an Independent Review of Funded Nursing Care costs to NHS Wales.

Stage 1: *Assessing need and specifying requirement – This stage focuses on how the use of consultants fits into the organisation's recruitment and training strategy; and how their use is justified and specified.*

The need was determined by the complexity of the matter in hand and the need for Independence from NHS Wales undertaking this work. The subject matter is very complicated and highly politically charged with the spectre of a judicial review from the Care sector. Agreement was reached at Chief Executive level that specialist consultants/experts were required to undertake this work – to do anything else would undermine the whole process.

The requirement was specified by key Executive leads in the service in conjunction with Finance and Procurement colleagues.

Stage 2: *Considering Resource Options – This stage looks at the options that have been considered to fill the resource gap, particularly the use of internal staff.*

For the reasons outline above an internal resource was not appropriate or an option given the need for independence. This is specialist work that requires a significant understanding of the sector and the complexities of nursing care – this had to be supplemented by first class data analysis and intelligence plus an understanding of the consequences of being transparent in the calculations to determine the outcome. This stage was accepted by Chief Executives Group and by the FNC Steering Group. A decision was then made to press on with a tendering exercise to find a suitably experienced consultant.

Stage 3: *Tendering, Award, Contract – This stage focuses on whether tendering and contracting are effectively conducted by procurement teams, for example the use of framework agreements; various payment structures and competition.*

The tendering activity was supported by NHS Wales Procurement Services. Given the value was circa £40k maximum and there was no known available Framework to call off this specialist activity it was agreed to conduct an open tender via an Opportunity Listing via the Sell2Wales portal & through targeting known consultants in the market place. The tender documentation was designed by Procurement to enable structured proposals to be returned & an evaluation to take place simply and effectively. Evaluators were established including a representative from the Care Association to ensure transparency and probity of the outcome. An award was signed off after due authority was given to proceed which manifested itself in a contract that set out the deliverables, timelines, reporting arrangements, costs and pertaining Terms & Conditions of Contracts.

Stage 4: *Project delivery and skills transfer – This stage looks at communication and relations between client and consultant staff and skills transfer from consultants to client staff.*

A lead person was identified for both parties and regular milestone review dates incorporated into the plan to review progress. The review included an assessment of the work at key stages to ensure that it was in accordance with the established methodology. The skill sets on this particular example have been made through the regular engagement with the consultants and a critique of the work they have undertaken. Peer review by finance colleagues in particular has been undertaken on the basis of the consultants work.

Stage 5: *Post contract evaluation – This stage assesses the collection and use of management information including post-project evaluations and the application of expense policies.*

The outcome is being reviewed by colleagues from across the different interest groups within NHS Wales and the Care Association. The outcome is

to be used to ensure that the FNC rates for Nursing Care are transparent and appropriate for both NHS Wales and the Care Homes providing the service. This ensures that NHS Wales acts in a responsible manner in its activities.

A post award Evaluation meeting is held to ensure the deliverables are fit for purpose and that they meet expectations. Lessons learnt are also considered from both sides.

3. Examples of where NHS bodies have used secondments and the sharing of staff (such as quantity surveyors) to effectively reduce their dependency on consultancy services.

There are a number of examples below where NHS bodies have used secondments / sharing of staff to effectively reduce their dependency on consultancy staff. In terms of the specific issue of quantity surveys the provision of professional estates functions of the Welsh Health Common Services Agency to NHS Wales was privatised in 1996. This also included areas such as architects. These functions have largely been provided by external parties ever since and there are no readily available examples where these quantity surveyor services have been shared across the public sector with health. The NHS does however retain a small engineering function which is part of the NHS Shared Services Partnership and this service is provided across all Health Boards and Trusts.

Further examples of sharing staff are as follows:

- Prior to the set up of NWSSP there were a number of instances where Procurement support has been given via the old Welsh Health Supplies functions
- The recent establishment of a centralised Workforce Information Systems (WfIS) Team within NWSSP has resulted in the creation of a 'hub' of expertise that supports NHS Wales organisations' implement and deploy ESR technology. This flexible but effective model maximises the DH contract to develop networks with ESR consultants thereby avoiding the requirement to purchase ESR consultancy services to develop and maintain ESR across NHS Wales.

The WfIS team is able to seamlessly work across NHS Wales organisations to focus on maximising efficiencies, something that would not be achieved if it was not centrally hosted. . One example is the development of a suite of e-learning statutory and mandatory e-learning materials to support compliance. Utilising all Wales networks and subject matter experts has resulted in avoidance of £80K per annum in external annual licence fees.

- Similarly, the establishment of a centrally hosted Oracle eBusiness team for finance and procurement has significantly reduced dependency on external consultants or third party providers by both directly managing the Oracle contract and being the central point of information and support services for the NHS organisations in Wales

- Staff within NHS Wales workforce and OD functions have also worked flexibly across NHS organisations to share expertise and undertake complex 'casework' which has avoided the use of external support. In addition staff with workforce functions support each other with the provision of internal/inter-organisational 'consultancy' advice where an independent or impartial professional view has been required.
- NWSSP has employed an internal Commercial/Procurement Lawyer which has reduced the cost of professional advice as the cost is significantly lower than the external rates previously paid by Health Boards and Trusts.
- NHS Wales Informatics Service (NWIS) acquired Technical skills for a product specialist on Integration Services – ordinarily this requires specific skills sets which in the past have required Consultants. ABMU offered a secondment at a Band 7 for 2 years – normal Consultancy rates are circa £450 per day for these skill sets (equates to £112k per annum). Top band 7 circa £40k. Potential estimated saving of £72k per annum



Llywodraeth Cymru
Welsh Government

Yr Adran Cynllunio Strategol, Cyllid a Pherfformiad
Department for Strategic Planning, Finance and Performance

Cyfarwyddwr Cyffredinol • Director General

Mr Darren Millar AM
Chair, Public Accounts Committee
National Assembly for Wales
Cardiff Bay
Cardiff
CF99 1NA

13 May 2013

Dear Mr Millar

Procurement & Management of Consultancy Services

Following my appearance at the meeting of the Public Accounts Committee on 18 April, supported by Alison Standfast and Kerry Wilson, I give below the additional information which your Committee requested.

Action points for response:

1. A note on approval controls and the delegation to procurement consultants

Each Directorate within Welsh Government has in place an approval framework which sets out the arrangements in place for decisions relating to administrative costs, including the engagement of consultants. The framework sets out:

- which decisions need to be taken at Director General (DG) level;
- which will need to be signed off by the DG for People, Places and Corporate Services once departmental DGs have approved them; and,
- which decisions can be delegated by DGs, either to their resourcing panels or to individual Directors, Deputy Directors or Heads of Branch

Within the framework, each DG decides the exact arrangements for delegated decision making in their areas and makes this explicit by issuing letters of delegation to their managers.

Across all Directorates, expenditure on management consultancy of any value, requires approval by the Director General prior to the expense being incurred.



2. An update on savings made by the Managing for Less programme

A breakdown of the three year outturn and year on year reductions achieved as a result of the Managing with Less programme is attached at *Annex A*.

The total savings on the identified cost headings achieved by the programme over three years totalled £25.8m.

Managing with Less was a cost reduction initiative introduced by the then Permanent Secretary in response to the reduced budget allocation to Welsh Government and was relevant at the time.

As I stated in my evidence to committee we are now moving on to more effectively challenging and managing our demand for the use of consultancy services. The introduction of the National Procurement Services will drive this improvement forward.

3. Further information on costs associated with services provided by Spikes Cavell

The 2010-11 expenditure analysis exercise conducted by Spikes Cavell cost £282,078.

4. Further detail on the consistency and quality of all procurement related data across the public sector, including the methodology (i.e. the fields and requisite characters analysed)

The consistency and quality of available procurement related data is patchy across the public sector. Different organisations use different financial management systems and different coding structures.

To give a consistent picture of expenditure, Spikes Cavell have been engaged on two separate occasions to undertake a detailed analysis of an extract of creditor ledger data from public bodies across Wales.

This exercise analysed £3.8bn of expenditure from 32 public bodies across Wales. A total of 72,872 suppliers data was analysed, consisting of 3,703,938 invoice lines.

The use of a web hosted analysis tool allows us to manipulate this large data set to understand at an organisational, sectoral or all-Wales basis issues such as:

- expenditure within local authority postcode regions;
- expenditure with Wales based suppliers;
- expenditure with SMEs;
- expenditure by category;
- common suppliers who have a high Dun and Bradstreet risk rating; and,
- suppliers who are common across a number of organisations.

5. The value of tendering exercises made through the Government Procurement Service.

In the financial year 2012-13, information recorded at a corporate level on procurement activity over £25k shows that the Welsh Government spend of £2.5m was awarded to suppliers through frameworks let by the Government Procurement Service.

6. Further information comparing the National Audit Office Consultancy Self-Assessment toolkit to the system currently used by the Welsh Government.

According to paragraph 3.6 and Appendix 2 of the Auditor General's report, the estimated £23.4 million a year savings figure (calculated at Appendix 3 of the report) was based on an analysis of the findings from site visits and related survey information relating to the seven public bodies visited by the WAO, which included the Welsh Government and was then extrapolated across the Welsh public sector.

As also noted in paragraph 3.6 of the report, the efficiency savings calculator is only as reliable as the quality of the information and the judgements that form the basis of the calculation. As such, it provides only a broad indication of the scale of overall efficiency savings that might be possible. Accordingly, the WAO did not attempt to provide separate analyses for individual public bodies.

However, after the site visit to Welsh Government, the WAO did use the tool to make their own assessment of Welsh Government and identified a potential for annual savings up to £7.4 million, based on annual expenditure of £42 million.

The reduction in expenditure across Welsh Government on Management Consultancy alone between 2009-10 and 2011-12 totalled £7 million.

Yours sincerely



Michael Hearty

cc Jane Hutt AM, Minister for Finance & Leader of the House
Jeff Andrews, Specialist Policy Adviser

Managing with Less 3 Year Outturn

Totals £	2009-10			2010-11			2011-12		
	Admin	Programme	Total	Admin	Programme	Total	Admin	Programme	Total
Management Consultancy	10,129,055	1,074,897	11,203,952	4,559,051	821,163	5,380,214	3,885,616	234,206	4,119,822
Non Permanent Staff	11,084,932	8,251,043	19,335,975	8,639,947	8,420,858	17,060,805	6,893,257	7,345,419	14,238,676
Allowances	1,431,458	151,379	1,582,837	1,197,824	133,482	1,331,306	866,523	178,520	1,045,043
Overtime	914,468	246,006	1,160,474	634,291	64,232	698,523	220,999	450,453	671,452
Travel & Subsistence	7,440,153	1,731,924	9,172,077	4,682,988	1,930,469	6,613,457	3,958,346	2,475,789	6,434,135
Stationery and ICT	3,002,906	2,747,936	5,750,842	1,099,599	555,063	1,654,662	867,394	382,970	1,250,364
Printing	236,246	2,655,091	2,891,337	171,942	1,497,160	1,669,102	86,570	1,263,148	1,349,718
Meetings & Hospitality	875,215	3,145,101	4,020,316	335,415	962,770	1,298,185	60,553	74,157	134,710
Total	35,114,433	20,003,377	55,117,810	21,321,057	14,385,197	35,706,254	16,839,258	12,404,662	29,243,920

Public Accounts Committee

Meeting Venue: **Committee Room 3 – Senedd**

Meeting date: **Tuesday, 19 March 2013**

Meeting time: **09:00 – 11:00**

This meeting can be viewed on Senedd TV at:

http://www.senedd.tv/archiveplayer.jsf?v=en_400000_19_03_2013&t=0&l=en

Cynulliad
Cenedlaethol
Cymru

National
Assembly for
Wales



Concise Minutes:

Assembly Members:

Darren Millar (Chair)
Mohammad Asghar (Oscar) AM
Mike Hedges
Julie Morgan
Gwyn R Price
Jenny Rathbone
Aled Roberts
Jocelyn Davies

Witnesses:

Dr Sharon Blackford, British Medical Association
Dr Trevor Pickersgill, British Medical Association

Committee Staff:

Tom Jackson (Clerk)
Daniel Collier (Deputy Clerk)
Joanest Jackson (Legal Advisor)

1. Introductions, apologies and substitutions

1.1 The Chair welcomed Members and members of the public.

2. Consultant Contract in Wales: Progress with Securing the Intended Benefits – Evidence from the Welsh Government

2.1 The Chair welcomed David Sissling, Director General, Health, Social Services & Children, Department for Health, Social Services and Children; Ruth Hussey, Chief Medical Officer, Department for Health, Social Services and Children; and Chris Jones, Deputy Chief Medical Officer, Department for Health, Social Services and Children.

2.2 The Committee scrutinised the witnesses.

Action points:

The Welsh Government agreed to provide:

- A timetable outlining how the NHS in Wales will implement the recommendations made in the Wales Audit Office report;
- Further information on projects which the NHS in Wales had commissioned CHKS to undertake, and clarification on how the NHS in Wales had concluded that this agreement represented good value for money;
- Feedback on the discussions between the Welsh Government and the Office of National Statistics regarding fair and meaningful measures of consultant productivity;
- Clarification on the arrangements in place to evaluate the impact that consultants' private practice commitments have on their NHS commitments;
- Further information on how NHS bodies go about recouping costs from consultants where they may be using NHS facilities to undertake private practice, and whether there have been instances where the NHS has purchased a consultants' time allocated for private practice;
- Further information on whether the impact of flexible working arrangements arising from the amended contract has increased the number of women consultants.

3. Consultant Contract in Wales: Progress with Securing the Intended Benefits – Evidence from the British Medical Association

3.1 The Chair welcomed Dr Sharon Blackford, Chair, Welsh Consultants Committee; and Dr Trevor Pickersgill, Deputy Chair, Welsh Consultants Committee.

3.2 The Committee questioned the witnesses on the findings of the Auditor General's report 'Consultant Contract in Wales: Progress with Securing the Intended Benefits'.

4. Papers to note

4.1 The Committee noted the Welsh Government's response to action points from the meeting on 18 February 2013, and the minutes of the meeting on 12 March 2013.

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

items 6 and 7

6. Consideration of evidence on Consultant Contract in Wales: Progress with Securing the Intended Benefits

6.1 The Committee discussed the evidence received on its inquiry into Consultant Contract in Wales: Progress with Securing the Intended Benefits.

7. Consideration of correspondence from Wales Audit Office on a potential Value for Money study

7.1 The Committee discussed potential value for money studies to be carried out by the auditors of the Wales Audit Office.

