

Public Accounts Committee

Meeting Venue:
Committee Room 3 – Senedd

Meeting date:
9 July 2013

Meeting time:
09:00

Cynulliad
Cenedlaethol
Cymru

National
Assembly for
Wales



For further information please contact:

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Agenda

1 Introductions, apologies and substitutions

2 Governance Arrangements at Betsi Cadwaladr University Health Board (9:05 – 10:00) (Pages 1 – 20) **Betsi Cadwaladr University Health Board**

Geoff Lang, Acting Chief Executive, Betsi Cadwaladr University Health Board
Dr Martin Duerden, Acting Medical Director, Betsi Cadwaladr University Health Board
Angela Hopkins, Director of Nursing, Midwifery and Patient Services, Betsi Cadwaladr University Health Board
Helen Simpson, Director of Finance, Betsi Cadwaladr University Health Board

3 Papers to note (Pages 21 – 53)

PAC(4) 21-13 – Paper 1 – Consultant Contract in Wales – Correspondence from the Welsh Government

PAC(4) 21-13 – Paper 2 – Progress in Implementing the Welsh Housing Quality Standard – Correspondence from the Welsh Government

PAC(4) 21-13 – Paper 3 – Local Audit and Accountability Bill: Legislative Consent Memorandum (LCM) – Correspondence from the Auditor General for Wales

PAC(4) 21-13 – Paper 4 – Caldicot and Wentlooge Levels Internal Drainage Board – Correspondence from the Assistant Auditor General for Wales

Work programme summer term 2013

Minutes of the previous meeting

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 Governance Arrangements at Betsi Cadwaladr University Health Board (10:00 – 10:15)

6 Consideration of draft report 'The Procurement and Management of Consultancy Services' (10:15 – 10:45) (Pages 54 – 99)

7 Local Audit and Accountability Bill: Consideration of Legislative Consent Memorandum (10:45 – 11:00) (Pages 100 – 104)



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Betsi Cadwaladr
University Health Board

Mr Daniel Collier
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Committee Service
National Assembly for Wales

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Ein cyf / Our ref: HS/LH/605

Eich cyf / Your ref:

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Dyddiad / Date: 17 July 2013

Dear Daniel

Further to your e-mail of 10th July 2013 please find below the information requested:

Further detail on the frequency of meetings between the Chief Executive of the NHS in Wales and the Chief Executive and senior management at Betsi Cadwaladr University Health Board took place.

The Chief Executive is currently on sick leave and also for part of last year, however we can confirm that there were frequent meetings in North Wales, for example 11th and 12th December 2012, 4th February 2013 and 6th March 2013. We understand from diary records that there were also frequent phone calls and video conferences. It is also clear from diary entries that David Sissling met with the Acting Chief Executive, Geoff Lang on numerous occasions. Additionally there were monthly All Wales Chief Executive meetings and various leadership events including the regular Team Wales programme.

Further detail on the frequency of meetings between the Director of Finance at the Health Board and the current and former Finance Director at the Welsh Government.

Martin Sollis was appointed Director of Finance in January of this year and since that time there have been at least five meetings with or involving Martin Sollis. In addition to this, monthly All Wales Directors of Finance meetings have taken place and also Finance Leadership events and Team Wales events. Phone calls were made frequently and this frequency increased in the run up to the end of the financial year. There were also regular meetings with Martin's predecessors in addition to the monthly All Wales Directors of Finance meetings and frequent phone calls.

Figures highlighting how many patients had their operations delayed as a result of the reduction in the number of elected procedures towards the end of the financial year based on the movement in performance standard.

The Health Board was experiencing significant unscheduled care pressures that resulted in pressures on elective beds and capacity, and affected operational efficiency including cancellations of operations.



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Elective activity in 4th quarter was lower than had been proposed earlier in the year for a number of reasons, these included:

- a) Cancelled operations due to unscheduled care patients occupying surgical beds. In some areas this resulted in decisions being made on patient safety grounds to not undertake certain procedures but to substitute with day surgery.*
- b) Decisions to prioritise proposed additional investment to focus on those patients in specialties with highest clinical risk, as not all savings plans for the year had released the additional resource required to support increased activity across all specialties required to deliver access times.*
- c) Operational unexpected events such as floods in departments, and medical sickness which reduced service capacity.*
- d) Environmental factors such as flooding and snow resulting patient ability to attend and service ability to staff lists planned.*

Copies of the external reviews conducted by Chris Hurst in April 2012 and by Allegra in December 2012.

For ease of reference please find attached copies of both reviews as requested.

Please don't hesitate to contact me if I can provide any further information.

Yours sincerely

**HELEN SIMPSON ON BEHALF OF GEOFF LANG
ACTING CHIEF EXECUTIVE**

Betsi Cadwaladr UHB review on April 4th and 5th 2012

Background

Betsi Cadwaladr UHB was created in October 2009. It is the largest of the Welsh Health Boards (turnover £1.2bn) and is a complex organisation. The Health Board has put in place a progressive clinical leadership model which vests accountability for the delivery of service, quality and financial performance with a small number of clinical Chiefs of Staff (CoS). Each CoS has responsibility for a defined area of clinical services (a Clinical Programme Group). The CoS and corporate executive directors form the Board of Directors.

Over the last 30 months the Board of Directors has overseen the delivery of a number of service changes and improvements for patients in North Wales; but it has also experienced some disappointments and frustrations. Although the Health Board has delivered in-year financial break-even in 2009-10 (6 months), 2010-11 and in 2011-12, it did not deliver the Financial Plan it set for last year and had to use significant non-recurrent measures to compensate for the under-delivery of its savings programme. As a consequence, it assesses that it brings into 2012-13 an underlying deficit of c. £52m from last year. This more than doubles its requirement for savings in the new financial year. This in turn significantly increases the risks to delivery of the 2012-13 Annual Plan.

Purpose of the review and next steps

On April 4th and 5th I visited the Health Board to interview members of the Board to take stock of the financial position and outlook for 2012-13. My objective is to provide an external perspective on the underlying issues which are likely to be constraining delivery and performance. This brief informal note sets out my observations for the Acting Chief Executive but I consider it would be helpful if my observations were shared with the wider Board of Directors. I believe the Board of Directors should make it a priority to make time available to identify the things that can and need to be done to strengthen the current management arrangements and ways working; so that both in-year and longer term delivery is enhanced.

A possible framework for the directors to work through these discussions could be as follows:

1. A brief discussion about a few specific examples of things that have been delivered in line with plans over the last two years; and the factors which appear to have supported successful delivery*
2. A brief discussion about a few specific examples of planned changes/areas of delivery that slipped or not delivered at all; and the factors that may have contributed to this*
3. Identification of refinements to current management arrangements and/or ways working that could help to “level up” success in the future.
4. A brief consideration of the enablers of longer-term term delivery:
 - a. Is there clarity across the directors about what services will look like in 5 years time; and
 - b. If you were looking back in 5 years time, having successfully delivered the service changes, what is it that has worked well and what risks have you successfully managed/ mitigated?

* This might include the consideration of a small number of key factors such as; leadership (clear, adequate time, right person, etc?), communication (objective clear, key staff kept up to date, etc?), resourcing, and approach taken to holding to account.

Whatever process you decide to adopt, the Health Board’s current position and outlook makes it clear that there is a need for urgency. The Board of Directors need to reach a consensus about what

changes would be helpful and then commit individually, and jointly, to put them in place without delay.

It is good governance and common sense for a new organisation to learn and develop as it matures. As a leadership team, you are now in a position to take stock of the relative strengths and weaknesses of the management arrangements and ways of working you have had in place. You have accumulated two years of actual experience of operating under these arrangements and it is important that you learn from this experience.

I would like to record my appreciation for the honesty and openness shown by the Health Board's directors and independent members during the course of my interviews with them.

Chris Hurst

16 April 2012

Observations and suggestions following the review

A number of common themes and questions came out in my discussions with Board colleagues. This is encouraging because it indicates that there is a shared, but currently private, recognition of the need to make some changes to strengthen delivery. Unfortunately I was not able to talk to all Board directors in the time available, so my observations should not be regarded as comprehensive. For example, I did not have the opportunity to meet with any of the Chiefs of Staff. Therefore, it is important that my observations and views are not seen as a substitute for the discussion the directors need to have to test and modify my first impressions, before actions are agreed.

For ease, I have grouped my observations and comments under a small number of thematic headings:

1. Leadership team

- The challenges facing the NHS (across the UK) are significant and the cultural and service changes we need to implement will only be delivered with the support and active engagement of the majority of NHS staff. This creates a significant leadership challenge for NHS top teams.
- The impact of leadership is significantly enhanced when the top team is seen to:
 - have a clear and share definition of what longer term success will look like
 - operate to a single set of priorities
 - give consistent messages (as a team and over time); and
 - operate in support of one another.
- To work in this way, and sustain it, it is essential the leadership team has sufficient time set aside to work through challenges, differences in opinion and to share and test ideas. The benefits of the directors being located across the patch may be lost if there is insufficient time for the top team to work together outside of normal business meetings. Are you making enough time available for this purpose?

2. Culture, priorities and follow through

- The culture within organisations is infectious “from the top”. Some concerns have been expressed about pace and urgency - for both financial delivery and service change.
- Both the tempo and appetite for change, and for in-year delivery, are set by the way the top of the organisation operates – ie. by behaviours and processes, and not by plans or intentions.
- For example, an organisation will never be “light of foot”, dynamic and have pace if decision making is centralised and slow in its execution. Similarly, when we state that X is the organisation’s top priority this year, is this apparent to staff when they look at; our Board papers, departmental agendas, the way scarce staff expertise are being deployed, what the Board is regularly monitoring and reviewing, how often we ask

about progress, etc? Do you believe that there is clarity about relative priorities in the Health Board and are your behaviours, systems and processes reinforcing this clarity?

- Success in organisations is also infectious and this means it is helpful to be seen to focus on a relatively small number of priorities in any period; and to have arrangements in place which can rapidly communicate and celebrate success within and outside of the team, department, and/or organisation.
- Large organisations are faced with delivering many things in any year, but it is helpful if these are synthesised down to a smaller number of coherent and compelling “must dos” for staff, ideally described in terms of patient care. If you asked 20 members of staff about the Health Board’s top priorities (for delivery) in 2012-13, would you expect to get some common answers? If you asked the same group what the Health Board’s greatest achievements were last year, what would they say?
- I do not underestimate the challenge you have faced in successfully integrating 8 former provider organisations. However, until there is seen to be “one way of doing things in Betsi Cadwaldr”, the risks of variable standards of patient care/ experience and of variable delivery will remain.
- As importantly, the perceived longer-term “tolerance” of divergence in practice (eg. the multiple SUI processes still in use was quoted as an example) will undermine the work of the directors to align staff to a common purpose (to delivery consistent and effective health care). Are the directors fully sighted on the areas where there is still variation of practice/ procedures; and have you agree a target date for standardising practice in each of these areas?

3. Management and clinical leadership structure

- It is clear that experience has raised some questions about the overall effectiveness of the current arrangements – these concerns appear to be focused on two important considerations:
 - The differential size and scale of the challenge faced by individual CPGs; and
 - The adequacy of the managerial resources which are available to work alongside and support the CoS.
- There would be little to gain and everything to lose by “throwing the current structure into the air” but there are signs that some strengthening of the current arrangements would be beneficial. What do you consider to be the minimum number of changes that would strengthen the current CPG delivery model?

4. Financial delivery

- It is clear that the Health Board is facing another challenging year in 2012-13, in financial terms, but its challenge has been significantly exacerbated by the under-delivery of 2011-12 savings plans, which it now carries into 2012-13 as an additional pressure.

- From my interviews I perceived that the robustness of the original savings ideas and plans are not at question, per se. It is the delivery arrangements that have not worked as well as expected.
- This is an area that must be reviewed and gripped by the directors, as any perceived tolerance of under-delivery over a period of time will be accepted by staff as a reduced expectation for future delivery in that area (eg. the need for budgets to be managed alongside services).
- Pending the completion of work to identify further savings, the Board has yet to be able to agree a balance financial plan for 2012-13. However, you expect to be in a position to do this at the April Board meeting.
- In light of your experience in 2011-12, it will be essential that the accountability, monitoring and follow through arrangement for savings delivery are both visible and effective from the outset of the year. You shared with me your plans to put a place a new Delivery Board – this appears to be a helpful strengthening of the current accountability arrangements, but it will need to be aligned carefully with the work of the Finance & Performance Committee.
- The Health Board’s dependency on non-recurrent savings measures and balance sheet flexibilities in 2011-12 is not sustainable. This means that the effectiveness of new arrangements for holding managers and other staff to account for delivering the plans and actions they have signed up to will be critical to your success.
- The financial results of any organisation largely “lag” behind and reflect operational activity and performance. This means it is usually impossible for financial variation/ overspends to be addressed by adopting solely financial responses and strategies. Performance and practice at the “front of the business” has to be reviewed and improved to deliver financial improvement. Are you clear about what these changes need to be?
- To do this, it is more effective if we can identify and be seen to monitor the “front end” changes we expect to see, rather than solely focus on monitoring the expected financial impact. The latter metrics are important but are usually 6 weeks out of date. This needs to be borne in mind when the Delivery Board is considering what measures it will be using to hold others to account.
- You estimate that c. 40% of all in-year cost increases will be attributable to the need to invest in meeting mandated access targets. Clearly, this assessment creates a number of additional challenges for the Board of Directors, which include:
 - The consequential need to increase in-year cash savings across the Health Board
 - A difficult message to handle with staff who work in the clinical areas that are not receiving investment, but which may consider themselves to face equivalent service access challenges
 - A difficult message to handle with staff who work in the clinical areas receiving the additional investment – ie. this investment cannot substitute for the requirement to deliver ongoing productivity improvements in each year.

- In light of these factors, it may be helpful to consider linking the release of the investment to the delivery of other key improvements in these areas – for example, a move to team based consultant job planning, theatre efficiency gains etc.

5. Strategic delivery

- The arrangements for the Health Board to deliver its longer term plans will not be wholly met by its arrangements for overseeing in-year delivery.
- From my conversations with Board colleagues, I believe it would be helpful for the broad indicators of strategic progress to be fleshed out by the Board of Directors, if they are not already clear and visible. These indicators could then be used by the directors and by the full Board to look (say, twice a year) for assurance that progress is being made towards the Board's agreed strategy.
- A small number of such "signpost indicators" might usefully include things such as:
 - Trend of size and composition of the workforce over time compared to the target size and shape for the future
 - Proportion of patients being cared for outside of hospital compared to those being referred to secondary care (for certain key groups or clinical conditions)
 - Pie chart of programmed (budget) spend, year on year
 - Percentage of non-recurrent savings to total savings
 - Etc.

Betsi Cadwaladr University Health Board

External review in accordance with terms of reference dated 12 October 2012

This report has been produced in accordance with the terms of reference issued by Department for Health, Social Service and Children, Welsh Government, dated 12 October 2012.

Objectives of review

The objectives of the review were to:

1. Identify the key drivers of financial performance in the financial year 2011/2012
2. Identify the key drivers of underperformance in the financial year to date (Month 6)
3. Review the revised plan to the end of the current financial year and comment on the likely achievability
4. Assess progress on development of the financial plan for 2013/14
5. Comment on the organisational management structure and effectiveness (which has been limited in discussion with CEO)
6. Comment on the governance structure and effectiveness around the development, adoption and review of financial plans
7. Comment on the risk to year end performance on the main Tier 1 targets (including RTT and Unscheduled Care) of the proposed plans

Limitation of scope

This review is based on information provided by Betsi Cadwaladr University Health Board and interviews with key staff which took place on 22 and 23 October 2012, supported by financial analysis undertaken by DfHSSC staff. I would like to record my formal appreciation of the support given by DfHSSC staff in this regard.

Because these observations are based on a high level review of limited information carried out within a limited timescale, they may contain errors or be incomplete and therefore cannot be relied on. They are provided for your information only and should not be copied, quoted or referred to without prior written consent.

If you require any further information, please contact me.

Alison Lord
Director, Allegra Limited
3 December 2012

Summary of findings

1 - Key drivers of financial performance in the financial year 2011/2012			
<i>Observation</i>	<i>Evidence/assurance received</i>	<i>Risks identified</i>	<i>Recommended action</i>
Achieved financial balance in 2011/12 after £17m structural support	<ul style="list-style-type: none"> • Initial forecast of £71m savings requirement increased to £79m after in year cost pressures. • £58m of savings schemes identified, £45m achieved by year-end. • Escalation measures in last 3 months of year were mainly technical adjustments and the use of reserves and ring fenced allocations. • With the exception of New Outpatients (which was 9% lower than planned), activity levels did not substantially vary from plan, suggesting a savings shortfall rather than an unexpected increase in activity caused overspending, (although this does not take account of possible changes in case mix). 	<ul style="list-style-type: none"> • Under-estimation of in-year cost pressures added to savings requirement. • Insufficient savings were identified to meet the shortfall (initial or revised) • Only 77% of identified savings were achieved - poorest performers were Medicine, Surgery, MH/LD and Corporate schemes which collectively accounted for £11m of the £13m underperformance. • RTT target performance achieved at year-end after significant investment. • High dependence on temporary medical and nursing staff in some clinical areas. Locum spend forecast to reduce by £2m during the year but actually increased by £2m. 	N/A

2 - Key drivers of underperformance in the financial year to date (Month 6)			
<i>Observation</i>	<i>Evidence/assurance received</i>	<i>Risks identified</i>	<i>Recommended action</i>
Shortfall of £14.8m at M6	<ul style="list-style-type: none"> • Initial assessment of £90m financial gap for year, reduced to £64m on review (both after £17m structural support from WG), comprising £41m underlying deficit, £25m inflationary/service growth pressures, £12m RTT requirement and £3m other. • Planning process initially failed to identify sufficient savings to forecast financial balance - £21m savings identified by directorates plus £23m of central “themes” leaving £20m shortfall. Board unable to adopt balanced financial plan at start of year and temporary control measures were introduced pending further assessment. Delivery Board established under control of MD to drive savings delivery • When balanced plan adopted in May following return of substantive CEO, significant level of savings themes still lacked detail • By M6, savings of £15.6m achieved against a plan of £27.4m leading to deficit of £14.8m YTD. Main areas of overspend are: <ul style="list-style-type: none"> ○ Pay £11.8m (including agency/ locum spend running at c£1m/ month), esp Medicine and Surgery ○ Non pay £12.4m (including drugs and 	<ul style="list-style-type: none"> • See 1 above. 	N/A

	<p>equipment £3m and power £2m)</p> <ul style="list-style-type: none">○ Primary Care £3.7m○ Commissioning £2.4m○ CHC £1.9m <ul style="list-style-type: none">● Overspend balanced by release of £19m central contingencies● Analysis suggests improvement in run rate in M6 may not be sustainable as primarily driven by a variety of one-offs and M7 figures will be a key indicator		
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3 – Revised plan to the end of the current financial year and likely achievability			
<i>Observation</i>	<i>Evidence/assurance received</i>	<i>Risks identified</i>	<i>Recommended action</i>
Revised plan now forecasting year end deficit of £19m	<ul style="list-style-type: none"> Recent reallocation of executive responsibilities to refocus on remedial activities (see 5 below) YTD run rate trend and directorate bottom up forecast both support deficit of £26m. Additional £7m central reserves (£2m release of funding previously earmarked for RTT, £2.8m technical improvement re prescribing, and £2.3m targeted reduction in commissioning costs) held by DoF means she is confident £19m is achievable, providing support in place to deliver plans. Revised plan (October 2012) reduces saving target from £74m in year (incl £10m FYE of savings b/f from 2011/12) to £48m, of which £19m achieved YTD, leaving £29m outstanding. Average monthly savings need to increase from £3.2m YTD to £4.8m from Oct onwards to achieve £19m outturn, reinforcing the importance of M7 return. Directorates now being managed against centrally set control totals Service changes currently under consultation are not expected to impact in current year and no significant back end loaded schemes are evident so savings to 	<ul style="list-style-type: none"> Scale of challenge and speed of change required is huge and would stretch any management team. Diversion of key executives into remedial areas risks loss of focus on their primary areas of responsibility and over stretching of limited resource. Substantial increase needed in identification and pace of delivery, of savings. Many savings need more detailed plans, measures, milestones, etc. Forecast deficit will only be achieved if plans and spending restrictions are adhered to at all levels. A third of revised savings total still rated high (£2m) or medium (£14m) risk. £1.5m of low risk schemes already identified as unachievable. Additional savings focus to year-end predominantly transactional rather than transformational, achieved through holding vacancies, reducing locum spend, delaying 	<ul style="list-style-type: none"> Supplement executive resource through appointment of external interim Turnaround Director mandated by Board, and adoption of full Project Management Office approach to accelerate speed of identification and delivery of savings schemes whilst ensuring current clinical input to proposed changes is not lost. Clinical services should be reviewed for sustainability and emergency temporary closure measures considered where required Begin implementing working capital management

	<p>year-end will only be achieved through operational grind.</p>	<p>reinvestment, slowing down activity etc.</p> <ul style="list-style-type: none"> • Little evidence of successful workforce modernisation and pay cost management schemes to date <ul style="list-style-type: none"> ○ Net leavers of only 570 WTE since Oct 09, including c 400 VERS ○ Sickness absence running at 5.18% (August 2012) ○ High variable pay bill ○ Consultant job planning not progressing • An extreme winter could result in additional upward cost pressures • Commissioning savings may not be supported by external partners • £19m year end deficit, if achieved, would result in negative cash of £22m at March 13 (assuming continued compliance with supplier payment requirements) 	<p>measures to reduce potential cash shortfall</p>
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4 - Progress on development of the financial plan for 2013/14			
<i>Observation</i>	<i>Evidence/assurance received</i>	<i>Risks identified</i>	<i>Recommended action</i>
Little evidence of progress on development of 2013/14 plan to date	<ul style="list-style-type: none"> • Although Health Board wishes to move from annual cycle to 3 year or continuous planning, there was no evidence of any large scale service redesign plans currently sufficiently developed to impact in 2013/14 (or future years). • Medium Term Financial Plan 2013/14 to 2015/16 outlines direction of travel but is not a financial plan. • Timetable in place to receive revised clinical service options in November 2012, with worked up financial plans by January 2013 for adoption into 2013/14 plan. • CEO view is that significant redesign is 3-5 years away and would involve significant capital cost. 	<ul style="list-style-type: none"> • On the basis of performance to date, the current timetable may not be sufficient to consider options, review inter-dependencies, prepare adequate business cases, comply with governance processes, develop fully worked plans etc to enable implementation early enough in 2013/14 to maximise impact on financial performance. • The current service reviews and consultations do not appear to have identified the level of savings required to achieve sustainability in the longer term. • Planning needs strengthening to achieve the current timetable • The reviews of services need to be progressed with greater urgency. • Service review boards currently focus on clinical issues and do not sufficiently consider financial implications. • Balancing longer term change activities with achieving current year outturn will stretch resource in 	<p>As 3 above. Also,</p> <ul style="list-style-type: none"> • Consider appointing an external clinician to lead a systemwide service redesign review • Balance clinical and commercial representation within service review teams to ensure early identification of viability of options presented • Strengthen planning function and prioritisation (possibly through combination with PMO)

		<p>key leadership areas.</p> <ul style="list-style-type: none">• Much can be achieved without the need to consult but at present there is no evidence that plans are sufficiently developed for quick implementation.• There is a danger that, without major service redesign plans, savings will be achieved through short term measures.	
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5 - Effectiveness of organisational management structure			
Observation	Evidence/assurance received	Risks identified	Recommended action
<p>Confused accountability around the clinically led structure means Health Board appear to lack commercial grip</p> <p>NOTE: LIMITED REVIEW OF THIS OBJECTIVE AT REQUEST OF CEO</p>	<ul style="list-style-type: none"> Historically there seems to have been a lack of accountability of clinical leads resulting in lack of financial rigour at directorate level, leaving executives having to fall back on Standing Financial Instructions and Schemes of Delegation to change behaviour. No evidence found of top to bottom line of sight supported by clear view of job roles, responsibilities and accountabilities at all levels. Disconnect between functions and sites, with no Chief Operating Officer to provide cross function/cross site overview and no hospital managers to maximise site efficiency Recent changes made to executive roles in response to increased distress include DoW&OD appointed Turnaround Director, DoN taking executive lead for Emergency Care, CEO chairing Delivery Board (now Financial Turnaround Board) and reallocation of executive responsibility for directorates away from MD. Planning responsibility recently split between DoP (strategic) & DoF (operational) 	<ul style="list-style-type: none"> Clinically focussed directorate leads means operations can lose sight of commercial reality. If clinical dominance is not balanced with commercial input, Health Board will risk financial and performance failure. Lack of joined up functional and geographic management may limit effectiveness and speed of systemwide redesign. Split of planning responsibility risks disconnect between strategic and operational activities. Risk that clinical leadership is not effectively managed when MD absent. Increased responsibility of some executives risks overload. Poor performance of key senior staff does not appear to have been addressed through line management processes. 	<ul style="list-style-type: none"> Consider redesign of organisational structure to create a Chief Operating Officer and site management posts, and enfranchise senior commercial managers to work hand in hand with clinical leads Strengthen job planning, role clarity and performance management framework Roles and responsibilities of existing MD and DoP need review See also 3 and 4 above

6 - Governance structure and effectiveness around the development, adoption and review of financial plans			
<i>Observation</i>	<i>Evidence/assurance received</i>	<i>Risks identified</i>	<i>Recommended action</i>
<p>Strong clinical input and informal reporting networks means formal governance processes may not be fully effective</p> <p>NOTE: LIMITED REVIEW OF THIS OBJECTIVE AS EXPECTED TO BE PART OF WIDER REVIEW BY HIW</p>	<ul style="list-style-type: none"> • Board initially refused to adopt 2012/13 financial plan because it felt the savings plans were not achievable. • Board appears to receive full and appropriate monthly reports on financial and clinical performance. • Some recent confidential Board sessions seem to have no formal papers making an effective review of governance difficult. • Process for clinical input should be robust as savings plans and service reviews are being led by clinicians but unable to interview MD due to illness so limited visibility of clinical governance process adopted in savings plans to date. 	<ul style="list-style-type: none"> • Emphasis on clinical leadership means limited financial input to plans at early stages. • Risk of agreed financial plans being undermined by perceived clinical needs and/or informal networks overriding formal controls. • Determination to achieve financial balance could prevent acknowledgement of under-performance and lead to the adoption of inappropriate plans. 	<ul style="list-style-type: none"> • Findings and risks identified within this review should be shared with HIW and WAO • Confirmation of processes for confidential board sessions is required • Service reviews should be prioritised on clinical areas considered potentially unsafe

7 - Risk to year end performance on the main Tier 1 targets (including RTT & Unscheduled Care) of the proposed plans			
<i>Observation</i>	<i>Evidence/assurance received</i>	<i>Risks identified</i>	<i>Recommended action</i>
Current savings plan assumes no deterioration in performance against targets, but increasing financial distress means some performance deterioration is likely unless the savings management process is significantly and quickly strengthened	<ul style="list-style-type: none"> • Historic and current poor performance against A&E 4 hour and ambulance handover, Cancer 62 days and 26 week RTT targets • Improvement action likely to have a negative cost impact and will need balancing with savings elsewhere. • A&E performance has begun to improve in October (though still below target) following redeployment of DoN to manage Emergency departments, and the recruitment of 2 additional consultants, 15 nursing/support staff and the establishment of an additional GP minor injuries unit at the worst performing site. The cost of this intervention has yet to be assessed. • £12.4m initially put aside to deal with RTT pressures, now reduced to £10.4m • Additional funding of £1.5m from WG to support winter pressures 	<ul style="list-style-type: none"> • As transactional savings activity increases, combined with potential emergency closures on safety grounds, performance against targets is likely to fall unless carefully managed and remedial action taken. • RTT contingency has been identified as potential saving opportunity with the view that RTT will need to be managed without additional resources. Achieving this will be dependent on changing current clinician working practices 	<ul style="list-style-type: none"> • Establishment of an effective PMO would help identify priority savings areas to minimise performance impact, drive changes in working practice and allowing earlier flagging of performance going off track

Summary of conclusions and recommendations:

- The scale of the challenge facing the organisation, and the speed of change required, will place enormous strain on existing executive resources and the Health Board would benefit from seeking temporary resource and expertise to supplement existing capability at senior levels.
- Key drivers of underperformance in FY 2011/12 and FY 2012/13 YTD appear to have been a lack of sufficient savings plans identified at the start of year and a subsequent inability to achieve targeted savings, particularly through service redesign and workforce modernisation.
- The revised plan for FY 2012/13 (showing a deficit of £19m) is achievable but will require strengthened savings activity management and the Health Board should consider the appointment of an external interim Turnaround Director and the establishment of a full Programme Management Office to support its Executive in maximising savings and minimising performance impact. Without careful management, there is a risk that increasing financial distress will lead to deteriorating performance against targets as well as raising potential quality and safety concerns.
- The Health Board is unlikely be able to achieve sustainable financial balance without systemwide service redesign and it is recommended that temporary external clinical support is sought to drive this process. There is also an urgent need to address clinically unsustainable services.
- Whilst the clinically-led management structure provides strength in some areas, there appears to be a lack of commercial and financial rigour at operational levels and this imbalance should be addressed. The functional structure also means there is limited cross functional/cross geographical inter-operation. These issues have been exacerbated by an apparent historic lack of accountability and effective line management at senior levels. Consideration should be given to changing the organisational management structure to address these concerns, including the appointment of a Chief Operating Officer.
- Whilst governance has not been a key focus of this review, it is recommended that findings are shared with HIW.

* * * * *

Yr Adran Iechyd a Gwasanaethau Cymdeithasol
Cyfarwyddwr Cyffredinol • Prif Weithredwr, GIG Cymru

Department for Health and Social Services
Director General • Chief Executive, NHS Wales



Llywodraeth Cymru
Welsh Government

Mr Tom Jackson
Public Accounts Committee Clerk
National Assembly for Wales
Cardiff Bay
Cardiff
CF99 1NA

Our Ref:DS/DH/DCL

20 June 2013

Dear Tom

Consultant Contract in Wales

Further to your letter dated 7 June 2013, I am writing to confirm the position in respect of joint job planning training for managers and consultants.

The original joint job planning 'tour' with the BMA was part of centrally agreed implementation arrangements to bring in a new process in 2003. Since then, job planning training has continued to be carried out locally as is appropriate. Matters of general concern have been identified and discussed at both the All Wales Workforce OD and Medical Directors meetings. The implementation of the Consultant Contract is also discussed at an all Wales level as part of the Working Differently Working Together Programme board.

It is therefore true to say that joint training is not taking place at an All Wales level. However, I am advised that NHS bodies would welcome BMA's involvement in further job planning training to highlight the messages from the WAO report at local level.

Finally, Welsh Government has formally commissioned the NHS Task and Finish Group to refresh All Wales training material. BMA Wales will support this work.

I trust the above clarifies the position in respect of job planning training.

Yours sincerely

David Sissling

Dyfodol Cynaliadwy
Sustainable Futures

Cyfarwyddwr Cyffredinol • Director General



Llywodraeth Cymru
Welsh Government

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

2 July 2013

Dear Mr Millar,

PROGRESS IN DELIVERING THE WELSH HOUSING QUALITY STANDARD

Further to my attendance at the Public Accounts Committee on 25 June, further evidence was requested on the following key issues:

- A List of Ministerial Task Force members,
- A copy of the 'Evaluation of the Regulatory Framework for associations in Wales'.
- A few case studies on community benefits.

I have attached the relevant information as Docs 1 -3 in accordance with the list above. Please feel free to contact me if you require any further information.

Yours sincerely,

Gareth Jones
Director General – Sustainable Futures



PAC(4)-20-13 Paper 2**Composition of the Ministerial Task Force WHQS****Chris O'Meara(chair)****Kathleen Kelly****Bob Smith****Peter McHugh****Keith Edwards****Mike Owen****Kath Palmer (Civil Servant - Deputy Director Homes and Places)****Pen Pictures.****Chris O'Meara (Chair)**

Chairs the WHQS Task Force. Chris is Chief Executive of Cadwyn Housing Association. From April 2008 – May 2011, was a part time housing policy adviser to the Deputy Minister for Housing and (latterly Regeneration). Prior to that she was Chair of Community Housing Cymru.

Kathleen Kelly

Kathleen has been at the Joseph Rowntree Foundation for 7 years and leads UK wide programmes of research and policy development on Housing including Market Volatility, Young People and Homelessness. Kathleen provided support to the [JRF housing market taskforce](#) an interdisciplinary group of experts focussed on long term measures to promote a more stable housing market. Kathleen previously worked in central Government covering research and evaluation on a range of housing issues including the Supporting People Programme and Choice Based Lettings. She has also worked as a front line housing advice worker in private practice and for charities including Shelter and Citizens Advice.

Bob Smith

Bob is a Senior Lecturer in Housing in the School of Planning and Geography at Cardiff University. He has more than 30 years of housing research experience, much of it in relation to housing policy and practice in Wales, where he has worked since January 1988. Bob has undertaken commissioned research for a variety of organisations, including Government departments, the Joseph Rowntree Foundation, national charities, representative bodies and individual local authorities and housing associations and has published widely on housing and regeneration. In 2007-08 he was a member of the Ministerial Task and Finish Group which produced the influential report on Affordable Housing in Wales ("The Essex Review") and he has been a member of the external panels which shaped the first post devolution national housing strategy for Wales (2001) and the current national housing strategy. A corporate member of the Chartered Institute of Housing and a Board member of a community based housing association in South

Wales, Bob is also a member of the advisory board for Welsh Housing Quarterly.

Peter McHugh

Peter is the Head of Housing and Community Development at Denbighshire County Council with responsibility for a portfolio including management and maintenance of the Councils Housing Stock, Housing Strategy, Regeneration and Economic Development.

Peter is responsible for steering Denbighshire towards achieving the Welsh Housing Quality Standard to all stock by December 2013. Before joining Denbighshire, Peter spent 6 years as a Consultant working with Local Authorities and RSLs in developing Joint Venture Vehicles, project managing stock transfers and delivering service improvement programmes. Prior to that Peter spent 3 years at the Office of the Deputy Prime Minister working with local authorities on their stock options appraisals and advised and supported authorities in the delivery of their ALMO/PFI and Stock Transfer investment strategies. Peter has also held the position of Head of Service with 2 leading Registered Social Landlords in the North West of England.

Keith Edwards

Keith returned to his post as Director of Chartered Institute of Housing (CIH) Cymru in January 2009 following a two year secondment to lead the Welsh Assembly Government **i2i** – inform to involve project.

He was Director of TPAS Cymru for 9 years before joining CIH Cymru in 2000. Prior to entering housing Keith worked in the trade union, co-operative and community development movements.

He is a member of the Welsh Housing Quarterly advisory board and a former member of the Inside Housing Editorial Panel. He sits on the Welsh Assembly Government Housing Programme Board and is a Ministerial appointee to the Wales Financial Inclusion Steering Group, National Regeneration Panel and WHQS Ministerial Task Force. In July 2009 he was made an honorary life member of the Welsh Tenants Federation.

Mike Owen

Chief Executive of Merthyr Valleys Homes since April 2011. He is a Governing Board member of the Chartered Institute of Housing. Previously Chief Executive of Carrick Housing a three star ALMO in Cornwall where he was a CLG and LGA advisor on reform of council housing financing and the redistribution of the national subsidy system for housing.

In the 1990's Mike was the Chief Executive of Birmingham Co-operative Housing Services a secondary housing co-operative setting up fully mutual and TMO's across the West Midlands.

Doc 2

‘Evaluation of the regulatory framework for associations in Wales’

<http://wales.gov.uk/about/aboutresearch/social/latestresearch/evaluation-regulatory-framework-housing-associations-wales/?jsessionid=CF71C5FC5425569D9D01E9BEC611CB0F>

Summary Report

<http://wales.gov.uk/docs/caecd/research/130619-interim-evaluation-regulatory-framework-housing-associations-summary-en.pdf>

The Following examples are case studies of Community benefits achieved through procurement and responsible business as a result of WHQS investment from Large Scale Voluntary Transfer organisations (LSVTs).

RCT Homes has developed a number of tools to capture partner contributions and attributed training and employment opportunities. These systems evidence the impact, capturing cash, in kind and volunteering undertaken by their partners.

Over £1,000,000 in cash donations

Almost 1,000 volunteer hours

£140,000 worth of materials and labour

£200,000 open book 'pain gain' efficiency savings

£140,000 matched funding for Resident Environmental Improvement schemes

In recognition of their partners' contribution, in 2012 they launched the 'More than Awards', to recognise and thank partners. RCT Homes report the total community benefit contribution that partners have made in the form of a 'statement', with a certificate and memento.

In recognition of all their innovation and commitment in relation to securing community benefit through procurement, RCT Homes were successful in winning the 2013 Welsh Government Procurement Awards category for Community Benefit. They were also highly commended for Responsible Procurement by Business in the Community (BITC) in 2010, winning the category in 2011. RCT Homes also achieved UK recognition as finalists in the UK CIH Housing Awards for Meeting Residents Needs & Aspirations through Procurement.

Rhydfelin Amateur Football Club (AFC) Refurbishment of Derelict Changing Facilities.

RCT Homes main partner Costain Construction adopted this scheme as their principal corporate social responsibility (CSR) project occupying and refurbishing significant elements of the building instead of locating in a nearby industrial estate or using portacabins. They brought together other partners to deliver the scheme.

CSR Positive Outcomes for Rhydfelin AFC:

Secured £57,180 (to date) in donations and in kind contributions from partners,

Developed a strong network of business partners,

Developed a strong relationship with the football club and the local community,

Improved local facilities and services,

Raised aspirations and confidence among the local community,

Increased local participation, and
Changed attitudes

These all triggered a catalyst for social change

Action Camp

This is a project from RCT Homes and is delivered by Young Wales. Action Camp is a three day residential event covering a number of key Welsh Government themes. Now in its ninth year it is primarily, though not exclusively, aimed at young people aged eleven to eighteen.

The Camp is followed up by community programme Particip8 that aims to increase youth volunteering locally.

As a result of Action Camp many young people have gained experiences that they won't easily forget. It has made them more aware of the consequences of their own actions, and also taught them how they can live a much healthier lifestyle. It has given these young people very good life skills and helped them grow in confidence.

Action Camp has given 5 young people a chance to gain work experience, and has given 2 of them employment for the summer holidays. I think Action Camp has again demonstrated it is an excellent way of bringing young people together, in a safe environment."

Many young people attending Action Camp often feel excluded from activities others enjoy. They miss the chance to swim, shop, cook and be with their friends, as well as missing the opportunity to make new friends. Published statistics estimate that one in four children and young people are affected by child poverty. Growing up in poverty can damage child development, which will have a detrimental effect on the positive outcomes in adult life. The costs, of this, are great and go well beyond the individual. It can have disastrous effects on their community.

- Action Camp tries to ensure the attendees enjoy a short break from their home environment, with the opportunity to try many new experiences.
- 98% of the Action Camp attendees achieved an NOCN Entry Level Award, accrediting their efforts. The qualification is approved within the Qualifications and Credit Framework (QCF) at Entry Level (Entry 3) and Level 1 and encompass the principles of Foundation Learning.

The Following examples are case studies of community benefits achieved through procurement in new build situations for traditional RSL's.

St Michael's Church

Grwp Gwalia's St Michael's Church in Bohun Street, Manselton, Swansea is an example of how the repair and restoration of a Grade II listed church can be redeveloped to provide new build, residential accommodation.

The scheme has received £350,000 of Welsh Government funding from Social Housing Grant towards a total scheme cost of £601,893 for the residential element, which provides six, three person, two bedroom flats for residents over 55 and was completed in December 2012.

The scheme included the restoration works of a church building; demolition of a church hall and hut, the re-ordering of internal church building space to accommodate new community facilities and the creation of a new West elevation church door and flat accommodation which has been designed to Code 3 + of Code for Sustainable Homes.

The scheme is located within Swansea Strategic Regeneration area and has provided the following community benefits:-

- the physical regeneration of a semi derelict site of a church hall and hut
- new community facilities within the church, across a range of user groups in a multi purpose flexible space.
- 95% of the supply chain for the scheme and sub-contractors were based within a 20 mile radius of this site which has provided support to the local economy.

Turner Street

City Gardens, Turner Street, Newport is a mixed tenure housing scheme of 35 homes of which 32 are for affordable housing. The site is located in a popular area of the city and had been derelict for a number of years.

The scheme has received £349,229 of Welsh Government funding from the Social Housing Grant which contributes to a total scheme cost of £764,985, to support the provision of 6 general needs units within the scheme.

As part of the scheme, Seren group agreed to pilot 2 new affordable housing products for Newport County Council, a 4 bedroom ladder project and a flat share unit.

The ladder project is aimed at young people aged between 18 and 25 who are in or are seeking employment and are living in circumstances where their accommodation is of poor quality or where they are at possible risk of becoming homeless.

The "flat share" comprises of 2 bedroom flats and are targeted at people under 35. The flats have been designed in response to proposed changes to welfare reform.

Due to the unique nature of the “ladder project” and the “flat share” Charter and Newport County Council will be monitoring progress closely as the model could be repeated elsewhere if successful.

The scheme has provided the following community benefits:-

- Greenhill Construction employed three local apprentices and one local trainee Site Manager and giving them the opportunity to gain valuable experience and expertise working on a local site
- Renovation to sea cadets huts
- Local school involvement, poster competition and health and safety talks
- The two pilot projects directly benefit young people within the community, who would otherwise find it difficult to secure suitable accommodation
- The original derelict site has been totally regenerated, improving the outlook of the area.

NEW - Argel Extra Care Project

This new project in Johnstown, Carmarthen is being undertaken by Family Housing Association in partnership with Carmarthenshire County Council and forms part of the authority's on-going strategy for older people.

This project provides:-

- 50 self-contained one and two bedroom apartments with the usual facilities of an extra care development, including lounge, dining room, craft and hobby room, wellbeing room and a range of sitting rooms and circulation spaces designed to encourage social interaction.
- 11 self-contained apartments for people with dementia, which have their own communal and recreational areas.
- A Day Centre for use by non-residential older persons in the community.
- A kitchen serving both the extra care development and the Day Centre. The kitchen will also form the hub of the Meals on Wheels service within the area.

The funding and partnership arrangement is innovative in that funding from the projects comes from three sources (private finance from Family Housing Association, Carmarthenshire County Council and the Welsh Government).

The Welsh Government has supported the scheme with a Social Housing Grant of £6.2m which contributes towards a gross scheme cost of £10.8m and is expected to be completed in January 2015.

This project allows tenants to live independently knowing that support is on hand should they need it. All areas including the apartments are suitable for access by people with disabilities.

The following community benefits will be delivered:-

- Working with the contractor and Carmarthenshire construction training agencies – there will be apprenticeship opportunities in a range of construction disciplines. During the construction process there will be an average of 50 people employed on site.
- the promotion of independent living will provide a much more efficient use of the Council's existing domiciliary care resources allowing more residents in the community to receive much needed care
- The location of the scheme, within an established community and adjacent to a large comprehensive school will promote social integration and interaction and reduce isolation which is a big issue for the older generation

Penucheldre Extra Care

Penucheldre Extra Care scheme in Holyhead is the first unit of its kind on the Isle of Anglesey and was developed in partnership with Anglesey County Council.

Completed in November 2012, the scheme includes 54 purpose built one and two bedroom flats developed by Cymdeithas Tai Eryri. This Extra Care development provides flexible, person centred care to support independence and social inclusion and enables older people to retain more control within their lives.

The Welsh Government provided funding of £4.76m from Social Housing Grant as part of the total scheme cost of £8.2m with the balance coming from private finance.

- The scheme also offers; accommodation for visitors, a restaurant lounge and coffee bar, hair and beauty salon, fitness room, hobbies room and communal areas for socialising. The new flats enable people to enjoy a happy and stress-free retirement with companionship and activities on hand, as well as the peace of mind that care and support is available as required.
- Many of the support workers, the chefs and kitchen staff have been recruited from the local community. The Restaurant has created an opportunity to establish a new social enterprise – “Gwledda” – which prepares meals at Penucheldra and provides an outside catering service.

Vulcan House

Wales & West Housing Association's, Vulcan House development in Bethesda Street, Merthyr Tydfil is due to complete in March 2013 and will deliver 15, 2 bedroom flats for affordable housing.

The original Vulcan house site consisted of grade II listed buildings in a dilapidated state of repair and had been vacant since 1990.

Following an extensive consultation process with CADW and the conservation officer at Merthyr Tydfil County Borough Council Wales & West Housing Association obtained planning approval and listed building consent to retain the main house and demolish the outer buildings within the curtilage.

The Welsh Government provided funding of £1.1m from Social Housing Grant for 15 units as part of the total scheme cost of £1.96m with the balance coming from private finance. Handover of the development is expected to take place in August 2013.

Community benefits:-

- The local community has benefited from the redevelopment of this site along with the adjacent Vulcan Brewery development which completed in 2011, has seen the regeneration of this small area of Merthyr.
- This area of Merthyr has been transformed from a depressing site with many dangerous and dilapidated buildings to a housing development which sits within the footprint of the former Vulcan House and its annex.
- Wales & West Housing are working closely with GGAT and Cyfartha Junior School to capture the history of the site and record it for others to enjoy in the future.
- There are 7 subcontracting organisations working on the project with some 18 operatives working on site. In addition the developer benefited from job opportunities and a total of 24 jobs were created over the length of the contract.

Affordable Housing Project, Rivulet Road and Kingsmills Road, Wrexham.

Wales & West Housing acquired land at Rivulet Road from the private sector (a stalled site) and further land at Kingsmills Road from the Council for the development of affordable housing comprising of a range of dwelling types.

The site was a former gas works, which was contaminated over time and has been remediated to bring into use for residential purposes.

The project also includes a refuge for women fleeing domestic violence and a fully adapted property for a specific client.

The project started on site in May 2012 and the first dwellings are due for handover on 10th May 2013.

The Welsh Government provided funding of £7m from Social Housing Grant as part of the total scheme cost of £18m with the balance coming from private finance.

In addition, a Community Resource Centre is being provided that is funded by Wales & West Housing. This provides a community centre, medical facility in partnership with the health board and a suite of office accommodation.

The properties on Kingsmills Road have had the maximum amount of PV panels placed on their roofs to give the tenants cheap electricity. This has been paid for by Wales & West Housing Association to help prevent fuel poverty.

The benefits to the community include:-

- There are ongoing job opportunities on the development for local people. 28 local people have been employed from the immediate locality. These include 16 apprentices with a wide range of skills including; Bricklayers, Plasterers, Timber Frame Joiners and Forklift Drivers.
- A new Community Resource Centre will provide a new medical centre for the local community and a new community centre to replace the old one. There will also be a large Public Open Space which will be adopted by the Local Authority on the Kingsmills Road site.



WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Wales Audit Office / Swyddfa Archwilio Cymru

Date: 13 June 2013
 Our ref: HVT/1897/fgb
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Ms Sarah Beasley

Clerk

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Dea Sarah

LOCAL AUDIT AND ACCOUNTABILITY BILL: LEGISLATIVE CONSENT MEMORANDUM (LCM)

I understand that the Public Accounts Committee has been asked to consider the Legislative Consent Memorandum for the UK Government's Local Audit and Accountability Bill and that you have sought the Wales Audit Office's view on a number of matters arising from that memorandum to assist the Committee's deliberations.

The LCM summarises the provisions in the UK Bill for which consent is being sought and sets out the advantages of using the UK Bill currently in play rather than an Assembly Bill. In short, the UK Bill would (amongst other things) provide for two cross-border Internal Drainage Boards to be subject to new audit arrangements being made for smaller authorities in England. The LCM states that the two IDBs in question (Lower Wye IDB and Powysland IDB) are "partly in Wales and partly in England".

You asked for our view on three issues.

1. *It would be helpful to know whether these IDBs were mostly in Wales or mostly in England.*

It appears to us from an examination of the areas covered by the two IDBs in question that over 90 per cent of Powysland IDB is in Wales and over 60 per of the Lower Wye IDB (including the only town in the IDB, Monmouth) is in Wales.

In addition to the three Internal Drainage Boards wholly or partly in Wales, there are 11 Internal Drainage Districts. A list of these districts is appended to this letter. These are all in North Wales and were administered by the Environment Agency. There is a lack of clarity on whether these Drainage Districts should have been legally constituted as Drainage Boards and therefore subject to individual audit appointments and my officers are looking in to this.

Direct Line: 029 2032 0510

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2. *The LCM also states that these two IDBs are currently audited in accordance with the auditing regime in England. Again, if you had the information, it would be helpful to know the reasons for this.*

When the Public Audit (Wales) Act 2004 (the 2004 Act) was introduced the basic UK Government policy approach to all cross-border bodies was that there should be no change, eg, if a cross-border body had its auditor appointed by the Audit Commission then it should remain appointed by the Audit Commission, rather than being transferred to the AGW.

The 'explanatory memo' to the 2004 Act says that it 'does not impact on audit arrangements for cross-border bodies' (para 4).

3. *Finally, I am sure that PAC would be interested to know whether the WAO has a view as to whether it would be appropriate for these two cross-border IDBs to be subject to the new audit regime for England, or whether they should be part of the audit regime in Wales.*

Allowing any public body to appoint their own auditor is contrary to the Principles of Public Audit. We do not believe such arrangements are good for ensuring proper stewardship of public money.

The Principles of Public Audit are widely accepted and were codified by the Public Audit Forum¹ in 1998 and endorsed by Lord Sharman's report of 2001². The principles are:

- auditors are appointed independently from the bodies being audited;
- the scope of auditors' work is extended to cover not only the audit of financial statements, but also aspects of corporate governance and arrangements to secure the economic, efficient and effective use of resources; and
- auditors may report widely to the public and other stakeholders.

Given the governance issues that emerged in the Caldicot & Wentlooge Levels IDB it would be a matter of particular concern to allow IDBs funded by levies on Welsh local authorities (and Welsh ratepayers) to appoint auditors themselves. Without the safeguard of independent appointment, auditors would face increased pressure to undertake or not undertake certain work, and to report privately – or not at all – rather than publicly as we have done.

¹ The Public Audit Forum is comprised of the five public audit agencies in the UK: the National Audit Office; the Audit Commission; Audit Scotland; the Northern Ireland Audit Office; and the Wales Audit Office.

² *Holding to Account, The Review of Audit and Accountability for Central Government*, Report by Lord Sharman of Redlynch, HM Treasury, 13 February 2001

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I would also note the Caldicot and Wentlooge Levels IDB provides services to the Lower Wye IDB. Although Lower Wye has its own board all the IDB's functions are administered by Caldicot and Wentlooge Levels IDB, including Board secretariat services, finance, HR etc, as well as engineering services. The Caldicot and Wentlooge Levels IDB has also, in the past, provided services to Powysland as well as other IDBs.

Like the Audit Commission the Wales Audit Office also has a limited assurance audit regime. In Wales the threshold between the limited assurance regime and the reasonable assurance is £1million; in England it is £6.5million. Unlike Caldicot and Wentlooge Levels Internal Drainage Board, both Powysland and Lower Wye IDBs fall below the £1million threshold and would, therefore, be subject to a limited assurance audit. So the cost of the normal audit work and the fee charged would be minimal.

If Natural Resources Wales takes on responsibility for the functions of the Internal Drainage Boards then this would be covered by our audit of Natural Resources Wales.

Over the last couple of years my auditors have built up a very good understanding of the complexity of these relatively small bodies. We are, therefore, well placed to undertake audit work on any other drainage boards and would be pleased to do so.

I trust you find this information useful.



HUW VAUGHAN THOMAS
AUDITOR GENERAL FOR WALES

Enc

Date: 13 June 2013
Our ref: HVT/1897/lgb
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INTERNAL DRAINAGE DISTRICTS

Afon Ganol IDD

Ardudwy Marsh IDD

Borth Bog IDD

Dysynni Valley IDD

Glaslyn - Pencyflog IDD

Harlech & Maentwrog IDD

Llanfrothen IDD

Malltraeth Marsh IDD

Mawdach & Wnion IDD

River Conwy IDD

Towyn IDD



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Mr Tom Jackson
 Clerk to the Public Accounts Committee
 National Assembly for Wales
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Reference	AJB447/bd
Date	03 July 2013
Pages	1 of 4

Dear Tom

Caldicot & Wentlooge Levels Internal Drainage Board

At the evidence session on 11 June 2013 I agreed to provide the Public Accounts Committee with some additional information. Specifically, the date when Newport City Council Internal Audit Department became involved with the drainage board and details of our audit escalation procedures.

Internal Audit

From our records it appears that Newport City Council Internal Audit Department first undertook internal audit work at the drainage board during 2007-08. The appointed auditor's report on the 2006-07 accounts had been modified to reflect that the drainage board did not have an internal audit function. It was as a direct result of this that the drainage board then appointed internal auditors. Our records show that the internal auditors made two visits during 2007-08; the first being in October 2007 and the second in February 2008. The Annual Internal Audit report for 2007-08 presented to the drainage board indicates that the total charge for that year was £3,000 for a total of 10 days internal audit work.

More precise details should be available from the drainage board, in the event that the Committee requires this.

Audit escalation procedures

The key output from the audit of the annual financial statements is the auditor's report/opinion on those statements. As prescribed by professional auditing standards, there are a variety of actions available to the auditor with regards to the form of that opinion. These range from an unqualified ('clean') opinion to disclaiming any opinion at all.

This letter considers with the way in which other (i.e. non opinion-related) recommendations should be dealt with. The comments in this paper are limited to local government bodies, since this is relevant to the PAC's consideration of the Drainage

Board report. (There are different statutory provisions relating to other types of public bodies and, whilst the same broad principles will apply to other bodies, the specific details will differ.)

For local government bodies, typically the process will consist of the following stages:

Stage 1 – the auditor makes a recommendation to those charged with governance within the public body concerned.

Stage 2 – during the following year's audit, the auditor will perform work to establish whether or not the recommendation has been adequately acted upon. If this is not the case, and there are no sound reasons for the failure to act, then the auditor will generally repeat the recommendation whilst highlighting that the recommendation was also made in the previous year but not appropriately actioned. However, and depending on the seriousness of the issue, the auditor may instead opt to go straight from Stage 1 to Stage 3.

Stage 3 – during the subsequent year's audit, the auditor finds that the recommendation has still not been adequately acted upon (again, without good reason). At this point the auditor should consider additional audit action. This will typically involve either (i) the making of statutory recommendations under Section 25 of the Public Audit (Wales) Act 2004; or (ii) the issuing of a report in the public interest. In practice, the difference between these two courses of action is based on the seriousness of the issue and the auditor's assessment of the likelihood that those charged with governance within the authority will take appropriate action.

Appointed auditors (including myself) have used statutory recommendations in the past in respect of local government bodies in Wales. For example at a unitary authority where the auditor was of the view that a decision was legally reasonable and lawful, but the processes and actions that underpinned the decision were significantly flawed in some respects. At another authority, deficiencies were reported to the authority with regards to two separate decision-making processes. On the third occasion that such deficiencies were identified by the auditor, a report in the public interest was subsequently issued.

Although not strictly part of the escalation process, an appointed auditor also has the power to issue an Advisory Notice (under Section 33 of the Public Audit (Wales) Act 2004). Such a Notice may be issued where the auditor believes that:

- the body, or an officer of the body, is about to make or has made a decision which involves or would involve the body incurring expenditure which is unlawful;
- the body, or an officer of the body, is about to take or has begun to take a course of action which, if pursued to its conclusion, would be unlawful and likely to cause a loss or deficiency; or
- the body, or an officer of the body, is about to enter an item of account, the entry of which is unlawful.

Once an Advisory Notice is issued, it is not lawful for the body or officer concerned to pursue the course of action until certain conditions set out in Section 34 of the 2004 Act have been met.

Quality Assurance Processes

I would also like to provide the Committee with a little more detail on the changes that we have recently made to our quality assurance processes within WAO Financial Audit. Our arrangements for ensuring audit quality essentially mirror those of the other public audit bodies in the UK, and those of the accountancy firms in the private sector. All audits are required to comply with the International Standards on Auditing (ISA) and Ethical Standards. Our internal processes and procedures are designed to support this.

All audit work is subject to review by a more senior member of the audit engagement team prior to issuing the audit opinion. The engagement lead is able to seek an independent 'second opinion' from another audit director (a 'hot' review) on any matters of contention or difficult audit judgement, prior to recommending the audit opinion to the AGW or Appointed Auditor. Advice and support from our central Technical Group is also available on request at any stage in the audit process.

A sample of WAO audits is subjected to post-completion quality assurance review ('cold' review) by an independent Quality Assurance (QA) team. The QA teams comprise experienced WAO staff and staff of other audit offices from across the UK. The lessons learned from our annual programme of quality assurance work are collated and both reported to our senior management and shared with all of our financial audit staff. Our audit tools, training methods and materials are updated annually as a result.

From this autumn, we have also decided to subject ourselves to external quality assurance reviews. These will be conducted by the Quality Assurance Department (QAD) of the Institute of Chartered Accountants in England and Wales (ICAEW). The QAD team will review our overall quality assurance arrangements, will re-perform a sample of our 'cold' reviews to ensure that they are robust, and also conduct their own QA reviews of a sample of completed audits.

Quality Assurance improvement actions

Arising from our 2011 QA work, we identified the need to deliver specific training to our audit staff on enhancing professional audit scepticism. (This was a common QA finding across the UK auditing profession, both in the public and private sectors.) Training was rolled out in a series of mandatory training events during 2012.

In our training courses, we are making greater use of case studies and are giving additional prominence to the inherent and specific risk factors that may be associated with smaller audits, including the risk of an over-dominant Chief Executive, or of a weak Board and governance arrangements.

We have reviewed our approach to the allocation of staff to smaller audits and we are increasing the relative proportion of time to be spent on those audits by senior staff.

Finally, I have also commissioned some further work on providing technical advice and guidance to our audit teams working on smaller audits, and I anticipate that this will be rolled out via training events in the autumn, in readiness for our 2013-14 audit planning cycle.

I trust this information will support the Committee in its enquiry.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'AJB' followed by a flourish and a small 'H'.

Anthony Barrett
Assistant Auditor General



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Mr Tom Jackson
Clerk to the Public Accounts Committee
National Assembly for Wales
Cardiff Bay
CF99 1NA

Reference	AJB448/bd
Date	03 July 2013
Pages	1 of 2

Dear Tom

Caldicot & Wentlooge Levels Internal Drainage Board.

I understand that you have raised a query with my colleague Matt Mortlock over my comments in oral evidence to the Public Accounts Committee on 11 June about when I became aware that my report in the public interest was largely being paid for by the Welsh Government.

I first became aware that the Welsh Government had provided £100,000 to the drainage board as a contribution to funding the costs of the report in the public interest on 16 May 2013, when Ms Jo Lerner, acting head of flood and coastal erosion risk management at the Welsh Government, gave oral evidence on this point to the Public Accounts Committee.

No member of my team had previously made me aware that this was the case and indeed there was no reason why they should have done so. It was not pertinent to my consideration of the issues at the drainage board or to my decision to issue the report in the public interest. Neither had I seen the minutes of the 21 May 2012 Board meeting.

The Wales Audit Office issued three invoices to the drainage board for the additional audit work which resulted in the preparation and publication of my report in the public interest:

Invoice Date	Amount (£)	Payment Date
15/12/2011	40,000.00	27/01/2012
03/02/2012	30,000.00	23/03/2012
30/01/2013	45,432.40	20/03/2013
Total	115,432.40	

Please let me know if you have any further queries.

Yours sincerely



Anthony Barrett
Assistant Auditor General

Public Accounts Committee

Meeting Venue: Committee Room 3 – Senedd

Meeting date: Tuesday, 2 July 2013

Meeting time: 09:00 – 11:00

This meeting can be viewed on Senedd TV at:

http://www.senedd.tv/archiveplayer.jsf?v=en_700008_02_07_2013&t=0&l=en

Cynulliad
Cenedlaethol
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National
Assembly for
Wales



Concise Minutes:

Assembly Members:

Darren Millar (Chair)
Mohammad Asghar (Oscar) AM
Jocelyn Davies
Mike Hedges
Sandy Mewies
Julie Morgan
Jenny Rathbone
Aled Roberts

Witnesses:

Huw Vaughan Thomas, Auditor General for Wales, Wales Audit Office
Mike Usher, Wales Audit Office
Dave Thomas, Wales Audit Office
Kate Chamberlain, Healthcare Inspectorate Wales
Mandy Collins, Health Inspectorate Wales

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 An Overview of Governance Arrangements of Betsi Cadwaladr University Health Board: Briefing on the joint review by Healthcare Inspectorate Wales and the Wales Audit Office

2.1 The Chair welcomed Huw Vaughan Thomas, Auditor General for Wales; Mike Usher, Wales Audit Office; Dave Thomas, Wales Audit Office; Kate Chamberlain, Chief Executive, Healthcare Inspectorate Wales; and Many Collins, Healthcare Inspectorate Wales.

2.2 The Chair invited the Auditor General for Wales and Healthcare Inspectorate Wales to brief the Committee on the findings of their review 'An Overview of Governance Arrangements – Betsi Cadwaladr University Health Board'.

3 Papers to note

3.1 The Committee noted the response to action points from the Welsh Government.

3.2 The Committee noted its draft work programme for the summer term 2013.

3.3 The Committee noted the minutes of the meeting on 25 June 2013.

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

5 Consideration of the handling of the joint review by Healthcare Inspectorate Wales and the Wales Audit Office: An Overview of Governance Arrangements of Betsi Cadwaladr University Health Board

5.1 The Committee discussed the findings of the report 'An Overview of Governance Arrangements of Betsi Cadwaladr University Health Board' and agreed to conduct a short inquiry before the end of the summer term.

6 Consideration of draft Committee report 'The Procurement and Management of Consultancy Services'

6.1 Owing to time restrictions, the Committee agreed to postpone its consideration of the draft Committee report 'The Procurement and Management of Consultancy Services' to its next meeting.

Draft Public Accounts Committee Forward Work **Programme: Summer term 2013¹**

Thursday 18 April (9:30–12:30)

- 1. Introductions**
- 2. Consideration of advice from the Auditor General for Wales on issues arising from the Committee's report 'Progress in delivering the Welsh Housing Quality Standard'**
 - a. Members' consideration of advice
- 3. Procurement and Management of Consultancy Services**
 - a. Welsh Government– Michael Hearty and Value Wales
 - b. NHS Shared Services partnership
- 4. Motion to go into private session**
- 5. Procurement and Management of Consultancy Services**
 - a. Members' consideration of evidence

Tuesday 23 April (9:00–11:00)

- 1. Introductions**
- 2. The Consultant Contract in Wales**
 - a. Adam Cairns, Chief Executive, Cardiff and Vale University Health Board and Janet Wilkinson, Director of Workforce, Hywel Dda
- 3. Motion to go into private session**
- 4. The Consultant Contract in Wales**
 - a. Members' consideration of evidence
- 5. Grants Management**
 - a. Members' consideration of draft report

¹ Explanatory note from Clerk- in line with the PAC's discussions on the use of Thursdays, a meeting has generally been scheduled on approximately the third Thursday of each calendar month. Where possible, Thursday meetings have been scheduled to:

- enable the Committee to make effective progress with work;
- avoid clashes with the Finance Committee;
- minimise potential membership clashes with the Smoking Regulations committee; and
- minimise the impact of membership clashes with the Health and Social Care Committee.

Tuesday 30 April (9:00–11:00)

- 1. Introductions**
- 2. Correspondence from Business Committee**
- 3. Procurement and Management of Consultancy Services**
 - a. John House, Chief Executive Cardiff County Council
- 4. Motion to go into private session (including meeting of 7 May)**
- 5. Procurement and Management of Consultancy Services**
 - a. Members' consideration of evidence
- 6. Grants Management**
 - a. Members' consideration of final report

Tuesday 7 May (9:00–11:00)

PRIVATE MEETING

- 1. Consideration of correspondence from Wales Audit Office on the Welsh Government's subsidy of the North/South Wales Air link**
- 2. Consideration of support for Committee**
- 3. Consideration of potential work to seek updates on implementation of recommendations of previous Committee reports**
- 4. Forward Work Programme**
 - a. Members' consideration of Forward Work Programme
- 5. Grants Management– Final Report**
 - a. Members' consideration of draft report

Thursday 16 May (9:00–13:00)

- 1. Introductions**
- 2. Issues arising from findings of WAO report on Caldicot & Wentlooge Internal Levels Drainage report**
 - a. Welsh Government (9:00–10:00)
 - b. Natural Resources Wales (10:00–10:50)

- c. General Manager of Caldicot and Wentlooge Levels Internal Drainage Board and Association of Drainage Boards (10:55–11:45)
- d. Former Clerk and Engineer of Caldicot and Wentlooge Levels Internal Drainage Board (11:45–12:35)

3. Motion to go into private session

4. Issues arising from findings of WAO report on Caldicot & Wentlooge Internal Levels Drainage report

- a. Members' consideration of evidence (12:35–13:00)

Tuesday 21 May (9:00–11:00)

- 1. Introductions**
- 2. Advice from the AGW on WG responses to PAC reports 'Health Finances' and 'Maternity Services in Wales' (9:05 – 9:10)**
- 3. Papers to note**
- 4. Motion to go into private session**
- 5. Potential opportunity for briefing on legal issues associated with River Lodge Hotel report, prior to report's publication (9:10–9:25)**
- 6. Civil Emergencies**
 - a. Members' consideration of draft report (9:30–11:00)

Thursday 6 June²

- 1. Introductions**
- 2. Update from Welsh Government on implementation of recommendations in Public Accounts Committee report: Hospital Catering (14:00–15:00)**
- 3. Update from Welsh Government on implementation of recommendations in Public Accounts Committee report: A Picture of Public Services 2011 (15:00–16:00)**
- 4. Update from Welsh Government on implementation of recommendations in 3rd Assembly Public Accounts**

² Obviously, this is not the third Thursday of June. However, use of this date (rather than 20 June) is likely to minimise impact of a membership clash with the Health and Social Care Committee.

Committee report: Capital Investment in Schools (16:00–17:00)

- 5. Motion to go into private session**
- 6. Members' consideration of updates from Welsh Government on implementation of recommendations from previous Committee reports (17:00–17:30)**

Tuesday 11 June

- 1. Introductions**
- 2. Issues arising from findings of WAO report on Caldicot & Wentlooge Internal Levels Drainage report**
 - a. Audit Commission (9:00– 9:30)
 - b. Wales Audit Office (9:30– 10:00)
- 3. Motion to go into private session**
- 4. Issues arising from findings of WAO report on Caldicot & Wentlooge Internal Levels Drainage report**
 - a. Members' consideration of evidence (10:00–10:20)
- 5. Civil Emergencies**
 - a. Members' consideration of final report (10:20–11:00)

Tuesday 18 June

- 1. Introductions**
- 2. Issues arising from findings of WAO report on Caldicot & Wentlooge Internal Levels Drainage report**
 - a. James Harris, Former Board Member of Caldicot and Wentlooge Levels IDB (9:00 – 9:50)
- 3. Motion to go into private session**
- 4. Issues arising from findings of WAO report on Caldicot & Wentlooge Internal Levels Drainage report**
 - a. Members' consideration of evidence (9:50–10:00)
- 5. Appointment of non-executive Members and Chair of Wales Audit Office**
 - a. Members' consideration of options paper and draft job adverts (10:00–10:20)

**6. Local Audit and Accountability Bill: Consideration of
Legislative Consent Memorandum (10:20 – 11:00)**

Thursday 20 June- Publication of Grants Management report

Tuesday 25 June

- 1. Introductions**
- 2. Progress in delivering the WHQS**
 - a. Update from Welsh Government (9:00–10:00)
- 3. Briefing from Wales Audit Office on Continuing Healthcare (10:00–10:40)**
- 4. Motion to go into private session**
- 5. Progress in delivering the WHQS**
 - a. Members’ consideration of evidence (10:40–10:50)
- 6. Briefing from Wales Audit Office on Continuing Healthcare**
 - a. Members’ consideration of potential action arising from briefing

Tuesday 2 July

- 1. Introductions**
- 2. Briefing from Wales Audit Office and Health Inspectorate
Wales on An Overview of Governance Arrangements at Betsi
Cadwaladr UHB (9:00–10:00)**
 - Huw Vaughan Thomas, Auditor General for Wales
 - Kate Chamberlain, Chief Executive, Health Inspectorate
Wales
- 3. Motion to go into private session**
- 4. Members consideration of potential action arising from
briefing on An Overview of Governance Arrangements at
Betsi Cadwaladr UHB (10:00–10:30)**
- 5. The procurement and management of consultancy services**
 - a. Members’ consideration of draft report (10:30–11:00)

Tuesday 2 July - Publication of PAC report ‘Civil Emergencies in Wales’

Tuesday 9 July

- 1. Introductions**
- 2. Governance Arrangements at Betsi Cadwaladr University Health Board (9:05 – 10:00)**
 - a. Geoff Lang, Acting Chief Executive, Betsi Cadwaladr University Health Board and other Executive Members (tbc)
- 3. Motion to go into private session**
- 4. Members consideration of evidence (10:00–10:15)**
- 5. Consideration of draft report ‘The procurement and management of consultancy services’**
 - a. Members’ consideration of draft report (10:15–10:45)
- 6. Local Audit and Accountability Bill: Consideration of Legislative Consent Memorandum (10:45 – 11:00)**

Tuesday 16 July 2013

- 1. Introductions**
- 2. Consideration of final report ‘The Procurement and Management of Consultancy Services’ (9:00 – 9:30)**
- 3. Consideration of draft report ‘Consultant Contract in Wales: Progress with Securing the Intended Benefits’ (9:30 – 10:30)**
- 4. Scope of potential Committee inquiry into Senior Executive Pay (10:30 – 10:45)**
- 5. Consideration of draft work programme for the autumn term 2013 (10:45 – 11:00)**

Thursday 18 July

- 1. Introductions**
- 2. Governance Arrangements at Betsi Cadwaladr University Health Board (9:00 – 10:30)**

- a. Professor Merfyn Jones, Chair of Betsi Cadwaladr University Health Board and other Independent Members (tbc)
- 3. Motion to go into private session (Items 4,6 and 9)**
- 4. Consideration of evidence (10:30 – 11:00)**
- 5. Governance Arrangements at Betsi Cadwaladr University Health Board (13:00 – 14:30)**
 - a. David Sissling, Welsh Government
- 6. Consideration of evidence (14:30 – 14:45).**
- 7. Governance Arrangements at Betsi Cadwaladr University Health Board (14:45 – 16:15)**
 - a. Mary Burrows, Outgoing Chief Executive, Betsi Cadwaladr University Health Board (tbc)
- 8. Papers to note**
- 9. Consideration of evidence.**

Other anticipated activity before end of 2013

- One day inquiry into senior officials' pay
- Appointment of non-executive Members and Chair of WAO board
- Formal briefings of forthcoming WAO reports on Unscheduled Care and Health Finances
- Potential inquiries into issues raised by forthcoming WAO reports
- Consideration of draft reports
- Informal visit to discuss best practice with Westminster Public Accounts Committee

Anticipated Publication of Committee reports:

Inquiry	Evidence Sessions	Committee's consideration of draft report	Approximate publication
Civil Emergencies	Completed	Completed	2 July
Procurement and Management of Consultancy Services	Completed	2 July– 9 July	Summer Recess
The Consultant Contract in Wales	Completed	9 July – 16 July	Summer Recess
Issues arising from findings of WAO report on Caldicot and Wentlooge Internal Levels Drainage Board	Completed	Autumn Term	Autumn Term
Updates on the implementation of recommendations made by PAC on Hospital Catering and Patient Nutrition; A Picture of Public Services; and Capital Investment in Schools	6 June 2013 (Consideration to be scheduled in Autumn Term of correspondence arising from 6 June meeting)	Autumn Term	Autumn Term
Betsi Cadwaladr University Health Board	18 July	Autumn Term	Autumn Term
Implementation of the National Framework for Continuing NHS Healthcare	Autumn Term	Autumn Term	Autumn Term

By virtue of paragraph(s) vi of Standing Order 17.42

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