

Public Accounts Committee

Meeting Venue:

Committee Room 3 – Senedd

Meeting date:

Tuesday, 29 April 2014

Meeting time:

09.00

Cynulliad
Cenedlaethol
Cymru

National
Assembly for
Wales



For further information please contact:

Fay Buckle

Committee Clerk

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Agenda

1 Introductions, apologies and substitutions (09:00)

2 Papers to note (09:00) (Pages 1 – 4)

Valedictory session: Director General, Health Social Services and Children, Welsh Government: Letter from David Sissling (27 March 2014) (Pages 5 – 6)

3 National Framework for Continuing NHS Healthcare: Consideration of further information from the Welsh Government (09:05–09:15) (Pages 7 – 8)

PAC(4)11–14(paper 1)

4 Motion under Standing Order 17.42 to resolve to exclude the public from the meeting for the following business: (09:15)

Items 5, 6, 7 & 8

5 EU structural funding: Briefing from the Wales Audit Office (09:15–09:30) (Pages 9 – 113)

PAC(4)–11–14(paper 2)

6 Public funding of the Cywain Cente – Bala: Briefing from the Wales Audit Office (09:30–09:45) (Pages 114 – 155)

PAC(4)–11–14(paper 3)

7 Intra–Wales – Cardiff to Anglesey – Air Service: Consideration of further information and next steps (09:45–10:00) (Pages 156 – 162)

PAC(4)–11–14(paper 4)

8 Covering Teachers’ Absence: Consideration of draft report (10:00–11:00) (Pages 163 – 193)

PAC(4)–11–14(paper 5)

Public Accounts Committee

Meeting Venue: **Committee Room 4 – Tŷ Hywel**

Meeting date: **Thursday, 3 April 2014**

Meeting time: **09.00 – 12.45**

This meeting can be viewed on Senedd TV at:

http://www.senedd.tv/archiveplayer.jsf?v=en_500001_03_04_2014&t=0&l=en

Cynulliad
Cenedlaethol
Cymru

National
Assembly for
Wales



Concise Minutes:

Assembly Members:

Darren Millar AM (Chair)
Christine Chapman AM (In place of Sandy Mewies AM)
Mike Hedges AM
Alun Ffred Jones AM
Julie Morgan AM
Jenny Rathbone AM
Aled Roberts AM

Committee Staff:

Fay Buckle (Clerk)
Meriel Singleton (Second Clerk)
Claire Griffiths (Deputy Clerk)
Gwyn Griffiths (Legal Advisor)

TRANSCRIPT

View the [meeting transcript](#).

1 Introductions, apologies and substitutions

1.1 The Chair welcomed the Members to Committee.

1.2 The Chair advised Committee that William Graham was elected to the Committee on Tuesday but had sent his apologies due to a diary clash.

1.3 Apologies were received from Sandy Mewies. Christine Chapman substituted.

1.4 The Chair welcomed Kate Kuring, a performance audit manager from the Victorian Auditor General's Office (VAGO) in Australia, who is visiting the WAO as part of a study tour of the UK audit offices

2 Papers to note

2.1 The papers were noted.

2.1 Senior Management Pay: Letter from Richard Tompkins, Director of NHS Wales Employers (3 March 2014)

2.2 Senior Management Pay: Additional information from Peter Smith, The Hay Group (March 2014)

2.3 Senior Management Pay: Amended paper from the Welsh Local Government Association (March 2014)

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

3.1 The motion was agreed.

4 Senior Management Pay: Briefing from the Wales Audit Office and next steps

4.1 Members received a briefing from the Wales Audit Office on two Wales Audit Office Public Interests reports, published on 30 January 2014, on Senior Officers' Pay and Pensions – Carmarthenshire County Council and Senior Officers' Pay and Pensions – Pembrokeshire County Council.

4.2 Members agreed to gather more evidence as part of the inquiry from monitoring officers of local authorities, representatives of FE and HE sectors and Registered Social Landlords.

5 Management of Chronic Conditions: Briefing from the Wales Audit Office

5.1 Members received a briefing from the Wales Audit Office on the *Management of Chronic Conditions*.

5.2 It was agreed that the Chair will write to the Welsh Government seeking a response to the WAO report.

5.3 On receipt of the response, the Committee will consider whether it will undertake an inquiry into this issue.

6 The Welsh Government's location strategy: Briefing from the Wales Audit Office

6.1 Members received a briefing from the Wales Audit Office on the *Welsh Government's location strategy*.

6.2 It was agreed that the Chair will write to the Welsh Government seeking a response to the WAO report.

6.3 On receipt of the response, the Committee will consider whether it will undertake an inquiry into this issue.

7 Meeting the Financial Challenges Facing Local Government in Wales: Next steps

7.1 The Committee considered the correspondence and agreed that the Chair should write to the Chair of Communities, Equalities and Local Government Committee requesting that time be identified, if possible, on the Committee's work programme to undertake further work on this issue.

7.2 The Committee agreed to return to this issue on receipt of the WLGA's and the Chair of Communities, Equalities and Local Government Committee responses.

8 Forward work programme – Public Accounts Committee

8.1 The Committee noted the forward work programme.

9 Unscheduled Care: Agreement of final report

9.1 The Committee agreed that reference should be made to the recently published WAO report on the *Management of Chronic Conditions*. A further draft will be sent for final agreement by email and Members noted that the report will be published on 24 April.

10 Covering Teachers' Absence: Consideration of draft report

10.1 The Committee considered the draft report and suggested a number of recommendations. Members will re-consider a further draft at the next meeting.

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

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

Our Ref: DS/SW/TLT

27 March 2014

Dear Darren

PUBLIC ACCOUNTS COMMITTEE – Valedictory Session

Following the Public Accounts Committee on 18 March, I agreed to send you a note about a range of mental health issues.

Mental health is a key governmental priority, demonstrated by commitments in *Programme for Government*. Of particular significance is *Together For Mental Health*, the Welsh Government's 10-year mental health and wellbeing strategy to improve the lives of people using mental health services, their carers and their families. It aims to enhance the wellbeing and resilience of the wider population, as well as improving mental health services. It is the first all-age mental health strategy for Wales and takes a holistic, cross-government approach; clearly much that matters to people's mental well being – for example housing, employment or education – are beyond health and social care. At the heart of the Strategy is the Mental Health (Wales) Measure 2010, which places legal duties on Health Boards and Local Authorities to improve support for people with mental ill-health.

The main themes of *Together for Mental Health* are:

- Promoting mental wellbeing and, where possible, preventing mental health problems developing.
- Establishing a new partnership with the public, centred on:
 - Improving information on mental health
 - Increasing service user and carer involvement in relevant decisions.
 - Changing attitudes to mental health by tackling stigma and discrimination.

- Delivering a well designed, fully integrated network of care. This will be based on the recovery and enablement of service users in order to live as fulfilled and independent a life as possible.
- Addressing the range of factors in people's lives which can affect mental health and wellbeing through Care and Treatment Planning and joint-working across sectors.

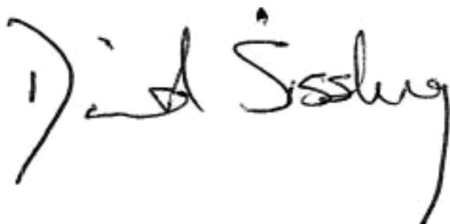
The first annual report for *Together for Mental Health* was published in December and showed progress in services across Wales, while accepting there is further work to be done. We are about to publish an interim report on the progress of the Mental Health Measure, which will also show positive impacts on peoples care and access to services

Central to Together for Mental Health, is the recognition that identifying and addressing mental illness at an early age can ameliorate problems later in life. As such children and young people are at the heart of the Strategy. You are aware from my correspondence of 10 March that we are working with LHBs to improve CAMHS services throughout 2014 as a priority. CAMHS in Wales is provided by the four Health Boards – Aneurin Bevan, Betsi Cadwaladr, Cwm Taf and Hywel Dda. Planning and commissioning is carried out by WHSCC who fund Tier 4, high specialist services.

As you know the Children, Young People and Education Committee is currently conducting an enquiry into CAMHS and these issues will be explored further as part of that work.

I trust the above is helpful.

Yours sincerely

A handwritten signature in black ink, appearing to read 'David Sissling'. The signature is fluid and cursive, with a large 'D' and 'S'.

DAVID SISSLING

cc Mark Drakeford AM, Minister for Health and Social Services



Llywodraeth Cymru
Welsh Government

Mark Drakeford AC / AM
Y Gweinidog Iechyd a Gwasanaethau Cymdeithasol
Minister for Health and Social Services

Ein cyf/Our ref: SF-MD-0282-14

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

3 April 2014

Dear Darren,

National Framework for Continuing NHS Healthcare

Thank you for your letter of 11 March requesting further clarity on the Welsh Government's response to Recommendations 1, 4, 6 and 7 in relation to the Public Accounts Committee report on the National Framework for Continuing NHS Healthcare. Further information is provided below.

Recommendation 1

It is not the intention for the new Decision Support Tool (DST) to be applied retrospectively. The DST is designed to support multi-disciplinary teams to make decisions on an individual's eligibility for CHC, it does not however replace rounded and comprehensive assessment or professional judgement.

The testing undertaken by Local Health Boards indicates that whilst the updated DST was easier to use and provided clearer presentation of the evidence of need, it did not necessarily or usually change the outcome of the decisions made regarding the eligibility for CHC. This finding concurs with feedback from colleagues in England, who have used this version of the DST since November 2012.

Whilst it is difficult to assess the potential level of new retrospective claims arising from individuals who may feel they have been disadvantaged in the past, our view is that claims should be considered in relation to the guidance in place at that time and that the outcome is unlikely to differ as a result of the new DST.

Recommendation 4

Claimants are currently made aware of the opportunity to have their claims expedited, should their circumstances be extenuating, in standard correspondence from the National Project Team (managed by Powys teaching Health Board). We are currently revising the Information Leaflet that will be provided to claimants in readiness for the publication of the new cut off date of 31 July 2014 (for claims relating to the period 1 April 2003 to 31 July 2013). The ability to request that a claim be expedited in extenuating circumstances will be included in this revised leaflet. The leaflet will be provided to all claimants.

Recommendations 6 & 7

I confirm that the Committee's recommendations have been fully accepted.

The terms of reference for the National (Powys) Project required that all claimants would be informed of the outcome of their claim (i.e. whether they have been found to be eligible, for what period and the reimbursement they will receive) by 30 June 2014.

Based on current progress, all claims are expected to have been reviewed by the end of April. The negotiation period (regarding the period of eligibility and the amount to be reimbursed) for the final tranche of cases is anticipated to take until the end of June. They will then be regarded as completed.

Cases are not considered to be fully resolved until the claimant has received their reimbursement from the relevant Local Health Board. My previous response acknowledges that this 'settlement period' may take until September 2014 for some of the later cases considered by the National (Powys) Project. Updates will be provided to the Public Accounts Committee in June and September 2014 reflecting these milestones and the proportion of cases fully resolved, as defined above.

The consultation period on the revised Framework for Continuing NHS Healthcare closed on 13 March. Officials are currently reviewing the responses and the intention is for the revised Framework to be published in June 2014.

Best wishes
Mark.

Mark Drakeford AC / AM

Y Gweinidog Iechyd a Gwasanaethau Cymdeithasol
Minister for Health and Social Services

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Agenda Item 6

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

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Agenda Item 7

Adran yr Economi, Gwyddoniaeth a Thrafnidiaeth
Department for Economy, Science and Transport

Cyfarwyddwr Cyffredinol • Director General



Llywodraeth Cymru
Welsh Government

Darren Millar AM
Chair
Public Accounts Committee

23 April 2014

Dear Mr Miller

Public Accounts Committee – Intra Wales Air Service

I am writing to follow up on your letter of 2 April requesting further information on the North South Air Service.

I have enclosed a document and annexes which attempt to do this as fully as possible. Please let me know if you require any further information.

Yours sincerely

James Price



BUDDSODDWYR
MEWN POBL

INVESTORS
IN PEOPLE

Page 156

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**Welsh Government response to the letter from the
Public Accounts Committee, dated 2 April 2014.**

Following the evidence provided at the Public Accounts Committee on 25 March 2014, the Public Accounts Committee raised a number of queries. This document provides responses to each query raised and seeks to provide the clarification required.

1. Clarify recent monthly passenger numbers (since October 2013), details regarding advance bookings and the comparison with advance bookings at an equivalent point in previous years;

Welsh Government Response:

Recent monthly passenger numbers (passengers carried), since October 2013:

Oct 13: 870

Nov 13: 821

Dec 13: 512

Jan 14: 631

Feb 14: 656

Mar 14: 785

Total: 4,275

Advance bookings taken at equivalent comparable points in previous years:

March 12:481

March 13:495

March 14:574

2. Provide further explanation about the changes in state aid rules affecting the PSO subsidy and the additional flexibility that these changes may provide should the Welsh Government decide to continue its subsidy of a North/South Wales Air Service beyond December 2014;

Welsh Government Response:

The European Commission has recently published (February 2014) new Guidelines for State Aid to Airlines and Airports, which permits (subject to certain criteria and needs) public support for investment, operation and Routes Development Fund (RDF) amongst others.

Annex A contains information and advice for public funding of PSOs.

3. Confirm why Hawarden is currently used as the emergency diversion route, as opposed to Caernarfon;

Welsh Government Response:

The length of the runway at Caernarfon is insufficient for the current service provision. Caernarfon does not have sufficient facilities and the level of fire cover is inadequate for the current service provision.

In emergency situations and if at all possible, industry preference is to return the aircraft and passengers to the departing airport should a diversion be necessary.

4. Confirm whether Arriva Trains Wales is able to provide the Welsh Government with data on split ticketing for journeys between North and South Wales'.

Welsh Government Response:

It is not possible for Arriva Trains Wales to provide this level of detail for passenger journeys.

5. Please provide the terms of reference for the work that Arup is undertaking on the Welsh Government's behalf to inform the overall value for money assessment of the Air Service;

Welsh Government Response:

Terms of Reference are at Annex B

6. If not specified by, or separate to, the terms of reference for the Arup work, please provide a detailed breakdown of the data the Welsh Government is gathering to inform its decision on the future of the Air Service, including distinguishing between different types of passenger (leisure/private sector business/public sector business - i.e. taxpayer funded travel), measuring the overall catchment area of the current service, comparing different route options and benchmarking with other PSO contracts elsewhere in the UK or the Republic of Ireland;

Welsh Government Response:

This is identified within the attached Terms of Reference.

7. Confirm the timetable by which the Welsh Government expects the Arup work to be completed;

Welsh Government Response:

We anticipate the review will be completed by July 2014.

8. Confirm the timetable by which Welsh Government expects to determine the future of the Air Service, including the timescale for the possible re-tendering exercise and the contingency arrangements should the tendering process fail to identify a suitable service provider;

Welsh Government Response:

Should the Welsh Government continue to support the Public Service Obligation Wales Intra Air Service, EU procurement regulations 1008/2008 will be followed.

Should the Welsh Government continue to support the Public Service Obligation Wales Intra Air Service, a six month OJEU tendering exercise will be undertaken. Contingency planning along with other contract requirements will be identified through the tendering process.

9. Provide any further explanation you can offer following on-going enquiries about the discrepancy in Welsh Government and Civil Aviation Authority passenger number data;

Welsh Government Response:

The CAA and the operators of the Cardiff to Anglesey PSO Service do report different passenger numbers. On average, the passenger numbers supplied by the air service operator are higher than the CAA figures.

It is not in the commercial interest for the operators of the Cardiff to Anglesey PSO Service to provide us with incorrectly high passenger data. This information is used to set their budgets and their subsidy requirements.

The differences in passenger data held by the CAA and the operator are greatest in 2012 and 2011 when the airport was under different ownership.

The recording and handling of data will be considered during the next phase of the review of the service.

10. Provide a description of any action taken by the Welsh Government to promote the Air Service or to encourage additional marketing activity by the operators during the current contract term and the extent of influence that the Welsh Government has over the pricing model. We are raising these points in the context of the different business model operated by Manx2/Citywing compared with Highland Airways that you put forward as one reason for the reduction in passenger numbers.

Welsh Government Response:

The current contract allocates Citywing an annual budget of approximately £20k-£25k for its total marketing activity. Marketing and awareness raising activity undertaken includes radio advertising (Real/Heart); adverts in local publications: Cardiff Advertiser, Around Town (Cardiff, Swansea, RCT, Bridgend); attendance at the Swansea and Anglesey Air Shows; and also awareness raising activity through its charity work. It has a comprehensive website and flights appear on comparison websites when searched.

Public Funding of Services of General Economic Interest (SGEI)

1. As with the 2005 Guidelines, the revised draft guidelines highlight the possibility of funding airports and/or certain routes as a SGEI, although the scope for utilising this, continues to be limited.
 - i. For an activity to be considered an SGEI, it should exhibit special characteristics as compared with ordinary economic activities, and the general interest objective cannot simply be that of development of certain economic activities or economic areas in Article 107(3)(c) of the TFEU.
 - ii. Public service obligations can only be imposed on a specific route or group of routes, not on any generic route originating from a given airport, city or region.
 - iii. Public service obligations can only be imposed on a route to fulfil transport needs which cannot be adequately met by an existing air route or by other means of transport.
2. The Commission considers that the overall management of an airport, in well justified cases can be considered an SGEI. However, this can only be the case if part of the area potentially served by the airport would be, without the airport, isolated from the rest of the EU to an extent that would prejudice its social and economic development. Such an assessment should take account of other modes of transport.
3. The Commission considers that the scope of public service obligations imposed on airports should not encompass the development of commercial air travel services.
4. A PSO can only be granted according to the conditions of Regulation No 1008/2008. However compliance with Regulation 1008/2008 does not mean that you do not have to assess State aid compliance with Article 107(1) of the TFEU. Funding an SGEI will be exempt from notification requirements and can be granted in accordance with the SGEI Decision if the funding is to airport managers where annual traffic does not exceed 200,000 passengers; and where the funding is to an airline to find an air link to islands where annual traffic does not exceed 300,000. If the SGEI Decision does not apply, it can be notified to the Commission and declared compatible.
5. The Commission has recently opened an in depth investigation into compensation for Sardinian Airports, where Italy maintains that it is lawfully funded as an SGEI. The outcome of this case should provide further guidance on what can and cant be funded by way of an SGEI.

REVIEW OF THE INTRA WALES PSO AIR SERVICE

TERMS OF REFERENCE

Purpose:

To undertake independent market testing and explore demand for the existing and potential future provision of an Intra Wales PSO Air Service.

- To provide market testing for an intra Wales air service joining north and south Wales;
- To make recommendations and provide advice to Welsh Ministers on the findings of the review;
- To review existing provision of the intra Wales PSO Air Service;
- To review the value for money of the service; and
- To identify the wider economic benefits of the service.

A phase 1 review of the service was undertaken and reported to Welsh Government on 5 March 2014 by ARUP Consulting. The report provides a preliminary assessment of the Air Service based on passenger and financial data since 2007 and makes recommendations for the scope of a second phase review.

Background:

The Intra Wales Air Service provides twice-daily weekday flights between north and south Wales (between RAF Valley, Anglesey and Cardiff). The Air Service has been designated by the UK Government as a PSO (Public Service Obligation) which allows the Welsh Government to provide financial support to sustain the service.

The service has operated in Wales since 2007, and is currently delivered by Citywing who provides ticketing and marketing functions. Links Air hold the operating license. The current contract expires December 2014. The Welsh Government is continuing its review of the service and this second phase scoping exercise will be used to inform future strategy should the Welsh Government decide to continue its support for the service.

Scope:

ARUP Consulting has been contracted to undertake an independent review of market conditions for the intra air service in Wales. The provider should explore and make suitable recommendations for the future of the PSO in Wales.

Considerations include, but are not limited to:

- | | |
|--|---|
| Economic impact and opportunities; | Review of fares policy; |
| Social and political cohesiveness between North and South Wales; | Alignment with existing Welsh Government policies and priorities (e.g. environment and sustainability); |
| Maximising commercial opportunities; | Connectivity; |
| Maximising market investment; | Regulations for PSOs; and |
| Maximising tender interest/bidders; | Resilience |
| Stakeholder and customer engagement; | Data handling |

Timescale:

The work is due to be completed by July 2014.

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