

Public Accounts Committee

Meeting Venue:

Committee Room 3 – Senedd

Meeting date:

Tuesday, 8 July 2014

Meeting time:

09.00

Cynulliad
Cenedlaethol
Cymru

National
Assembly for
Wales



For further information please contact:

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Committee Clerk

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Agenda

1 Introductions, apologies and substitutions (09:00)

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

Meeting the Financial Challenges Facing Local Government in Wales: Letter from the Director General for Local Government and Communities (1 July 2014) (Pages 3 – 58)

3 Motion under Standing Order 17.42 to resolve to exclude the public from the meeting for the following business: (09:00)

Items 4 & 6

4 Governance Arrangements at Betsi Cadwaladr University Health Board: Briefing from the Auditor General for Wales' Office (09:05–09:15) (Pages 59 – 79)

PAC(4)–20–14(paper 1)

5 Governance Arrangements at Betsi Cadwaladr University Health Board: Updates on reports (09:15–10:50) (Pages 80 – 125)

PAC(4)–20–14(paper 2)

PAC(4)–20–14(paper 3)

PAC(4)–20–14(paper 4)

PAC(4)–20–14(paper 5)

PAC(4)–20–14(paper 6)

Research Brief

Dr Peter Higson – Chair, Betsi Cadwaladr University Health Board

Professor Trevor Purt – Chief Executive, Betsi Cadwaladr University Health Board

Geoff Lang – Executive Director Primary, Community and Mental Health Services,
Betsi Cadwaladr University Health Board

Grace Lewis–Parry – Director of Governance & Communications, Betsi Cadwaladr
University Health Board

6 Governance Arrangements at Betsi Cadwaladr University Health Board: Consideration of evidence received (10:50–11:00)

Public Accounts Committee

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

Meeting date: **Tuesday, 1 July 2014**

Meeting time: **09.00 – 11.00**

This meeting can be viewed on Senedd TV at:

http://www.senedd.tv/archiveplayer.jsf?v=en_400000_01_07_2014&t=0&l=en

Cynulliad
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National
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Wales



Concise Minutes:

Assembly Members:

Darren Millar AM (Chair)
William Graham AM
Mike Hedges AM
Alun Ffred Jones AM
Julie Morgan AM
Jenny Rathbone AM
Aled Roberts AM
Sandy Mewies AM

Witnesses:

Jon Rae, WLGA
Steve Thomas CBE, Chief Executive, WLGA
Dilwyn Williams, Gwynedd County Council & Chair of Society of Welsh Treasurers
Huw Vaughan Thomas, Auditor General for Wales, Wales Audit Office
Alan Morris, Wales Audit Office

Committee Staff:

Fay Buckle (Clerk)
Claire Griffiths (Deputy Clerk)
Martin Jennings (Researcher)

TRANSCRIPT

View the [meeting transcript](#).

1 Introductions, apologies and substitutions

1.1 The Chair welcomed the Members to Committee.

2 Papers to note

2.1 The papers were noted.

3 Meeting the Financial Challenges Facing Local Government in Wales

3.1 The Committee took evidence from Steve Thomas CBE, Chief Executive, Welsh Local Government Association, Jon Rae, Director of Resources, Welsh Local Government Association and Dilwyn Williams, Corporate Director, Gwynedd County Council & Chair of Society of Welsh Treasurers on Meeting the Financial Challenges Facing Local Government in Wales.

3.2 Steve Thomas agreed to provide copies of previous Expenditure sub-group reports.

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

4.1 The motion was agreed.

5 Meeting the Financial Challenges Facing Local Government in Wales: Consideration of evidence received

5.1 Members considered the evidence received.

6 Memorandum for the Accounting Officer of the Office of Public Services Ombudsman for Wales

6.1 Members noted and approved the Memorandum for the Accounting Officer of the Office of Public Services Ombudsman for Wales.

7 Professional Development Programme: Financial Scrutiny

7.1 Don Peebles, Head of CIPFA Scotland and Martin Jennings from the Research Service presented the training to the Members.

Our Ref/Your Ref: MB/LG/2745/14

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

1 July 2014

Dear Chair

This letter, together with its associated annexes, sets out the information which I undertook to provide during the Public Accounts Committee evidence session on 17 June which considered the Wales Audit Office's Report *Meeting the Financial Challenges Facing Local Government in Wales*.

During our discussion about sources of guidance as to effective financial management and planning, I referred to the case studies which are collated and promoted by the Wales Audit Office. These illustrate some innovative approaches to public service delivery. They are available via the following link.

<http://www.wao.gov.uk/good-practice>

The link includes specific examples of good practice in financial management and cost reduction:

<http://www.wao.gov.uk/good-practice/finance>

<http://www.wao.gov.uk/good-practice/finance/cost-reduction>

In the course of our discussion about collaborative procurement, the Committee asked how the work of the National Procurement Service differs from that of the Welsh Purchasing Consortium. The Welsh Purchasing Consortium is a collaborative procurement organisation made up of 19 Unitary Authorities. The Consortium also includes a small number of other public sector organisations as associate members. It aims to let contracts for selected services or goods on a competitive basis for its members. Contracting activity within the Consortium is undertaken by individual member Authorities on behalf of the whole membership on a reciprocal basis.

The National Procurement service (NPS) was launched in November 2013 to work on behalf of the wider public sector across Wales. Over 70 public sector organisations are signed up including all Local Authorities, the NHS, the Welsh Government and Welsh Government Sponsored Bodies, the Police and Fire and Rescue services, and Further and Higher Education. Its work focuses on six key categories of common and repetitive spend: corporate services and utilities; professional services; fleet; information and communications technology; construction and facilities management; people, services and communications. Its remit is to secure around £1 billion of goods and services in common and repetitive spend (around 20% to 30% of the Welsh public sector spend) and, in so doing, to save £25 million a year to allocate to public services.

The NPS is managed through category teams which respond to the requirements of customer organisations and negotiate frameworks and contracts on their behalf, getting the best possible deal for the Welsh public sector. The NPS is hosted by the Welsh Government and its first three years of operation will receive funding of £5.9 million from the Welsh Government's Invest-to-Save Fund. After the first three years, the NPS will become self-funding.

A more detailed note on the NPS is given in Annex 1.

The Committee also asked a number of questions about the extent of joint working between public services, particularly the health sector and Local Government. I described the establishment of the Intermediate Care Fund, which was announced as part of the 2014-15 Draft Budget in October 2013. The fund will invest in services which support older people, particularly the frail elderly, to maintain their independence and remain in their own home. The aim is to ease pressure on the NHS by preventing unnecessary hospital and residential care admissions, and to help prevent delayed discharges from hospitals and other care settings for older people. The investments will also promote and maximise independent living opportunities, such as increased provision of timely home adaptations, as well as support for recovery and recuperation by increasing the provision of reablement services.

The investment will drive forward joint working between Local Authority social services, health and housing, along with third and independent sector partners. The organisations concerned have been invited to bid for a share of the £50 million fund on the basis of the Regional Collaborative Footprint areas of Cardiff and Vale, Cwm Taf, Mid and West, North Wales, Western Bay and Gwent. I said I would provide some examples of the projects from each region and enclose a list at Annex 2.

We also went into some detail regarding other work to support the reform of the delivery of public services and to encourage collaborative working. I undertook to provide a copy of the report produced by the Organisational Development and Simpson Implementation Work Programme. The report, *Compact Report: Catalysing Change*, is enclosed (Annex 3). It sets out the work which has been taken forward under the *Compact for Change between the Welsh Government and Local Government* and includes details of savings and other benefits realised as a result of the programme. That programme is part of the work of the Public Service Leadership Group, overseen at political level by the Reform Delivery Group of the Partnership Council for Wales. We also made reference to some of the other cross-sectoral work carried out under the

auspices of the Partnership Council for Wales, the Reform Delivery Group and the Public Service Leadership Group. The latest information can be found in the following link.

<http://wales.gov.uk/topics/localgovernment/partnership/pcfww/?lang=en>

Turning more specifically to the substance of the WAO's report, I undertook to provide a timeline of the key components of the dialogue between the Welsh Government and Local Government in connection with the settlement for 2014-15. This is at Annex 4.

The timeline last year followed the established path for the annual settlements, with the announcement of the provisional and final settlements shortly after the publication of the Draft and Final Budgets to the Assembly. As I explained at the meeting, we firmly adhere to the principle that budget information is shared first with Assembly Members and in accordance with the associated procedures set out in Standing Orders. The information published in each settlement therefore reflects the period for which information is set out in the Welsh Budget, and mirrors where we are in the applicable UK Spending Review cycle.

Indications for 2014-15 were therefore first published alongside the 2013-14 settlement in October 2012. Subsequent adjustments to the Welsh Budget meant indicative figures were subject to change and, as the timeline demonstrates, the Minister for Local Government and Government Business sought to make this as clear as possible to Local Government without pre-empting the Budget announcements.

The timeline also illustrates the extent of our engagement with Local Government regarding the financial outlook. The process of reaching a Local Government settlement each year has long been one of the most extensive collaborative processes within government. It engages the political leadership of Local Government in formal and informal discussion with Ministers, including during 2013 that conducted through an additional consultative mechanism reporting to the Partnership Council – the Finance Sub Group.

This political engagement is complemented by corresponding dialogue between officials in formal working groups. These include the Distribution Sub Group which considers in detail the formula for allocating the quantum of Welsh Government funding between Authorities. The formula is based on a series of indicators of need, reflecting the demographic and socio-economic characteristics of each Authority. The process of updating the formula for each settlement begins before the previous settlement has completed its formal progress through the Assembly and engagement continues throughout the year. The development of the formula involves the consideration of detailed analyses and numerous exemplifications, ensuring Local Government representatives are as informed as possible about the potential distribution of funding ahead of the provisional and final settlement calculations being performed and presented to the Assembly.

I should also add that whilst the settlement provides the largest single component of the funding provision for Local Government, it is not the only part. The settlement provides £4.3 billion of general revenue funding for Local Government for 2014-15. The reported budget figures, which were published on the day the Committee met,

indicate Authorities are forecasting to spend £7.3 billion in gross revenue this year (excluding the budgeted spend on police services). The information on reported budgets for 2014-15 is available via this link:

<http://wales.gov.uk/statistics-and-research/local-authority-budgeted-revenue-expenditure/?lang=en>

The difference between the budgeted expenditure and the settlement provision is funded through grants from the Welsh Government and other bodies, from Council Tax, from reserves, and from other income. Authorities also spend in the region of a further £1.3 billion on services, using income raised locally through fees and charges. From the perspective of drawing up financial plans therefore, the settlement figure is just one of the factors Authorities need to take into account. As well as planning for variability in each of these income streams and the extent to which Authorities themselves can control them, each Authority needs to predict, plan and manage service demand, and consider the extent to which they might need to redesign services to fit the available funding. Recognising this, there is statutory provision for professionally qualified office holders as well as provision relating to consultation and scrutiny to support the financial decision-making process.

Finally, we briefly mentioned the work in hand to develop scrutiny capability within Local Government. The Local Government (Wales) Measure 2011 supports effective scrutiny which provides challenge and drives improved performance. The Minister for Local Government and Government Business is investing £660,000 over three years in the Scrutiny Development Fund and the Centre for Public Scrutiny to support and strengthen the delivery of effective scrutiny. One of the products of this work is new guidance on financial scrutiny which has been produced by the Centre and Grant Thornton. The guidance, *Raising the Stakes – Budget and Financial Scrutiny*, was launched at an event on 26 June. I enclose a copy (Annex 5).

The annexes to this letter provide specific additional information as follows.

Annex 1 – Note on the National Procurement Service

Annex 2 – Examples of Projects to be supported through the Intermediate Care Fund

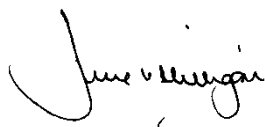
Annex 3 – Compact Report: Catalysing Change

Annex 4 – Timeline for Local Government Settlement Announcements and Indications

Annex 5 – Raising the Stakes – Budget and Financial Scrutiny

I hope this additional information is helpful to the Committee.

Your sincerely



June E Milligan

Cyfarwyddwr Cyffredinol / Director General

Annex 1

Note on the National Procurement Service

1. In November 2013 National Procurement Service (NPS) was created to bring together the procurement of common and repetitive spend across the Welsh public sector on a 'once for Wales' basis.
2. 73 Welsh public sector organisations from all Sectors across Wales have signed up, having made a 5-year commitment to use the contracts and frameworks that will be provided by the service.
3. NPS was created through Welsh Government Invest to Save funding which will provide continuity of funding through to 31 March 2016, at which point NPS will become self-funded. This will be achieved through the application of a levy on all spend going through contracts and frameworks.
4. NPS has a target to deliver up to £25 million in savings once fully operational with current scope covering six 'Super Categories' of common and repetitive spend.
 - ICT & Telecoms
 - Construction materials and Facilities Management
 - People Services
 - Fleet
 - Professional Services
 - Corporate Services and Utilities
5. The NPS has embedded the principles of the Wales Procurement Policy Statement in all of its work. In parallel with the imperative to deliver savings for Wales, NPS will also identify supply chain opportunities for Welsh businesses and focus on lowering barriers, particularly for smaller firms and third sector organisations, to compete for public sector contract opportunities.
6. In line with this objective, NPS has already gone to market with a procurement to award a framework for Resource Efficiency Services where the procurement process was structured to encourage small businesses to bid for provision of services that relate to their core specialism. No pre-qualification process was used, which has reduced the barrier for many suppliers in this sector and encourage a high response rates from SMEs and micro businesses. In total, 94 bids were received, 50% of which are from SME businesses based in Wales.
7. NPS will also give early notice to suppliers to ensure there is wide scale awareness of new opportunities. Where possible, Prior Information Notices (PINs) will be issued in accordance with OJEU processes between three and six months in advance of the commencement of procurements. Officials are also working closely with Business Wales to encourage and help Welsh businesses to tender for public sector opportunities by running supplier events and

publicising the services Business Wales can offer.

8. In terms of wider sector engagement, the NPS is working closely with the Welsh Government Local Association (WGLA) and Wales Council for Voluntary Action (WCVA).

9. The Minister for Finance recently launched the Construction and Facilities Management Quick Wins Category Programme which will target over £5million worth of savings directly back to the budgets of NPS member organisations, allowing these savings to be redirected into front line services for the citizens of Wales, the first major Deliverable for NPS.

10. NPS anticipates bringing procurement of food within its scope with indications emerging of potential savings of up to £3 million in the short to medium term for the public sector. NPS Category Specialists are now refining the strategy to identify what will be done on a Sector by Sector basis. NPS officials attended the launch of the Food and Drink Action Plan and are working with the Food and Market Development Division in order to ensure that the NPS strategy aligns with the Action Plan.

11. NPS ICT Category Specialists have been working with BT to develop a portal which will advertise existing deals that are available to the Welsh public sector. BT has identified around £3 million of savings this year through the portal (a figure which is currently being verified). The Minister for Finance has agreed to launch the portal.

Savings to date

12. Between November 2013 and March 2014 NPS has achieved £1,499,811 of savings.

13. In April and part of May, NPS achieved £713,863 of savings.

14. The savings to date are as a result of contracts that have migrated to NPS and generate no levy.

NPS Governance

15. An agreed governance structure is in place for NPS, with representation from all sectors. An independent Chair has been appointed, Steven Morgan, who chaired his first meeting on 11 June.

16. NPS is accountable to the Board who are provided with progress reports and dashboards which include savings delivered, levy generated and number of Prior Information Notices (PINS) issued.

17. A Delivery Group, with representation by Senior Procurement leaders from across Wales will ensure that the category strategies and savings plans developed by the NPS are robust and deliverable. This group has now met twice.

Differences between NPS and WPC

18. NPS and WPC work on a complementary and cooperative basis and all WPC contracts within the remit of NPS are in the process of being transferred to NPS. However, the respective terms of reference and objectives do differ.

19. NPS undertakes procurements for 'All-Wales' contracts and frameworks available to be used by all public sector organisations in Wales. NPS will manage common and repetitive spend of around £1.8 billion out of a total Wales procurement spend of £4.3 billion (based on 2010-11 spend analysis).

20. WPC membership comprises of 19 local authorities and coordinates collaborative procurement delivered through individual lead authorities on behalf of the whole of its membership.

21. NPS ultimate goal is delivery of at least £25 million annual savings once fully operational. NPS's scope includes six Super Categories, with sub-categories under each one. Super Categories are ICT & Telecoms; Construction and Facilities Management; People Services; Fleet; Professional Services, Corporate Services and Utilities. WPC will now move its focus to spend on those categories outside scope of NPS, such as Social Care.

22. NPS will become self-funded, through a levy on spend going through contracts and frameworks, whereas WPC is funded annually through direct contributions by local authority members.

Annex 2

Examples of Projects to be supported through the Intermediate Care Fund

- In Cardiff and the Vale, a 'Smart House' will be created to raise awareness and provide an opportunity for older people and their family to see and try out what can be provided in the home environment. Specialist accommodation teams will be established to work with health and social care to develop appropriate housing responses for older people at point of admission and discharge.
- In Cwm Taf, an integrated @home service will focus on maintaining older people's independence at home and avoiding hospital admission. The Butterfly project will be extended to improve practice for older people with dementia – to cover more residential and nursing homes as well as extending to domiciliary care.
- In North Wales, a 24/7 Health and Social care support service will be established to provide a overnight planned and crisis intervention support service, delivered by appropriately trained generic support workers, in order to avoid untimely admissions to hospital and residential care.
- In Gwent, there will be an increased provision of services for older people at home and in care homes/sheltered housing. A new service to support people with dementia and stroke in their own home will also be developed.
- In the Western Bay area, there will be additional reablement services including occupational therapists to support independence at home. They will also establish common access points to direct people to appropriate services or interventions according to need.
- In Mid and West Wales, additional flexible intermediate care beds, intermediate care flats and dementia 'move-on' flats will be established. There will also be support by the third sector to develop twilight services for people when they return home from hospital.

Annex 3 – Separate Document

Compact Report: Catalysing Change



Llywodraeth Cymru
Welsh Government

www.cymru.gov.uk

Compact Report: Catalysing Change

Report from the Organisational Development and Simpson Implementation Work Programme on implementation of the Compact for Change between the Welsh Government and Local Government - "*Other Services Implementation*"

Autumn 2013

Background to the Compact

The call for collaborative public service delivery has been a recurring theme in Wales in recent years. Public bodies are finding that they cannot choose between being more efficient or being more effective: they need to be both. Public bodies are therefore increasingly looking for new or better ways to reduce costs and improve performance to meet higher customer expectations, and have shown an appetite for examining the merits of greater collaboration.

In the first quarter of 2011, three key documents were published regarding the future of local government services and functions: the Simpson Report: “Local, Regional, National: What Services are Delivered Where?”, the Vivian Thomas Report: “The Structure of Education Services in Wales” and “Sustainable Social services for Wales – A Framework for Action”.

The Simpson Review included the following recommendation:

“a Compact detailing the development of collaborative and national service delivery will be agreed the Assembly Government and the WLGA by July 2011. This compact will set down a realistic but challenging timetable for dealing with our recommendations. It will also set out potential responses that Ministers could take if local authorities do not meet the obligations they signed up for. It will be important that the Assembly Government and WLGA agree and articulate what success will look like”.

On 5th December 2011 the Simpson Compact was signed at the Local Government Partnership Council. This was an important agreement which set out a coherent reform programme for Local Government.

The Compact represents a series of commitments between the Welsh Government and Local Government to prioritise the delivery of actions that will form a bedrock of service reform and change in local government. While the Compact focuses on commitments relating to major front-line services such as education and social services, it also spells out actions that will need to be undertaken in specialist and corporate services.

Delivering the Compact

The Compact commitments set out under the broad themes of education and social services have been taken forward and are being extended as a result of further policy development. The initial actions set out in the Compact in regards to education and social services have been taken forward and delivered through existing Ministerial governance arrangements. The review of education announced by the Education Minister in January 2013 has consider how best education services should be delivered in the future. The Wellbeing and Social Care (Wales) Bill, which is currently being scrutinised by the National Assembly for Wales, will take this agenda further forward, helping to shape social services for the future.

The third area under the Compact was '*Other Services Implementation Compact Commitment*'. The Organisational Development and Simpson Implementation (ODSI) Programme oversees Compact activity under this area as one of the national work programmes under the Public Service Leadership Group.

Approach taken

As one of four Public Service Leadership Group work programmes, ODSI is responsible for the oversight and delivery of the Simpson Compact and for providing strategic oversight to work being taken forward on Organisational Development. ODSI seeks to achieve a step change in the pace of reform through harnessing both the collective leadership of members of the Group, and the wider community of public service leaders. This does not change existing local and national accountabilities, where responsibility for delivering public services and for participating in the public service reform agenda rest with individual public service organisations.

Membership of the ODSI Board is cross public sector and comprises the 6 regional lead local authority chief executives, the WLGA, Emergency Services (represented by the Police), and Local Health Boards. The Board is chaired by Jack Straw, Chief Executive of the City and County of Swansea Council.

This report focuses on the specific actions set out under the '*Other Services Implementation Contract*' and provides details of activity that has been undertaken and expected changes that have or will be delivered as a result. This report also provides an indication of the benefits (financial, service improvement or resilience) that will be realised as a result of change.

Each element of the work programme was allocated a lead chief executive, to support and give leadership to project leads as the work developed. In this role chief executive leads ensured that as proposals developed they were realistic, appropriately taking account of where services are best delivered i.e. locally, regionally and nationally.

Lead chief executives worked with project and policy leads to consider the commitment as set out in the compact and how best the public service could respond to them.

Progress on Delivery

ODSI have helped to drive forward the reform agenda across a range of areas ranging from translation services to emergency planning. The majority of commitments set out in the Compact were due for delivery by March 2013. As such it is appropriate that ODSI provide a report on progress made against those commitments.

Table 1 below sets out the Compact commitment, describes what change will look like, sets out the governance arrangements in place to ensure that transformation is delivered and gives an indication of the outcomes that are anticipated as a result of change, for example in terms of cost savings, improved resilience or service enhancement.

As projects move towards implementation it is appropriate that the governance arrangements for delivery remain within their specialist services areas, to ensure that the fine detail of change is appropriately managed. ODSI have assured themselves that there are robust governance arrangements in place who are best placed to provide scrutiny of projects as they are implemented. The Partnership Council for Wales and Public Service Leadership Group retain a strategic interest in their delivery. ODSI believes that the Welsh Local Government Association would be well placed to monitor delivery and provide updates to these groups as appropriate to ensure that there continues to be robust oversight at both the executive and political level.

Table 1: Progress on Delivery

Compact Commitment	Has the Commitment been met or delivered?	What will change look like?	Who and how will delivery be ensured	Outcome of change: Savings Realised/ Resilience or Service improvement
REGULATORY SERVICES				
Welsh Government to confirm the policy intent for the future shape of Trading Standards services.	DELIVERED. Welsh Government endorses a regional or national approach for regulatory services where appropriate.	Six regional models established for the delivery of trading standards across Wales. These new models are broadly based on the Regional Collaborative Footprint.	WHO: The Directors of Public Protection Wales (DPPW), supported by the Welsh Local Government Association (WLGA).	It is anticipated that the biggest benefits as a result of regionalisation will be improving service resilience and service outcomes for example by:
Local Government and the Welsh Government to review the scope for collaborative service delivery in Trading Standards following confirmation.	DELIVERED. An independent report commissioned by the Welsh Local Government Association (WLGA) and the Directors of Public Protection Wales (DPPW) recommended that trading standards be delivered on a regional basis.		HOW: A report on implementation will be commissioned in early 2014/15 to update the Public Service Leadership Group (PSLG) and the Partnership Council for Wales (PCfW) on delivery. This report will request information on savings realised, improvements to the resilience of services and/or how services have improved as a result.	<ul style="list-style-type: none"> • Creating the capacity to retain and develop expertise. • Protect front-line service capacity. • Facilitate more effective responses to cross border rogue trading. <p>It is anticipated that there will efficiency savings in time. These will need to be clearly identified as regionalised models are implemented and should be fed into the 'Measurement Framework' by the WLGA.</p>
Local Government with the support of the Welsh Government to review the scope for collaboration in environmental health services.	DELIVERED. An independent report commissioned by the WLGA and the DPPW recommended that environmental health be considered for delivery on a regional basis where appropriate. The report did not however recommend that this model be pursued as a priority.	<p>One regional model has been established including Bridgend, Cardiff and the Vale of Glamorgan.</p> <p>The other five regions have decided not to move to a regional model for these services at this time. As the regional trading standards model beds down this will be reviewed.</p>	<p>WHO: The DPPW, supported by the WLGA.</p> <p>HOW: The DPPW will consider whether the Bridgend, Cardiff and the Vale of Glamorgan model should be considered for roll out in other areas across Wales and provide advice to PSLG and PCfW.</p>	If consideration is given to changing the delivery model of this service area in the future, consideration must be given to efficiency savings, service improvement and resilience.
PENSIONS				
Local Government to review the organisation of the local authority pension funds in Wales considering the number of funds and their	DELIVERED. The Society of Welsh Treasurers (SWT) undertook a detailed study. The aim was to build on the existing collaboration already undertaken in Wales and	<p>SWT have identified enhanced collaboration arrangements as a medium term option.</p> <p>The prospect of merger to regional funds or a single</p>	<p>WHO: The Society of Welsh Treasurers, supported by the WLGA.</p> <p>HOW: A Full Business Case will be developed to take forward a</p>	<p>A common investment approach will enable:</p> <ul style="list-style-type: none"> • More consistent valuation and funding assumptions and standards. • minimum service standards for Wales.

Compact Commitment	Has the Commitment been met or delivered?	What will change look like?	Who and how will delivery be ensured	Outcome of change: Savings Realised/ Resilience or Service improvement
organisational structure.	identify the potential for collaboration/ partnership working across the Welsh Local Government Pension Schemes.	Welsh Fund is both complex and the transition would be costly with a long lead- in time and a loss of local autonomy. Whilst this may merit additional investigation in the future, it is not recommended for further work at this time.	common investment approach. This will be supported by an appropriate and responsive governance structure to drive and manage future collaboration initiatives within Wales.	<ul style="list-style-type: none"> • efficiency savings from joint procurement initiatives. <p>As the business case is developed these will be established in detail. As change is implemented these should be fed into the 'Measurement Framework' through the WLGA.</p>
EMERGENCY PLANNING				
<p>Welsh Government and Local Government to regionalise the delivery of emergency planning services within 2 years and with other partners on a multi-agency basis within 4 years where practicable.</p>	<p>ONGOING. This commitment has a longer term deadline of 2014. The work programme has successfully been accelerated. The local government element of the commitment is in the process of being implemented and work has commenced to deliver the multi-agency objective.</p>	<p>A regional model for delivering both Local Authority and multi-agency emergency response functions in each Local Resilience Forum area.</p> <ul style="list-style-type: none"> • Dyfed Powys - The formal adoption of the wider multi-agency team working on regional LRF work 20% of the time will ensure greater co-ordination and collaboration of emergency planning functions. • Gwent - A local authority board will increase the level of joint working by sharing documents and providing a management structure. • South Wales - The virtual team will ensure emergency planning is more closely and formally linked on a regional basis. This includes the sharing of staffing resources across Councils. • North Wales - The preferred option will see the 6 Local Authorities managed by a single emergency planning 	<p>WHO: The Wales Resilience Forum.</p> <p>HOW: A report on implementation will be commissioned in the Autumn 2014/15 to update the PSLG and the PCfW on delivery. This report will focus on savings and efficiencies realised, improvements to the resilience of services and service improvement.</p>	<p>It is anticipated that the most substantial benefits as a result of regionalisation will be efficiency savings and improved service resilience for example:</p> <ul style="list-style-type: none"> • Efficiency savings as a result of reducing duplication and staff cost. • Improved service resilience through better management and deployment of expertise and resources. <p>A mechanism is in place to monitor and track the benefits achieved both in phase 1 and subsequently in phase 2. The progressive delivery and outcomes will feed into the 'Measurements Framework'.</p>

Compact Commitment	Has the Commitment been met or delivered?	What will change look like?	Who and how will delivery be ensured	Outcome of change: Savings Realised/ Resilience or Service improvement
		unit.		
WASTE				
Local Government with the support of Welsh Government to implement the collaborative change programme for all local authority waste management services: <ul style="list-style-type: none"> Phase 1 (April 2012) Phase 2 (April 2013) Phase 3 (April 2014) 	ONGOING. This commitment is has a longer term deadline. Work is on track.	More efficient and cheaper sustainable Local Authority waste collections systems which contribute to waste reduction and reuse, whilst ensuring authorities meet their statutory recycling targets. This work will ultimately result in more sustainable waste management services.	<p>WHO: Ministerial Programme Board chaired by the Minister for Natural Resources and Food.</p> <p>HOW: The Ministerial Programme Board receives regular updates. An annual update can be provided to PSLG and PCfW as necessary.</p>	<p>The programme will achieve revenue savings for local authorities by providing a more cost effective food waste treatment option. Projected financial savings for the Welsh Government against business planning expenditure amount to c. £125million to date and are forecast to rise significantly further. Savings on the first three AD contracts to be awarded was £3.12million.</p> <p>In addition, the work will help to secure investment and green jobs in setting up and operating Anaerobic Digestion (AD) plants for the treatment of municipal food waste; as well as providing Welsh farmers with a cheaper and more sustainable source of fertilisers. Two AD facilities in North Wales currently in construction will provide 3MWe of renewable power.</p> <p>Efficiency savings will need to be clearly identified and should be fed into the 'Measurement Framework'.</p>
Local Government, in line with the national policy of the Welsh Government, to deliver collaborative waste treatment infrastructure procurement: <ul style="list-style-type: none"> 18 LAs in 7 hubs for food waste (2012-14) 21 LAs in 6 hubs for residual waste (2016-18) 	ONGOING. This commitment is has a longer term deadline. Work is on track.			
TRANSLATION				
Welsh Government with the support of Local Government to develop a full business case and, if appropriate, a subsequent implementation plan setting out agreed proposals for greater collaborative action in the delivery and procurement of Welsh translation	DELIVERED. A national Framework Agreement for translation and interpretation is being established.	<p>A collaborative Framework Agreement for the purchase of translation and interpretation by public sector organisations is being established.</p> <p>This Framework Agreement will be supported by a skills competence framework to support workforce development to drive up</p>	<p>WHO: Sharing Welsh Translation Resources Project, part of the Welsh Government Translation Service</p> <p>HOW: A report on implementation will be commissioned in spring 2015/16 to update the PSLG and the PCfW. This report will request information on savings realised, uptake and usage of the</p>	<p>Financial savings of around £200,000 could be realised through process savings on the cost of procurement exercises.</p> <p>The Framework Agreement will improve procurement compliance. For public bodies, the procurement process is simplified and the staff time incurred is greatly reduced. A consistent approach will also ensure parity of cost and quality of translation and interpretation across the</p>

Compact Commitment	Has the Commitment been met or delivered?	What will change look like?	Who and how will delivery be ensured	Outcome of change: Savings Realised/ Resilience or Service improvement
services		standards.	Framework Agreement.	public sector. Work on competencies, sharing training and establishing a community of practice will help to improve quality and service delivery.
HERITAGE AND SPECIALIST SERVICES				
Welsh Government and Local Government to review the scope for collaboration in the future delivery of support for listed and historic buildings	DELIVERED. Cadw commissioned a report on 'Options for the Delivery of Local Authority Historic Environment Conservation Services in Wales'.	The report presents a number of options for future delivery models. The findings from this report form the evidence base for the inclusion of non legislative option in the White Paper on heritage legislation.	WHO: Cadw HOW: Cadw will be asked to provide a report to the PSLG and the PCfW when an implementation model for change is agreed.	No financial savings are envisaged. However, outcomes identified local authorities retaining core specialist services but with greater collaboration in certain specific areas which will allow : <ul style="list-style-type: none"> • Costs of provision of historic environment conservation services contained at current levels • Historic environment conservation services can be delivered and sustained • Historic resources are conserved and well managed • Customers are satisfied with the service provided
PLANNING				
Welsh Government and Local Government to take forward collaboration in the delivery of planning services, including specialist services and the planning application process, informed by the Independent Advisory Panel established by the Minister for Environment and Sustainable Development	DELIVERED. Independent Advisory Group's Review of Planning Report, ' <i>Towards a Welsh Planning Act: Ensuring the Planning System Delivers</i> ', was published in September 2012. The Report recommends in relation to collaboration that consideration be given to provide a statutory framework of strategic planning at a regional level	Once enacted, the Planning Reform Bill - to be introduced into the National Assembly for Wales in Summer 2014 - will provide a range of provisions that, supported by related secondary legislation and advice, will enable improvements in the delivery of the planning service, including structural and decision making roles.	WHO: Chief Planner at the Welsh Government, supported by the Planning Reform Bill Programme Board. HOW: A report on progress with the planning legislation programme will be commissioned in due course to update the PSLG and the PCfW on future implementation	The Planning Reform Bill's associated Regulatory Impact Assessment will set out benefits of the new legislation. These are likely to focus on resilience and service improvement.
COUNCIL TAX				

Compact Commitment	Has the Commitment been met or delivered?	What will change look like?	Who and how will delivery be ensured	Outcome of change: Savings Realised/ Resilience or Service improvement
<p>Local Government to review the options for the administration and collection of local taxation (Council Tax and NNDR) in Wales at either a regional or national level.</p>	<p>ONGOING. CIPFA, the Chartered Institute of Public Finance and Accountancy, was commissioned to conduct a benchmarking and feasibility study to identify the current position and consider future option for delivery models</p>	<p>The report provided two options for change: <u>Option 1:</u> Incremental sharing via a managed programme of change (informal collaboration) <u>Option 2:</u> Creation of a single national service.</p> <p>Given the changes to the welfare reform system implemented by the UK government. It was decided that significant structural change at this critical time would not be appropriate.</p> <p>The programme is instead working on a programme of 'Levelling up', whereby benchmarking data is used to identify differences in performance. These differences are then analysed with specific plans put in place aimed at improving the performance of the whole group.</p>	<p>WHO: The Society of Welsh Treasurers</p> <p>HOW: A report on progress made on 'levelling up' in implementation will be commissioned in autumn 2014/15 to update the PSLG and the PCfW on delivery. This report will request information on savings realised and how services have improved as a result.</p>	<p>Should the overall performance of all local authorities increase to the current top quartile level of performance, Wales would collect an additional £6.5million in council tax and reduce costs by £2.7million.</p>
LEISURE				
<p>Local Government with the support of Welsh Government to review the scope for collaboration in the future delivery of culture and leisure services</p>	<p>DELIVERED. Consideration was given to the different delivery models. It was established that there was no compelling case for new regional structures.</p>	<p>Collaborative arrangements already in place have been strengthened to ensure linkages across all leisure and culture services, whilst retaining a local delivery model</p> <p>The Chief Culture and Leisure Officer Group has restructured on a formal regional basis to</p>	<p>WHO: Chief Officers for Recreation and Leisure (CORL)</p> <p>HOW: A report on progress made on improving collaboration in Leisure Services will be commissioned to update the PSLG and the PCfW. This should include the balanced scorecard developed as part of this work by</p>	<p>No specific savings were identified as a result of collaboration. However, some savings have been realised as a result of sharing knowledge and expertise, particularly when authorities are preparing option appraisals for new delivery vehicles for services.</p> <p>Informal collaboration has resulted in more efficient delivery of services. For</p>

Compact Commitment	Has the Commitment been met or delivered?	What will change look like?	Who and how will delivery be ensured	Outcome of change: Savings Realised/ Resilience or Service improvement
		<p>undertake detailed planning work to improve collaboration.</p> <p>A quality standards framework has been established so that good practice can be shared and service standards improved across Wales.</p>	CORL.	example, 5 local authorities in Gwent, Sport Wales and University of South Wales have pooled resources to deliver one workforce development programme for sport and physical activity rather than 5 separate programmes in each authority.
LIBRARIES AND ARCHIVES				
<p>Welsh Government and Local Government to review existing collaborative arrangements in the library services; and agree an implementation plan for further collaborative arrangements.</p> <p>PSY 17/18/22</p>	DELIVERED. Libraries Inspire: The Strategic development framework for Welsh Libraries 2012-16 was published in March 2012.	This strategy describes how new innovative services will be maintained and developed over the next 5 years. This includes a review of models of service delivery and developing partnership working in procuring and improving access to resources	<p>WHO: CyMAL and CORL</p> <p>HOW: A report on progress made on improving collaboration in library services will be commissioned to update the PSLG and the PCfW. This should include the balanced scorecard developed as part of this work by CORL.</p>	<p>Through regional partnerships we have been able to sustain and develop regional interlibrary loan services, resulting in reduced costs of supplying public requests for items from libraries outside Wales.</p> <p>Through collaborative procurement of resources, Welsh library services have been able to save up to 30% compared to each library procuring those services individually.</p> <p>These savings will need to be clearly tracked and should be fed into the 'Measurement Framework' by the WLGA.</p>
<p>Welsh Government and Local Government to review the scope for collaboration in the future delivery of archive services</p>	DELIVERED. An Options Appraisal investigating future models for collaboration in the delivery of archive services has been commissioned.	Services will be sustained and supported to develop new models for service delivery in collaboration with partners within and outside local government, enabling development to meet the needs of local communities.	<p>WHO: CyMAL and WLGA, with oversight from the North Wales Chief Executives' Forum</p> <p>HOW: A report on progress made on collaboration in archive services will be commissioned to update the PSLG and the PCfW in due course.</p>	<p>The <i>Archives for the 21st Century</i> strategic document for Wales highlights the need for collaborative working to ensure the future sustainability of archive provision. The main outcome of this work will be to ensure continued public access to the resources of Welsh archives, in line with this document's strategic aims.</p> <p>Regional agreements support the delivery of archive services in South Wales; delivering efficiencies and sustaining development. This work will help extend</p>

Compact Commitment	Has the Commitment been met or delivered?	What will change look like?	Who and how will delivery be ensured	Outcome of change: Savings Realised/ Resilience or Service improvement
				these benefits to services in North Wales, and to consider the implications for service delivery in Mid Wales in the longer term.
HOUSING				
Local Government to work with Welsh Government to develop revised Guidance for the Supporting People Programme and the role and operation of regional committees.	DELIVERED. The new Supporting People Programme Grant Guidance was launched in June 2013. It provides practical advice to practitioners of the Supporting People Programme	More effective use and administration of the Supporting People Grant.	WHO: Welsh Government and Regional Collaborative Committees HOW: A report on progress made on outcomes as a result of the Supporting People Programme and Regional Committee approach will be commissioned in autumn 2014/15 to update the PSLG and the PCfW on delivery.	The anticipated advantages of regional collaborative working in housing services include: collective power/influence to attract funding, wider pool of expertise across a consortia, economies of scale and savings, a better understanding of the bigger picture and strategic issues, reduced wastage and increased capacity with reduced workload for individual local authorities. This will result in more efficient use of the Supporting People Grant and targeted and locally prioritised delivery of services.
Local Government and service providers to establish Supporting People Regional Collaborative Committees in line with the revised guidance. Page 23	DELIVERED. There are 6 Regional Collaborative Committees (RCCs) across Wales following the collaboration footprint.	Each RCC is made of representatives from local authorities, health, probation, Supporting People service providers and landlords and also includes service users. RCCs are responsible for producing a Regional Commissioning Plan for Supporting People services. This takes account of local priorities and identifies the most effective way to meet local needs.	This report will request information on savings realised and how services have improved as a result.	Strategic housing collaboration has resulted in significant improvements in this area. The <i>Houses into Homes</i> scheme is based on the “footprint”, local authorities have to agree to work collaboratively and to use the full range of enforcement powers at their disposal to maximise the numbers brought back into use.
Welsh Government and Local Government to review and prioritise the key areas for regional working in housing services and produce an action plan for implementation subject to evaluation.	DELIVERED. Local Authority Housing Services, and their partners, are working to deliver identified priority areas.	Increased and enhanced range of collaboratively delivered housing services including: Local Housing Market Assessments, regional procurement initiatives, common housing register partnerships and development of integrated offender management team		It is expected to bring back into use at least 450 units of accommodation in the first wave of loans. Early indications are that approximately 80% of these homes will be for rent.

Compact Commitment	Has the Commitment been met or delivered?	What will change look like?	Who and how will delivery be ensured	Outcome of change: Savings Realised/ Resilience or Service improvement
		– with police, probation, housing – to focus on homelessness prevention.		
PROCUREMENT				
Welsh Government with the support of Local Government and other parts of the public sector to review the scope for standard Contract Terms & Conditions across the public sector.	DELIVERED. Agreement has been reached on the development of a common set of conditions of contract.	A high degree of standardisation has already been implemented within sectors and work is therefore underway to identify any gaps so that all public sector bodies have a consistent approach.	WHO: Collaborative Procurement and Policy Steering Group (CPPSG) HOW: On going monitoring and review of gaps and usage, reviewing documentation and amending as appropriate. If appropriate the CPPSG can engage with the PSLG and the PCfW to encourage and promote take up.	Moving to common terms and conditions of contract will simplify procurement processes, making it easier to collaborate and making it easier for SMEs to do business with the public sector. The common approach to contracting work means responding to procurement exercises is easier. Questions are much simpler for suppliers and pilots have already seen more, smaller local suppliers getting through to tender and winning contracts.
Local Government with the support of Welsh Government to develop and implement a set of standard Contract Procedure Rules.	DELIVERED. These are now available for use.			
Local Government to fully adopt the generic standard supplier qualification questions (SQulD).	DELIVERED. All local authorities have agreed to fully adopt the generic standard supplier qualification questions.	A consistent approach is now in place for suppliers submitting bids. Work is on going to create an electronic SQulD which will allow suppliers to store and re-use their answers.	WHO: Value Wales HOW: Value Wales tracks usage of the approach within the e-tender tool. In addition, Value Wales will track adoption of Wales Procurement Policy which incorporates Community Benefits and SQulD.	Evidence shows that use of the SQulD approach to pre-qualification is enabling smaller suppliers to get through to tender stage. In construction use of the SQulD has resulted in businesses with Wales based head-quarters winning two-thirds of the award of contracts or framework places - up from one third in 2010/11.
Local Government, supported by Welsh Government, to use Community Benefits clauses in contracts in excess of £2 million where community benefits can be realised.	DELIVERED. All 22 local authorities have committed to use Community Benefits Clauses in contract in excess of £2m where community benefits can be realised, Welsh Government has made the same commitment.	The Community Benefits clauses also offer a real opportunity to allow local communities to benefit from the opportunities presented by significant public sector procurement projects.	WHO: Value Wales HOW: Authorities are encouraged to report the outcomes from applying this policy by using the Community Benefits measurement tool. This information will be fed into the measurement framework. Reports can be requested from PSLG and	Since September 2011, over 80 projects worth over £4 billion have now been identified as using the Community Benefits approach and the measurement tool has now been completed for 18 projects, illustrating significant benefits for local communities and economies with 82% being retained in Wales and 387 disadvantaged people receiving 12,500 weeks training.

Compact Commitment	Has the Commitment been met or delivered?	What will change look like?	Who and how will delivery be ensured	Outcome of change: Savings Realised/ Resilience or Service improvement
			<p>the PCfW as necessary.</p> <p>In addition, Value Wales will track adoption of Wales Procurement Policy which incorporates Community Benefits and SQuID.</p>	<p>This information will be clearly tracked and be fed into the 'Measurement Framework'.</p>
<p>Local Government to have completed their individual council business cases for xchangewales</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Pack Page 25</p>	<p>DELIVERED. The following Councils are live on xchangewales eTrading – Bridgend, Caerphilly, Cardiff, Denbighshire, Flintshire, Gwynedd, Merthyr Tydfil, Newport, Rhondda Cynon Taf, Swansea, Torfaen and Wrexham.</p> <p>Neath Port Talbot, Blaenau Gwent and Conwy Councils will go live during the Autumn.</p> <p>The following have taken the decision not to proceed at the current time: Ceredigion Council; Carmarthenshire Council; Vale of Glamorgan; Pembrokeshire; Powys; and Monmouthshire.</p>	<p>The framework agreement against which Councils were able to implement eTrading ended on the 11th August 2012 and the action is therefore closed. Unsigned organisations will not be able to implement eTrading under the existing framework arrangements until a new provision is in place – expected 2015 (subject to Business Case</p>	<p>WHO: Value Wales</p> <p>HOW: Value Wales will track usage of the approach.</p> <p>A report on use of these initiatives (SQUID, Community Benefits, exchangewales, and standard contract arrangements) will be commissioned in autumn 2014/15 to update the PSLG and the PCfW on delivery.</p>	<p>Cumulative savings from the e-trading tools from 2010/11 to 2012/13 has grown by 25% from £17.49m to £21.96m.</p> <p>This information will be clearly tracked and be fed into the 'Measurement Framework'.</p>
<p>Welsh Government, NHS and Local Government to complete the business case for the National Procurement Service</p>	<p>DELIVERED. The National Procurement Service (NPS) is due for launch in November 2013.</p>	<p>This Service would procure, on behalf of public sector in Wales; categories of 'common and repetitive' spend items, e.g. stationery and IT hardware and software. These items are worth some 20 – 30% of the total expenditure the public sector spends in Wales each year</p>	<p>WHO: National Procurement Service (Welsh Government)</p> <p>HOW: A report on uptake and usage of the NPS will be commissioned in autumn 2014/15 to update the PSLG and the PCfW on delivery.</p>	<p>The NPS would initially operate for 5 years and it is anticipated that within its first five years, could generate savings of up to £75m for the public sector.</p> <p>The NPS will also offer benefits to local economies by making it easier for suppliers to engage and transact with the Welsh public sector and allow the wider public sector the opportunity to promote and apply</p>

Compact Commitment	Has the Commitment been met or delivered?	What will change look like?	Who and how will delivery be ensured	Outcome of change: Savings Realised/ Resilience or Service improvement
		which is currently around £4.3b.		procurement best practice such as our approach to Community Benefits. This information will be clearly tracked and be fed into the 'Measurement Framework'.
SHARED CORPORATE SERVICES				
Local Government to review the scope for collaboration in the future delivery of a range of corporate services (to be agreed) such as payroll, legal services and human resources.	DELIVERED. Given the announcement of the Williams Commission, focus for this work was on developing a toolkit to enable corporate services to more effectively support collaboration arrangements.	A report and toolkit have been shared with public sector organisation. These enable corporate services to respond to collaborative work effectively in the future, identifying good practice and where appropriate mechanisms for enabling more effective delivery of collaboration across geographical areas and organisational boundaries.	WHO: ODSI HOW: This is a stand alone short term research project. No further work is anticipated.	There are no specific financial benefits or savings that have been specifically identified from the delivery of this work. Instead the report will support good practice in delivering future collaborations more effectively.
ICT				
Local Government with the support of Welsh Government to continue to implement the Public Services ICT Strategy.	ONGOING. There is overlap between the Compact work and the work undertaken by the Digital Wales Steering Group.	The sharing of key ICT systems across the Welsh public sector releasing savings, generating efficiencies and providing a national platform to engage with global private sector ICT companies. At its last meeting the DWSG decided to take forward an all Wales approach to some key areas of ICT collaboration such as one e mail system, and one method of customer authentication.	WHO: Digital Wales Steering Group. HOW: Joining up the planning and procurement of ICT systems and working in partnership with the private sector to maximise opportunities for investment. A report on progress will be commissioned in autumn 2014/15 to update the PSLG and the PCfW.	The savings across the Welsh public service are potentially very substantial but have not yet been quantified on an all Wales basis. There is also potential to lever in investment. Joining up ICT systems will provide a platform for greater sharing and use of a range of public service information and data. Resilience can be hugely improved by greater collaboration.

Compact Commitment	Has the Commitment been met or delivered?	What will change look like?	Who and how will delivery be ensured	Outcome of change: Savings Realised/ Resilience or Service improvement
TRANSPORT				
Local Government and Welsh Government to review the interface between the Trunk Road Agencies and the Regional Transport Consortia's constituent authorities and joint working between highway engineering services to support the planning, management and delivery of strategic highways services.	DELIVERED. An All Wales review has been undertaken which identified existing limitations of the current structures and responsibilities and highlighted opportunities for change for both Welsh Government and local authorities.	A re-allocation of responsibilities and introducing 'shared-service' and lead authority structures would develop, national, regional, and local authority service delivery systems. Efficiency and effectiveness will determine which services are provided at what level.	WHO: Transport Department Steering Group HOW: Implementation of the changes will be based on the business case outcomes of the 10 work-streams detailed in the Strategic Outline Case.	The proposals, if taken forward, would improve service delivery, introduce efficiencies, and significantly improve resilience. The extent of these benefits will be initially identified in the detailed business cases and will be confirmed by a detailed monitoring programme.
Local Government with support of Welsh Government to identify and implement quick wins by Regional Transport Consortia.	DELIVERED. A number of collaborative changes have been undertaken under the heading 'quick wins', introducing regional approaches to service delivery.	Regional and sub-regional delivery of services and where appropriate lead authorities undertaking work on behalf of the regions.	WHO: Regional Transport Consortia HOW: By using these established joint committees to implement changes on behalf of the regions	Improved service and efficiencies have already been realised in a number of service areas, others will follow.
To develop a business case and implement change.	DELIVERED. A Strategic Programme for Change Report has been developed and adopted by all authorities in Wales via the WLGA Council.	The development of the 10 work-streams identified in the SPfrCR will define the future of national, regional, sub-regional and local authority service delivery.	WHO: Transport Department Steering Group HOW: By driving forward the development of the work-streams which will include national and regional approval processes.	The outcome would be a radical transformation of transport service delivery in Wales affecting Welsh Government as well as local authorities. These would drive forward service improvements, efficiencies, and increased resilience.

Annex 4

Timeline for Local Government Settlement Announcements and Indications

Date	Action
2011	Review of Partnership Council for Wales to reflect public service reform agenda. Issue clear messages about funding climate and preparing for future financial challenges.
16 October 2012	Provisional Settlement for 2013-14 with indications for 2014-15 – one week after Draft Budget.
24 October 2012	Partnership Council for Wales.
11 December 2012	Final Settlement – one week after Final Budget. One week before the <u>Provisional</u> Settlement in England.
January 2013	Distribution Sub Group Work Programme for 2014-15 initiated. Meetings and discussions continue throughout year.
May 2013	Minister writes to Authorities on reserves and transformation.
May 2013	Minister writes to WLGA, establishing Finance Sub Group. Indicates 2014-15 figures not a firm basis on which to plan.
June 2013	Minister writes, inviting WLGA to bring forward a paper for Finance Sub Group. Advises to plan for kind of reductions previously seen in England.
8 July 2013	First meeting of FSG. Finance Minister attends. Discussion of outlook for 2014-15.
16 October 2013	Provisional Settlement for 2014-15 announced. Includes 2015-16 indications with caveats.
4 November 2013	Partnership Council for Wales. Minister confirms plans for a Review of Funding Flexibilities.
11 December 2013	Final Settlement for 2014-15 announced – same week as provisional announcement for England.
14 January 2014	Plenary debate on Local Government Finance Report
6 March 2014	Finance Sub Group. Minister signals 2015-16 indications unlikely to hold.
April 2014	Minister writes to all Local Authority Leaders requesting information on their budget consultations and engagement.
23 June 2014	Finance Sub Group – brought forward from July.
24 June 2014	Minister writes to all Local Authority Leaders regarding the published indications and planning scenarios for 2015-16.

In addition:

- Reform Delivery Group meetings took place on 30 January 2013, 15 May 2013, 15 July 2013, 29 January 2014, 8 May 2014.
- Public Service Leadership Group meetings took place on 26 September 2012, 5 December 2012, 27 February 2013, 10 June 2013, 3 October 2013, 5 December 2013 and 17 February 2014.
- Distribution Sub Group meetings took place on 22 January 2013, 7 March 2013, 25 April 2013, 12 June 2013, 29 July 2013, 19 September 2013, 5 November 2013, 28 January 2014, 13 March 2014, 8 May 2014.
- There have also been regular meetings of the Capital Finance and Investment Group (like Distribution Sub Group, this is a working group under the Finance

Sub Group) and meetings of topic-specific groups supporting the work of Distribution Sub Group (eg. looking at the 2013 Spending Round, Census data, SEN).

Annex 5 – Separate Document

Raising the Stakes – Budget and Financial Scrutiny

Raising the Stakes: financial scrutiny in challenging times

A guide for Welsh local authorities



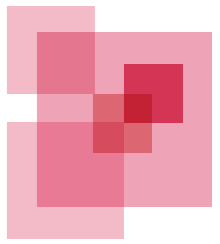
accountability, transparency, involvement



atebolrwydd, tryloywder, cyfranoglad



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The Centre for Public Scrutiny

The Centre for Public Scrutiny (CfPS), an independent charity, is the leading national organisation for ideas, thinking and the application and development of policy and practice to promote transparent, inclusive and accountable public services. We support individuals, organisations and communities to put our principles into practice in the design, delivery and monitoring of public services in ways that build knowledge, skills and trust so that effective solutions are identified together by decision-makers, practitioners and service users.

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We have worked with the public sector for over 30 years. We service a large proportion of the public sector audit market across England and Wales, so our clients know that they can draw on a breadth of sector experience which spans local and central government and the NHS. This means we can truly appreciate the wider issues facing our clients, as well as provide solutions and services that are grounded in reality. We also bring best practice from across the sector for the benefit of our clients. We provide audit tax and advisory services to local government and related bodies across the UK, including London boroughs, county councils, district councils, city councils, unitaries and metropolitan authorities, as well as fire, police and national park authorities.

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Foreword

Finance is critical to the services councils deliver and the financial issues facing councils affect everyone in terms of the services they receive and the taxes or charges they pay. As it gets harder to find necessary levels of savings through efficiencies, councils will need to think hard about the choices they face, asking themselves difficult questions about which services to offer in future and whether historic means of delivering those services are still appropriate. And most of all, how can expectations be managed in making the necessary changes? This guide offers practical advice to council officers and councillors about how scrutiny can add value to financial planning and financial management. It is supported by case studies about how others have implemented effective financial scrutiny. The guide is a starting point and we welcome comments about how it might be improved and developed. We recognise that there is no universal template which can be applied to all councils, but the guide contains general principles and tips from those who have travelled this road before or are travelling alongside.

In the current economic climate, councillors need to make the most effective use of the limited resources available, especially finances. The key question from a scrutiny perspective must always be 'how can we add value?' In this context, scrutiny must be able to demonstrate it adds value to each stage of the financial process - the budget setting process itself, the determination of priorities among competing demands, the effective use of funding and how financial monitoring and control takes place are all key issues. Scrutiny is more than adding value to decisions - it's about ensuring that there is proper scrutiny in the effective planning, execution and follow up of key decisions impacting on taxpayers and local communities. Scrutiny is very different from Audit, with the former providing effective challenge and the latter ensuring that there is appropriate assurance over all of the Councils activities, including in the scrutiny arrangements. But councils should be clear about the importance of effective communication between the two functions. The next few years are likely to present an opportunity to make a managed transition to fundamentally different kind of organisations, rather than an annual review of budgets based on short term assumptions that lead to a series of unconnected year-on-year cuts. We encourage you to use the guide to generate a discussion in your council about how the principles can best be put into effect.

Signed by:

Jessica Crowe, Centre for Public Scrutiny

Barrie Morris, Director, Grant Thornton UK LLP

Councillor Mike Day, Chair of Scrutiny Programme Committee, City and County of Swansea

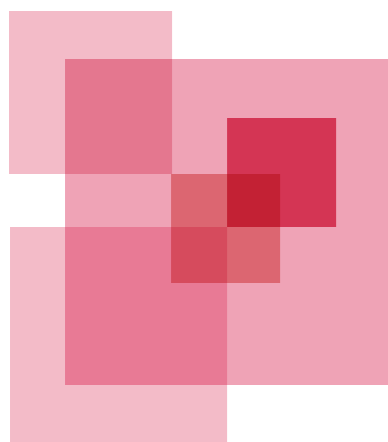
Background and introduction

This guide sets out advice about how council scrutiny functions can add value to council financial management, budget setting and assessment of outcomes, helping overcome barriers and has been written for all councillors and all local government officers and sector stakeholders. This guide draws upon CfPS's existing publication "On the Money", most recently updated in 2011 which contains relevant and transferable lessons to Welsh local government, particularly given the context of significant funding reductions.

The guide, draws on existing good practice from Welsh and English local government to provide practical advice and ideas on how councils can ensure effective scrutiny and accountability of the use of public money.

“ All elected members, independent health board members, non-executive directors, and officers must acknowledge the importance and value of scrutiny in improving services for people and organisations in Wales. The independence of scrutiny must be strongly asserted and protected, as must its essentially constructive and positive nature. ”

The Commission on Public Service Governance and Delivery, January 2014



What's on the horizon for Wales?

The Local Government Settlement position and anticipated future pressures

The Institute for Fiscal Studies developed a series of funding scenarios for the Welsh Government budget to 2025. The overall base case shows devolved revenue funding falling from £15.1 billion to £13.6 billion in 2017-18 with funding not returning to 2010-11 levels until 2022-23 at the earliest. If delivered, this would mean seven years of retrenchment in public service spending in Wales, in stark contrast to the first ten years of devolution. Welsh Public Services 2025 also reflected on these future funding scenarios. The solutions discussed include more regional/shared services, and co-production and councillors' scrutiny role was seen as critical.

The Local Government Settlement for 2014-15 saw councils in Wales receiving £4.26 billion in general revenue funding. After adjusting for transfers this is a decrease of 3.4% compared with 2013-14. Settlement funding is indicated to reduce by a further 1.5% in 2015-16, but this is highly indicative and subject to change. The scale of these funding reductions, and the impact of austerity on council budgets, create significant challenges for councils to maintain quality services which deliver strong outcomes through more efficient, innovative and collaborative ways of working. Whatever the financial outlook for public spending in the future, the principles in this guide provide the basis for effective council scrutiny arrangements. The current challenges make effective financial scrutiny vital. They also require executive councillors and officers to engage openly, at an early stage, not just inside the council but with citizens and wider stakeholders to identify solutions to delivering outcomes for communities in the face of future funding constraints.

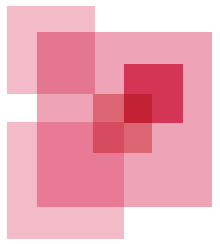
Councils should ensure that their financial management processes are transparent and that councillors have sufficient opportunity to receive financial information in ways that help them identify risks and ask questions (and expect answers) to understand the development and impact of budget proposals on the provision of services in their communities.

Some key issues that need to be considered include: if the challenging savings targets are reached, what is the impact on services for those who need them? If the targets are not realised, what are the knock-on effects on the budget overall and on other service areas? Is the council learning from experience elsewhere of improving efficiency – for example by joint commissioning or delivery ; streamlining back-office functions; and providing services in new ways, such as through community groups, new partnerships or transferring services to employee-owned mutual companies?

The changing role of scrutiny

The Commission on Public Service Governance and Delivery published its final report on 20 January 2014. A key focus of the review was "what arrangements, for governance, accountability, delivery and scrutiny, can deliver a step change in the performance of and continuous improvement in our public services?"

Local government in Wales faces some key scrutiny challenges, not least those identified in the Commission's report. If accepted by the Welsh Government, the report's recommendations will see radical change over the next three to five years. The report's recommendations place considerable emphasis on the role of scrutiny, noting that "public scrutiny is a particular and essential form of accountability in the public sector. It is most often used in reference to the formal local authority scrutiny



function or scrutiny by the National Assembly for Wales or the UK Parliament but our treatment here is intended to cover a wider interpretation. Scrutiny can be continual or ad hoc, and either structured around formal processes or a more fluid dialogue” and that that the new structures proposed by the Commission “will achieve nothing without the wider changes we propose, for instance to governance, scrutiny, accountability, leadership, culture, values and performance management.”

The Welsh Government is currently consulting on expanding council scrutiny via a ‘Designated Persons Order’ under the Local Government (Wales) Measure 2011 to cover more organisations including NHS Trusts, Fire and Rescue Authorities, Local Health Boards and Registered Social Landlords (RSLs). In addition, Welsh Government is developing a Future Generations Bill, which plans to make Local Service Boards statutory, introduce a duty on community planning partners for cross organisational working and sustainable development, and potentially granting greater scrutiny powers. These powers might broaden the application of council scrutiny to the wider public service placing new duties on council scrutiny to scrutinise public service providers in their area.

What does scrutiny need to focus on for the future?

The impact of funding reductions will profoundly affect the way local services are delivered over the medium to long term, and decision-making processes will need to include arrangements for constructive challenge. A wide range of partners will also be involved in these decisions, necessitating the need to think intelligently about the way in which councillors can work with other non-executives in the public sector. ... It is also important that scrutiny focuses on longer term outcomes not just short term savings.

Short term

The immediate imperative is to develop an effective plan for setting the budget for the next financial year and any steps that councils are taking to respond to the financial situation over the next eighteen months. Councils should review their approach to scrutiny of budgets and financial management generally, to provide assurance that scrutiny:

- is involved at key milestones as the budget is prepared – for example, a mix of information sharing, ‘set piece’ events allowing councillors opportunities to test assumptions, examine risks and challenge priorities;
- has access to the public consultation process as the budget is developed – for example, using insight from public consultation to influence how scrutiny tackles proposals for budget priorities;
- can act as a focal point for debates about major changes to services;
- identifies longer term pressures that might arise from short term decisions.

Medium term

Medium term issues are those around helping councils, partners and local communities to manage the transition between current patterns of service provision and the likely pattern of services that councils will be able to resource by 2020.

For some services this may mean a stronger role for other individuals or organisations to run services if councils cannot provide funding. There is scope here for scrutiny to play a more creative role, for example:

- Flagging up risks involved in decommissioning services to allow a meaningful and reasoned public debate;
- Providing a non-partisan arena for debate, so that councils and partners get a clear steer about the views and aspirations of the public;
- Ensuring a strategic, long-term approach is taken to major service reconfiguration, taking account of externalities (such as the possible impact on acute healthcare or social care services if support for early interventions is removed);
- Focusing on ‘future-proofing’ services to withstand future changes when central support might be significantly lessened;
- Resisting the temptation to continue to “salami-slice” rather than use social value techniques to inform decisions about budgets;
- Providing a constructive environment for reasoned, detailed and public discussions amongst politicians about changes, taking some of the heat out of the controversial nature of many of them;
- Challenging assumptions about shared services and commissioning arrangements, particularly if arrangements risk “locking in” failure, in the form of assumptions about future spending and income which may be inaccurate in the context of an unpredictable funding situation;
- Considering whether income generation arrangements show sufficient ambition and whether reasonable thought has been given to new and creative ideas;
- Considering whether realistic options exist to ‘mothball’ services or run them in reduced form in the expectation of an improved funding outlook in the future;
- Considering impacts of major changes on partners and suppliers, and the effect on the local economy more generally;
- Considering new ways of structuring and raising finance from either social or commercial investors through the use of Social Impact Bonds to improve societal outcomes and innovation in public service delivery;
- ensuring that alternative delivery models for service delivery are compared effectively to existing delivery methods.

Long term

Scrutiny should be playing a role in exploring what public services might look like post 2020. Some key issues to examine might be:

- What will demographic changes mean for council services in the 2020s?
- What will local people expect of council services in the next decade?
- How can councils and partners best work together to meet these expectations?
- What role will councillors play if more local services operate outside council control, or are not delivered at all?
- Will anyone provide services that councils stop running? How can councils support a transition that will be as easy as possible under the circumstances?
- Will decisions made now make it more difficult to tackle these issues in the future?

- How can councillors help develop community aspiration and resilience in the face of funding cuts?

How prepared are councils for these challenges?

Scrutiny's non-partisan approach may be challenged in these scenarios, as tough decisions will need to be made about service provision but scrutiny can provide a neutral forum for these debates, providing a bridge between local people and decision-makers.

Senior officers and cabinet members have the chance to adopt a transparent and inclusive approach to engage scrutiny to examine the options for change rather than put plans together in private. Scrutiny can and should lead this process. Councils designing executive-led consultations on these changes may not be able to demonstrate credible public participation.

Scrutiny can test assumptions that traditional management solutions will address challenges and can help develop innovation in public participation.



The need for financial scrutiny

How can financial scrutiny add value?

Cabinet review and approval of the annual budget and other financial plans provides democratic legitimacy, but cannot fulfil independent scrutiny. Grant Thornton's Local Government Governance Review of 2013 found that councils still have a lot to do to prove that scrutiny functions are effective – 40% of council leaders said their scrutiny function did not demonstrate the value it adds.

Presenting councillors with columns and tables of figures may generate a lack of confidence in their ability to scrutinise financial management. However, financial scrutiny is ultimately about testing how councils make choices about resource allocation and how well resources are used to deliver policy objectives.

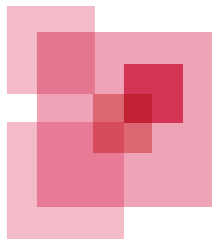
Councils face significant uncertainties in managing their finances. Things can easily go wrong and, when they do, trying to sort things out can sometimes add to the problems – for example, emergency 'budget call ins', undisciplined political debate and tabling of alternative budgets might not be the best ways to secure effective solutions. . 'Late surprises' which impact on financial performance may be symptomatic of a budget process that lacks rigour, culminating in poor financial resilience. By contrast, a systematic approach to financial scrutiny is an essential building block of sound financial management and governance.

Through scrutiny, councillors have the opportunity to 'step back' and consider the relationship between costs and performance. The rigours of the annual budgeting round can focus attention on dealing with reduced funding without fully appreciating the impact on delivery of service priorities and performance targets. Cutting costs may achieve short term financial gain and a balanced budget but impact citizen perception and the achievement of improvement objectives, which end up storing up costs for the future.

Grant Thornton's 2014 Local Government Governance Review focuses on the following areas where scrutiny can play an important role:

- Risk leadership: setting a tone from the top which views risks as opportunities as well as threats, and encourages innovation as well as managing potential pitfalls – scrutiny can contribute significantly to fostering such a culture by functioning as an effective 'critical friend';
- Partnerships and alternative delivery models: implementing robust and proportionate governance arrangements for new service delivery models, to retain accountability without stifling innovation – scrutiny can contribute by ensuring arrangements for effective governance.

Grant Thornton has had extensive dialogue across local government about the financial challenges it faces, which has identified a range of 'tipping point' scenarios which could lead to council finances becoming unmanageable. A key role of scrutiny is to be alert for indications that any of the scenarios below are developing:



Tipping point scenario	Description
Decision paralysis	Councils fail to make necessary decisions to manage financial and other challenges. This has been identified as a potentially over-arching 'tipping point'.
Statutory	Councils can't meet statutory responsibilities to deliver a broad range of services with the funding available, leading to legal challenges and protests from people who use services.
Financial	Section 151 officers unable to set balanced budgets, leading to an unbalanced budget report in line with Section 114 of the Local Government Finance Act 1988 (England and Wales); or where increased uncertainty leads to budget overspends that reduce reserves to unacceptably low levels; or where councils demonstrate characteristics of an insolvent organisation, such as a failure to pay creditors.
Industrial	In response to pay restraint, changes to terms and conditions and job losses, employees and trade unions enact prolonged industrial action, leading to major service disruption and long-term industrial relations disputes.
External	Major suppliers fail leading to significant service disruption and reputational damage to the council.
Incremental	Multiple, smaller failures in individual service areas lead to an eventual critical mass of 'tipping points'.
Militancy	Councils ignore or defy statutory obligations.
Civil disturbance	Service cuts run so deep that the dissatisfaction of users leads to widespread civil disturbance which impacts on business continuity and resilience of councils.
Doomsday	A further banking/financial crisis leads to even greater levels of austerity, over a significantly longer timeframe.

Source: '2016 tipping point? Challenging the current' (Grant Thornton December 2013)

Effective financial scrutiny is not only about increasing transparency, it can have a real impact on decisions and outcomes. The case studies in this guide show how financial scrutiny can make a difference to how councils perform and deliver their services.

Characteristics of good scrutiny

CfPS has supported the Wales Scrutiny Officers Network to identify characteristics of good scrutiny in terms of:

- **Better outcomes** – ensuring democratic accountability succeeds in driving improvement in public services
- **Better decisions** – ensuring democratic decision making is accountable, inclusive and robust
- **Better engagement** – ensuring the public is meaningfully engaged in democratic debate about the current and future delivery of public services.

Better outcomes

scrutiny should have:

- a clearly defined and valued role in the council's improvement and governance arrangements
- dedicated support from officers who are able to undertake independent research effectively, and provide councillors with high-quality analysis, advice and training

and needs to:

- undertake inquiries that are non-political, methodologically sound and incorporate a wide range of evidence and perspectives
- engage in evidence based challenge of decision makers and service providers
- provide viable and well evidenced solutions to recognised problems.

Better decisions

councils should ensure that:

- scrutiny councillors have the training and development opportunities they need to undertake their role effectively
- the process receives effective support from the council's corporate management team, with high quality information provided in a timely and consistent manner
- scrutiny is councillor-led, takes into account the views of the public, partners and regulators, and balances the prioritisation of community concerns against issues of strategic risk and importance
- scrutiny meetings and activities are well-planned, chaired effectively and make best use of the resources available to them
- decision makers give public account at scrutiny committees for their portfolio responsibilities.

Better engagement

scrutiny should:

- be recognised by the executive and corporate management team as an important council mechanism for community engagement, and facilitating greater citizen involvement in governance
- be characterised by effective communication to raise awareness of, and encourage participation in democratic accountability
- operate non-politically and deal effectively with sensitive political issues, tension and conflict
- build trust and good relationships with a wide variety of internal and external stakeholders
- enable the 'voice' of local people and communities across the area to be heard as part of decision and policy-making processes.

Approaches to financial scrutiny

Within the principles and characteristics set out in this guide, it is important that councils choose an approach that is right for them. Some common approaches in Wales and England are:

- **dedicated budget scrutiny panels** which ‘shadow’ budget and financial planning processes. They provide a useful corporate overview, but need to be integrated with the other scrutiny work going on;
- **overarching budget scrutiny panels**, supported by service specific scrutiny committees considering departmental budget headings.
- **Standing scrutiny committees** that feature financial and budget scrutiny as part of their work . Their findings can feed into the corporate budget process, as well as monitoring their particular area, taking account of the financial implications of recommendations
- **Time limited task groups** that review particular financial issues. These give councillors time and scope to look at an issue in more detail, helping scrutiny prioritise.

Themed reviews provide opportunities to hear from external stakeholders and the public, who are more likely to respond if asked questions about a specific policy area. This gives councillors a chance to actively generate proposals, whereas monitoring work can feel more passive, focusing on what hasn’t gone according to plan rather than helping to raise ambition.

What are the barriers to financial scrutiny?

The results of CfPS surveys consistently show that councils find effective financial scrutiny difficult:

- It is political, but it can work in ways that are different from other political group activities;
- It is perceived as technical and confused with audit and compliance;
- It can highlight tensions between the council executive and other councillors, between officers and councillors and between service departments and the finance department or corporate centre;
- It has to integrate financial scrutiny with policy and/or service scrutiny going on throughout the council.

Done well, scrutiny can influence financial and planning processes, as well as financial performance and outcomes of particular services. So how can financial scrutiny work well, given the potential barriers?

Financial scrutiny should be challenging but constructive - it is not the same as ‘opposition’ and is not about putting forward an alternative budget or council tax. It should be focused, but not micro-managing or second-guessing financial management that is the responsibility of finance professionals. Overview and scrutiny of councils’ resources and budgets should address strategic issues:

- considering the budget strategy within the context of challenges facing the council and people who live in its area;

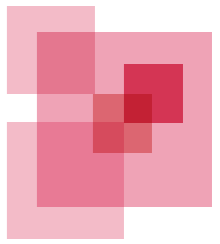
- assessing lessons and issues arising from previous years audited financial statements and related outturn reports;
- providing a constructive assessment of whether the council’s financial planning systems are effective in delivering stated priorities – how are resources allocated and growth and savings dealt with;
- assessing whether financial systems are reliable and accessible; and
- considering how financial and resource decisions are made, what assumptions and criteria are used and what information is taken into account.

The relationship between audit and scrutiny

Councils have a statutory duty to operate an audit committee, however it cannot assume that this provides comprehensive financial scrutiny. Audit Committees have responsibility for ensuring adequate financial controls, compliance with probity and accounting rules but should resist the temptation to undertake the scrutiny role.

Scrutiny should review policy priorities and outcomes and challenge the executive about its actions to deliver stated policy goals. Audit committees should provide assurance about financial controls to mitigate key risks and that the council has effective financial management arrangements that include scrutiny.

	Scrutiny	Audit
Definition	power to get information, question executive councillors, officers and certain other organisations, to make recommendations and get responses	maintains an overview of the council’s financial management arrangements, control systems and compliance with probity and accounting rules
Wider powers	power to consider matters which affect the council’s area or its residents.	no power to consider non-financial matters or matters that are not the responsibility of the council
Call in	right to ‘call-in’ key decisions and ask the decision-maker to think again, or to refer the decision to full council for consideration	no power to ‘call in’ decisions but can request officers and councillors to attend and respond to specific issues.
Audit role	no formal role in assuring compliance with probity and accounting rules.	receives external and internal audit reports on financial statements and systems of control and governance. Head of Internal Audit should have a right of direct access.
key questions	<p>1 why has the executive decided to spend money on this?</p> <p>2 Do the outcomes demonstrate financial and/or social value?</p> <p>3 What would happen if the council stopped spending on this?</p>	<p>1 how do we know what the council has spent on this?</p> <p>2 has the council complied with statutory requirements?</p> <p>3 Are we sure that we can predict risk and protect the council against it?</p>



Financial scrutiny in practice

Financial scrutiny should take account of the wider context – linking budget scrutiny to scrutiny of corporate strategies and performance; and with an understanding of the key issues facing the council and the public sector climate.

Financial scrutiny should mirror the key areas of councils’ financial activities:

Financial planning

- involved in medium-term financial, service and corporate planning
- challenging how the budget is constructed

Financial management

- regular, but not detailed, budget monitoring or review that effective monitoring is taking place elsewhere
- reviewing financial and performance forecasts as well as current budget and performance monitoring information
- evaluation of financial and/or social value

Savings and efficiency plans

- considering the impact of savings proposals
- monitoring the delivery of agreed savings plans
- reviewing outcomes of efficiency projects and alternative delivery models

Citizen participation

- getting the public involved in financial scrutiny
- carrying out equalities impact assessments
- promoting transparency, inclusion and accountability in financial planning, decision-making and financial management.

Scrutiny of partnerships and alternative delivery models

Scrutiny can play an important role in holding external service providers to account. However, there are some barriers to scrutiny of the private sector, including:

- providers may not acknowledge the requirements of scrutiny and/or claim that ‘commercial confidentiality’ precludes them from taking part;
- executives may be defensive about disclosing information about procurement criteria, expected outcomes or payments;
- confusion about who is accountable – provider, commissioner, or both;
- contractor, client and scrutiny may lack the skills and knowledge to participate effectively.

The CfPS guide ‘*small print BIG PICTURE*’ (2008) sets out some key elements to a successful approach to scrutiny of such arrangements. These are:

- **A focus on relationships:** Scrutiny should build mutual understanding and a productive relationship with providers.

- **Clarity and agreement about contractual obligations and expectations:** contracts should include obligations regarding scrutiny; an alternative may be an agreed protocol between the parties.

- **Clarity about channels of communication:** scrutiny should always start with the client, before approaching the provider. High profile contracts will benefit from a written arrangement regarding senior representation from the provider.

- **A more tailored approach:** The traditional ‘select committee’ style may be less appropriate than alternatives such as site visits or task and finish groups.

- **Training and development programmes:** After assessing the skills it already has and those it needs, scrutiny should commit itself to developing these to carry out its role more effectively.

In an environment where accountability is becoming more and more fragmented due to authorities entering into partnerships and other ‘alternative delivery models’, financial scrutiny can play a vital role in ‘following the money’ and assessing the value for money obtained from such initiatives.

Public sector partnerships

Public sector partnerships with major financial implications, such as strategic service delivery partnerships, should be particularly subject to scrutiny. Some key questions might be:

- how are these partnerships financially managed;
- what is the impact on the overall budget;
- what are the financial and other criteria for entering into them;
- how are outcomes and payments monitored; and
- how does the council ensure they are democratically accountable?

Challenging the impact spending has in cross-cutting policy areas such as troubled families where there are various funding streams and financial information may not be directly or clearly aligned to the policy area, is another way in which careful financial scrutiny can help open up complex issues to the public.

Public-private partnerships

The rise of private sector provision of council services presents new challenges for accountability and governance. Such providers will be used to forms of legal and financial compliance but they may be unfamiliar with democratic accountability. As highlighted in recent reviews such as *Responding to the Challenge: alternative delivery models in local government* (Grant Thornton, January 2014) and *small print BIG PICTURE* (2008) - scrutiny has an important role to play in assuring value for money from outsourced services. It can:

- provide a forum to hear and assess the views of provider, client and service user that is separate from contract monitoring or customer care;
- capture a rounded view of service delivery from beginning to end – from setting the policy imperatives to checking the service outcomes;
- provide a way of amplifying the voices of service users, especially to express concerns about evidence (or a perception) of service failure;

- elicit the providers' contribution to policy review and development, drawing on their experience of service delivery elsewhere;
- provide additional capacity to challenge provider performance, particularly if the client is under-resourced or lacks expertise.

Third sector partnerships

Partnerships with the third sector, or voluntary, community and faith sector (VCFS), are important from a scrutiny perspective because:

- the VCFS is increasingly involved in the provision of services, often in community-based settings;
- the VCFS provides a conduit for liaising with the public.

Welsh Government highlights in its *Statutory Guidance from the Local Government Measure (2011)* how it considers that the voluntary sector has an important role to play in providing input to council scrutiny. There are many examples across Wales of voluntary sector engagement with scrutiny making a valuable contribution through enriching and authentic perspectives. This has directly led to the improvement of public services in some cases and strengthened communication between citizens, special interest groups and decision makers in others.

Why councillors must play their part in financial scrutiny

Councillors have a legitimate right to challenge council finances

Councillors have a fundamental democratic right to commission financial information and provide challenge to executives and officers about finances. Scrutiny should be led by councillors, which involves:

- reading information in advance
- asking relevant and timely questions

Participating in a range of scrutiny activities Councillors need the time and opportunity to ask questions.

Scrutiny councillors are not expected to be financial experts, but they have a key role in ensuring accountability and value for money are demonstrated to the public.

Budget proposals need to be provided early enough to give councillors time to properly consider the impact. Council administrations should share budget proposals with other political groups openly and in a timely way. They should also ensure that information provided to support the decision making process is written in clear language.

Effective questioning skills can make a real impact on effective scrutiny. Councillors should consider the style and approach to questioning according to the type of people providing information.

Appendix B provides a range of questions scrutiny could usefully ask to provide 'critical friend' challenge to budgets and financial plans.

Case Study – Buckinghamshire County Council – Effective questioning by Members

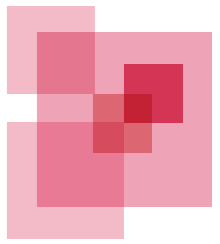
Following the local elections in May 2013, Buckinghamshire established a select committee model to perform its scrutiny functions, which include challenging the Cabinet's draft budget proposals. Buckinghamshire County Council produces 3 year indicative budgets as part of its annual medium term planning (MTP) process. The MTP process for 2014-15 to 2017-18 was particularly difficult due to central government not providing clarity around the local government settlement until late December 2013, requiring assumptions to be made about funding levels.

The new Finance, Performance and Resources Select Committee scrutinised the draft budget proposals over 4 days in December 2013 and January 2014. The principle objectives of this exercise were to examine whether Cabinet produced a balanced budget that supported the County Council's Strategic Plan priorities, and to provide a second opinion and make evidence-based recommendations for strengthening the proposals.

The Select Committee were working to very tight timescales for an exercise of this size. Members responded to this challenge. After the final evidence sessions were held in early January, the Committee produced a final report two weeks later, which included 15 recommendations for the Council's Cabinet to consider. Cabinet responded to these recommendations in writing prior to agreeing their final, revised revenue and capital budgets for 2014-15 to 2017-18 on 3 February 2014.

The Select Committee's recommendations were wide ranging and included:

- the need to lobby central government for a timely financial settlement



- the need to continue to move towards financial self-sufficiency
- improvements to the budget setting process, focusing on the transparency and accessibility of the budget
- devolving further competencies to parish and town councils
- exploring further joint working opportunities with partners such as District Councils, and
- exploring ways of funding a long term programme of road improvements.

The Select Committee also identified a number of specific reductions that could prove to be counter-productive or contrary to the Council's Strategic Plan priorities if implemented. Cabinet agreed to reverse the majority of these and to part-reverse or seek to mitigate the impacts of the remainder.

In addition to scrutinising the Council's budget proposals, a key aim of the Select Committee was to 'open up' the budget setting process by raising its profile and making it more accessible to members of the public. The Select Committee's budget scrutiny work was covered on BBC South Today and in local press, which helped to raise the profile of the Council's scrutiny function and budget setting process.

The Finance, Performance and Resources Select Committee held sessions with each Cabinet Member to question them on their draft spending plans and portfolio priorities. Cabinet Members were asked to introduce their portfolio and their proposals before taking detailed questions from the Select Committee for approximately an hour. The Leader of the Council was questioned on the overall policy direction of the Council, the Leader's portfolio, and on issues arising during the Budget Scrutiny process. A specific session on the Council's Capital programme was held with the Deputy Cabinet Member for Finance & Resources.

The Select Committee also engaged with external witnesses such as:

- Community Impact Bucks, who represent the local voluntary and community sector
- Barnardo's, who provide a number of children's services for the local authority, and
- Buckinghamshire Business First, who provide a link between public policy and the local business community.

These external witnesses were invaluable in explaining the specific impacts of various budget proposals, and helped to inform the Select Committee's questioning of Cabinet Members, as well as their recommendations.

The Chairmen of the Council's three other select committees (Education, Skills and Children's Services; Environment, Transport and Locality Services; and Health and Adult Social Care) were each involved in scrutiny sessions that related to their select committees' terms of reference. The Chairmen added value by imparting their detailed knowledge of the portfolios under scrutiny and by contributing to the questioning of decision makers.

In preparation, Members reviewed the draft budget proposals in detail, held informal sessions with the Council's Chief Finance Officer and Team Leader for Research, and took on board the views of local residents, businesses and community organisations by reviewing the results of the Council's Budget Consultation. All evidence sessions were held in public and were webcast live on the Council's website. These recordings are available to view online for 6 months. The Select Committee's report is also available to view via the Council's website.

The Council Leader commented on the benefits of the robust scrutiny provided by the Select Committee:

'All the Cabinet Members were summoned in to explain their budget proposals. We were grilled very rigorously on those budget proposals. I think most of us still have bruises to show for the thoroughness of that grilling, and as a result of that particular exercise, which lasted the best part of a week, a very detailed report has been prepared ... I'd like to thank [the Committee Chair] in particular but also all your Members for the excellent and very dedicated and very professional way in which you undertook your work. Certainly you have all devoted a significant amount of time to briefing yourselves, to understanding the budget, to really delving into the detail on behalf of all County Councillors. This is a cross-party group... and I think you do a great service to all the residents of the county.'

Information can help make decisions

Scrutiny of how money is allocated, spent and managed should be a key priority for all councillors. Yet local government finance is often perceived as opaque and we know that people feel financial scrutiny is least effective. However, financial scrutiny goes beyond audit – it is about challenging how councils make crucial choices about priorities for funding and how well resources are used to achieve policy objectives.

Similarly, performance management may appear full of jargon which frustrates attempts by non-executives to investigate performance properly. Performance management is a method for improving services – it's about making things better for local people and about ensuring that the way services are planned and delivered provides value for money. Performance monitoring is the role most often undertaken in council scrutiny.

Developing confidence and ambition to understand financial and performance information, link it to the way people experience services and use it to drive improvements will increase the impact of this aspect of scrutiny.

Performance information combined with budget information can be used in all scrutiny reviews to provide insight into whether value is being achieved and whether improvements are necessary, feasible and affordable. In the context of 'value', scrutiny should also consider the social value of services not just their financial cost. This isn't an extra job for you – it is a way to make what you already do more effective by grounding your work in reality.

Councillors should work to ensure that, when reviewing a service, that it is reviewed as a whole, not just at the limited picture offered by performance information or finance. So ask yourself, for instance, whether performance and finance information aligns with your own research, particularly the experience of service-users and whether performance management and financial control are meeting the right goals in the right ways so that council priorities are being met.

Examples of useful criteria for financial scrutiny are: was there a significant over or underspend? Were there issues with demand or supply and what does it tell us about the future? Has spending on this specific project or policy achieved value for money and what social value has it added? Does the overall budget line up with the council's identified priorities? Finally, are changes to the budget linked to performance management reports? Similarly for performance management,

here are some suggestions for criteria to use when reporting by exception: do the number and nature of corporate complaints suggest that there are causes for concern? Furthermore, has performance, according to council's own measures, been poor for two successive quarters? Does recent work relating to self-regulation or other assessment or inspection activities, suggest that there is cause for common concern? Finally, is this a priority for the organisation at the moment?

A helpful analogy for councillors may be to think about what questions you would be interested to know the answer to in an everyday matter involving your own finances, for example, purchasing a house. Before making the decision to on what house to purchase you are likely to consider what characteristics or priorities are important to the household in terms of location, number of rooms, specific features, etc. In terms of financing this you are likely to apply a whole life costing approach to deciding what is affordable, what income sources are available to you to finance it? what would the ongoing household mortgage and running costs be? what structural work, repairs and home improvements are likely to be required? What assumptions underpin these cost estimates that you have determined? These considerations are all very valid and the principles can be equally applied to the review of council finances.

Appendix C sets out an example of a typical budget monitoring report and provides some helpful prompts to where questioning could be directed when reviewing similar data at your council.



Understanding roles and responsibilities

Councillors and officers have a collective and individual responsibility for ensuring that a council's finances are effectively managed. A summary of the key roles and responsibilities is:

Council

The council's responsibilities include agreeing the policy and budget framework.

Cabinet/Executive

The cabinet or executive is responsible for proposing the policy and budget framework and key strategies, including the medium term financial plan and the annual budget. It has power to take all executive decisions within the policy and budget framework agreed by the Council.

Corporate Management Team

Within the policy and budget framework and decisions taken by executives, Chief Executives, Chief Finance Officers and Monitoring Officers have key responsibilities for the way councils are run in terms of compliance with legal duties. Section 151 of the Local Government Act sets out requirements to prepare a prudent and balanced annual budget including maintaining reasonable levels of reserves. Other members of the corporate management team are responsible for administering annual service budgets.

Finance Professionals

Finance professionals, such as auditors and accountants, should identify how financial planning and management processes can ensure time and space for scrutiny to add value and make a difference. This will probably mean providing information to scrutiny throughout the financial cycle. Scrutiny should appreciate that this information might be draft and subject to change.

Scrutiny Chair

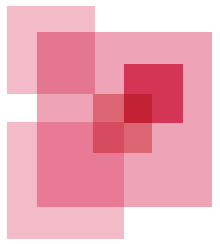
Good chairing can contribute to the success of scrutiny by:

- providing leadership and direction;
- ensuring that scrutiny works efficiently and effectively;
- ensuring that scrutiny remains within its terms of reference;
- making the best use of resources, particularly time, available;
- promoting scrutiny both within the organisation and externally; and
- representing the council at networks and events.

The Chair should encourage all scrutiny councillors to take a full part in scrutiny, including taking part in any agreed work outside of the formal meetings. They should set the tone of the meeting, helping to ensure that scrutiny does not become confrontational. Scrutiny recommendations hold more weight if they are backed by consensus. The Chair is responsible for developing constructive relationships with the appropriate Cabinet Member(s) and with senior officers in the services being scrutinised.

Scrutiny councillors

The role of scrutiny councillors is to review policy and challenge whether the executive has made the right decisions to deliver policy goals. Their role comprises:



- Assisting the cabinet in the development of properly costed policies and budget proposals;
- Monitoring the service and financial performance of the council and its partners;
- Examining the impact and implementation of cabinet decisions and policies;
- Holding the council leader, cabinet and senior officers to account; and
- Scrutinising external organisations who provide services to residents.

Co-opted members

Non-councillors may be co-opted onto scrutiny panels or associated task groups. Co-opted members can be particularly helpful in representing community perspectives, providing a wider/balanced perspective on issues and encouraging public engagement in budget proposals.

Dedicated scrutiny support

We have already discussed finance professionals supporting financial scrutiny. CfPS research has found that the effectiveness of scrutiny is directly related to the level of dedicated support it receives. In councils that commit resources to provide dedicated support, the benefits that can be seen are:

- task and finish work, leading to specific and evidenced recommendations, is more common and carried out more efficiently;
- outcomes are followed up in a planned way;
- officer time is available to scrutiny to support creative and innovative scrutiny; and
- a commitment to transparency, inclusion and accountability that allows non-executive councillors a role in policy development.

Do councillors have the right knowledge and skills?

“ There is no outline of what is required of a councillor, so how could anyone coming from a background not familiar with financial planning know whether they would be any good at it or would want to do it? ”

“Representing the Future”, the report of the Councillors Commission (Dec, 2007) – Department for Communities and Local Government

Being elected as a councillor does not mean having solutions for communities but through experience and expanding your grasp of your role you will be better placed to deal with the range of issues that arise. Diversity in scrutiny tends to lead to better outcomes, so it is important that councillors not only represent the communities that they serve, but also have a wide range of backgrounds, skills and experience.

How should councillors be selected to carry out financial scrutiny? It is useful if they have a background in financial planning, or a relevant sector or industry that helps them appreciate some of the broader aspects of the role and the outcomes of their scrutiny activity, but these need not be the only factors. Councillors need to distinguish between their specific roles and community interests as a ward representative and their role in scrutiny. In 2013, the New Local Government Network ¹ explored the skills councillors need to bring to the budget setting and financial planning process. The key factors identified were:

1. The New LG network is a collaboration of around 50 organisations from the public and private sectors united by the belief that local government, through partnership working, can not only navigate the current spending reductions but turn present circumstances to their advantage.

Effective communication

In particular between the Finance Portfolio holder and Cabinet colleagues and other Members, and between officers and Members. Financial planning information needs to be timely, accurate and in a format that is understandable. The effectiveness of the working relationship between Members and officers was considered critical.

Maximising the Use of Key Skills

It was recognised that all Members have some financial skills, whilst others will have specific skills via their professional background. The availability of such skills need to be both recognised and effectively deployed. When considering the balance of skills required by Members in financial planning, the Future Councillors programme identified political understanding and scrutiny/challenge as the core skills. Where skills gaps are identified training, support and development opportunities must be available. It was further recognised that on occasion Members will need to draw on specialist advice and it is important to recognise when this is required.

Training, Support and Development

Even when Members have relevant financial skills, such as via a business background, it was recognised that training and support was required from officers to ensure financial information is effectively understood - for example a local government accounts are presented differently to a private sector organisation. It was also recognised that Members could support their understanding of current issues affecting local government finance by attending external conferences and events, for example, those provided by CIPFA. The availability of national or regional forums for Members to share their experiences in relation to financial planning was also identified as important.

Understanding Financial Planning Tools

Members' understanding of budget setting tools and techniques, such as Scenario Planning, Zero Based Budgeting and Activity Based Costing, was seen as important, both for when they were being used by their authority, or for challenging why they were not being used. It was recognised that Members have a role to challenge whether the current way of approaching budget setting is appropriate or good practice, in the same way they challenge the status quo in relation to service delivery. There was further discussion regarding the need to adopt new financial planning approaches such as outcome based budgeting.

Effective Timescales

Financial planning was recognised as an all-year round activity. It is critical that the Medium Term Financial Plan is being continually reviewed so that assumptions remain correct, and that there is appropriate time available to prioritise budget planning discussions, savings identification and undertake necessary stakeholder engagement.

Knowing What Questions to Ask

Given that a key role and skill for Members in the budget setting process relates to scrutiny and challenge, knowing what questions to ask is critical. Some example questions are set out later in this guidance document.

Stakeholder Engagement

A key role for elected Members is how their engagement with citizens and businesses helps them inform key financial planning decisions, in particular service delivery priorities and savings identification. Understanding service users' needs, and the tools available to do this, was also recognised as important, particularly during periods of significant change

and transformation. The electoral cycle was identified as a key inhibitor to medium term financial planning, so the ability for Members to take difficult but necessary decisions was seen as critical.

'Future Councillors – Where next for local politics? (New Local Government Network, July 2013)

Councils should ensure that they invest sufficient time to ensure councillors have the right skills, officer support and training to undertake effective financial scrutiny.

Case Study – Cardiff Council: Assessing scrutiny member needs and training requirements

In preparation for the 2013-14 budget setting process, all scrutiny Members were invited to participate in two budget briefing sessions by the team of the Corporate Chief Officer (Corporate Services) & Section 151 Officer, to gain an understanding of the context in which the 2013-14 budget was delivered. Members were also invited to attend additional training run by the Chartered Institute of Public Finance and Accountancy.

The Council has five Scrutiny Committees which consider the sections of the draft Budget Proposals and draft Corporate Plan which are relevant to their terms of reference. Following these meetings, the Chair of each Committee sets out in a letter to the Cabinet the Scrutiny Committees' comments. The outcomes of this exercise for 2013-14 identified a number of common areas to consider in relation to the processes for scrutiny of the Council's budget. These included improving timeliness of papers, ensuring reports were concise and easily understandable for councillors and ensuring availability of good quality equality impact assessments to support budget reduction proposals.

Following the local elections in May 2012, a number of new councillor appointments were made, and changes to Scrutiny Committee membership had also taken place during the first 18 months of the new Administration. Given the huge anticipated level of challenge associated with the 2014-15 budget setting process, this brought about discussions within the Council's Scrutiny Chairs' Liaison Forum about how councillors could be supported in the development of their skills and knowledge to enable them to carry out effective budget scrutiny. From this emerged the need to develop a training and needs assessment of scrutiny councillors with a specific focus on budget scrutiny.

The Council has a dedicated four officer scrutiny research team who undertook an extensive literature review to identify the common skills required for councillors involved in the scrutiny of budgets and financial information. This literature review informed the development of a detailed survey of 11 questions for members to complete using a 'Survey Monkey' platform to compile the survey. The survey had a good response rate from councillors, the results of which were compiled and reported back to the Scrutiny Chairs' Liaison Forum in November 2013.

A full copy of the survey questions are set out in Appendix E to this guidance document.

The results of the survey has enabled the Council's scrutiny support team to develop a training programme for its scrutiny councillors highlighting the key topic areas where they have identified greatest need for further support. Training delivery methods vary between the topics areas identified and include the provision of briefing papers, councillor one to one briefings through to small groups training delivered by internal teams such as the Citizen

Focus and Audit teams, and external advisors such as the Local Government Data Unit Wales. This exercise builds upon the Council's wider skills and knowledge development of its councillors as it works towards WLGA charter status.

Training and support

The Commission on Public Service Governance and Delivery's report (January 2014) highlighted that:

'To be effective in holding to account and constructively identifying opportunities for improvement, scrutiny must be well resourced to support robust and challenging questioning. In local authorities, sufficient support must be available, at officer level, to develop co-ordinated scrutiny plans, identify gaps in expertise on the committees and provide proportionate and understandable information to committee members.'

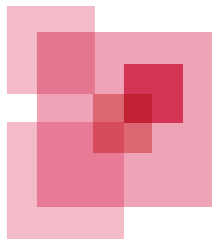
... and that:

'Effective, credible scrutiny needs more than skilled elected members provided with training no matter how knowledgeable they may become about their service area. For scrutiny to be well informed it also requires sufficient capacity to engage with the issues and a wide range of information, perspectives and expertise.'

Scrutiny presents many challenges – councillors need to lead the process, manage themselves as a team, and make the most of their time through effective questioning, and evidenced based recommendations. Councillors may find that when undertaking the scrutiny role, it requires skills that they may not have used or have been required to use in their experience before being elected. Adequate training on the required skills is a worthwhile investment, to build capacity and maximise the value obtained from scrutiny.

For Members involved in the scrutiny of council finances, there is likely to be great value in workshops focusing on explaining how the budget and financial planning processes work, and what Members can bring to the process by challenging assumptions with confidence. These could be run by the council's finance officers, external audit or other independent experts on local government finance.

It is however important to highlight the need to separate training and understanding of council finances from the scrutiny process itself i.e. the critical analysis, formation of conclusions and development of recommendations. Where finance officer run workshop sessions focus on draft cabinet proposals these are often interpreted by corporate management teams as scrutiny having 'considered' the proposals which can lead to budget scrutiny being ineffective.



Scrutiny and financial planning

Key characteristics of good financial planning

There are two main elements to councils' financial planning:

- strategic planning - the medium term financial plan
- annual planning - the council budget.

Scrutiny's involvement in medium term financial, service and corporate planning

Scrutiny should consider whether:

- medium term financial planning is actually happening and, if so, does it work?
- the annual budget is driven by an understanding of the council's medium-term financial, corporate and service planning pressures?

Financial scrutiny should also focus on outputs and outcomes, rather than inputs:

- Does the executive measure the effectiveness or impact of its resource allocation decisions and spending?
- Are financial targets and indicators appropriate given the council's medium-term forecasts and situation?
- Are targets being achieved? Are targets related to outputs or outcomes?
- Does the council measure the 'social value' of its spending rather than just the 'financial cost'?

In addition to assessing the robustness of medium-term financial and other plans, there should be some early involvement of scrutiny in assessing how the executive is going about integrating service and corporate planning with financial planning, testing, for example:

- whether different strategies and plans are consistent;
- whether the corporate and service plans are properly informed by the financial strategy;
- whether the executive has the appropriate financial information to underpin the service planning process;
- whether the annual budget is being set in accordance with the medium term financial plan;
- whether there are financial implications arising from service plans; and
- whether targets have been met, whether and why there are overspends or underspends.

Scrutiny should review the medium term plan to ensure that it is sufficiently robust in terms of delivering the executive's aims, objectives and priorities. However, in order to be effective, scrutiny will require information on the overall financial position of the council and the assumptions made in the preparation of the plan in order to satisfy themselves that resources are moving to priority areas. Therefore, it is important that finance professionals prepare information not only on the overall forward financial position, but also on the service consequences of the medium term plan.

This is likely to involve aligning finance information with policy and performance information. This can be complex so scrutiny will require support to understand and evaluate the medium term plan. Scrutiny can also be a valuable resource in evaluating various competing priorities, making recommendations to the executive and council as part of the council's overall review of its spending priorities. The process of compiling this performance and financial data will be helpful to finance professionals in understanding the performance of services as a whole.

Strategic issues to consider

Scrutiny of the medium term financial plan is also the chance to take a strategic overview of issues such as:

- does the council have the right policy on the amount of reserves it needs to hold?
- is the overall planning approach appropriate to the council's circumstances?

Reserves policy

The Audit Commission guide 'Striking a balance: Improving councils' decision making on reserves' sets out some key questions scrutiny should be asking:

- How much does the council have in reserve and how does it compare to councils with similar circumstances?
- What are we holding reserves for? What are the risks or future spending plans for which the council is holding reserves?
- Are the levels of the council's different reserves appropriate to the risks it faces and the scale of its future spending plans?

Alternate financial planning approaches

Scrutiny can also assess whether the overall approach to financial planning is the right one for the council. The two main alternatives to the 'traditional' incremental approach are:

- **Zero based budgeting** : where resource allocation is based on need and anticipated impact, instead of previous budgets simply rolling forward with an uplift for inflation. The need to choose between competing claims on scarce resources fosters more effective decision making.
- **Priority based budgeting**: where resource allocation is based on priorities rather than precedent. Priorities could be decided through a process of engagement with the local community, for example to decide between council tax rises, increased fees and charges or changes in the level of services provided. As the WAO's 2014 review, 'Meeting the Financial Challenges Facing Local Government in Wales' commented:

'Austerity and rising customer demand are forcing councils to focus their resources on priority areas and to make difficult decisions. These could be decisions to: stop delivering activities that do not contribute to their priorities; scale back activities that make less of an impact on their priorities; or to identify alternative and more efficient delivery arrangements for those activities which they choose to continue or expand. By prioritising resources towards priority areas (including areas for improvement), councils can demonstrate a clear commitment to concentrating resources and energy on those actions that will make a difference.'

Best practice: what to look for in strategic financial planning

- Focus on achievement of corporate priorities is evident through the financial planning process. The MTFP focuses resources on priorities.
- Service and financial planning processes are integrated.
- The MTFP includes outcome measures, scenario planning, benchmarking, resource planning and details on partnership working.
- Annual financial plans follow the longer term financial strategy of the authority.
- There is regular review of the MTFP and the assumptions made within it. The authority responds to changing circumstances and manages its financial risks.
- The authority has performed sensitivity analysis on its financial model using a range of economic assumptions.
- The MTFP is linked to and is consistent with other key strategies, including workforce.
- KPIs can be derived for future periods from the information included within the MTFP.
- Zero Based Budgeting is used to improve strategic prioritisation during the financial planning cycle.
- Effective treasury management arrangements are in place.

Source: Grant Thornton - Local Government Financial Resilience Review 2012 ('Towards a tipping point?')

Constructing the annual budget

Having reviewed the medium term plan, scrutiny should next be examining the assumptions behind the annual budget strategy:

- Is it in line with the overall approach – incremental, zero based or priority based?
- What is the rationale behind the major growth and savings proposals and how will growth be funded?
- Are the financial implications of proposals from departments and committees built into the overall budget?
- Is the level of reserves appropriate and in line with the medium term plan?

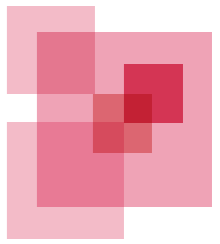
Some things to bear in mind when responding to budget proposals:

- Get your requirements in first – what you want to see in the budget in terms of content and format - rather than waiting for the proposals to arrive and then responding to them.
- Examine how the budget matches up to the executive's manifesto and corporate plan – does the allocation of resources reflect their stated priorities?
- Look at processes as well as specific figures – ask how the executive arrived at the proposed amount rather than trying to second-guess whether it is precisely the right amount.

To make sure that scrutiny is actively involved in reviewing medium term plans and assessing whether the annual budget is set in accordance with it, finance professionals should provide clear linkages between the annual budget and the MTFP “year two”, explaining the differences between the two documents. The linkage between finance and performance should also be clearly made in the annual budget process. Traditional budget books are unlikely to provide the right level of information to enable scrutiny to link budget allocations, performance and value for money. The production of detailed financial information without linking this to performance data encourages a disjointed approach to service and budget scrutiny.

It is also important to recognise that whilst much scrutiny effort takes place on the revenue budget and council tax, the annual budget process also establishes capital budgets and, where relevant, Housing Revenue Account budgets for council housing. Finance professionals should ensure that councillors are guided sufficiently to enable them to engage with both revenue and capital budgets, and understand the linkages between the two. This is likely to include robust capital project appraisal processes and business cases. Scrutiny may wish to review such business cases prior to their formal inclusion onto the capital programme.

Scrutiny should be resourced to enable members to conduct in-depth reviews of services or policy areas during the year. However, such service reviews are likely to result in a request for more detailed information on unit costs and value for money, and it is likely that finance professionals will be called upon to provide and interpret such information. Finance should consider its own capacity to resource detailed service scrutiny reviews, and finance professionals will often need to become more involved in providing information and support to scrutiny reviews. Finance officers should see benefit in their involvement here as it will help inform them on what proposals are politically viable by exposing them to alternate views and ideas.



Scrutiny and financial management

Financial management in councils is primarily focused on the annual budget. The budget process in councils is a rolling process – in most councils, it never stops. Robust scrutiny, therefore, cannot be a one-off event – happening just before the council tax is set: there is inevitably too much to take in, too little time, and no real context. It has to take place throughout the year, wherever or whenever key policies with financial implications are under consideration or review. Challenging how well the executive is managing the budget is an ongoing process.

Budget monitoring

In some councils, scrutiny will comment on overall budget proposals or the proposed levels of council tax; in others, scrutiny will not do this. However, regardless of detail, there should be a clear framework in which scrutiny is involved in a degree of financial monitoring throughout the year, for example:

June/July	Consider revisions to the current year's budget, pressures and key issues in the light of the prior year's draft financial statements
September/October	Consider executive proposals for the next financial year, growth and savings, and ongoing monitoring for this year and out-turn against budget
November/December	Provisional settlement and executive's response and revised proposals
January/February	Scrutiny of final budget proposals

Monitoring could include reviewing progress on growth and savings targets, revised forecasts, and projections – what will probably change, what is unlikely but possible? Scrutiny is not meant to be doing the executive's job: it should be challenging the effectiveness of the executive's control of the budget and asking questions about what lies behind variances.

Some councils use summary information, exception reporting, or a traffic light system – highlighting early warnings of key changes, action taken or proposed, commitments being entered into and emerging gaps. Detailed budget monitoring is primarily an officer responsibility, reporting to the portfolio holder and/or cabinet. Scrutiny should assure itself that effective financial monitoring is taking place, conducting ad-hoc reviews as required.

Scrutineers might also be interested in carrying out a review of performance and how well the budget has been managed:

- Have the planned service outputs and outcomes been met?
- Has the council managed its resources effectively through the year?
- Why are there under or over spends?
- What has been achieved from additional resources?
- Where does this year's outturn leave the council's finances for the next year?

Some important things to bear in mind when scrutinising a budget:

Scrutiny takes place in a political environment – don't replicate audit and don't ignore the political dimension.

Don't be afraid to ask for more detailed or clearer information, but be strategic about what information you ask for. Ask for information that will help you to answer a question and in a format that will be useful, rather than making general requests in the hope that all will become clear.

Look for trends and themes over time or across different budget headings.

Watch out for round numbers, they are often a sign of balancing rather than budgeting for a particular purpose.

Don't restrict your scrutiny to assessing whether the services were delivered within the allocated budget. Look at the impact of the expenditure – what was achieved?

Make use of independent expert advice if you can. It provides authority and helps build confidence in recommendations.

There is no such thing as a stupid question, especially if it begins with the word 'why'.

Gaining an overview of the council's basic financial processes and responsibilities

Commonly, the council's constitution will make it clear that budget monitoring is primarily delegated to budget managers, and that the relevant portfolio holder is responsible for oversight of the budget and control for his/her services. The council's Scheme of Delegation and Financial Standing Orders should spell out these responsibilities in a clear and transparent way.

It is, therefore, not usually an effective use of scrutiny time to conduct further detailed budget monitoring. Rather, scrutiny could assure itself that the processes and responsibilities are both clear and being fulfilled, check that budget monitoring is taking place and conduct ad-hoc reviews as required, for example, into significant over or under spending. It is critical that the level of detail is right – detailed line-by-line information will actually obscure the scrutiny process and make it harder for councillors to see the full picture.

Case Study – St Helen's Council: Scrutiny's input to regular budget monitoring

St Helens Borough Council has set up an Audit and Financial Monitoring Overview and Scrutiny Panel which receives regular reports on financial and service performance throughout the year. This complements the scrutiny of the annual budget carried out by the council's Overview and Scrutiny Commission, by reviewing delivery of the budget and service outcomes. It also scrutinises Internal Audit reports alongside finance and performance results to gain a wide understanding of the council's performance, bringing a broad perspective that complements the work of the council's Audit and Governance Committee.

The Panel meets eight times a year. It receives quarterly Corporate Financial Reports which provide an update on the council's financial position covering revenue and capital, reserves and balances and treasury management activity. It also receives quarterly Budget and

Performance Reports which present key financial results in a narrative format alongside a performance summary that covers Key Performance Indicators with key actions to address any reported issues. Each meeting also considers the most recent Internal Audit reports.

In addition, to help foster a scrutiny culture all councillors have access to monthly Budget and Performance Reports (a less detailed version of the quarterly report). The aim is to ensure that councillors gain an understanding of how spending matches policies and are comfortable with numbers. Councillors' general understanding of financial information and its readability have been identified as key barriers to effective financial scrutiny, and a training programme has been developed to tackle this.

Bite size informal training sessions are held before each Panel meeting to give councillors an opportunity to improve their understanding of any areas they are unclear about. During the past 18 months, training on the council's Performance Monitoring System has also been provided. These are practical sessions about how to access up to date performance information and keep abreast of service underspends/overspends, spot trends and note areas of good/under performance. This training was originally for scrutiny but has now been extended to all councillors. Officer support to all meetings and informal training sessions is provided at Assistant Treasurer level.

Additionally, a briefing sessions on the council's budget setting process is provided prior to the council meeting to consider the annual budget.

The establishment of the Panel and the contextual nature of the financial information presented to it has given councillors a much deeper understanding of the climate in which it operates. The Panel regularly requests supplementary reports and calls in officers to explain areas of under-performance. A 'feedback' loop to the executive is provided via a standing item on the cabinet agenda to address issues arising from scrutiny. There is also a standing item on the Audit and Governance Committee agenda to consider the Panel Chair's report on items scrutinised, highlighting issues the Panel wishes to draw to the committee's attention.

The achievement of the council's aims and objectives will almost certainly require resource reallocation, and so the financial plans and budgets should clearly demonstrate the link between what the council intends to achieve and where it spends its money. Finance is one of the most important resources at the council's disposal and so it is also essential that the link is made between the need to balance the budget and make efficiency savings and the consequences this has on services in terms of their performance and achievement of outcomes.

Not only is the nature of the information important, however, but also how it is presented. For example, local government finance is full of terminology and jargon, and so it is essential that finance professionals not only provide training but also that they explicitly consider whether reports and information are unnecessarily impenetrable due to their language. One approach is the use of "crystal clear" reviews of financial information and many councils now employ the "traffic light" system for financial information as well as performance information.

Finance professionals should be pro-active in responding to the information needs of scrutiny, Councillors often 'don't know what they don't know' and may not be best placed to request data that would best meet their needs. They need time, space and support to build confidence so they can take ownership of their information needs and commission data accordingly. Scrutiny should ask for reports

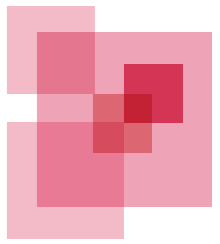
that integrate finance and performance and should not be afraid of letting officers know if they do not get data and information that meets their needs.

Best practice- what to look for in financial management

- The council operates within a locally determined appropriate level of reserves and balances.
- The General Fund balance is maintained at or above the locally agreed minimum level.
- Working capital is at, or above, a ratio set by the Section 151 officer.
- Manageable levels of long-term borrowing within prudential borrowing limits.
- Targets have been set for future periods in respect of key indicators, such as reserve balances and prudential indicators.
- The authority has a track record of spending to budget and proactively managing forecast overspends in-year.

Source: Grant Thornton - Local Government Financial Resilience Review 2012 ('Towards a tipping point?')





Scrutiny and the efficiency agenda

'Austerity' has put savings and efficiencies on all councils' agendas. Scrutiny can have a key role in influencing improved performance, delivery of efficiencies and achieving planned outcomes from savings plans. The scale of the financial challenge and the potential impact on local services mean that engaging communities about options for spending and efficiencies is essential.

In supporting councils' drive for efficiencies, scrutiny can play a role in:

- considering the impact of savings proposals;
- monitoring the delivery of agreed savings plans; and
- reviewing the outcomes of 'invest to save' and efficiency projects and alternative delivery models.

Considering the impact of savings proposals

The WAO, report 'Meeting the Financial Challenges Facing Local Government in Wales' (January 2014) commented that 'nearly all councils in Wales have underdeveloped arrangements to evaluate the impact of their savings plans on their citizens' and noted that a small minority were unable to identify the impact of the decisions they take and the changes they make to service delivery. The Audit Commission's 2011 'Tough Times: Councils' responses to a challenging financial climate review' looked at councils responses to austerity measures in England. It found no link between the extent of service impacts and the size of cuts and concluded that good local decision-making was key to managing the impact of budget reductions on services. Scrutiny should therefore look for assurance that savings plans have fully considered the impact of planned reductions as part of a coherent strategy supported by sound decision-making.

Monitoring the delivery of agreed savings plans

Scrutiny should not be duplicating the monitoring role of cabinet, but asking key questions such as:

- Is the savings plan being properly managed with adequate resources?
- If there are large or numerous variances to the plan, what does this indicate about the council's overall strategy?
- Is the impact of savings on services greater or less than expected?
- Is there a need for an ad hoc review of a particular variance and/or unexpected effect of the savings plan?

Case study – Budget setting - Bridgend

Since 2008, Bridgend County Borough Council has established an annual Research and Evaluation Panel which has been tasked with considering the draft budget proposals of its Cabinet. This panel was constituted as a discussion and advisory panel to the Corporate Resources and Improvement (CRI) Scrutiny Committee and has historically been made up of three Members of CRI along with the Chairs of the Council's other four Scrutiny Committees.

The process has evolved over a number of years and has developed each year as the process is refined and amended. This process has enabled members to analyse proposals in relation to the reshaping of particular services as part of the Bridgend Change programme

and review detailed budget proposals to provide assistance to scrutiny committees in providing challenge and making recommendations to the Cabinet. As a result, the Council meeting to set the budget is generally non-contentious, as the issues have been discussed in scrutiny between October and January.

The Panel is principally active from October till February and the process is:

- Panel have early sight of budget proposals (October)
- Panel meets with Corporate Management Board and Cabinet to discuss (November)
- Budget proposals go to each Overview and Scrutiny Committee, including observations from the Panel (December)
- CRI Committee co-ordinates the comments of each Committee and sends a single report with recommendations to Cabinet (January)
- Cabinet agree the budget proposals (Jan/ Feb)
- Budget set by Council (Feb/ March)

This process was amended further in 2013 where the panel would meet throughout the year to look at some of the significant savings proposals that are being developed as part of the medium term financial strategy. The benefit of this is that Members have early sight of some proposals and a fuller understanding of the financial pressures facing the authority, and officers get an early temperature check regarding which proposals may be acceptable and which are considered unjustifiable. Because of the links to the medium term financial strategy, the specific budget proposals for 2014-15 were also considered by this Panel.

In considering the challenges associated with continued budget reductions, Members of the 2013-14 Budget Research and Evaluation Panel (BREP) recognised the need for a 'whole Council' response to be adopted in managing anticipated cuts to services against a backdrop of increasing demand, public sector reform and the challenging financial outlook.

It was recommended that a Standing BREP be established as a standing working group to enable Members to engage in more meaningful discussion on budget proposals as well as to enable members to feed in community intelligence gained from their representative role and engage in shaping future service provision. This recommendation was endorsed by both the Corporate Resources and Improvement Overview & Scrutiny Committee and Cabinet as part of the 2013-14 draft budget consultation process.

It was agreed that each scrutiny committee would nominate two members to sit on the Standing BREP. The primary purpose of the approach was to:

- achieve a detailed overview and assessment of the budget proposals where the expertise and knowledge pertaining to each Committee service area contributes to a Corporate understanding and appreciation of the draft budget proposals;
- To assist the Council to develop a budget for 2014-15 that aims to meet the needs of the communities of Bridgend County Borough;
- To facilitate firmer understanding of the budget setting process and the draft proposals in order to assist the Committees in making informed comments, constructive challenge or recommendations to Cabinet as part of the budget consultation process.
- To achieve consensus on the direction of the budget over the life of the medium term financial strategy. The Bridgend Change Programme has been developed to meet future budget reductions for 2014-15 to 2016-17 and that this has been incorporated into scrutiny processes to ensure accountability and oversight of the process.

Consulting with Overview & Scrutiny Committees in this way has enabled the Council to work towards the following positive outcomes:

- Increased understanding of the budget setting process amongst Non-Executive Members;
- Enhanced Member input into the annual budget setting process;
- Achievement of wider representation of Community needs in discussions relating to anticipated changes to services;

The Standing BREP has met on a number of occasions throughout the year and explored by means of semi-structured interviews with Directors and Heads of Service, management options that inform the development of the draft Cabinet proposals both in relation to proposals related to medium and longer term reviews linked specifically to the Bridgend Change Programme as well as Budget Reductions and Budget Pressures for 2014-15.

Each Overview & Scrutiny Chair and respective nominated member contributed their service and Committee specific knowledge to the process which led to the Standing BREP achieving a wider understanding of the likely implications associated with proposals put forward.

This process was assisted by the input of the Corporate Director - Resources and the Head of Finance and Performance who were present to provide advice to the Standing BREP at the interview sessions. This enabled Cabinet to consider its 2014-15 draft budget proposals on 10 December 2013.

Reviewing outcomes of efficiency projects and alternative delivery models

Councils undertake specific projects to realise efficiencies, including 'Invest to Save' initiatives and the use of alternative delivery models such as shared services and outsourcing to external providers. Scrutiny can contribute to the council's overall savings programme by carrying out reviews of the outcomes of such initiatives asking questions such as:

- Were the objectives clearly defined?
- Have these objectives been achieved?
- If not, how does the cabinet plan to put this right?
- What elements of the project went well?
- What did not go so well?
- What wider learning have we gained?
- Have all the expected savings been delivered?
- If not, has there been a review to find out why?
- Did the partners involved play their full part?
- If not, what redress do we have?

Citizen participation

Opening up finance to the public

Robust financial scrutiny can open up the council's budget process to the public whose taxes are being spent. Financial scrutiny can widen understanding of local government finance and of financial management, enhancing transparency and accountability about how choices are made about what to spend.

When councillors are more confident about councils' financial processes, they can more effectively facilitate public participation in decisions that councils have to make around priorities, costs, income generation and levels of council tax.

The importance of public participation

One of the four principles of effective public scrutiny set out by CfPS is that it should amplify the voice and concerns of the public. Welsh councils are facing a scale of funding reductions that mean this principle is more important than ever. Section 62 of the Local Government (Wales) Measure 2011 requires councils in Wales to enable all persons who live or work in their area to bring their views to the attention of scrutiny committees, which must take these views into account. In addition, Participation Cymru's National Principles for Public Engagement have been endorsed by Welsh Government and the Welsh Local Government Association as offering a consistent set of principles and good standard for public participation (<http://www.participationcymru.org.uk/national-principles>).

Scrutiny is by its nature a dialogue and offers the potential to connect councils to the public throughout the political cycle, not just at election time and there are a range of options for capturing and responding to public views.

'*The Civic Square and the Public Triangle*' (Barry Quirk, Institute for Government, February 2014) sets out a conceptual framework that scrutiny may find useful when considering how to secure public participation.

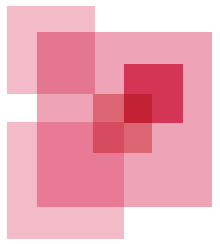
- **The Civic Square** – an arena, a stage or a place in which public dialogue occurs about complex public policy problems. An arena created by public authorities to support comprehensive public dialogue on changes to public infrastructure, public goods, public services and public problems.
- **The Public Triangle** – a framework for supporting public dialogue that represents three points of a triangle; these are the three key questions for addressing any complex public problem. First, what is the 'public interest'? Second, how is 'public value' best realised? And third, what are the demands of 'public reason' in resolving this problem?

Councils can use scrutiny as an arena for public participation in discussions about public problems and what needs to be prioritised given the current financial constraints. This will add weight to public consultation approaches so that budget decisions are based on properly considered public choices.

Getting the public involved in financial scrutiny

Social media

The internet and social media offer more scope than ever for residents and stakeholders to participate in decision-making, increasing legitimacy and accountability of decisions. Online budget simulators can help people make choices about spending priorities. Systems such as MORI's 'You Choose' enable people to see the consequences of choices, promoting a more informed level of public



participation. Social networks such as YouTube or Facebook are ways to consult on the budget via presentations with links to more information and opportunities to feed back.

<http://www.youtube.com/watch?v=53ipajXeF0s>

<http://www.youtube.com/watch?v=L6GvT4JinMc>

Collective participation

Participatory Budgeting and Priority Based Budgeting are systematic ways for people to participate in financial planning processes. People and groups from all parts of the community discuss and vote on priorities and spending for some or all of the annual budget, and local people are also given a role in scrutiny and monitoring.

The PB Network (www.pbnetwork.org.uk) has information, case studies and resources on current practice in Participatory Budgeting.

Case Study – Carmarthenshire Council: Effective public consultation on budget proposals

In light of the shift in public sector expenditure, and the extent of savings to be made, it was agreed the 2014-17 budget setting process necessitated a more rigorous and extensive consultation than years past. In respect of the 2014-17 consultation, discussions to establish a methodology began around June 2013.

The approach to the budget consultation was developed and advanced by a project group, jointly led by the Assistant Chief Executive, and the Head of Finance. The proposed actions of the project group were mandated at appropriate points in the process, through reference to the Council's Executive Board ('cabinet').

Following the WG budget announcement on the 16th October 2013, an all-member budget seminar took place on the 21st October to determine the acceptability of each of the Council's 51 budget proposals. The process showed that there were varying degrees of support, but that all proposals had a level of support, suggesting each was worthy of public consideration. Executive Board (Cabinet) considered the results of the member seminar and agreed to publicly consult on the proposals. This took place from 18th November 2013 until 3rd January 2014.

Consultees were given a comprehensive summary of all efficiency saving proposals, consisting of: appropriate service budget, indicative three year saving; proposal description; and probable service impact. A balance was struck between providing sufficient information to allow respondents to arrive at a reasoned and informed judgment, and the potential of overwhelming the respondent.

The budget consultation programme had to satisfy a number of key time parameters, many beyond the direct control of the project group. The key fixed, and overriding, timescales were: firstly, the Welsh Government's budget settlement announcement (16th October 2013); and secondly, the Council meeting to deliberate and agree the budget (19th February 2014). This provided the 'window' within which the public consultation could take place, though other considerations were important in constraining the actual consultation period, as elaborated below.

Savings options were developed during September 2013, but it was only once the WG budget announcement had been made (and the extent of required savings known), that the process of full deliberation could begin. Pre-public consultation, the member seminar needed to take place, followed by the Executive Board meeting to mandate the public consultation. This process determined a public consultation launch date of 17th November, in advance of which a survey was designed and produced, publicity developed, road shows and a stakeholder event scheduled.

At the other end of the process was the need to work back from the Council meeting in February 2014. In arriving at this point, the budget consultation results needed to be considered, firstly, by CMT, and secondly, by Executive Board. Working back, and allowing a short period for data analysis, a date for closing the consultation (Friday 3rd January) was arrived at.

Progress was monitored by the project group, who met on a regular basis. It is acknowledged that key dates set by WG, and Council processes, interacted to add complexity to the inherently complicated process of developing, and publically consulting on, the budget.

The Project Group assumed overall responsibility for managing the consultation, with tasks assigned to appropriate officers. The group included specialist 'in-house' consultation and engagement expertise. Key decisions were deliberated and ratified by the project group. The composition of the project group – including senior financial and policy officers – evidences the importance the consultation was given. In addition, expertise and support was drawn upon as required, including:

- The Communications section, particularly in respect of publicising and reporting the results of consultation.
- Key officers skilled in facilitation.
- Equality expertise – to ensure compliance with Equalities Act 2010
- Accountants.

The project group reported its progress periodically to Corporate Management Team (CMT). This ensured project awareness and visibility across all six Council directorates, an enabled a corporately-mandated approach to be taken.

In determining the audience for the consultation exercise, the Council took the view that all Carmarthenshire residents – as Council Tax payers – had an interest in the Council's budget. As such, the budget consultation was publicised through Carmarthenshire News, a publication produced by the Council and partners, and delivered to every household. The article directed readers to the budget consultation survey on the Council website, and included a freepost coupon for suggestions on saving money or raising income.

Recognising the risk that the views of all sectors of the community may not be given appropriate consideration, the Council ran a stakeholder event comprising representatives from Equality Carmarthenshire (an umbrella grouping of diversity groups, including the Youth Council, 50+ Forum, Disability Coalition, the Multicultural Network, etc), together with other key stakeholders, including businesses and town and community councillors.

In addition, the consultation survey (publicised through the media) incorporated a range of demographic profiling questions. These allowed results for different groups to be analysed and presented as distinct from the main 'headline' figure (see also below).

In terms of the budget consultation survey, a number of demographic questions relating to age, gender, ethnicity, religion, sexuality and partnership status were included to enable segmentation of responses by demographic variable to allow comparability against overall sample. The survey also asked for comment on any adverse impact on people or communities, and comments on how any identified impacts could be mitigated.

The stakeholder event was also designed to ensure a wide cross section of views, and to provide a 'control' against which to consider the overall survey result, (given the results of the survey could be influenced by the expressed views of 'vocal minorities' in relation to specific proposals). The overall consultation approach was developed with the requirements of the 2010 Equality Act firmly in mind.

Using Council libraries, road shows also took place at the end of November 2013, into early December 2013 to demonstrate the Council's preparedness to listen, raise awareness with residents on the Council's financial position, solicit feedback and promote an open decision-making process. Executive Board members attended, alongside finance and policy colleagues. Information boards were prepared, presenting information on council departments and areas for potential savings. Discussions were held with interested members of the public and comments recorded. Attendance was variable across the selected locations.

The road shows were semi-structured in nature to cater for a range of demographic groups. Attendees' could receive assistance in completing the survey (using the computers in the libraries), pose questions, submit their own suggestions for saving money or simply absorb information on the Council's budget. Key documents, including Budget Digest, a supplementary budget report and hard copies of the budget survey, were available to hand. Moreover, A5 'postcards', containing summary information on how to participate in the consultation, were handed to all attendees. Excess copies were left in Customer Service Centres. A QR code was inscribed on each postcard, providing direct and immediate access to the online survey through use of a smart phone.

A barrier encountered was the degree of public appetite for engaging in the consultation. This was addressed through use of a mix of methods – including holding road shows in communities nearer where people live – and publicity.

A further consideration was the matter of ensuring information about savings proposals was sufficiently meaningful to enable considered comment from the public. In some cases, this meant ensuring the language was accessible, whilst in others, explaining the financial aspect of the proposal.

In the context of future exercises, the Council hopes to do more to ensure information on proposals is fully accessible, including, where appropriate, easy read and young people friendly versions. Further consideration will be given to increasing the participation rate, as this underpins the weight that can be given to results.

The consultation summary report predominated discussion at the Executive Board meeting to consider the budget. The consensus view was that members found the report to be a very useful tool in aiding the discussion, as it was clearly laid out, whilst simultaneously comprehensive. Following consideration of the consultation findings, six proposals were rejected or modified, namely: denominational schools, post-16 transport, school crossing patrols, flood defences, workplace parking & respite centres.

A comprehensive summary report on the consultation was produced for councillors and the public. Summary information was publicised through a two page spread in Carmarthenshire News.

Thorough information was provided to relevant departments and officers in relation to each proposal. This information included all relevant qualitative data (i.e., specific comments about proposal or service area).

The Council plans to build on this approach in the context of arrangements for its 2015-2016 budget consultation. The identification of efficiency saving proposals for the budget consultation was largely an internally driven process. To address this, they are preparing plans for a 'phase one' and 'phase two' consultation for the coming budget cycle. Phase one, scheduled for May–July 2014 will involve promotion and utilisation of a budget simulator – YouChoose – to facilitate Priority Based Budgeting, through the identification of broad priorities for savings. This opens the option to develop saving proposals in line with broad priorities for savings, which can then be consulted upon through stage two of the consultation. In this way, the process can be made more 'citizen-led'.

Community leadership

The voluntary, community and faith sector (VCFS) has close connections to the public. Involving community advocates in scrutiny can support and strengthen the community leadership role of councillors and the specific expertise of VCFS representatives can have significant value.

Co-option

Co-option of representatives with financial or other relevant knowledge and skills can bring in expertise, giving a voice to outside bodies and improving public perception of the effectiveness of scrutiny.

Equalities impact assessments (EIAs)

EIAs are the process of assessing the impact of existing or proposed policies and practices (or functions) in relation to their consequences for equality. Budget proposals have the potential to impact on equalities, perhaps in unintended ways, so it is important that scrutiny ask questions about impact and equity of decisions.

Engaging with the business community

Councils, other public sector employers and businesses need to work together to support economic development, regeneration and employment opportunities. Grant Thornton's report '*Agents of growth*' (2014) aims to help councils particularly increase their understanding of the needs of medium sized businesses (MSBs) and to target resources in response, in alignment with their overall strategies for economic regeneration and driving business growth.

Given its remit for matters that affect the council's area or its residents, scrutiny has a significant role to play in engaging with the local business community such as formal consultation with local business representative bodies e.g. chamber of commerce, during the financial planning cycle.

How open is your financial planning and decision-making?

The CfPS publication '*Accountability works for you*' (June 2012) offers a methodology for evaluating and improving governance arrangements that could be applied to test whether financial planning and decisions achieve the aims of accountability, transparency and involvement.

In particular, councils should ask themselves:

- Do the criteria for placing items on a forward plan for important decisions reflect the interests and concerns of service users and the public?
- How is decision-making made publicly accessible?
- How can business planning be influenced by non-decision-makers?
- How do decision-makers take account of views of the public?

The methodology involves setting up a project group, carrying out a high-level evaluation to identify areas for more in-depth analysis, resulting in an action plan. Councils applying the methodology are likely to get more out of it by using some external input, from CfPS or other advisors.

Appendix A: top tips for effective financial scrutiny

Using the themes from the characteristics of scrutiny developed by the Welsh Scrutiny Officers Network, below are some principles of effective financial scrutiny.

Environment

Councils regard finance scrutiny as a fundamental democratic right of non-executive councillors and forward work programmes and the allocation of resources to support scrutiny reflect the high priority attached by councils to financial scrutiny.

Scrutiny Chairs and non-executive councillors are confident in designing their own approaches to different finance scrutiny roles and are proactively supported by executives and corporate management teams to do so.

Councillors can ask for financial information in a variety of formats according to their needs and feel comfortable in challenging information that does not match their expectations.

Practice/Behaviour

Non-executive councillors from the same political group as the administration demonstrate intellectual independence in their role and do not 'dumb down' questions or recommendations to cabinet.

Executives and corporate management teams regard scrutiny's financial challenge role as an important check and balance to spending plans and performance and initiate early engagement with the council's medium term financial planning and annual budget setting processes.

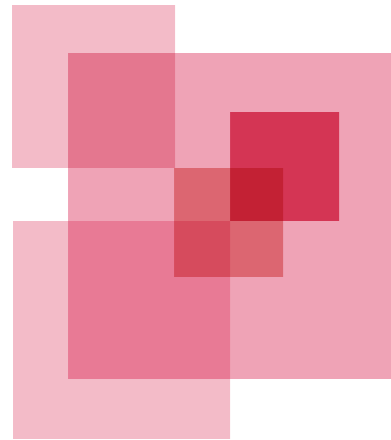
Training and development programmes are informed by an annual needs analysis across the council to establish baseline levels of understanding of local government finance and build incrementally on experiences to strengthen confidence and performance.

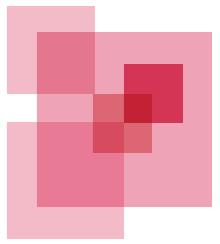
Impact

Development and training activities differentiate between the knowledge needed by councillors to undertake their finance scrutiny role and the skills necessary for councillors to apply their knowledge so that scrutiny results in positive impact.

Because the connection between spending, performance and value is recognised and reviewed throughout the year, scrutiny can demonstrate that it is adding value to corporate governance.

Councils' budget setting and financial management arrangements are transparent, councillors and the public can influence the executive's decisions about spending priorities based on evidence of impact and value.





Appendix B: checklist of effective questioning

- How much will that cost?
- Are you sure that the cost will be what is stated here?
- Is this cost for this year only or is it ongoing?
- Is this a statutory requirement?
- What happens if this is not funded?
- What would be the consequences of only part funding?
- Is there external funding available to contribute to the cost?
- Could we charge for this?
- When will we see the benefits from this spending?
- Can this be deferred?
- Where is the business case?
- What can be used to measure its success?
- Can we increase income from assets?
- Is this funding contractually committed?
- Why are our balances set at this level?

... and more detailed questions

- How will the budget reflect investments that are aimed at achieving longer-term savings – ‘invest to save’?
- What consideration has been given to maximising income (where appropriate and equitable) – e.g. income from sales, fees and charges etc.?
- How is the workforce planned and managed to ensure that market considerations are taken into account when determining pay scales?
- What is the anticipated impact of efficiency targets on the budget and how is the council planning ahead to deal with the cumulative effects of efficiency targets?
- What is the anticipated impact of budget pressures on:
 - Services
 - Performance (including performance indicators and standards)
 - Clients/service users
 - Partnerships and joint working
 - Staffing levels
 - Job Evaluation

- To what extent is compliance with external inspection having an effect on budgets and spending?
- What choices and options did you have when setting your budget targets?
- How were decisions arrived at in order to decide between options?
- How do your budget targets contribute to the achievement of:
 - corporate priorities
 - E-government targets?
- Is this external funding time-limited – if yes, have we got an exit strategy?
- Are we making full use of prudential borrowing and trading and charging powers?
- How can our income be increased in a sustainable way?
- How much of our budget is fixed – what do we have discretion over?
- Can you clarify how setting the budget is linked to medium term financial planning?
- How do we use the medium term financial plan to decide on resource allocation to corporate and service priorities?
- Are the financial implications of proposals from departments and services built into the overall budget?
- Are the level of reserves appropriate and what is the logic behind that level?

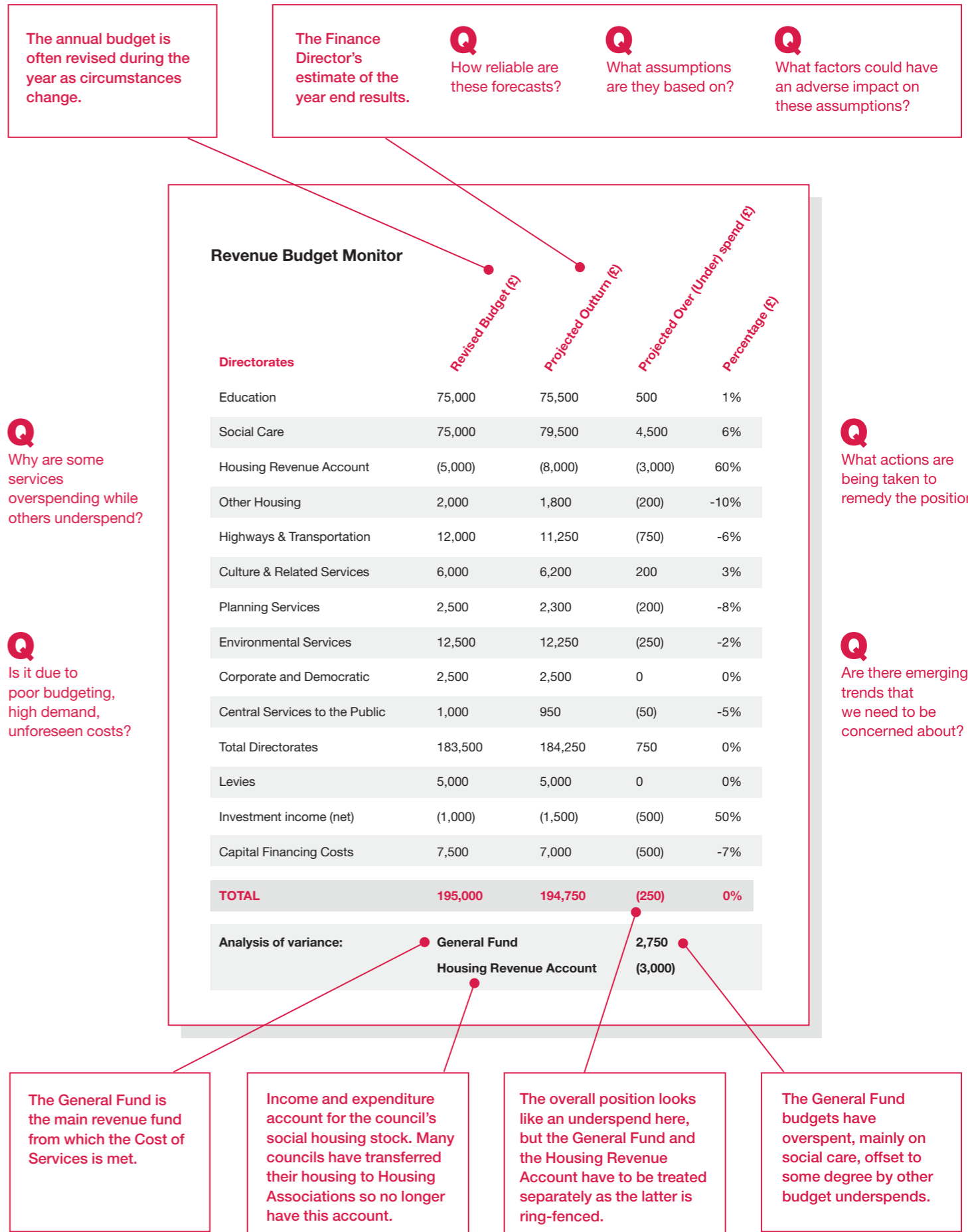
Appendix C: top tips for presenting financial information

- summary tables rather than lengthy information
- contextualised information
- reporting by exception
- standardised formats for financial reporting for each portfolio holder, including a graphical summary, using a traffic light system to highlight key issues
- budget monitoring presented alongside monitoring reports on service plans and performance indicators, perhaps presented online or by email
- a plain language summary of the budget estimates book produced for the public and councillors – in hard copy or online
- agreement between the cabinet and scrutiny about the timing of papers so that sufficient time is allowed for effective scrutiny and challenge, set out in a timetable or in a more formal protocol which also confirms what information scrutiny should expect to receive
- reports checked for overuse of jargon and financial technical terms – where this is unavoidable, they should be clearly defined in plain language
- survey of councillors on whether the financial information they get is adequate, accessible and timely
- specific local government finance training as part of induction and ongoing training

Appendix D: what to look for when reviewing financial information

The following example is fictional but not untypical of how budget reports are presented in council finance reports.

We have added some explanations and hints about lines of questioning that scrutiny could consider.



Reserves carried forward from one year to the next and available for use if needed. Councils usually have 'earmarked reserves alongside the General Fund balance.

The General Fund's expected overspend is reducing reserves to a level that does not look sustainable.

Q What are the council's plans to deal with this?

Q How robust are they?

Balances

Original Net General Fund Budget	199,500
In year approved budget changes	500
Revised Net General Fund budget	200,000
<hr/>	
General Fund balance 31-3-13	(3,500)
Projected General Fund variance 2013/14	2,750
Projected General Fund balance 31-3-14	(750)
<hr/>	
Original Net Housing Revenue Account Budget	(4,000)
In year approved budget changes	(1,000)
Revised Net Housing Revenue Account budget	(5,000)
<hr/>	
Housing Revenue Account balance 31-3-13	(6,000)
Planned Surplus for 2013-14	(5,000)
Projected Housing Revenue Account variance 2013/14	(3,000)
Projected Housing Revenue Account balance 31-3-14	(14,000)

The Housing Revenue Account is building up healthy reserves due to annual surpluses.

Q Is this by accident or design?

Q What are the council's plans for this balance?

(Selected) Key Performance Indicators – Social Care

	Target	Actual
The percentage of referrals during the year on which a decision was made within 1 working day.	95%	75%
Percentage of re-referrals within 12 months.	25%	40%
The percentage of reviews of LAC, children on the CPR and CIN carried out in line with the statutory timetable.	90%	67%
Percentage of short term sickness absence	2.5%	7.5%

Social care budgets are overspending but the service is not delivering on key indicators.

Q Why is social care overspending but not delivering?

Q Are the two issues symptomatic of a deeper problem?

Q What can we learn from other authorities?

Appendix E: councillor training and needs assessment – Cardiff Council example survey

Q1. How many years' experience do you have in undertaking budget scrutiny?

- No experience
- 1-2 years
- More than 2 years

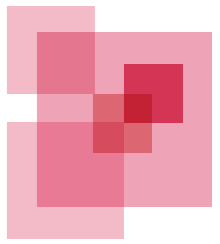
Q2. How did you acquire your current knowledge and skills in carrying out budget scrutiny. Please tick all that apply.

- Personal experience
- Reading about it and/or unstructured learning
- Experience as a Scrutiny Committee member
- Structure 'Budget Scrutiny' training organised by Scrutiny Services
- Externally provided training (not provided/sponsored by the Council)
- Academic and professional qualifications and training
- Other (please specify)

Q3. The following is a list of the key tasks involved in Budget Scrutiny. How would you rate your capabilities/ability to effectively carry out these tasks?

Using the following rating scale for each task (Not developed/Needs some further development/competent/very competent/outstanding)

- Reviewing the effectiveness of the budget setting process
- Reviewing the level of 'citizen engagement' in the process
- Challenging the alignment and integration of the budget proposals with the Council's corporate priorities, service plans and performance objectives
- Reviewing and challenging how resources are allocated, monitoring their use and impact
- Challenging whether budget allocations are achieving value for money
- Reviewing the budgets and budget management arrangements of partnerships that the Council is involved in
- Challenging usage of alternative forms of service delivery
- Reviewing the Medium Term Financial Plan against long term financial pressures such as climate change, ageing population or waste management, etc.
- Reviewing and assessing mechanisms and plans to respond to these pressures
- Reviewing and monitoring of the Council's asset management plan and capital investment strategy



Q4. The following is a list of some of the information and data sets that members need to enable them to carry out effective budget scrutiny. How would you rate your current knowledge and understanding of these information and data sets?

Use the following rating scale (No knowledge/very poor/poor/moderate or average/very good/excellent)

- The Council's Corporate Plan and delivery plans for Cabinet portfolio
- The Council's Medium Term Financial Plan' and associated long term financial pressures
- The Council's Budget Strategy report
- The Council's financial management processes, how the Council budget is structured, the key drivers for the process and the strategy
- Budget impact, risk and achievability assessments, e.g. equality impact assessment and mitigation strategies
- Service area financial performance in terms of its inputs, outputs and outcomes
- Comparative information on other LAs budget spending and savings and its outputs and outcomes
- Best practice on the approached and methods for carrying out financial scrutiny

Q5. The following is a list of some of the generic skills sets or competencies required to carry out effective budget scrutiny. How would you rate your skills and competencies to undertake the following tasks?

- Understanding and appraisal of complex quantitative information such as financial accounts, budget reports, performance indicators, population statistics, etc.
- Using qualitative evidence in evaluating performance information
- Using key tools and techniques for evaluating 'value for money'
- Using questioning or challenging skills – techniques to elicit information from witnesses
- Communicating clearly and effectively with the public and other stakeholders

Q6. Would you benefit from the following types of support that could be provided by the scrutiny team during the budget scrutiny process?

Please choose from one of the following options for each item listed (Definitely not/Probably Not/Probably/Very Probably/Definitely)

- Organising structure knowledge and skills training for members on Budget Scrutiny
- Guidance and advice on various approaches and methods for scrutinising the budget
- Identifying priority areas and focus in scrutinising the budget

- Developing lines of enquiry with Chairs and all Committee members
- One to One support with each committee member to clarify issues
- Pre-meeting with all Committee members to discuss focus and scheduling of questioning
- Engagement and research with local community and other stakeholders on budget issues
- Yearly review of the effectiveness of the Budget Scrutiny process

Q7. What are the challenges that would hinder you from effectively carrying out scrutiny of the budget? Please tick all that apply:

- Accessibility of financial information and documents
- Scheduling, duration and timescale of the budget scrutiny process, e.g. sufficient time to scrutinise the budget properly
- Availability and capacity of dedicated Scrutiny officer to support the budget scrutiny process
- Engagement and support of other Council officers during the budget scrutiny process
- Availability and access to the views of the public, voluntary organisations and other stakeholders regarding budget proposals and related issues
- Access to benchmarking information on budgets and associated performance information of other LAs
- My current skills and capabilities to carry out budget scrutiny
- My knowledge and understanding of the budget scrutiny process
- My knowledge and understanding of the Council's financial management processes and relevant corporate information
- Other (please specify)

Q8. Training could be provided for all Committee members on a range of topic areas in December 20xx or January 20xy. Which month would best suit your schedule?

- December 20xx
- January 20xy
- Both months suitable
- Neither dates suitable

Q9. Which time during the day would suit you to participate in budget scrutiny training? Please tick all that apply:

- Early Morning 8 – 9.30am
- Morning 9 – 12pm
- Early afternoon 1- 3pm
- Late afternoon 3-6pm
- Early evening 4- 7pm
- Other (please specify)

Q10. What is your preferred method/approach for the delivery of the budget scrutiny training sessions?

- Interactive small group seminars or workshops
- One to one training or mentoring sessions
- “Distance Learning” approach – on-line modules, tutorials, support and printed resources
- Simulation or role playing workshops
- Other (please specify)

Q11. Which scrutiny committee do you represent?

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The Centre for Public Scrutiny
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London SW1P 3HZ

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June 2014

An Overview of Governance Arrangements

Betsi Cadwaladr University Health Board

A summary of progress against recommendations made in June 2013

July 2014

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Auditor General for Wales



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Foreword

Last year Healthcare Inspectorate Wales and the Wales Audit Office reported jointly on the governance arrangements at Betsi Cadwaladr University Health Board (the Health Board). Our report made 24 recommendations aimed at addressing a number of fundamental concerns around:

- the effectiveness of the Board;
- the organisation's management and clinical leadership structures;
- quality and safety governance arrangements;
- the Health Board's ability to manage its finances and secure financial sustainability; and
- the development of strategic plans for the modernisation and reconfiguration of clinical services across North Wales.

Twelve months have passed since the publication of that review, and our organisations have recently completed a high-level review of the progress that has been made by the Health Board in addressing the substantive areas of concern we identified. The findings from our follow-up work are presented in this document in the form of a commentary against each of the 24 recommendations we previously made.

Our overall view is that whilst there is evidence of progress, some of it significant, a number of the fundamental challenges that we identified last year still exist and the Health Board still has considerable work to do before its governance and management arrangements can be regarded to be fully fit for purpose.

In the wake of last year's report, and the consequent announcement that the Chair, Vice Chair and Chief Executive would all be stepping down, there has been a need to stabilise the organisation. This has been largely achieved and progress has been made in some important areas. We are pleased that there have been improvements in the way Board meetings operate and how Board members are supported, although we note the important work that is still underway in relation to board development to clarify roles, foster cohesive working and establish sound working practices in terms of governance.

There has also been an enhanced and ongoing executive focus on quality and safety arrangements with particular improvements in the management of infection prevention and control, especially in relation to the information that the Board now receives on this important matter. However, the Board is still needing to manage substantial longstanding risks in a number of other areas.

There have been significant changes in senior personnel at the Board with a new Chair, Vice Chair, Medical Director and Executive Nurse Director. These new appointments have brought a fresh dynamic to a number of the leadership challenges faced by the Health Board. Disappointingly however, it has taken the best part of a year to secure the services of a new Chief Executive, with the chosen candidate taking up post on 16 June 2014. The time taken to secure this appointment has significantly hampered the progress that the Health Board has needed to make in addressing the problems we identified with the organisational structure, and in particular the difficulty in ensuring connectivity and clear lines of accountability between clinical programme groups and geographical hospital sites.

Now that a new Chief Executive is in place, we would expect to see urgent and rapid progress to address this issue and also to finalise the make-up of the Executive Team, where a number of posts have been held on an interim basis for some time.

It is of especial concern that the Health Board has failed to develop an integrated three-year plan in line with the requirements of the Welsh Government's new statutory planning framework. Before this can be delivered there needs to be clarity over the future shape of clinical services across North Wales, something which is yet to be achieved. The importance of making urgent progress in this area cannot be underestimated given that it is a fundamental step in securing a model of services which is clinically and financially sustainable. The Health Board's financial position in particular remains precarious, and a significant deficit is already being forecast for the end of the current financial year. In developing and finalising its plans, the Health Board will need to meet the challenge of ensuring clinical staff are properly consulted and engaged in this process.

Operationally, there are some important areas of business that need to be strengthened as a matter of urgency. The Health Board must ensure that it improves its approach to the management of risk. Work is ongoing in this area but we remain concerned that the corporate risk register does not have a sufficiently clear articulation of the key risks facing the organisation, with the result that Board members may not be fully sighted on the severity or detail of issues of concern.

Whilst the renewed focus on quality and safety arrangements is to be welcomed, there is still much more that needs to be done to strengthen arrangements and improve the timeliness of responses to complaints and serious incidents. It will be particularly important to ensure there is ownership of these issues within the organisation, along with a stronger approach to organisational learning to prevent problems re-occurring.

In conclusion, we acknowledge the hard work that has been done by the Health Board to address the issues we raised last year, in the context of an extended period of change and uncertainty over senior leadership structures. Progress has been made but significant challenges remain, and will need to be addressed with some urgency if the Health Board is to rebuild the confidence in its abilities amongst its staff, key stakeholders and the people it serves. We will continue to monitor the Health Board's actions against the issues identified in this report and undertake a further review of progress in 12 months time.

Huw Vaughan Thomas
Auditor General for Wales

Kate Chamberlain
Chief Executive,
Healthcare
Inspectorate Wales

Effectiveness of the board and its subcommittees

Recommendations made in June 2013	Summary of progress made by June 2014
<p>R1 The board needs to develop a common understanding of the respective roles of executive and independent board members, and specifically develop cohesive working relationships that are based on trust.</p>	<p>Action to develop cohesive working relationships between board members is still ongoing and it is too early to judge the effectiveness of these initiatives.</p> <p>The board developed and approved standards of behaviour and etiquette in September 2013. Since then, board development work has been undertaken with external support. Initial work with Chris Hannah came to an end in late autumn 2013. In early 2014, further board development work was commissioned from two additional agencies. The Good Governance Institute is currently carrying out work to help strengthen existing governance and board assurance arrangements, whilst Wallace Walker has been engaged to work with the board on the development of the necessary behaviours and relationships required for effective board working.</p> <p>Our interviews have indicated that not all board members have been able to attend some of the sessions run by Wallace Walker. It will be important to ensure that there is full attendance at these sessions if they are to achieve the intended benefits.</p> <p>It is also noted that the Executive Team has undertaken specific team development work supported by Aston Organisational Development and Academi Wales.</p> <p>Collectively, this represents an important programme of work to help address the challenges that have existed in relation to the way the board has previously worked. These challenges include identifying where tensions may exist between board members in terms of clarity of roles and views on capability, and seeking to resolve these constructively in order to achieve collective cohesion.</p>

Recommendations made in
June 2013

Summary of progress made by June 2014

R2 In the short-term, additional external senior leadership support and capacity must be brought in to provide impetus and fresh perspectives.

Additional short-term capacity was secured and has provided some impetus and fresh perspectives although the challenge for Betsi Cadwaladr University Health Board (the Health Board) has been to maintain the momentum that was generated by this additional support.

Immediately following the publication of last year's report, the Welsh Government arranged for short-term additional capacity to be provided by the Chief Executive from Abertawe Bro Morgannwg University Health Board (ABM UHB), and the Chairman and Director of Planning from Aneurin Bevan University Health Board. Under the guidance of the ABM UHB Chief Executive, a Governance and Leadership Delivery Team was established to take forward the following workstreams:

- Board development
- Strategy and planning
- Management and leadership
- Governance of quality and safety
- Communication

This short-term support came to end when the new Chairman took up post in October 2013 although the Governance and Leadership Delivery Team continued its work until the early part of 2014. This group was stood down in March 2014 and workstream activity is being dealt with via the Health Board's ongoing organisational development work. We note that a number of important actions from these workstreams remain ongoing and are reflected in operational plans for 2014-15.

The Minister appointed the new Chair and he started on 7 October 2013. The new Vice-Chair started on 6 January 2014. The new Executive Director of Nursing and Midwifery started in June 2013 and a permanent full-time Medical Director started on 2 January 2014. In addition, the following officers were recruited on an interim basis:

- Assistant Director of Infection Prevention and Control (IPC), later appointed permanently following an open competitive recruitment, from a foundation trust in England;
- Chief Operating Officer for 12 months, on secondment from a foundation trust in England;
- Interim Director of Quality Assurance, on secondment from an NHS trust in England;
- Assistant Director of Corporate Communications, appointed permanently; and
- interim turnaround support (on six-month contracts) for scheduled and unscheduled care.

The Health Board has indicated that it is in the process of establishing a Programme Management Office to co-ordinate the various initiatives that are underway to support its organisational development. This is positive, however it is clear to us that additional programme management expertise and capacity will be required for this initiative.

Recommendations made in
June 2013

Summary of progress made by June 2014

R3 Corporate risks must be better identified and aligned to corporate objectives. There is a need to move to a proactive approach to the management of risk with the mapping and monitoring of key performance indicators relevant to the effective management of risk at both Executive Team and board level.

Despite increased prominence at the board, there is still a need for improvement in the Health Board's approach to risk management, and we remain concerned that board members are not fully sighted of the totality and severity of the risks faced by the organisation.

The corporate risk register is now received as the first general item on the agenda at board meetings. The board recognises that the format of the register needs further work, and is receiving external advice to help improve its understanding and management of risk. Improvements are needed to ensure that risks are more explicitly linked to the corporate objectives of the Health Board.

A key weakness at present is that important risks are not always clearly articulated or added to the risk register in a timely way. This has the consequence that board members may not obtain a full appreciation of the severity and impact of the most significant risks facing the organisation. Whilst the corporate risk register does reference a number of themes from last year's joint review, we are surprised that the challenges associated with wider corporate governance and assurance arrangements are not explicitly identified, given their fundamental importance to the running of the organisation.

It was clear from interviews with some staff in the Health Board that there is a perception that it can be difficult to get important issues on to the corporate risk register. The Health Board needs to explore this issue more fully as part of its work with the Good Governance Institute to generate an appropriate 'appetite' for capturing risk, and to ensure that the board is fully sighted of key risks facing the organisation.

A Delivery Unit¹ report in December 2013 noted that not all risks appeared on risk registers and used the high reliance on the use of locums as an example. This risk is amalgamated into a wider staffing risk and is not clearly articulated. The Delivery Unit report also found that risk management processes were not integrated with processes associated with patient and staff safety, complaints and clinical negligence, financial and environmental risk; and do not facilitate rapid learning across the organisation.

We note that clinical and non-clinical risk matters are now being managed under the Executive Director of Nursing, in line with recommendations by both the Delivery Unit and the Welsh Risk Pool.

We further note that the Health Board has begun work to develop a refreshed Risk Management strategy, and associated policy and procedures. However, implementation of these has been delayed pending further advice from the Good Governance Institute.

1 Delivery Unit: Management of Concerns – Learning Lessons Assurance Review. Finalised December 2013.

Recommendations made in June 2013	Summary of progress made by June 2014
<p>R4 Data presented to the board's various subcommittees must equip the board and its independent members with information that enables them to gain the assurances needed regarding patient safety, risk management and service delivery.</p>	<p>See summary of progress against Recommendation 12.</p>
<p>R5 The current breadth of the Director of Governance and Communications role should be critically appraised to ensure that there is sufficient capacity to fulfil the Board Secretary role, and to avoid any inappropriate overlap with executive responsibilities.</p>	<p>Whilst there have been changes to the breadth of the Director of Governance and Communications role, there remains scope to further rationalise the role to ensure appropriate separation of Board Secretary and Executive Director functions.</p> <p>Immediately after our work last year the health board transferred the corporate team delivering Putting Thing Right (concerns, complaints and incident reporting) and the core clinical and non-clinical risk management teams from the Director of Governance and Communications to the Executive Director of Nursing and Midwifery. In addition, we have been advised that the Health Board has also agreed to move responsibility for Health and Safety away from the Director of Governance and Communications post. However, it was decided that this would occur as part of the recruitment to substantive posts within a revised executive team structure. At present therefore, the Director of Governance and Communications role remains broad, retaining responsibility for Health and Safety, and communications, alongside the core Board Secretary role. The Health Board therefore needs to revisit, at the earliest opportunity, the scope of the role to ensure that there is suitable separation of Board Secretary and Executive delivery functions.</p>
<p>R6 The Board Secretary, on behalf of the Chair, must produce an Annual Plan of board business that sets out for all board members the matters that will come before them throughout the year. This should enable board members to satisfy themselves that matters are brought to the board at the earliest opportunity to enable members sufficient opportunity to influence matters.</p>	<p>The board now has a clear Annual Plan of business and arrangements in place to allow members to contribute to agenda setting.</p> <p>The Director of Governance and Communications produced a revised Annual Plan in the autumn of 2013, and refreshed it in May 2014 with the input of the Chair. The chairs of committees now meet with the Chair and Board Secretary to agree forward agenda items. These arrangements allow the board to have a clearer idea of its forward programme of work.</p>

Recommendations made in June 2013	Summary of progress made by June 2014
<p>R7 Board members should be sent an agenda and a complete set of supporting papers at least seven calendar days before a formal board meeting. Additional papers should only be accepted in exceptional cases, and only if the Chair is satisfied that the board's ability to consider the issues contained within the paper would not be impaired.</p>	<p>There have been improvements in the timeliness of circulation of board papers.</p> <p>Board members now receive an agenda and full set of papers seven days before a board or committee meeting. The board approved business standards in September 2013 which were re-issued in June 2014 to help reinforce expectations in relation to submission of papers.</p> <p>The Chair retains the discretion to allow receipt of papers in less than seven days, providing he is satisfied that this does not impair the appropriate consideration of the content of such papers.</p>
<p>R8 Board agendas should be set to allow sufficient time within meetings to properly consider and debate all matters put before the board.</p>	<p>The organisation of board agendas has been improved in order to allow all matters to be properly considered.</p> <p>Board and committee agendas now have anticipated times on them, and it is clear that considerable thought goes into ordering and times. Our observations of both board and committees indicate that there is sufficient time within meetings to properly consider and debate all matters put before them.</p> <p>Positively, we noted that all board and committee meetings are now held face to face and videoconferencing has ceased. This is having a positive effect on the quality of the debate and interaction, but does impact on travelling time for board members.</p> <p>Whilst it is encouraging that board meetings permit adequate consideration of all agenda items, meetings can be excessively long and there is an opportunity for the board to use its work with the Good Governance Institute to further explore good practice lessons in this area.</p>
<p>R9 No papers should be included for consideration and decision by the board unless the Chair is satisfied (subject to advice from the Board Secretary, as appropriate) that the information contained within it is sufficient to enable the board to take a reasoned decision.</p>	<p>More work is needed to improve the quality and content of papers submitted to the board.</p> <p>Board business standards were adopted by the Health Board in September 2013 and include reference to quality requirements for papers. The detailed guidance to underpin these requirements was developed in spring 2014, but remains in draft form pending completion of the work being done with the Good Governance Institute.</p> <p>There is a general need to further improve the quality of papers that are submitted to the board, and in particular to be clear on why the paper is being presented and what action is required of the board. Where papers identify issues of concern, there is a need for more explicit identification of proposed solutions and actions so that the board can focus on decision making and approval.</p>

Recommendations made in June 2013	Summary of progress made by June 2014
<p>R10 As the Health Board moves forward, it must ensure that sufficient time is given to independent members to enable them to thoroughly assimilate the information they need in order to inform their decision making and scrutiny role.</p>	<p>Independent Members now have more timely access to board papers.</p> <p>Following the enforcement of the seven-day deadline, independent Members now have time between receipt of papers and board or committee meetings to read and assimilate information to inform their roles. This has been further assisted by providing independent members with secure electronic access to board papers.</p>
<p>R11 Independent Members must be properly supported to meet their responsibilities through the provision of induction and ongoing development.</p>	<p>Whilst the Health Board has taken action to improve support to Independent Members, this needs to be evaluated at the individual level to ensure that each Independent Member is able to discharge their role effectively.</p> <p>Support for Independent Members has taken the form of:</p> <ul style="list-style-type: none"> • an induction programme and pack which has elements of specific induction for board members and generic corporate inductions the same as other health board staff; • an ongoing board development work programme; • appraisal meetings for all independent members with the Chair; and • access to administrative support. <p>Our interviews identified varying views on the effectiveness of some of these arrangements which would indicate the need for an ongoing evaluation of what is needed by independent members in respect of support and their learning and development. Appraisal meetings can be used to help achieve this, as can the monthly meetings that are now held between the Chairman and Independent Members.</p>
<p>R12 An issue underlying many of the findings is the availability and use of information, with there being particular concerns about the information available to independent members. Board members must have access to meaningful performance data to inform their decision making as well as satisfying themselves that staff across the organisation are using this information to monitor and manage their performance on a day-to-day basis.</p>	<p>Whilst there have been improvements in the information that is presented to the board, there is still a concern that the board is not always provided with the right breadth, depth and balance of information to fully exercise its functions.</p> <p>There is now a monthly Quality report, which is iteratively improving, and contains sufficient depth of data to scrutinise trends, for example in hospital-acquired infection rates. There are also separate reports on infection prevention and control, concerns and workforce which provide more detailed information. Alongside this, wider performance reporting now relies on a dashboard; the first iteration of the dashboard went to the May 2014 Board. However, this dashboard almost exclusively focuses on the Welsh Government's Tier 1 Targets, which introduces the risk that the board is not fully sighted of performance across all its service areas and functions.</p> <p>Future iterations of the dashboard plan to include a wider range of information on community, primary care and commissioned services.</p>

Management and clinical leadership structures

Recommendations made in June 2013	Summary of progress made by June 2014
<p>R13 The board must take forward its new Clinical Programme Group (CPG) model as a matter of priority. In so doing, it must ensure that performance management is strengthened and that there is clarity in relation to reporting and accountability arrangements.</p>	<p>Revisions to the organisational structure have been put on hold, pending a new Chief Executive taking up post; however, some action has been taken to strengthen accountability arrangements within the current structure.</p> <p>The Health Board's basic organisational structure remains the same as it was at the time of last year's report. The board had taken the decision that there should not be any substantive change to the organisational structure until a new Chief Executive was in post. However, the process to replace the Chief Executive has been a protracted one with the result that little substantive progress has been made against this key recommendation.</p> <p>In the interim, there has been a formal consultation exercise with staff and stakeholders on both the merits and difficulties associated with the current CPG-based model. The views collected as part of this consultation exercise confirm many of the concerns identified in last year's report and reinforce the urgent need to revise the organisational structure.</p> <p>The new Chief Executive does have the benefit of being able to immediately draw upon a significant amount of diagnostic material in determining what changes are needed to the organisational structures. The extent of the problems that are still evident in the current structure points towards the need for those changes to be fundamental, although care will need to be taken to ensure any positive aspects of the CPG-based model are not lost given that some services lend themselves to provision at a North Wales level.</p> <p>Some actions have been taken to strengthen accountability arrangements within the existing structure. Seven CPGs now report directly to the interim Chief Operating Officer, with the remaining ones reporting to either the interim Chief Executive or Executive Nurse Director.</p> <p>This rationalisation of Executive accountabilities for CPGs is an improvement on previous arrangements, and has been accompanied by regular performance review meetings.</p> <p>An accountability framework has been developed but has only recently (June 2014) been received and approved by the board. Whilst we understand that the new accountability framework reflects interim arrangements that have been in place since late 2013/early 2014, we were concerned that it has taken 12 months for the framework to be formally approved by the Board. Given the extent of the concerns previously raised about lines of accountability within the CPG model, and their fundamental impact on the operation of the Health Board, we would have expected the Board to have received and approved a tightened framework much sooner. The accountability framework will need to be reviewed once the extent of the changes to the organisational structure is known.</p>

Recommendations made in June 2013	Summary of progress made by June 2014
<p>R14 The board must implement the additional operational turnaround support for CPGs that it agreed was needed in March 2013.</p>	<p>Additional capacity to support turnaround has been secured and whilst improvements to infection control arrangements are evident, significant challenges remain elsewhere.</p> <p>Additional senior management capacity has come in the form of:</p> <ul style="list-style-type: none"> • An interim Chief Operating Officer • An interim Director of Quality Assurance • A senior Infection Control Nurse <p>There have also been two short-term senior interim posts for scheduled and unscheduled care, and work is underway to expand senior medical leadership capacity within the Office of the Medical Director.</p> <p>Collectively, the above has assisted in directing additional senior capacity to areas where it was needed. There is evidence of impact in terms of strengthened infection control arrangements, and improved performance on Tier 1 performance targets associated with stroke and cancer care.</p> <p>The Health Board has also engaged the services of Professor Duerden to review Infection Prevention and Control (IPC) issues, and Deloitte to identify opportunities for efficiency savings.</p> <p>However, significant operational challenges persist in terms of scheduled and unscheduled care, financial sustainability, and short and medium-term planning. More broadly we remain concerned that management capacity within the CPGs remains stretched. The two most challenged (Community, Primary Care and Specialist Medicine, and Surgical and Dental) had interim managers appointed to provide additional capacity. These managers undertook time-limited projects to support improvement in key service areas with variable effectiveness. One interim role ran for the full six months, but the other interim left after three months. No other additional middle or junior management capacity is in place, and we note that there has been a 20 percent reduction in management and administration across the health board since 2009. Given the scale of the challenges faced by the Health Board it needs to ensure it has sufficient capacity at this level to make change actually happen.</p>
<p>R15 The board must ensure that the new model will provide the necessary connectivity between CPGs, the executive and geographical site management.</p>	<p>Problems with connectivity between CPGs and geographical site management persist whilst the current organisational structure remains in place.</p> <p>In the absence of any revisions to the organisational structure, connectivity between the CPGs and geographical hospital sites remains a key challenge for the Health Board. The staff we spoke to indicated that they will use their operational working relationships with colleagues to work around the difficulties presented by the current structure. However, this is far from an ideal position and such informality is no substitute for having clearly set out arrangements that define accountabilities and authorities in relation to hospital site specific issues.</p> <p>Hospital site manager posts will remain in place pending any decisions about revisions to the organisational structure. In the interim, these posts provide one mechanism for harnessing action by CPGs in response to site-specific issues. However, there are some ongoing concerns about clarifying the responsibilities and authorities associated with these roles (see progress against Recommendation 17).</p>

Recommendations made in June 2013	Summary of progress made by June 2014
<p>R16 The board must re-affirm line management structures for medical and nursing staff and their interrelationship with professional accountability arrangements.</p>	<p>Whilst formal line management structures have not changed, the new Medical and Nurse Directors have taken active steps to engage with clinical colleagues and clarify professional accountabilities.</p> <p>The Health Board has indicated that 'clinical and professional responsibilities have been reinforced via the Medical and Nurse Directors'. We note that upon taking up post in January 2014, the Medical Director wrote to staff to setting out his responsibility for Leading and Developing the Medical and Dental Profession, although we are not aware that anything similar has been set out formally for nursing staff.</p> <p>More generally it is encouraging to note that both the Medical and Nurse Directors have taken active steps to engage with their respective clinical colleagues in order to positively influence behaviours and practices.</p> <p>Affirmations of clinical and professional responsibilities are to be welcomed and they will need to be embedded into clear operational working arrangements, within a revised organisational structure. The accountability framework supports this aim by outlining the leadership role provided by clinical executives and highlights the importance of the new Quality Assurance Executive (QAE) in supporting the delivery of quality and safety across the organisation.</p>
<p>R17 The board must ensure that it provides clarity in relation to the roles and responsibilities of the hospital site managers.</p>	<p>Whilst there is clarity about the objectives of the hospital site manager roles, these have not been reinforced through agreed job descriptions setting out responsibilities and authorities.</p> <p>The Health Board has indicated that personal objectives for hospital site managers have been agreed and issued and that job descriptions for these posts have also been prepared and issued to post holders. We note that there have been several iterations of the job descriptions and they will be reviewed further in line with the Health Board's revised structure. These roles were created to strengthen the focus on geographical site management that is missing from the CPG-based structure and it is clear that the role will need to evolve as the Health Board transitions to a new structure. In interviews with a number of different staff, including hospital management teams and CPG staff, we were made aware of ongoing concerns that delivery of the role can at times be challenging due to a lack of formal authority. Under the current arrangements the role has been predicated upon the use of influencing skills. However the responsibilities and authorities associated with the job do need to be clearly defined and communicated; and role holders must have the necessary authority to address problems that may occur within their sphere of responsibility.</p>

Recommendations made in
June 2013

Summary of progress made by June 2014

R18 The board must ensure that there is sufficient stability, and collective capacity and capability in its Executive Team. In so doing, it must ensure that the introduction of new executive roles such as the Chief Operating Officer is not just a re-badging of current executive roles.

Capacity within the Executive Team has been strengthened but there will be an ongoing need to ensure that there is adequate depth of support for the clinical leadership functions given the scale of responsibilities associated with these pivotal roles.

Capacity in the Executive Team has been strengthened through the appointments of an interim Chief Operating Officer, a new Director of Nursing and Midwifery, and a new Medical Director. However, the posts of Chief Executive, Chief Operating Officer, Director of Finance and Director of Therapies and Health Sciences were all held on an interim basis at the time of our follow-up work pending the arrival of a new Chief Executive on 16 June 2014, and a new Director of Finance in August 2014. The Health Board has yet to fill the vacant role for Executive Director of Therapies and Health Sciences. The new Chief Executive has confirmed his intention to retain the Chief Operating Officer post within the organisational structure.

Whilst there has been an element of stability and business continuity as a result of the interim posts being held for some time, there is inevitably a sense that these are 'holding arrangements'. The consequence is that meaningful progress on the more challenging changes associated with service redesign, financial sustainability and organisational structure will only be made when these posts are filled substantively.

Importantly, the appointments of a new Director of Nursing and Midwifery Services and a new Medical Director have brought stability and capacity to key clinical leadership roles within the Executive Team. These staff took up post in June 2013 and January 2014 respectively. However, the scope of responsibilities for these two posts is extremely wide given both the size of the Health Board and the fact that they hold the executive and leadership responsibility for tackling some of the Health Board's most pressing challenges in areas such as quality and safety and clinical engagement.

There is work underway to increase medical leadership capacity through the appointment of a number of assistant and associate medical directors as part of the Office of the Medical Director, and we understand that the Health Board has recently appointed to the post of deputy Medical Director on an interim basis.

Since our original review the Executive Nurse Director has received additional support from the Interim Director of Quality Assurance and the Assistant Director of Infection Prevention and Control. It is important that the board obtains assurance that the clinical leaders in the Executive Team have sufficient capacity and support to drive the improvements that are needed with the appropriate pace.

Quality and safety arrangements

Recommendations made in June 2013	Summary of progress made by June 2014
<p>R19 The board must commission an urgent review of its arrangements for the monitoring and reporting of quality and safety issues to ensure that they are robust. This should include a detailed review of the way in which the Quality and Safety Committee works and its interface with the Quality and Safety Lead Officers Group and arrangements in place at CPG level.</p>	<p>The Health Board has conducted an urgent review of its arrangements for the monitoring and reporting of quality and safety issues. Revised arrangements have been put in place, leading to an increased focus on quality and safety. More work is required to ensure that there is effective and timely ward to board reporting on issues of quality and safety.</p> <p>Having previously been shared across three clinical executive posts, lead executive responsibility for quality and safety transferred to the Executive Nurse Director in August 2013. Following an internal review of existing arrangements, additional posts were created to strengthen quality assurance and infection control. Further intervention support was commissioned to help strengthen serious incident reporting and the management of concerns and complaints. Interim quality and safety objectives have been considered by the Board but have not yet been agreed. Work has commenced to develop a Quality and Safety Strategy and quality and safety risks have started to be openly reflected in the corporate risk register.</p> <p>The board commissioned Professor Duerden to review the governance of IPC in the summer of 2013. Since then, there has been a greater focus on IPC at hospital site level and much better reporting of information on healthcare acquired infections to the Board. Performance in this area has improved, albeit the Health Board still compares poorly to other health boards in Wales.</p> <p>Although a structure for IPC has been agreed, progress in recruiting to this structure has been limited to the recruitment of the Assistant Director of IPC. Despite significant effort, there have been difficulties in appointing a lead infection control clinician. However, in order to fill this gap, the Health Board has recently secured three sessions a week from an external clinician who is a recognised expert in this area. This is a positive development and we note that the Health Board is taking advice from Public Health Wales on how best to successfully recruit to the post on a permanent basis. The Board will need to continue to evaluate whether the current arrangement in place is providing the capacity to lead the required changes in this area and at a sufficient pace.</p> <p>More generally the Quality and Safety Committee terms of reference and forward work plan were refreshed in early 2014. Observations indicate that scrutiny of CPGs at the Quality and Safety Committee has improved, although it has been beyond the scope of this follow-up review to review the effectiveness of quality and safety groups at CPG level.</p> <p>The Quality and Safety Lead Officer Group has been replaced by a QAE but this arrangement is still relatively new and requires further development, given that:</p> <ul style="list-style-type: none"> • the terms of reference for the QAE has not yet been finalised; and • timings of QAE meetings do not align with those of Quality and Safety Committee, and updates/assurances from QAE to the committee are still largely verbal. <p>Whilst there are examples of significant quality and safety issues being recorded on the risk register, it is important that this happens consistently and in a timely way.</p>

Recommendations made in
June 2013

Summary of progress made by June 2014

R20 The board must put in place robust arrangements for the reporting, escalation and investigation of concerns.

The Health Board has made a number of changes aimed at strengthening the arrangements for reporting, escalating and investigating concerns. The number of unresolved concerns, complaints and Serious Untoward Incidents (SUIs) has fallen, but continues to be substantial.

Responsibility for complaints, concerns and serious incidents was transferred to the Executive Nurse Director during summer 2013. The scale of the backlog of complaints and serious incidents was of concern and led the Executive Nurse Director to request further review by the Delivery Unit and Welsh Risk Pool. This work identified a number of fundamental issues, including:

- a failure on the part of the Health Board to appreciate the implications of Putting Things Right in terms of the changes it introduced;
- no organisational learning strategy/process in place;
- a lack of quality assurance of the data which requires impartial/clinical input;
- unclear process for the management and ownership of incidents that have occurred between two or more CPGs;
- lack of timely implementation and completion of investigations;
- lack of timely identification of lessons learned and actions taken following SUIs (including never events); and
- an incomplete population of the fields in the local risk management system ie, lessons learnt and actions taken to manage future risk.

As a result of these findings, the Executive Nurse Director changed the focus of the Interim Director of Quality Assurance role, placing more emphasis on the Putting Things Right agenda. Weekly meetings were instigated, to hold CPGs to account, and to provide support and coaching. Internal resources were re-prioritised as a means of clearing the backlog of SUIs and complaints. The Executive Nurse Director provides monthly progress reports to the Quality and Safety Committee on progress in resolving the backlog. The backlog of unclosed serious incidents within the Health Board has reduced but remains substantial.

A critical internal audit report, issued in draft in January 2014, on SUIs was only finalised in June 2014 due to delays in the provision of agreed management response. This has therefore not yet been received by the Quality and Safety or Audit Committees. Given the seriousness of the concerns and the overall rating of 'no assurance', the delay in finalising this report is not acceptable.

To date, we have observed the board receiving information on complaints and SUIs in the context of performance reporting and there have been limited examples of this information being used to support learning.

Financial management and sustainability

Recommendations made in June 2013	Summary of progress made by June 2014
<p>R21 The board should reconsider the issues and recommendations set out in the separate reviews of Chris Hurst and Allegra.</p>	<p>Little progress has been made in addressing the financial management challenges and implementing the recommendations contained in the separate reviews of Chris Hurst and Allegra.</p> <p>As a consequence of concerns over the Health Board's financial sustainability, two separate external reviews were commissioned during 2012. Both reviews highlighted that the Health Board's financial challenges were being significantly exacerbated by insufficient savings plans being identified at the start of the year and the subsequent under-delivery against savings targets. The reviews also highlighted the challenges associated with the fitness of purpose of the Health Board's organisational structure, and the need to develop more robust approaches to accountability and line management of senior staff.</p> <p>The Health Board has been unable to demonstrate that it has made progress in addressing the challenges and implementing the recommendations contained in the separate reviews. Whilst the Health Board updated the Welsh Government on 4 December 2013 of progress against the seven themes identified by the Allegra review, the extent to which progress had been achieved against each of the recommendations was not clear.</p> <p>During autumn 2013, the Health Board appointed Deloitte to undertake a further external review to assist its planning and to identify additional potential savings opportunities. The review identified that efficiency gains were capable of delivering substantial savings, when benchmarking against best quartile in the UK, and that improving patient pathways will deliver both quality and efficiency gains. The themes identified are currently being assessed by the Health Board to fully understand what improvements can realistically be achieved.</p> <p>Whilst the Board has not received specific updates on progress towards dealing with the issues and recommendations identified in Chris Hurst and Allegra reviews, work undertaken by Deloitte has taken account of these issues.</p>

Recommendations made in
June 2013

Summary of progress made by June 2014

R22 The board must take action to fully integrate and deliver service, workforce and financial plans.

The Health Board is yet to fully develop and deliver integrated service, workforce and financial plans, and further work is urgently required to strengthen the links between budget setting and operational and workforce planning.

The new NHS Finance (Wales) Act 2014 places a statutory duty on health boards to compile a rolling three-year integrated medium-term plan, starting from 2014-15. This new duty is an essential foundation to the delivery of sustainable quality health services in Wales.

The Health Board breached this duty as it was not able to submit a final three-year integrated plan to the Welsh Government for approval in March 2014. The Welsh Government had indicated that significant further development of the plan was necessary in order to meet its expectations. Welsh Government and the Minister for Health and Social Care wrote to the Acting Chief Executive and Chair respectively to outline performance management arrangements pending the development of a three year plan.

The Health Board developed a one-year operational plan for 2014-15 that was presented to the board on 6 May 2014. Board members raised a number of concerns on the content of the one-year plan, in particular its deliverability, the failure to identify disinvestment opportunities, and poor linkages between the Annual Budget Strategy and the release of savings for investment in community services. The plan also fails to address the recommendation to develop integrated service, workforce and financial plans.

It is of concern that the development of the annual budget and operational plan was not a fully integrated process, with the 2014-15 budgets being set before the one-year operation plan for 2014-15 was developed.

Recommendations made in
June 2013

Summary of progress made by June 2014

R23 The board must prepare and approve sustainable service and financial plans before the start of the 2014-15 financial year that clearly demonstrate how financial pressures will be managed and addressed.

The Health Board failed to prepare sustainable service and financial plans before the start of the 2014-15 financial year and it is yet to fully demonstrate how financial pressures will be managed and addressed.

The Health Board's underlying financial position remains precarious. It only achieved its 2013-14 revenue resource limit of £1.197 billion as a result of additional financial support from the Welsh Government. This included the allocation of repayable brokerage of £2.25 million after the year-end.

The magnitude of the financial challenge faced by the Health Board is set out in its Annual Budget Strategy for 2014-15. The strategy identified a savings requirement of over £75 million for 2014-15, including the repayment of the £2.25 million brokered from the Welsh Government in 2013-14.

The Health Board's Standing Financial Instruction (SFI's) requires budget holders to 'sign up to their allocated budgets at the commencement of the financial year'. This is intended to promote the full engagement of budget holders with their financial allocations and financial management responsibilities. However, we reported last year that several CPG budget-holders had only agreed to their 2013-14 budgets with various caveats. This practice only undermines the effective operation of the Health Board's budget allocation, financial monitoring and internal accountability processes. It is therefore pleasing to note that the budget setting process for 2014-15 has been more inclusive, with CPGs commenting on a more transparent and engaging approach than in previous years. The Health Board's view is that positive engagement by budget holders can be encouraged and achieved through sign up to a wider performance management framework, as set out in the Accountability Framework (recommendation 13 commentary). Budget holders will be held to account through the Health Board's Performance Development Review system. However, the Health Board has not yet reviewed the extant SFI requirement to 'sign up to budgets' and needs urgently to confirm that its revised approach is consistent with its own rules and regulations.

As at 31 May 2014, only £21.4 million of cash-releasing savings schemes had been identified across CPGs and corporate departments. This is significantly less than the total saving requirement of over £75 million for the financial year. The Health Board also reported an overspend position of £10.2 million for the first two months of the financial year (compared with a £5.1 million overspend at the same stage in the previous year). This includes slippage of £0.5 million in the delivery of identified cash-releasing savings to date (against planned savings of £1.964 million). As a consequence, the Health Board is currently forecasting a £35.0 million deficit for 2014-15.

Looking ahead, the Health Board continues to face unprecedented challenges in order to deliver a balanced budget in the future. Its Annual Budget Strategy for 2014-15 sets out a projected increasing financial challenge from 2014-15, growing to £186 million over a three-year period to 2016-17 (equating to over 13.8 per cent of annual operation budget). The Health Board's medium-term financial outlook remains very challenging and highlights the need to urgently progress plans that identify financially and clinically sustainable service models.

Strategic vision and service reconfiguration

Recommendations made in June 2013	Summary of progress made by June 2014
<p>R24 The board must progress its strategic plans for acute clinical services as a matter of urgency.</p>	<p>There is still no clarity on the preferred shape of acute clinical services in North Wales.</p> <p>Last year's report highlighted the urgent need for the Health Board to progress its strategic plans for acute clinical services, as part of a wider vision of the overall shape of health services in North Wales. Proposals were due to be taken to the board in the autumn of 2013 for implementation in 2014. Although this did not happen, we note that the Governance and Leadership Delivery Team had agreed a revised scope and timetable which was considered at the board meeting in September 2013. A number of workshops have been run in the latter part of 2013 and the first half of 2014. Options are now due to be presented to the board in July 2014.</p> <p>The inability to make more substantial progress on the plans for acute clinical services is a significant concern given the challenges that exist in relation to the clinical and financial sustainability of services in North Wales. It is inevitable that difficult decisions will need to be made on where certain services will be provided and the Health Board must avoid further delay in making these decisions. Proposals need to be put forward which are both clinically and financially viable, and effective clinical engagement will be needed to build consensus and support for these proposals across the organisation. The First Minister's decision to site the neonatal intensive care facility in Glan Clwyd provides the Health Board with a fixed point to plan around.</p> <p>During the course of our follow-up review, HIW was contacted by a group of Health Board staff who were concerned about the Health Board's reconfiguration plans. HIW will be engaging with the Health Board on the nature of the disclosure, allowing it an opportunity to respond to the issues raised. However, the fact that this was raised with HIW indicates further work may be necessary within the Health Board in relation to clinical engagement.</p> <p>Last year, we identified the need for the Health Board to develop a stronger relationship with the Wales Deanery. We are pleased to note that the working relationship has strengthened since the appointment of the new Medical Director; however, concerns about the viability of medical rotas and the quality of training to support junior doctors at Glan Clwyd have persisted and have led to the Deanery moving training posts in Obstetrics and Gynaecology and Surgery to Wrexham Maelor and Bangor.</p> <p>The absence of clarity on the overall shape of services across North Wales has also been a significant factor in the Health Board's inability to submit an integrated medium-term plan to the Welsh Government for approval. Capacity constraints in relation to planning throughout the organisation have also been put forward as one of the main reasons why a medium-term plan could not be produced. Given that planning is such an integral part of the Health Board's business, this is something that needs to be given urgent attention by the Executive Team and the board. This must consider extent to which there are deficits in skill sets and capabilities in relation to strategic and operational planning throughout the organisational structure, and how these can be rectified.</p>



Mr Darren Millar AM
Chair
Public Accounts Committee
National Assembly for Wales

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Dyddiad / Date: 23 June 2014

Dear Mr Millar

Public Accounts Committee – Governance Arrangements at Betsi Cadwaladr University Health Board

Thank you for your letter of 11 March 2014 asking for information on the Board's response to Recommendation 11 from the Public Accounts Committee. Please accept my sincere apologies for the delay in responding to you.

We are engaged in a wide range of activities to ensure patient safety, and provide the public with appropriate assurance about the quality and safety of our services.

A key element of this continual cycle of quality improvement is the analysis and understanding of mortality information.

In line with Welsh Government requirements, we publish information on our Hospital RAMI scores alongside additional information about mortality relating to some common medical emergencies such as stroke, hip fracture and heart attack. This information is publicly available via our website and is updated every three months. Please see link below:

<http://www.wales.nhs.uk/sitesplus/861/page/68460>

You will be aware of the recent decision by the Chief Medical Officer requiring Health Boards to publish an expanded set of measures for Welsh hospitals rather than just RAMI. These measures provide a focus on continuous quality improvement, and timely intervention to ensure the best outcome for our patients.

The published data is supported by a clear narrative that outlines the actions we are taking to improve the quality and safety of patient care. The briefing papers describe the data we are monitoring, why we are monitoring these figures, what the data tells us and what action we are taking to improve further.

The latest briefing document can be found on our website via the link below:

<http://www.wales.nhs.uk/sitesplus/861/opendoc/237883>



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University Health Board

The Board is fully committed to openness and transparency. In addition to the published data we also provide regular detailed updates to the Chief Medical Officer. The RAMI data, its implications, the work to investigate possible causes and the actions taken as a result has also been regularly reported at public meetings of the Board and the relevant Board committees.

We are committed to continuing to work to reduce mortality rates and to sharing information on that work with the public. If you need any further information, please do not hesitate to contact me directly.

Yours sincerely

A handwritten signature in cursive script that reads 'Peter Higson'.

DR PETER HIGSON
CHAIRMAN



GIG
CYMRU
NHS
WALES

Bwrdd Iechyd Prifysgol
Betsi Cadwaladr
University Health Board

Using mortality data to improve the quality and safety of patient care

20th June 2014

Version	Date Published	Notes
6.0	20/06/2014	6 th publication – expanded set of measures
5.0	21/03/2014	5 th publication
4.0	20/12/2013	4 th publication
3.0	20/09/2013	3 rd publication
2.1	28/08/2013	Figures revised inline with national guidance
2.0	21/06/2013	2 nd publication

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Publication notes

This document is the Health Board's 6th release of data relating to mortality. In line with criteria agreed with Welsh Government, we are continuing to expand the published set of measures. In this release, the Health Board is publishing additional contextual mortality data sourced from the Office for National Statistics (ONS). This provides context to the risk adjusted figures, and further evidence of the quality of care provided. This information is also available for other Welsh Health Boards from the [My Local Health Service Website](#)¹.

All data that appear in the document are also available as Excel tables and charts on our [web site](#)².

Data has been sourced from the All Wales Benchmarking system and ONS.

¹<http://mylocalhealthservice.wales.gov.uk/>

²<http://www.wales.nhs.uk/sitesplus/861/page/68460>

Introduction

Quality and Safety

Betsi Cadwaladr University Health Board is committed to delivering safe and high quality healthcare services. Everyone who works for the Health Board has a part to play in driving up standards. We must always put the safety of our patients at the heart of everything we do. To support this, the Board is engaged in a wide range of activities to ensure patient safety, and provide patients with appropriate assurance about the quality and safety of our services.

A key element of this continual cycle of quality improvement is the analysis and understanding of mortality information. This, our 6th publication, continues the drive to build a robust set of measures. In addition to the figures published in March 2014 (RAMI, Welsh RAMI, mortality relating to stroke, hip fracture and heart attack), this publication now provides measures relating to emergency and elective care. Office for National Statistics data on life expectancy and mortality for the population of North Wales is also provided to contextualise this information and assist the reader.

Following the March 2014 publication, Wrexham Maelor was identified as being one of 6 hospitals in Wales with a higher than expected Welsh RAMI. Welsh Government therefore asked Professor Stephen Palmer to undertake a review of the 6 hospitals. The Health Board has been working with Professor Palmer, and await the outcome of his review.

Why are we monitoring these figures?

The Health Board monitors mortality on a regular basis, with any concerns investigated. The focus is on continuous quality improvement and timely intervention to ensure the best outcome for our patients.

Focussed on learning we firmly believe that every death deserves a review and have put extensive processes in place to ensure this happens.

The key points of learning from these reviews are:

- a. Recognition of and response to the acutely deteriorating patient on the ward remains a concern. This has been the subject of close attention from the Board, and the focus of the national RRAILs (Rapid Response to the Acutely Ill) work stream. An action plan is in place and recent preliminary data points to improvement.

- b. The quality of the patient case record – documentation is important in providing safe effective care. Almost solely paper-based, these reviews have highlighted ways this can be improved setting a steer for the organisation.
- c. Do Not Attempt Resuscitation Orders (DNACPR) - motivated by a desire to avoid subjecting patients with little prospect of success to the indignity of resuscitation, substantial progress has been made in the use of these orders. Nevertheless, there are still some outstanding issues around completion of all the components, which we are addressing.

We believe the way we staff the organisation is important. The Board is committed to working towards achieving the Chief Nursing Officer's recommended level across the organisation.

Furthermore, we have undertaken an analysis of patient complaints and changes to administrative practices. This work has brought into focus our data collection processes and significant work has been undertaken to improve our processes, as incomplete or incorrect data can have a misleading effect on the risk adjusted measures. We are continuing this work at the Wrexham Maelor Hospital, following learning from the two other acute hospitals.

To more fully understand the quality and safety of the service we provide, and committed to continually improving service, the Health Board scrutinises a range of quality and safety indicators.

What are we measuring?

Crude Mortality

Crude (or unadjusted) mortality figures take no account of risk factors. The definition is therefore relatively simple (actual deaths in a month ÷ total discharges per month x 100), but is affected by the number of patients treated. The services delivered at the Health Board's three main sites differ in the range of specialties provided – for example, Ysbyty Glan Clwyd has a Cancer Treatment Centre.

Common Medical Emergencies

Stroke, heart attack and hip fracture are common medical emergencies associated with mortality. Monitoring mortality for these conditions provides us with further useful information on the quality of care in our hospitals. All three conditions are more prevalent in older people whose health may be more fragile so death cannot always be avoided.

Risk Adjusted Mortality Indices³

The risk adjusted mortality figures quoted in this document are for the Health Board's 3 main district general hospitals (Ysbyty Gwynedd in Bangor, Ysbyty Glan Clwyd in Bodelwyddan and Wrexham Maelor Hospital).

In this release we are publishing:

- the RAMI 2012 and 2013 model;
- the Welsh RAMI 2013, which is based on major Welsh acute sites; and
- the In-Hospital Summary Hospital Mortality Indicator 2013 (SHMI).

Risk adjusted mortality indices are one of a number of measures indicating how a hospital is managing the care of its patients and should be considered alongside other measures, such as those published in this document. The indices reflect not only the quality of care, but also the system of care delivery and the quality of information.

Clinical Coding

Clinical Coding is the process of transcribing a patient's diagnosis and treatment from their case notes onto the Patient Administration System. The quality and timeliness of this data is essential to support reporting.

The national target is 98% for any rolling 12 months. For the period referenced in this report (April 2011 – December 2013), the Health Board achieved the target every month.

The administrative processes surrounding the recording of palliative and end of life care pathways can affect the risk adjusted mortality index. The following two charts show the percentage of hospital deaths that have been clinically coded with the palliative care or end of life care pathway codes. The 3 Betsi Cadwaladr University Health Board acute hospitals are highlighted in red. It should be noted that there is variation across Wales. We are improving our processes to ensure we capture all relevant information from the case notes.

³ Appendix 1 contains an explanation of the Welsh RAMI and links to technical documents

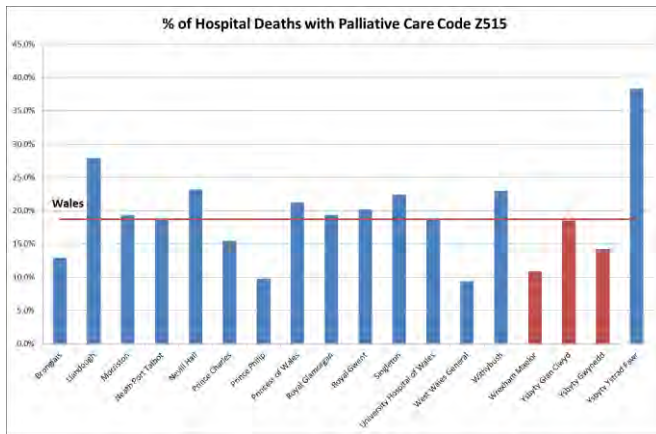


Figure 1: Acute hospitals Palliative Care coding

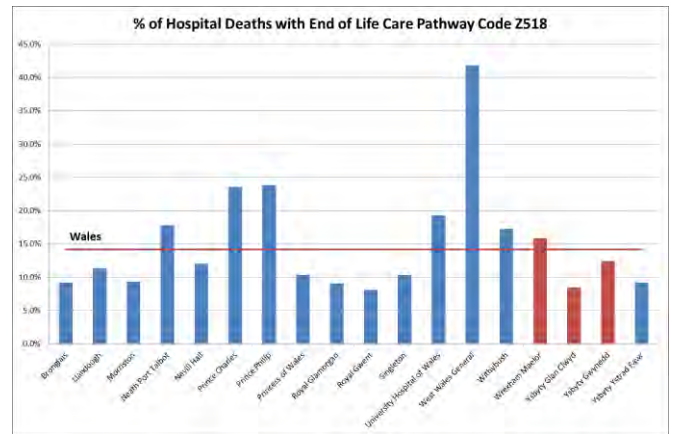


Figure 2: Acute hospitals End of Life care pathway coding

Office for National Statistics Mortality Indicators

The ONS data is provided to give context to the delivery of care in North Wales.

Life Expectancy at Birth⁴

The following table shows the life expectancy at birth for males and females born between 2010 and 2012. For both men and women, the life expectancy is within 1 year of the Welsh average across North Wales.

Life Expectancy at birth (2010-12)

UA Area	Males	Females
Isle of Anglesey	78.5	83.0
Gwynedd	78.8	83.1
Conwy	79.0	82.6
Denbighshire	78.3	81.2
Flintshire	79.0	82.4
Wrexham	78.2	82.0
Wales	78.2	82.22

Source: StatsWales (via ONS)

Figure 3: Life Expectancy at Birth

Age Standardised Mortality Rates

Age-standardised mortality rates (ASMR) are standardised to the 1976 European Standard Population, expressed per 100,000 population, they allow comparisons between populations with different age structures, including between males and females and over time. The following chart shows the ASMR for each Unitary Authority in Wales (2012). The 6 north Wales Authorities are highlighted in red. It can be seen that only Denbighshire (607 per 100,000) has an ASMR higher than the Welsh average (567.8 per 100,000).

⁴ <https://statswales.wales.gov.uk/Catalogue/Health-and-Social-Care/Life-Expectancy/LifeExpectancy-by-Gender-Year>

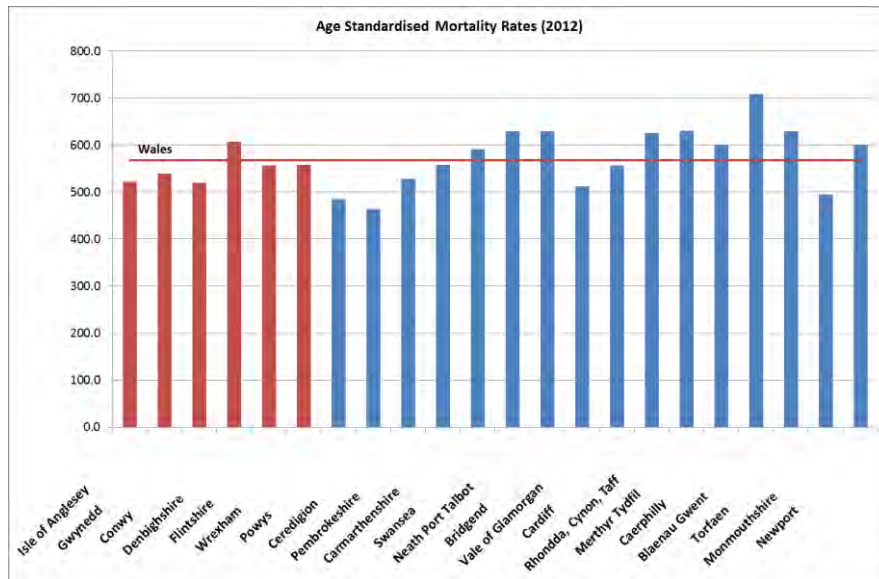


Figure 4: Age Standardised Mortality rates

Perinatal Mortality

Perinatal mortality is defined as stillbirths and deaths under 1 week. In 2012 the perinatal mortality rate for Wales was 7.2 deaths per 1,000 live births and stillbirths. The rate for the Health Board was 7.4. (Source – Office for National Statistics⁵)

Perinatal mortality (a) deaths per 1,000 of still/live births
Live births, stillbirths and infant deaths (b): area of residence, numbers and rates (c), 2012

Area of usual residence	Numbers						Rates (c)				
	Births		Deaths				Stillbirths	Perinatal	Neonatal	Post-neonatal	Infant
	Live births	Stillbirths	Perinatal	Neonatal	Post-neonatal	Infant					
WALES	35,238	181	255	97	42	139	5.1	7.2	2.8	1.2	3.9
Betsi Cadwaladr University	7,826	38	58	27	9	36	4.8	7.4	3.5	1.2	4.6
Powys Teaching	1,190	5	7	3	-	3	4.2	:	2.5	-	2.5
Hywel Dda	3,978	15	22	10	6	16	3.8	5.5	2.5	1.5	4.0
Abertawe Bro Morgannwg Univ	5,874	38	50	16	5	21	6.4	8.5	2.7	0.9	3.6
Cwm Taf	3,555	21	29	11	2	13	5.9	8.1	3.1	:	3.7
Aneurin Bevan	6,736	25	39	18	10	28	3.7	5.8	2.7	1.5	4.2
Cardiff and Vale University	6,079	39	50	12	10	22	6.4	8.2	2.0	1.6	3.6

(a) Perinatal mortality is defined as stillbirths and deaths under 1 week.
(b) Occurring in the year.
(c) Stillbirths and perinatal deaths per 1,000 live births and stillbirths. Neonatal, postneonatal and infant deaths per 1,000 live births

Figure 5: Perinatal Mortality

⁵ <http://www.ons.gov.uk/ons/rel/vsob1/child-mortality-statistics--childhood--infant-and-perinatal/2012/stb-child-mortality-stats-2012.html>

Deaths in hospital by place of occurrence

The following table shows the percentage mortality by place of occurrence⁶ for 2012. A total of 7,403 deaths were recorded for Betsi Cadwaladr University Health Board. Of these, 54.4% occurred in an NHS hospital in our area. This is lower than the Wales average of 57.3%.

Percentage of deaths by place of occurrence 2012

LHB Area	Home	Care Home		Hospices		Hospitals (acute or community not psychiatric)		Other communal establishments	Elsewhere
		Local Authority	Non-Local Authority	NHS	Non-NHS	NHS	Non-NHS		
Betsi Cadwaladr University	20.4%	0.9%	17.3%	0.0%	4.6%	54.4%	0.2%	0.2%	2.1%
Powys Teaching	25.1%	1.3%	14.2%	0.0%	2.5%	52.1%	0.0%	1.8%	2.9%
Hywel Dda	25.7%	2.6%	15.5%	0.0%	1.3%	53.0%	0.0%	0.1%	1.9%
Abertawe Bro Morgannwg University	23.2%	1.2%	12.8%	0.0%	0.1%	58.5%	0.0%	1.8%	2.4%
Cwm Taf	20.7%	0.7%	8.3%	2.5%	0.1%	65.8%	0.0%	0.0%	1.9%
Aneurin Bevan	24.3%	0.8%	12.6%	0.0%	1.4%	58.7%	0.1%	0.1%	2.0%
Cardiff and Vale University	19.9%	0.4%	13.9%	0.0%	4.5%	59.4%	0.0%	0.4%	1.5%
WALES	22.5%	1.1%	13.9%	0.3%	2.2%	57.3%	0.1%	0.5%	2.1%

Figure 6: Deaths in hospital by place of occurrence

Percentage of LSOAs in most deprived 20%⁷

Lower super output areas (LSOA) are a set of geographic areas of consistent size, and have a population of around 1500. Deprivation refers to problems caused by a lack of resources and opportunities. The [Welsh Index of Multiple Deprivation](#)⁸ (WIMD) is a measure of deprivation constructed from eight different types of deprivation, which include health. The following chart shows the percentage of LSOAs that each unitary authority has in the most deprived 20% across Wales. The 6 north Wales unitary authorities have between 4% and 16% of their LSOAs in the 20% most deprived in Wales.

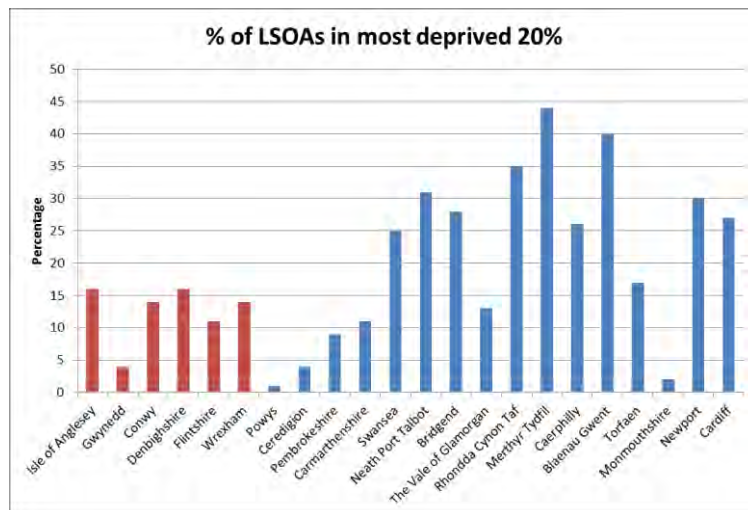


Figure 7: % of LSOAs in most deprived 20%

⁷ <https://stats.wales.gov.uk/Catalogue/Community-Safety-and-Social-Inclusion/Welsh-Index-of-Multiple-Deprivation/WIMD-2011>

⁸ <http://wales.gov.uk/statistics-and-research/welsh-index-multiple-deprivation/?lang=en>

What does this data tell us?

Health Board wide

For the 12 months to March 2014, the average number of deaths per month was 280 across the Health Board. The crude mortality figures for the period April 2011 to March 2014 for Betsi Cadwaladr University Health Board was 1.87%, which is slightly lower than the all Wales peer at 1.90%.

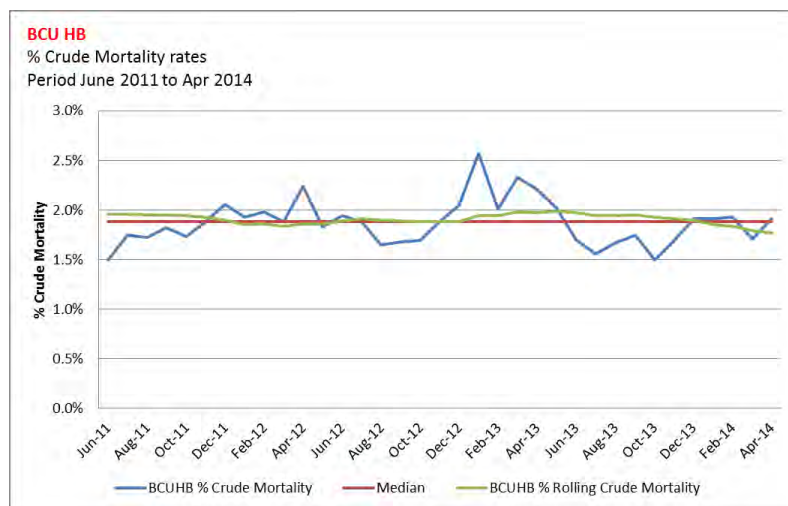


Figure 8: BCUHB Crude Mortality

For the 12 months to December 2013, the Health Board had a Risk Adjusted Mortality Index (RAMI 2013 model) of 111, against an all Wales peer of 109. While above the Welsh average, it is of note this position continues to improve.

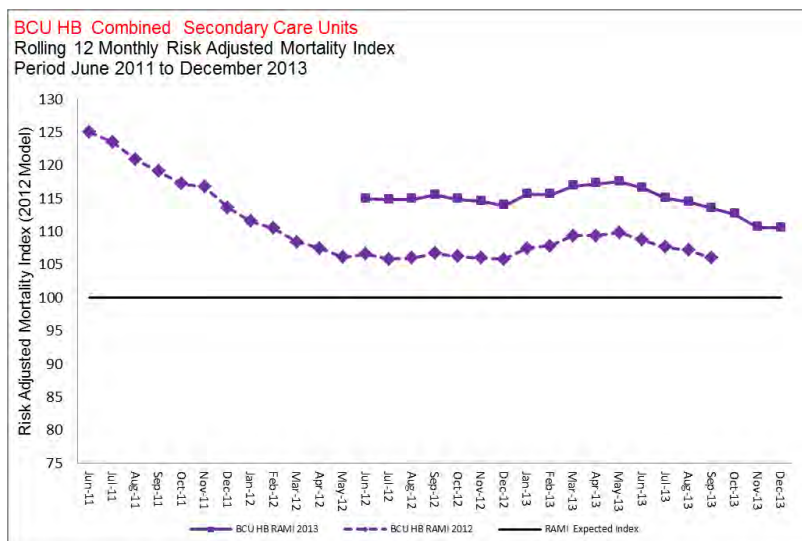


Figure 9: BCUHB RAMI

Mortality following Surgery

The following two indicators present information on mortality within 30 days of elective (planned) or non-elective (emergency) surgery.

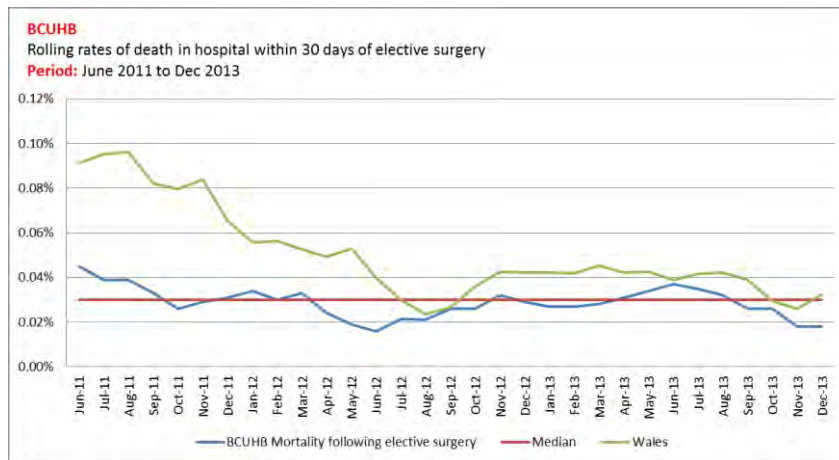


Figure 10: Elective Surgery Mortality

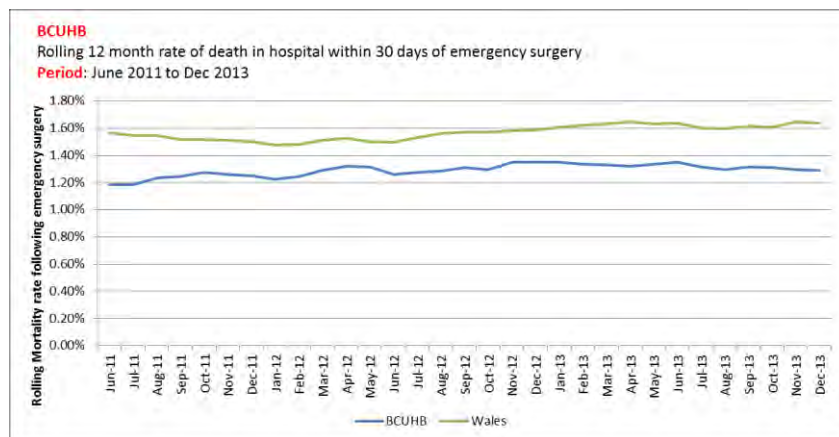


Figure 11: Non-elective Surgery Mortality

In both elective and non-elective surgery, the mortality rate within 30 days is very low. The latest data (12 months to December 2013) shows a mortality rate of 0.02% for elective surgery (6 patients) and 1.3% (161 patients) for non-elective. For both, the Health Board was below the Welsh average.

Common medical emergencies

The following indicators present information on mortality following specific medical emergencies (stroke, hip fracture, and heart attack). This provides some information on the quality of care in each hospital. All three conditions are more prevalent in older people whose health may be more fragile so death cannot always be avoided. The charts show this data as a rolling 12 months for periods from June 2011 through December 2013). The red line shows the median point for the period.

Stroke

The following chart shows the rolling 12 month mortality within 30 days of an admission following a stroke (June 2011 to December 2013). The latest data (12 months to December 2013) shows an average of 14 (15.2%) patients per month died within 30 days of being admitted with a stroke. This is slightly higher than the average for Wales (14.8%).

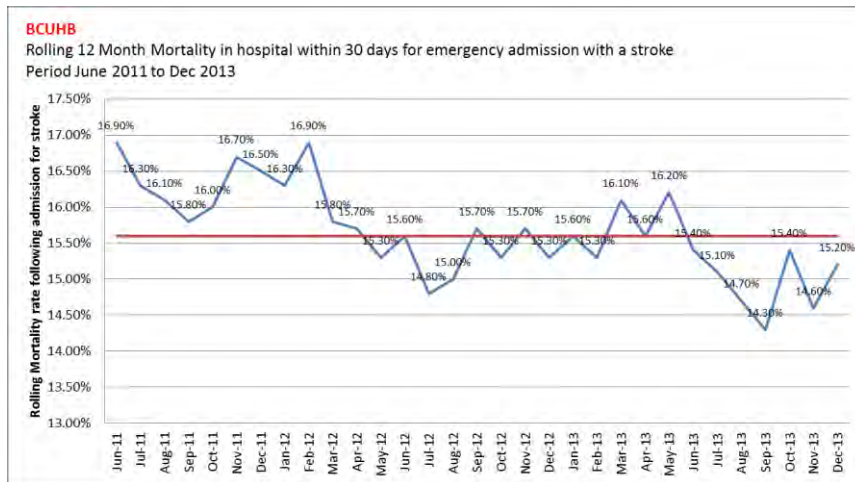


Figure 12: Stroke

Hip Fracture

Figure 13 shows the rolling 12 months mortality within 30 days of admission following a hip fracture (for those aged 65 and over). The latest data (12 months to December 2013) shows that 5.0% of patients died (between 3 and 4 patients per month), which is lower than the Welsh average (6.1%).

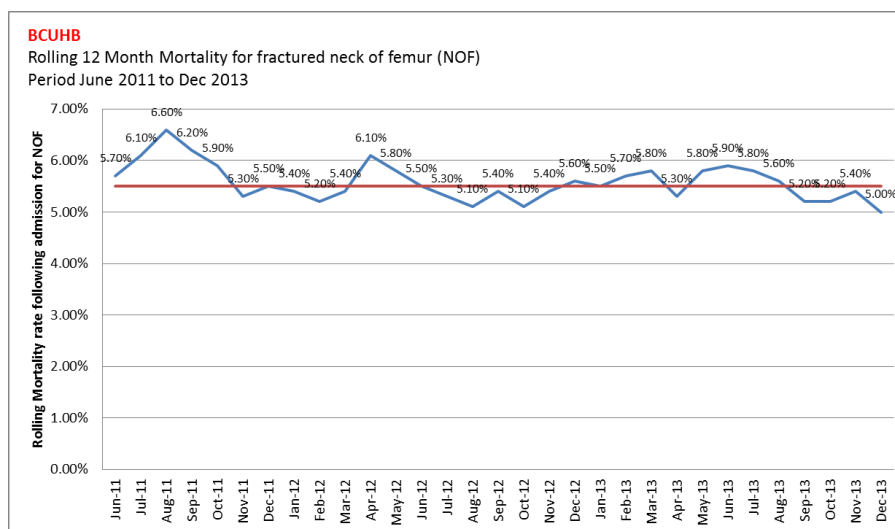


Figure 13: Hip Fracture

Heart Attack

Figure 14 shows the rolling 12 month mortality within 30 days of admission with a heart attack for patients aged 35 to 74. The latest data (12 months to December 2013) shows that 3.2% of patients died (between 1 and 2 patients per month), which is lower than the Welsh average of 4.1%.

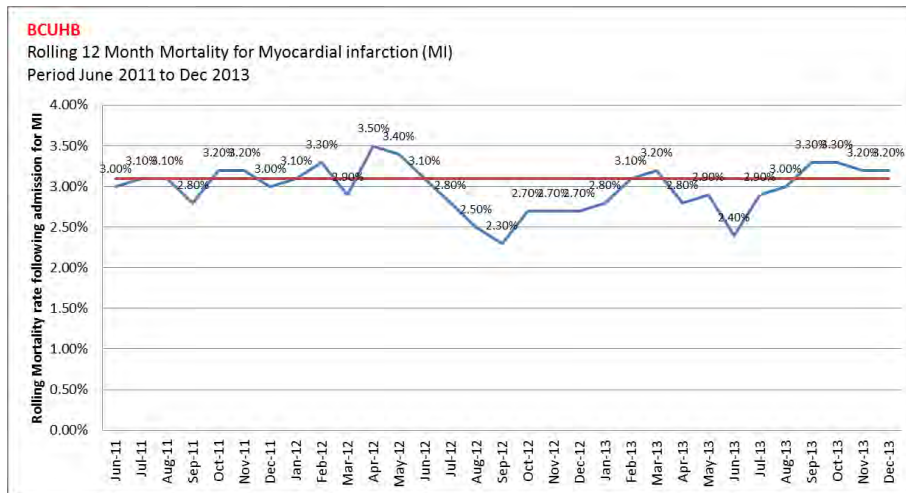


Figure 14: Heart Attack

Ysbyty Gwynedd

Based on the 2013 model Ysbyty Gwynedd had a Risk Adjusted Mortality Index (RAMI) value of 105 (for the rolling 12 months to December 2013), which is greater than the average of 100. Data for the previous 2012 model is shown for background.

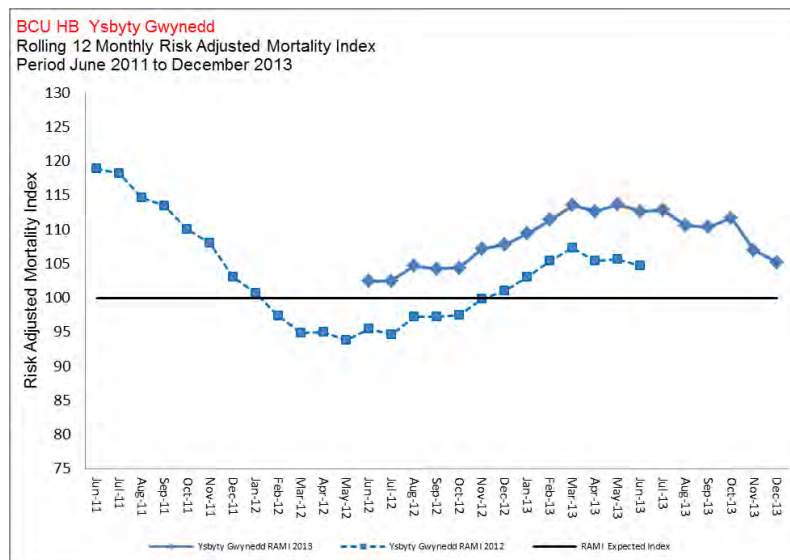


Figure 15: RAMI

Figure 16 shows the Welsh Risk Adjusted Mortality Index. This index is based only on the 18 major Welsh hospitals. Ysbyty Gwynedd performed better than the Welsh average of 100, with

an index value of 90. Ysbyty Gwynedd also had a lower than expected Summary Hospital level Mortality Indicator (SHMI) (Figure 17), with an index value of 71 compared to the average of 82.

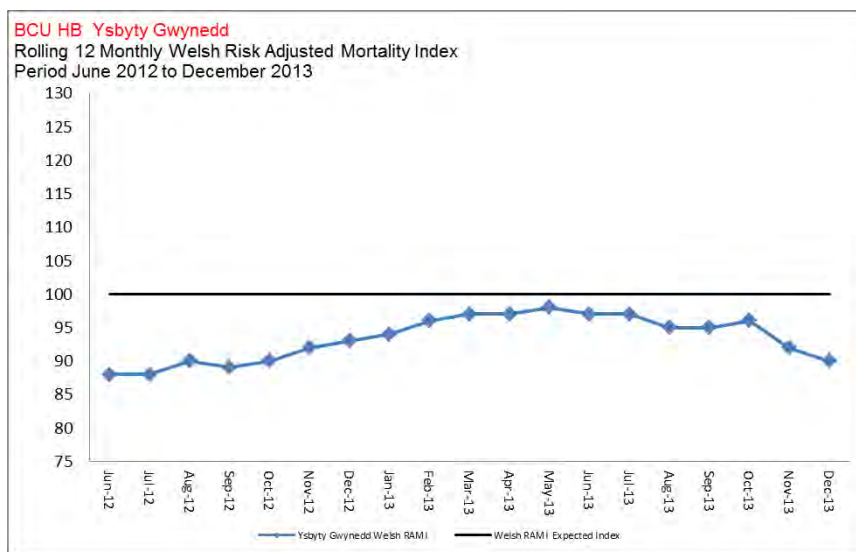


Figure 16: Welsh RAMI

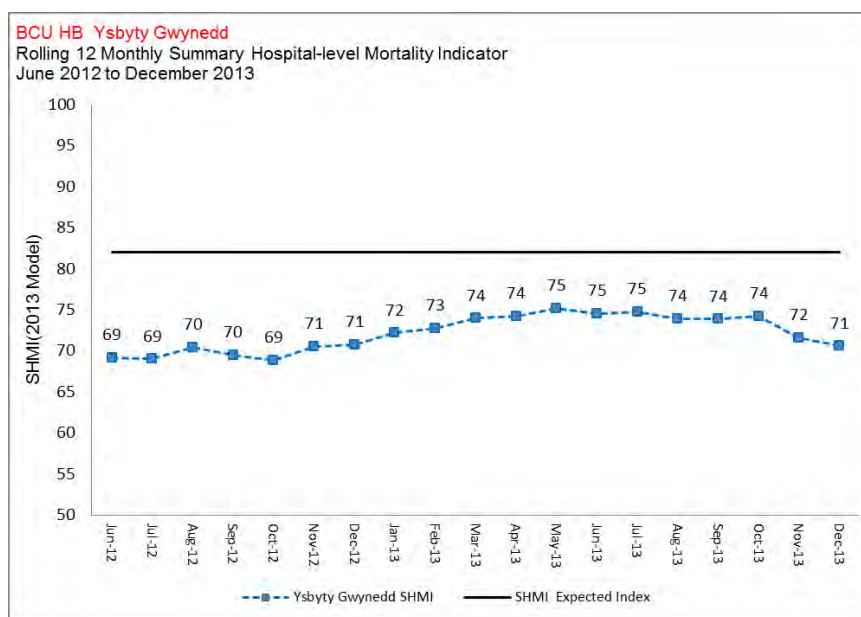


Figure 17: SHMI

For the 12 months to April 2014, the average number of deaths per month was 69 in Ysbyty Gwynedd. Figure 18 shows the rolling 12 monthly and individual monthly crude mortality figures, which show a median of 1.4% between June 2011 and April 2014. The monthly data highlights the expected increase in mortality during the winter months.

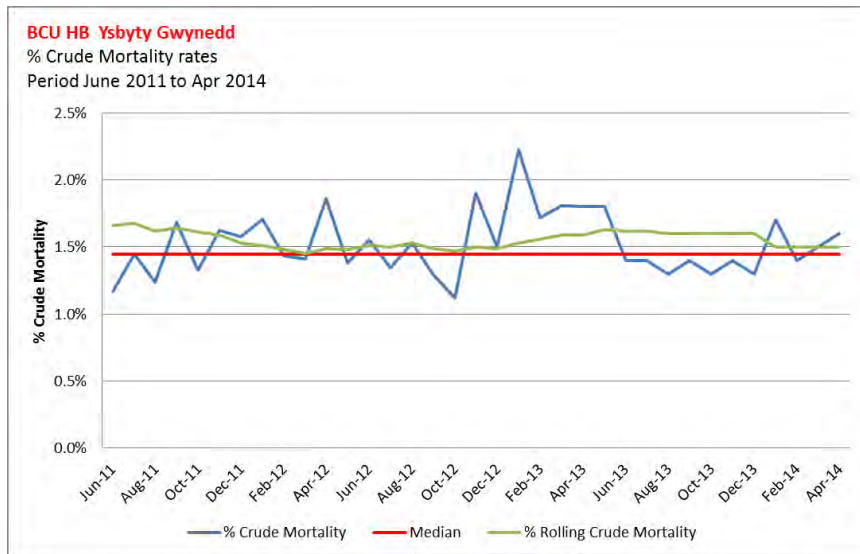


Figure 18: Crude Mortality

Ysbyty Glan Clwyd

Ysbyty Glan Clwyd had a Risk Adjusted Mortality Index (RAMI) value of 102 (rolling 12 months to December 2013) compared to the average of 100 based on the 2013 model. The index has continued to improve since March 2013.

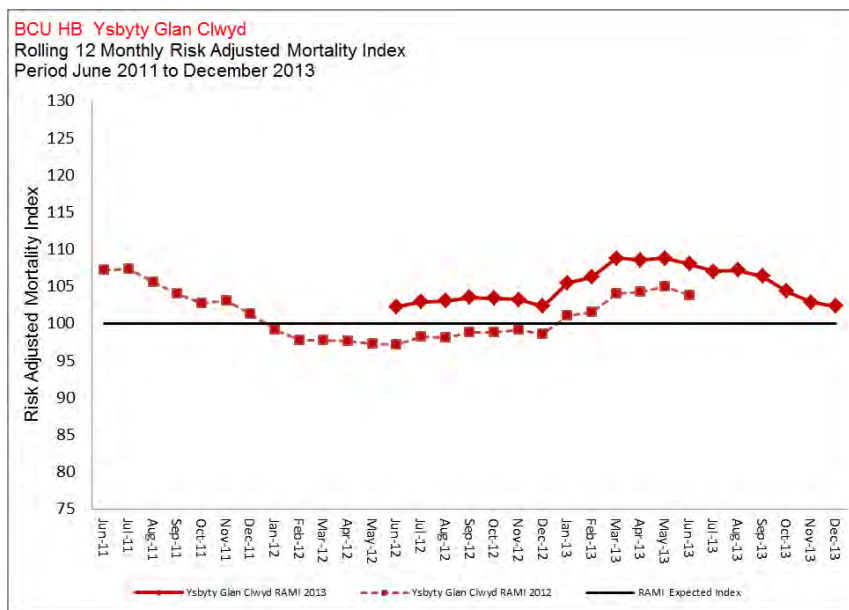


Figure 19: RAMI

Figure 20 shows the Welsh RAMI. Ysbyty Glan Clwyd had an index value of 88 compared to the average of 100.

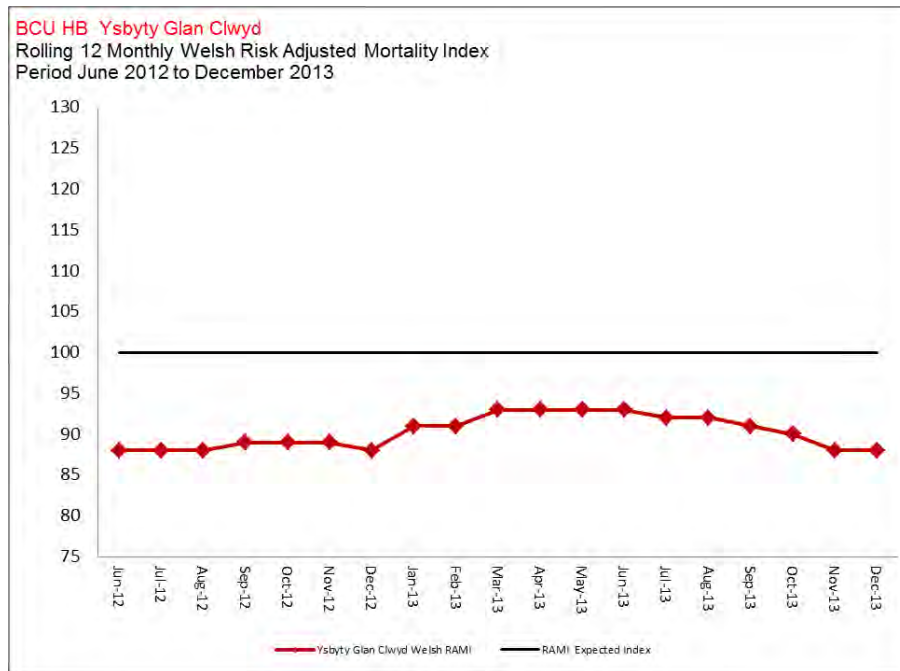


Figure 20: Welsh RAMI

Ysbyty Glan Clwyd also had a slightly lower than expected Summary Hospital Mortality Indicator (SHMI) (Figure 22), with an index value of 80 compared to the average of 82.

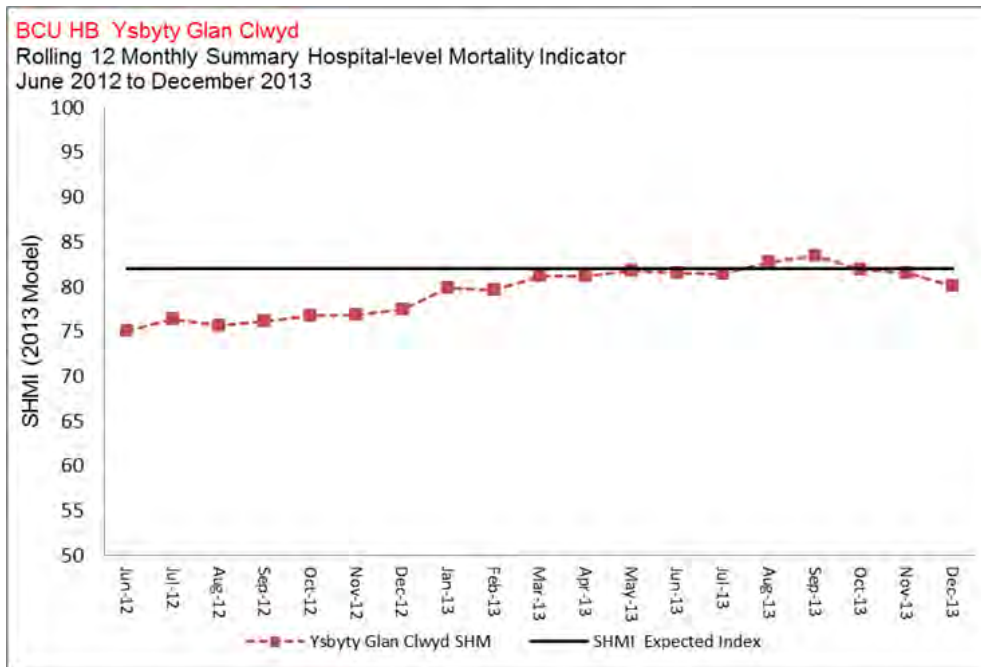


Figure 21: SHMI

For the 12 months to April 2014, the average number of deaths per month was 85 in Ysbyty

Glan Clwyd. Figure 22 shows the monthly crude mortality figures, which show a median of 1.6% between June 2011 and January 2014.

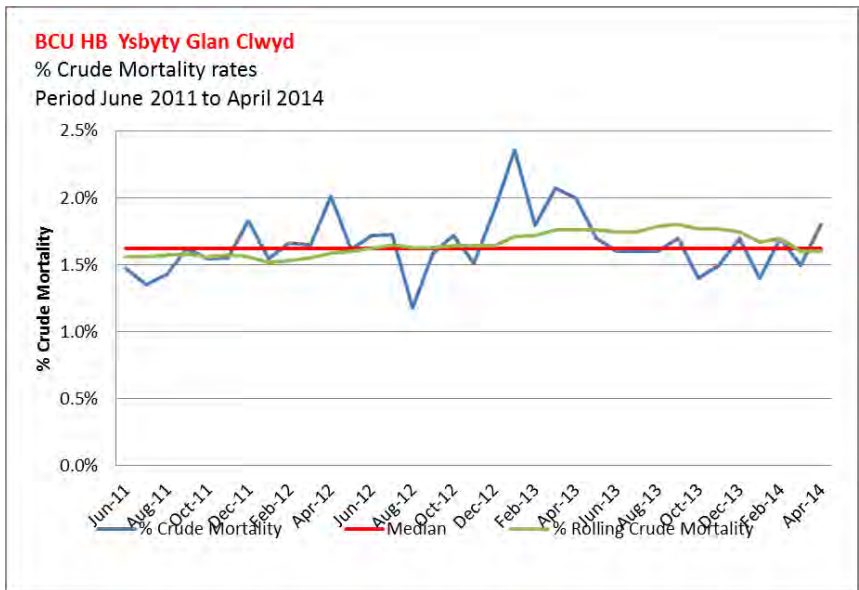


Figure 22: Crude Mortality

Wrexham Maelor Hospital

Wrexham Maelor Hospital has a Risk Adjusted Mortality Index (RAMI) value of 118 (rolling 12 months to December 2013), which is high compared to the average of 100, based on the 2013 model (Figure 23). While higher than the other two sites, we have been reassured to see a continuing downward trend, but committed to quality improvement, are investing significant effort into understanding the factors which account for the figures as well as reviewing standards of clinical care. The Health Board has also supported the review of RAMI being undertaken by Professor Stephen Palmer on behalf of Welsh Government.

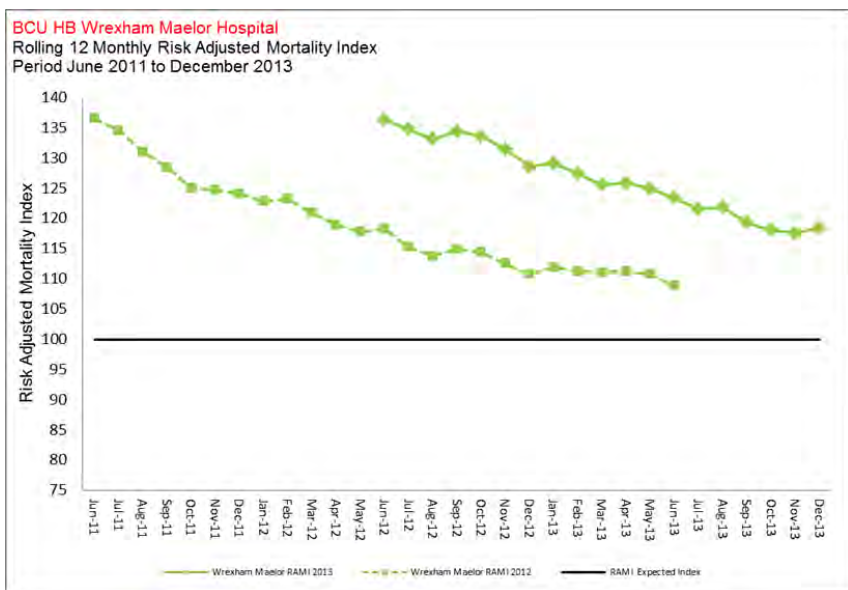


Figure 23: RAMI

Figure 24 shows the Welsh RAMI. Wrexham Maelor Hospital had an index value of 102 compared to the average of 100.

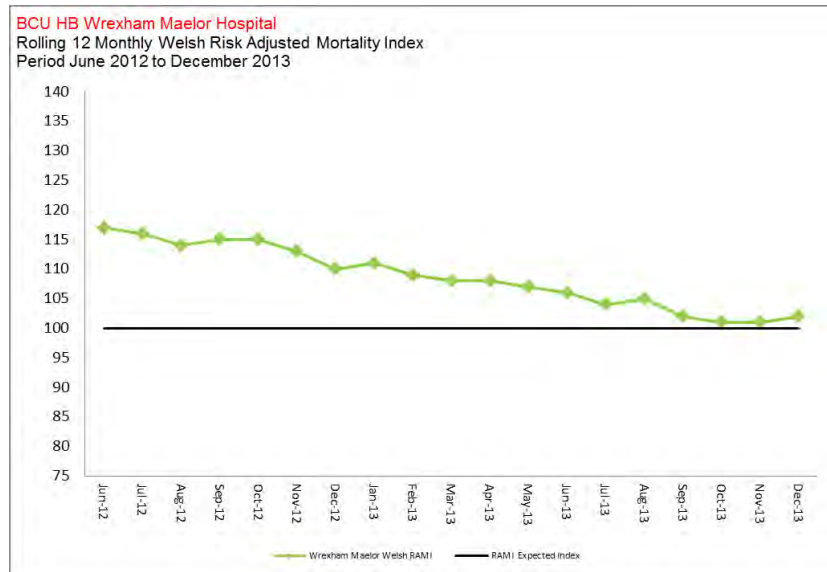


Figure 24: Welsh RAMI

The hospital also had a higher than expected Summary Hospital Mortality Indicator (SHMI) (Figure 25), with an index value of 86 compared to the average of 82.

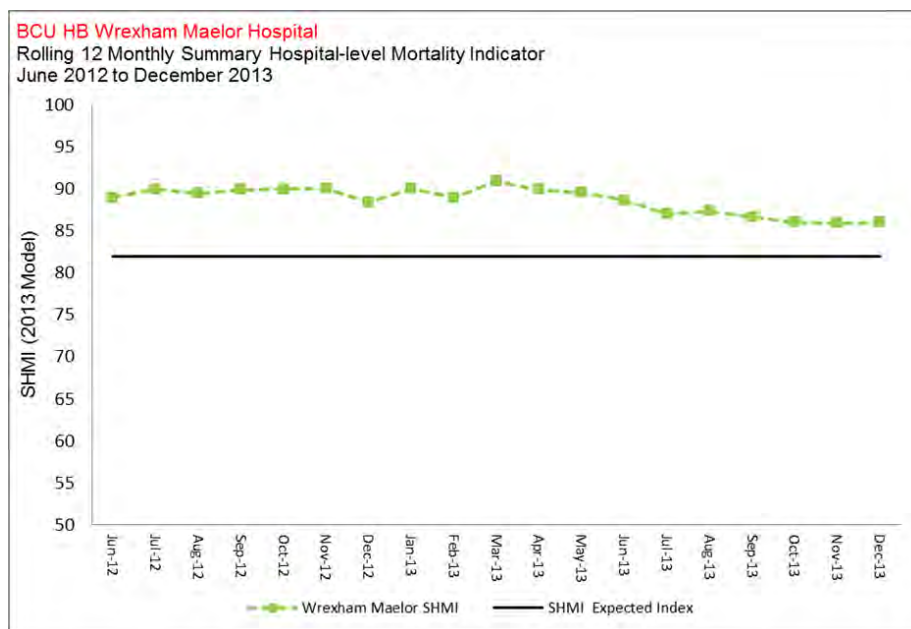


Figure 25: SHMI

Figure 26 shows the monthly crude mortality figures, which show a median of 1.9% between June 2011 and January 2014. For the 12 months to January 2014, the average number of

deaths per month was 79 at Wrexham Maelor.

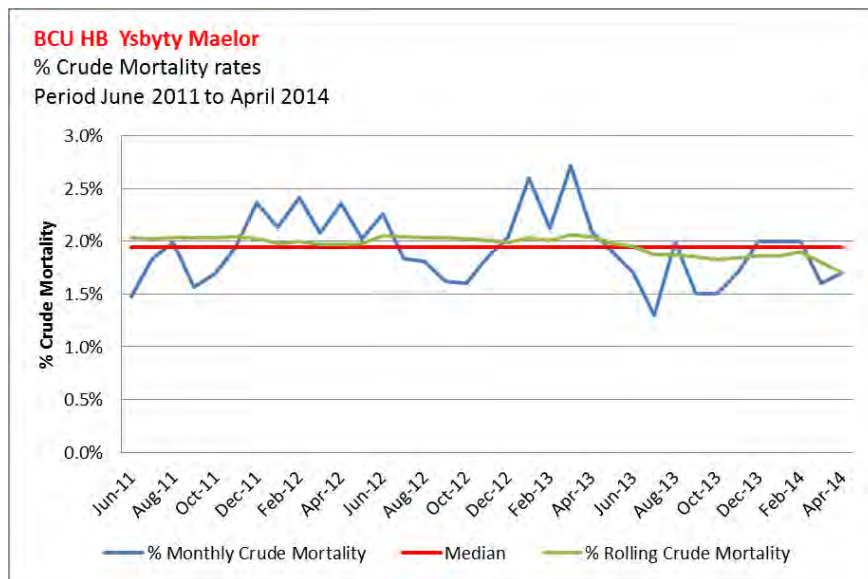


Figure 26: Crude Mortality

What action are we taking to improve further?

The Health Board has a mortality review process in place for all deaths. In addition, 40% to 50% undergo a more detailed stage 2 review. This work has shown that attention must be focussed on the recognition of and response to acutely deteriorating patients on wards.

We are undertaking thorough analysis of staffing levels, complaints, and changes in administrative practices. Key to this is our data collection processes and significant work has been undertaken to improve these.

Nurse staffing levels have increased, particularly on acute wards and the Board is committed to continuing to work towards achieving Chief Nursing Officer levels across the organisation.

We are engaged in extensive work to address how patients flow through the hospital care system, in particular with respect to unscheduled care. Improvements in flow are associated with improved hospital outcomes, including mortality. We are also reviewing the process for sharing information with individual consultants on mortality to ensure that comparisons against local and national peers are embedded into everyday practice.

Appendix 1 –What is the Welsh RAMI?

The Welsh RAMI scores are derived from RAMI 2013 outcomes for the 18 major hospitals across Wales. The average RAMI scores for these hospitals are recalibrated to 100 for the baseline period (12 months to June 2012) to account for the difference between this average and the standard population (i.e. England, Wales and Northern Ireland).

The purpose of this to reduce the impact of known differences between Wales and England which influence the model outcomes. For example, differences in service configuration, healthcare delivery, end of life care delivery and the quality and consistency of data. Therefore the Welsh RAMI seeks to provide an alternative and unique view of mortality for Welsh hospitals, albeit still influenced by predicted risk from the standard population.

A detailed technical explanation of risk adjusted mortality indices can be found on the [statistics](#) page of our internet site. This has been provided by CHKS, the provider of the Welsh Benchmarking system.



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Betsi Cadwaladr
University Health Board

Using mortality data to improve the quality and safety of patient care

Version	Date Published	Notes
5.0	21/03/2014	5 th publication
4.0	20/12/2013	4 th publication
3.0	20/09/2013	3 rd publication
2.1	28/08/2013	Figures revised inline with national guidance
2.0	21/06/2013	2 nd publication
1.1	17/04/2013	Minor revisions to text. No update of data.
1.0	21/03/2013	1 st publication

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Introduction

Quality and Safety

Betsi Cadwaladr University Health Board is committed to delivering safe and high quality healthcare services. Everyone who works for the Health Board has a part to play in driving up standards. We must always put the safety of our patients at the heart of everything we do. To support this, the Board is engaged in a wide range of activities to ensure patient safety, and provide patients with appropriate assurance about the quality and safety of our services.

A key element of this continual cycle of quality improvement is the analysis and understanding of mortality information. This latest publication provides additional information to complement previously reported Risk Adjusted Mortality Index (RAMI) figures and includes mortality information relating to some common medical emergencies such stroke, hip fracture and heart attack.

It also includes the introduction of a Welsh RAMI which is intended to reduce the impact of known differences between Wales and England which influence the model outcomes. These measures provide a focus on continuous quality improvement, and timely intervention to ensure the best outcome for our patients.

Why are we monitoring these figures?

The Health Board monitors mortality on a regular basis, with any concerns investigated. The focus is on continuous quality improvement and timely intervention to ensure the best outcome for our patients.

We firmly believe that every death deserves a review and has put extensive processes in place to ensure this happens. We look to screen all deaths, and using nationally agreed criteria, a proportion are selected for closer, additional review.

The key points of learning from these reviews are:

- a. Recognition of and response to the acutely deteriorating patient on the ward remains a concern. This has been the subject of close attention from the Board, and the focus of the national RRAILs (Rapid Response to the Acutely Ill) work stream. An action plan is in place and recent preliminary data points to improvement.

- b. The quality of the patient case record – documentation is important in providing safe effective care. Almost solely paper-based, these reviews have highlighted ways this can be improved setting a steer for the organisation.
- c. Do Not Attempt Resuscitation Orders (DNACPR) - motivated by a desire to avoid subjecting patients with little prospect of success to the indignity of resuscitation, substantial progress has been made in the use of these orders. Nevertheless, there are still some outstanding issues around completion of all the components, which we are addressing.

In addition, we believe the way we staff the organisation is important. We have increased our nurse staffing, with a particular focus on our acute wards, and the Board is committed to working towards achieving the Chief Nursing Officer's recommended level across the organisation.

Furthermore, we have undertaken an analysis of patient complaints and changes to administrative practices. This work has brought into focus our data collection processes and significant work has been undertaken to improve our processes, as incomplete or incorrect data can have a misleading effect on the risk adjusted measures.

To more fully understand the quality and safety of the service we provide, and committed to continually improving service, the Health Board scrutinises a range of quality and safety indicators. RAMI is just one aspect of this which can be used to help identify where further investigation is warranted. It is important to note that this indicator should not be treated in isolation, but as part of a wide range of quality measures that help to identify areas for improvement. This has been acknowledged by various independent reviews.

What are we measuring?

Crude Mortality

Crude (or unadjusted) mortality figures take no account of risk factors. The definition is therefore relatively simple (actual deaths in a month ÷ total discharges per month x 100), but is affected by the number of patients treated. The services delivered at the Health Board's three main sites differ in the range of specialties provided – for example, Ysbyty Glan Clwyd has a Cancer Treatment Centre.

Common Medical Emergencies

A stroke, heart attack and hip fracture are three common medical emergencies and we monitor the outcome of care for these patients. This provides us with some evidence about the quality of care in each hospital. All three conditions are more prevalent in older people whose health may be more fragile so death cannot always be avoided.

Risk Adjusted Mortality Indices¹

The risk adjusted mortality figures quoted in this document are for the Health Board's three main district general hospitals (Ysbyty Gwynedd in Bangor, Ysbyty Glan Clwyd in Bodolwyddan and Wrexham Maelor Hospital).

In this release we are publishing:

- the RAMI 2012 and 2013 model;
- the Welsh RAMI 2013², which is based on major Welsh acute sites; and
- the In-Hospital Summary Hospital Mortality Indicator 2013 (SHMI).

Risk adjusted mortality indices are one of a number of measures indicating how a hospital is managing the care of its patients and should be considered alongside other measures, such as those published in this document. The indices reflect not only the quality of care, but also the system of care delivery and the quality of information.

Clinical coding completeness

Clinical Coding is the process of transcribing a patient's diagnosis and treatment from their case notes onto the Patient Administration System. The quality and timeliness of this data is essential to support reporting.

For the period referenced in this report (April 2011 – September 2013), the Health Board achieved a coding completeness of 99.8 per cent. The national target is 98 per cent for any rolling 12 months.

What does this data tell us?

Health Board wide

For the 12 months to January 2014, the average number of deaths per month was 285 across the Health Board. The crude mortality figures for the period April 2011 to January 2014 are in line with the rest of Wales, with Betsi Cadwaladr University Health Board at 1.87 per cent, compared with all Wales peer at 1.90 per cent

¹ Appendix 1 contains an explanation of the Welsh RAMI and links to technical documents

(Source: All Wales Benchmarking system).

For the 12 months to September 2013, the Health Board had a Risk Adjusted Mortality Index (RAMI 2013 model) of 113, against an all Wales peer of 112.

Common medical emergencies

The following indicators present information on mortality following specific medical emergencies (stroke, hip fracture, and heart attack). This provides some information on the quality of care in each hospital. All three conditions are more prevalent in older people whose health may be more fragile so death cannot always be avoided. The charts in figures 1 to 3 show this data over time (rolling 12 months for periods ending June 2011 through September 2013). The red line shows the median point for the period.

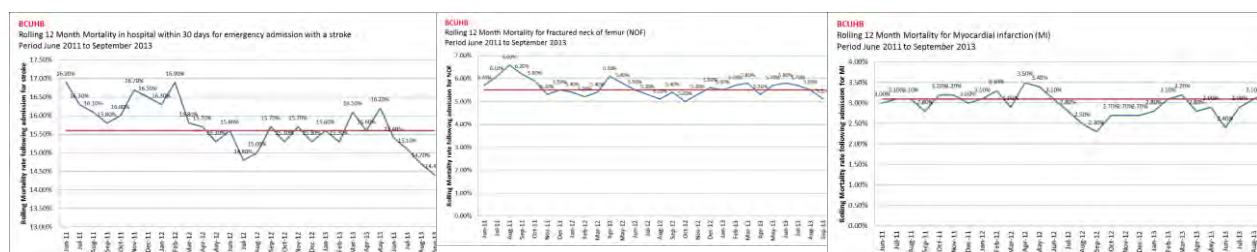


Figure 1: Stroke

Figure 2: Hip Fracture

Figure 3: Heart Attack

Stroke

Figure 1 shows the rolling 12 month mortality within 30 days of an admission following a stroke (June 2011 to September 2013). The latest data (12 months to September 2013) shows an average of 13 (14.4 per cent) patients per month died within 30 days of being admitted with a stroke. This is lower than the average for Wales (15.1 per cent).

Hip Fracture

Figure 2 shows the rolling 12 months mortality within 30 days of admission following a hip fracture (for those aged 65 and over). The latest data (12 months to September 2013) shows that 5.1 per cent of patients died, which is lower than the Welsh average (6.2 per cent).

Heart Attack

Figure 3 shows the rolling 12 month mortality within 30 days of admission with a heart attack for patients aged 35 to 74. The latest data (12 months to September 2013)

shows that 3.3 per cent of patients died, which is lower than the Welsh average of 4.0 per cent.

By hospital

Ysbyty Gwynedd

Based on the 2013 model Ysbyty Gwynedd had a Risk Adjusted Mortality Index (RAMI) value of 110.(for the rolling 12 months to September 2013), which is greater than the average of 100. The Health Board has undertaken extensive work to more fully understand why the figure is at this level, including individual case notes reviews looking at standards of clinical care. This is alongside a review of data quality and administrative processes. The latest figure is of concern, but this being an improvement on previous values, whilst it is pleasing to see the success of this effort, the work to improve this continues. Figure 4 shows the data for the 2012 model up to June 2013, and the more recent 2013 model up to September 2013.

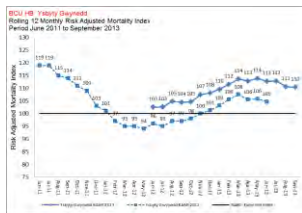


Figure 4: RAMI

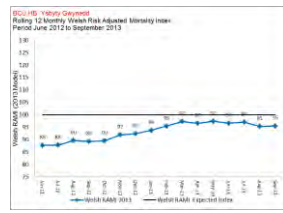


Figure 5: Welsh RAMI



Figure 6: SHMI

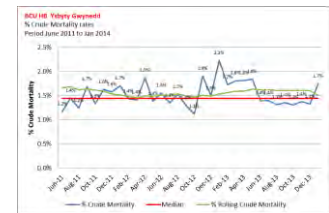


Figure 7: Crude Mortality

Figure 5 shows the Welsh Risk Adjusted Mortality Index. This index is based only on the 18 major Welsh hospitals. Ysbyty Gwynedd had an index value of 95 compared to the average of 100. Ysbyty Gwynedd also had a lower than expected Summary Hospital Mortality Indicator (SHMI) (Figure 6), with an index value of 74 compared to the average of 82.5.

For the 12 months to January 2014, the average number of deaths per month was 70.5 in Ysbyty Gwynedd. Figure 7 shows the rolling 12 monthly and individual monthly crude mortality figures, which show a median of 1.4 per cent between June 2011 and January 2014. The monthly data highlights the expected increase in mortality during the winter months.

Ysbyty Glan Clwyd

Ysbyty Glan Clwyd had a Risk Adjusted Mortality Index (RAMI) value of 106 (rolling 12 months to September 2013) compared to the average of 100 based on the 2013

model. As at Ysbyty Gwynedd, the Health Board continues to undertake significant work reviewing clinical care, and doing this alongside a review of data quality and administrative processes. This has led to data being corrected, and an improving value against the average. Figure 8 shows the rolling 12 monthly and individual monthly crude mortality figures, which show a median of 1.6 per cent between June 2011 and January 2014.

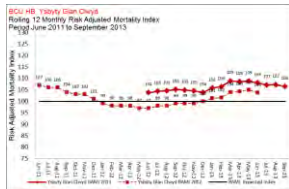


Figure 8: RAMI



Figure 9: Welsh RAMI

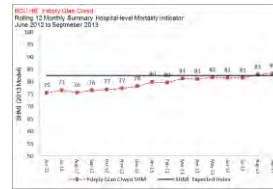


Figure 10: SHMI

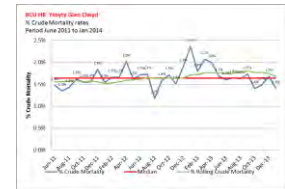


Figure 11: Crude Mortality

Figure 9 shows the Welsh RAMI. Ysbyty Glan Clwyd had an index value of 91 compared to the average of 100. Ysbyty Glan Clwyd had a slightly higher than expected Summary Hospital Mortality Indicator (SHMI) (Figure 10), with an index value of 83 compared to the average of 82.5.

For the 12 months to January 2014, the average number of deaths per month was 87.4 in Ysbyty Glan Clwyd. Figure 11 shows the monthly crude mortality figures, which show a median of 1.7 per cent between June 2011 and January 2014.

Wrexham Maelor Hospital

Wrexham Maelor Hospital has a Risk Adjusted Mortality Index (RAMI) value of 119 (rolling 12 months to September 2013), which is high compared to the average of 100, based on the 2013 model (Figure 12). Though greater than 100, we have been reassured to see a continuing downward trend for both models, but committed to quality improvement are investing significant effort into understanding the factors which account for the figures as well as reviewing standards of clinical care. The Health Board has identified areas for further investigation to understand the higher than expected index value.



Figure 12: RAMI

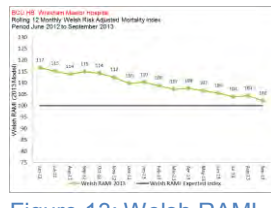


Figure 13: Welsh RAMI

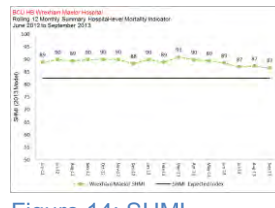


Figure 14: SHMI



Figure 15: Crude Mortality

Figure 13 shows the Welsh RAMI. Wrexham Maelor Hospital had an index value of 102 compared to the average of 100. The hospital also had a higher than expected Summary Hospital Mortality Indicator (SHMI) (Figure 14), with an index value of 87 compared to the average of 82.5.

For the 12 months to January 2014, the average number of deaths per month was 95 at Wrexham Maelor. Figure 15 shows the monthly crude mortality figures, which show a median of 1.9 per cent between June 2011 and January 2014.

What action are we taking to improve further?

The Health Board has a mortality review process in place for all deaths. In addition, 40 per cent undergo a more detailed stage 2 review. This work has shown that attention must be focussed on the recognition of and response to acutely deteriorating patients on wards.

We have undertaken thorough analysis of staffing levels, complaints, and changes in administrative practices. This work has brought into focus our data collection processes and significant work has been undertaken to improve these.

Nurse staffing levels have increased, particularly on acute wards and the Board is committed to continuing to work towards achieving Chief Nursing Officer levels across the organisation.

We are engaged in extensive work to address how patients flow through the hospital care system, in particular with respect to unscheduled care. Improvements in flow are associated with improved hospital outcomes, including mortality. We are also reviewing the process for sharing information with individual consultants on mortality to ensure that comparisons against local and national peers are embedded into everyday practice.

Publication notes

This document is the Health Board's fifth release of data relating to mortality. In line with criteria agreed with Welsh Government, we are now publishing an expanded set of measures.

In this release, the Health Board is publishing additional data around crude (or unadjusted) mortality, along with mortality following certain medical emergencies. These provide context to the risk adjusted figures, and can be seen as evidence of the quality of care. This additional data, along with comparisons with other Health Boards in Wales is available via the [My Local Health Service Website](#)³.

We are also providing additional risk adjusted measures.

All data has been sourced from the All Wales Benchmarking system.

³<http://mylocalhealthservice.wales.gov.uk/>

Appendix 1 –What is the Welsh RAMI?

The Welsh RAMI scores are derived from RAMI 2013 outcomes for the 18 major hospitals across Wales. The average RAMI scores for these hospitals are recalibrated to 100 for the baseline period (12 months to June 2012) to account for the difference between this average and the standard population (i.e. England, Wales and Northern Ireland).

The purpose of this is to reduce the impact of known differences between Wales and England which influence the model outcomes. For example, differences in service configuration, healthcare delivery, end of life care delivery and the quality and consistency of data. Therefore the Welsh RAMI seeks to provide an alternative and unique view of mortality for Welsh hospitals, albeit still influenced by predicted risk from the standard population.

A detailed technical explanation of risk adjusted mortality indices can be found on the [statistics](#) page of our internet site. This has been provided by CHKS, the provider of the Welsh Benchmarking system.

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

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