

# Public Accounts Committee

---

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

---

Meeting date:  
**Tuesday, 10 March 2015**

---

Meeting time:  
**09.00**

---

Cynulliad  
Cenedlaethol  
Cymru

National  
Assembly for  
Wales



For further information please contact:

**Michael Kay**  
Committee Clerk  
0300 200 6565  
[SeneddPAC@Assembly.Wales](mailto:SeneddPAC@Assembly.Wales)

---

## Agenda

---

**1 Introductions, apologies and substitutions (09:00)**

**2 Papers to note (09:00–09:05)** (Pages 1 – 3)

**Covering Teachers' Absence: Letter from the Minister for Education and Skills (25 February 2015)** (Pages 4 – 11)

**The Welsh Government's location strategy: Letter from the Permanent Secretary, Welsh Government (4 March 2015)** (Pages 12 – 13)

**Committee Correspondence: Letter from Paul Martin MSP, Convener, Public Audit Committee, Scottish Parliament (4 March 2015)** (Page 14)

**3 Welsh Government Annual Report on Grants Management 2014:**

**Evidence session 1 (09:00–10:00)** (Pages 15 – 58)

Sir Derek Jones, Permanent Secretary, Welsh Government

David Richards, Director of Governance, Welsh Government  
Gawain Evans, Deputy Director, Financial Controls, Welsh Government  
Peter Ryland, Deputy Director, Programme Performance and Finance, WEFO

**4 Motion under Standing Order 17.42 to resolve to exclude the public from the meeting for the following business: (10:00)**

Items 5 and 6 of today's meeting and Items 1 and 2 for the meeting on Tuesday 17 March.

**5 National Framework for Continuing NHS Healthcare: Consideration of Draft Report (10:00–10:30) (Pages 59 – 78)**

**6 NHS Waiting Times: Consideration of Welsh Government Response (10:30–11:00) (Pages 79 – 87)**

## Public Accounts Committee

---

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

---

Meeting date: **Tuesday, 3 March 2015**

---

Meeting time: **09.00 – 11.01**

---

This meeting can be viewed on [Senedd TV](http://senedd.tv/en/2607) at:  
<http://senedd.tv/en/2607>

Cynulliad  
Cenedlaethol  
Cymru

National  
Assembly for  
Wales



---

### Concise Minutes:

#### Assembly Members:

**Darren Millar AM (Chair)**  
**Jocelyn Davies AM**  
**William Graham AM**  
**Mike Hedges AM**  
**Sandy Mewies AM**  
**Julie Morgan AM**  
**Jenny Rathbone AM**  
**Aled Roberts AM**

---

#### Witnesses:

**Huw Vaughan Thomas, Auditor General for Wales, Wales Audit Office**  
**Matthew Mortlock, Wales Audit Office**  
**Simon Higgins, Road Haulage Association Ltd**  
**Malcolm Bingham, Freight Transport Association**

---

#### Committee Staff:

**Leanne Hatcher (Second Clerk)**  
**Tanwen Summers (Deputy Clerk)**  
**Andrew Minnis (Researcher)**  
**Joanest Varney-Jackson (Legal Adviser)**

---

1.1 The Chair welcomed Members to the meeting.

1.2 There were no apologies.

## **2 Papers to note**

2.1 The papers were noted.

2.2 The Committee agreed to write to Betsi Cadwaladr University Health Board to confirm the numbers of staff recruited to consider retrospective cases and to manage ongoing caseloads.

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

3.1 The motion was agreed.

## **4 Inquiry into value for money of Motorway and Trunk Road Investment: Research Services Briefing**

4.1 The Wales Audit Office and the National Assembly for Wales Research Service provided Members with a consultation update and outline inquiry approach.

## **5 Inquiry into value for money of Motorway and Trunk Road Investment: Evidence Session 1**

5.1 The Committee took evidence from the Road Haulage Association Ltd and Freight Transport Association on its inquiry into value for money of Motorway and Trunk Road Investment.

## **6 Inquiry into value for money of Motorway and Trunk Road Investment: Discussion of evidence**

6.2 The Committee considered the evidence received.

6.3 The Committee agreed to:

- request figures on staffing levels and information on around traffic management and resilience arrangements from Trunk Road Agents;
- seek further information from the Welsh Government on major trunk road schemes currently under construction, its approach to prioritisation of future schemes, and greater detail on Trunk Road Agent expenditure, work programmes and future budgets;
- write to the Association of Chief Police Officers (ACPO) to request information on managing incidents and the use of screens; and

- write to Highways England seeking information on its approach to maintaining and improving the English Strategic Road Network, including the expected benefits of the new structure and approach, and how this will provide greater certainty in funding.

6.4 Research Service agreed to provide clarification on Trans-European Transport Network (TEN-T) corridors in Wales and the UK and information on Highways England.

## **7 NHS Wales Health Boards' Governance**

7.1 The Committee considered a letter from Professor June Andrews and Mark Butler, and agreed the Chair would write to express the Committee's keenness for her to attend a future meeting.

# Agenda Item 2.1

Huw Lewis AC / AM

Y Gweinidog Addysg a Sgiliau  
Minister for Education and Skills



Llywodraeth Cymru  
Welsh Government

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

Ref: SF/HL/0263/15

25 February 2015

Dear Darren,

As the Committee requested here is an update on the actions that have been undertaken since my responses in June and August 2014 to your report on Covering Teachers' Absence. The following responses take into account only those recommendations where we stated further activity would be undertaken.

## Recommendation 1 and 13

As previously advised the Welsh Government collect and publish data on teacher absence annually. The responsibility for monitoring and evaluating the reasons for absence rests with the schools and employers. We have approached local authorities to ascertain how they monitor teachers' absence, how frequently they report and how they utilise the data in the management of absences in school and these responses are being considered as part of the development of the guidance referred to in the response to recommendation 7 below.

WG officials are also working closely with local authority HR Directors and the WLGA in developing a people management framework for the delivery of some specialist HR functions. This will support the National Model for Regional Working and absence data will help inform consortia intelligence for school improvement plans and activities. This framework will be implemented from April 2015.

## Recommendation 2

On June 10 2014 I announced a 'New Deal' which set out the vision for the professional learning of all school based practitioners in Wales. The New Deal is supported by the development of the National Professional Learning Model (NPLM) which provides practitioners with a clear, coherent model setting out the approaches to professional learning that have the most positive and sustained impact on teaching standards.

It is intended that this approach to professional learning will place less of a reliance on the traditional approach of one off training days, which are a significant cause of teacher

absence. Embedding professional learning activities within the school, whilst not eradicating absence, will provide a more flexible and effective approach.

The principles of the NPLM are based on evidence of effective approaches to professional development and we are continuing to draw on international evidence as we develop the model, as well as from schools in Wales who are already using these approaches.

I will shortly announce further details regarding the New Deal for the education workforce but the principle of this approach will be to ensure that what is announced will be available to the entire workforce including supply teachers.

### **Recommendation 5**

In responding to your recommendation regarding the strengthening of HR support for head teachers and governors in dealing with absence issues, we are progressing work with relevant partners at local authority and consortia level to produce a people management framework for implementation by April 2015. This is being developed as an integral part of the National Model for Regional Working. Within this framework local authority HR services will offer head teachers and governing bodies assistance with their people management function and this will include supporting schools in addressing absence issues.

### **Recommendation 6**

Further to my response in June a proposal to conduct a thematic review into cover arrangements and how the guidance (in recommendation 7) was being adopted has been considered by the bid evaluation panel (comprising of Welsh Government officials and Estyn). It was determined that the guidance would not be sufficiently implemented for a review to be undertaken in 2015/16. It was suggested that this proposal be resubmitted for consideration in 2016/17 as it was concluded that deferring this study by a year would provide opportunity for the new guidance on cover arrangements to be fully developed and embedded before the study takes place. It was further suggested that the study should have a focus and that it may specifically consider the effect of long term absence on primary schools.

### **Recommendation 7**

Work has commenced on co-constructing guidance for effective management of workforce absence with local authority partners and the timetable for its development, consultation (informal) and publication is;

March 2015	Draft Guidance Document
March/April 2015	Key Stakeholder Consultation, e.g; School Practitioners Panel (23/3) Union Partners (April) HR Directors Network (21/4) ADEW (date tbc)
May 2015	Communication campaign re guidance e.g. DYSG
June 2015	Document published

The evaluation of the guidance will form part of Estyn's inspection of schools and how they use the guidance. We will also work with the WLGA and the HR Directors' network and the ADEW HR Officers network to monitor its effectiveness on an ongoing basis.

### **Recommendation 8**

Further to my response in June a review has been carried out of training and professional learning instigated by the Welsh Government during the period January to July 2014. The report is attached at annex 1 and identifies both external and in house training. There does appear to be more focus on external events and as such it is important that in moving forward my officials consider a range of approaches when they want to engage with the education workforce and that the option and impact of bringing teachers and support staff out of schools is considered carefully. Therefore, we will produce a short guidance document on the best practice approaches that should be considered once details of the New Deal are announced.

### **Recommendation 9**

With regards to your recommendation regarding CPD for supply teachers, we have been able to identify over 1,400 supply teachers who now as a result of our contact with them receive the DYSG newsletter. It includes a range of information regarding Welsh Government policies, training and development events and other relevant information for the education workforce and is distributed fortnightly.

We want to ensure that the Professional Learning Model which is being developed takes account of how supply teachers can access the model and benefit from CPD in the same way as all other teachers.

Regulations also came into force on the 27 October 2014 regarding the requirement for schools to produce School Development Plans (SDP). Schools are required to meet the regulations in full by September 2015 to allow time for transitional arrangements to be made. From this date all schools must set out in their SDP how they intend to develop their staff including those temporarily placed at the school.

### **Recommendation 10**

The Committee recommended that CPD was a requirement in any future specification for the retendering of the Framework contract. The National Procurement Service has recently issued a new tender to the supply market. This has included a specific evaluation question on how the supplier will ensure training and CPD is provided to their temporary workforce. Supplier responses will be evaluated and scored accordingly. The tender process is currently underway.

### **Recommendation 11 and 12**

Both of these recommendations concerned evaluating elements of the Masters programme. However, since my response to you in June I have made announcements regarding a refocus of the MEP and officials are currently working on proposals for a revised programme that will widen access to Masters-level professional learning for practitioners at different career points. In doing so, officials will be taking account of feedback and comments from partners and participants who have been involved in the current Masters programme. When developing the requirements for the revised scheme consideration will be given to establishing arrangements that support programme participants whilst delivering improved value for money.



The discontinuation of the existing MEP means that undertaking the form of evaluation originally envisaged in recommendation 11 of your report is therefore no longer appropriate.

#### **Recommendation 14**


New statutory guidance on arrangements for keeping children safe in education – *Keeping learners safe* - was published in January 2015. This guidance sets out the requirements for the local authority and the governing body of a school to operate safe recruitment procedures and makes sure that appropriate checks are carried out on new staff working with children.

The Welsh Government expects all local authorities and schools in Wales to comply with statutory arrangements, including those put in place through the Disclosure and Barring Service.

The Welsh Government will continue to support all education providers to ensure that they have effective systems in place to promote safe practice. Central monitoring arrangements covering individual aspects of the guidance would be prohibitive.

I would like to take this opportunity to thank the Committee for considering the issue of absence and cover in schools. If you require any further clarification then please let me know.

If we are to raise standards in education in Wales it is important that we manage our workforce effectively and ensure that our teaching and support staff are given the best opportunity to focus on teaching and learning.

A handwritten signature in black ink, appearing to read 'Huw Lewis', written in a cursive style.

**Huw Lewis AC / AM**

Y Gweinidog Addysg a Sgiliau  
Minister for Education and Skills

**Review of training and professional learning carried out by or on behalf of the Welsh Government during January and July 2014**

**1. Background**

1.1 In recommendation 8, the Public Accounts Committee recommended that the Welsh Government evaluate its policies; such as the development of different forms of training and Continuing Professional Development that relied less on teachers being absent from the classroom and the demands of the regional consortia on schools, and considered the impact these have had on cover requirements.

1.2 In response the Welsh Government has undertaken a review of training and professional learning instigated by the Welsh Government using a sample of activities delivered between 1 January 2014 and July 2014.

1.3 The purpose of the review was to:

- a) identify the type and frequency of face to face training and professional learning activity, undertaken with teachers for that period and the impact on teacher absence.
- b) considered the strengths and weaknesses of approaches
- c) identify key factors and alternative approaches from policy colleagues that could be considered when developing programmes in the future.
- d) identify a range of approaches that could be used in the future.

**2. Methodology**

2.1 Policy officials were contacted across the Department for Education and Skills to ascertain if they had delivered or commissioned any type of training for teachers.

2.2 Semi structured interviews were undertaken with policy officials who had delivered or commissioned activities within the identified remit of the study.

### 3. Findings

3.1 The following face to face training and professional learning activity was undertaken with teachers.

The Digital Learning Branch held a series of 21 roadshow events in early 2014 for school and college leaders to introduce the changes being implemented to qualifications in Wales following the Review of Qualifications. 1,482 schools attended and 2,021 teachers were trained. All further training will be offered and delivered in smaller modular sessions of maximum 2.5 hours.

Regional workshops for NPQH (National Professional Qualification for Headship) candidates which were run by the Professional PCs/Consortia in each of the four regions on behalf of the Welsh Government. There were 4 events, one in each consortium with a total of 100 teachers attending.

The Leadership Branch held two full day workshops for participants in the Programme Evaluation Project. Individuals and schools or groups of schools were funded to undertake leadership programmes in exchange for them helping to evaluate the programmes in question.

One workshop was for the opening of the programme and one for the closing. Both events were held in Llandrindod Wells and 70 delegates attended.

The Digital Learning Division held non compulsory two day CPD training sessions for teachers to roll out Hwb and to set up their own learning platform. 1,482 schools attended and 2,021 teachers were trained.

A series of three events to roll out the second tranche of the Lead & Emerging Practitioner Schools Project. The Lead and Emerging Practitioner Schools project enables strong performing secondary and primary schools (the Lead Practitioner School) to be matched with a school that has already begun its improvement journey (the Emerging Practitioner School) to offer support in delivering improvements in standards and performance.

Head teachers were directly invited and they could select the staff they felt appropriate to ensure minimal impact on schools.

The Teaching and Learning Improvement Branch run training events throughout the year for External mentors who mentor NQTs during statutory induction and for those who opt to study the Masters in Educational Practice (MEP). External mentors are required to attend 6 events over the academic year and we currently have 113 school based mentors.

The National Support Programme: Literacy and Numeracy (NSP) was designed to support all schools in Wales to implement the National Literacy and Numeracy Framework (LNF) by improving the teaching and learning of literacy and numeracy, across all subjects from Reception through to year 9. In total 1600 schools were involved.

A wide range of mechanisms were used to deliver the support to schools, including face to face meetings, workshops on specific issues, on-line resources such as film clips and the development of School to School Networks. The NSP also used coaching and mentoring approaches with school staff to embed the variety of approaches being used.

#### **4. Conclusions**

4.1 The findings of the interviews suggest that the strengths of face to face approaches to training include:

- more consistent messages are received when delivering key information, opportunities to open up discussions and encourage collaborative and collective sharing,
- a chance for people who do not normally get to go outside of their own school to network with other professionals and colleagues.
- build ongoing peer networks on the subject being delivered as of a result of meeting other teachers

4.2 It is clear that schools and practitioners do find it valuable to network and work with each other face to face but this does put pressure on the school to cover the absent teachers.

4.3 Weaknesses of face to face training and professional learning activity included:

- Allocating adequate cover for released practitioners can be an issue.

Travel across Wales for national events means long travel time for some practitioners, which can be unfair.  
Some practitioners are not released because of school commitments and cover issues.

- 4.4 Policy officials all said that ways to improve future events would be to look into innovative ways to use technology to provide CPD such as online forums, webinars, Hwb and learning platforms.
- 4.5 Other options suggested included peer to peer training, training 'experts' to deliver across the profession and splitting training into smaller modules of bespoke training that target direct needs of individuals.
- 4.6 Further improvements including looking into ways to join up regionally and 'piggy back' onto other events to reduce the number of days practitioners need to travel and be away from classrooms.
- 4.7 The Digital Learning Division who held training to roll out Hwb are currently developing a module approach to training and future sessions will be 2 hours and teachers can choose modules relevant to their own CPD.
- 4.8 The Leadership Policy Branch plan to look at options to remove the NPQH training and have sessions with individuals directly.
- 4.9 The Teaching and Learning Improvement Branch are developing a new Masters in Continuing Educational Practice to build on the success of the current programme. The new Masters provision will be flexible and accessible to all practitioners at any stage of their career. It will be delivered in bespoke modules and enable practitioners to take responsibility for their own professional learning and to contribute to the development of a self-sustaining school improvement system.

## **5. Outcome**

- 5.1 The findings of the review will be used to provide guidance to officials so that they can consider a range of delivery options when wanting to provide learning opportunities to the school workforce. This guidance will ensure that a range of approaches can be considered so that the impact of teacher absence from the classroom forms part of the decision making process.

# Agenda Item 2.2

Sir Derek Jones KCB  
Ysgrifennydd Parhaol  
Permanent Secretary



Llywodraeth Cymru  
Welsh Government

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

*DK* March 2015

*Dear Darren,*

In your letter dated 17 July 2014, you requested an update in Spring 2015 on our response to Recommendation 5 of the Auditor General for Wales's report on the Welsh Government's Location Strategy.

While we welcome the WAO's favourable remarks regarding the engagement work delivered through Y Bont at our offices in Aberystwyth and Llandudno Junction, our response of June 2014 noted that the dedicated staffing of the Y Bont facilities at those offices had to be discontinued on grounds of affordability. We were unable to continue the service at a time of reducing budgets.

The marketing review mentioned in our response covers two main pieces of work. The first was to consider campaigns to be developed in support of a wide range of government policies in the 2015-16 financial year. This work will be completed ahead of the new financial year.

The second part, scheduled for later in the year, was to consider and evaluate all types of public engagement that the WG undertakes and its effectiveness. This forms part of regularly reviewing our communications work to ensure effectiveness and best use of available resources, especially given the changing media landscape and developments in social media.

In this context, I am now of the view that we must be more realistic about the prospect of re-opening Y Bont facilities or extending Y Bont to the Merthyr Tydfil office in the future. This is based on reducing staff budgets, which continues to be a serious challenge for the foreseeable future, and also the fact that the Merthyr office is not designed to accommodate a public space in its reception area. It is prudent to concentrate the marketing review on areas that stand to have the greatest impact on the overall effectiveness of how the Welsh Government is engaging directly with all citizens in communities across Wales. With this in mind, analysis of Y Bont, and whether this type of facility should be extended further, will not form part of this year's marketing review work.

As set out in our original response to the WAO's recommendation, the Welsh Government takes engagement with the public very seriously, and we encourage all of our staff in all of our offices to take responsibility for this, rather than a discrete team. We continue to engage with the public in many ways, including school visits and other outreach work, as well as marketing campaigns, social media work and Ministerial visits. In addition, our First Point of Contact service continues to be available to anyone who wishes to contact the Welsh Government for information or advice. The First Point of Contact extends its service to all parts of Wales and people are able to make contact in a variety of ways – by letter, telephone, email or social media.

Yours,  
Derek



BUDDSODDWYR | INVESTORS  
MEWN POBL | IN PEOPLE

Parc Cathays • Cathays Park  
Caerdydd • Cardiff  
CF10 3NQ

Ffôn • Tel 02920 823289  
[PS.PermanentSecretary@wales.gsi.gov.uk](mailto:PS.PermanentSecretary@wales.gsi.gov.uk)  
Gwefan • website: [www.wales.gov.uk](http://www.wales.gov.uk)

# Agenda Item 2.3



The Scottish Parliament  
Pàrlamaid na h-Alba

**Public Audit Committee**  
**Convener: Paul Martin MSP**

Darren Miller AM  
Chair  
Public Accounts Committee  
The Welsh Assembly  
Cardiff CF99 1NA

c/- Room T 3.60  
The Scottish Parliament  
EDINBURGH  
EH99 1SP

By e-mail:  
[SeneddPAC@Assembly.Wales](mailto:SeneddPAC@Assembly.Wales)

Direct Tel: (0131) 348 5236  
(RNID Typetalk calls welcome)  
Fax: (0131) 348 5252  
(Central) Textphone: (0131) 348 5415  
[pa.committee@scottish.parliament.uk](mailto:pa.committee@scottish.parliament.uk)

4 March 2015

Dear Darren,

Thank you for your letter of 19 February 2015 regarding arranging a meeting between our Committees in Holyrood in June. My colleagues and I welcome the opportunity to meet with your Committee to discuss our ways of working and issues of mutual interest, particularly given the ongoing work in the devolution of further powers to both the Scottish Parliament and the Welsh Assembly.

We are currently scheduled to meet on the morning of Wednesday 10 June 2015 and would be pleased for you and your colleagues to attend the public part of that meeting. Following that meeting I would propose that the two Committees meet over a working lunch to discuss areas of mutual interest.

If the dates and proposals above are agreeable to you, perhaps our respective clerks could take forward the arrangements for the visit and working lunch.

Yours sincerely

**Paul Martin MSP**  
**Convener**





# 2014 Welsh Government Annual Report on Grants Management



**Contents**

	<b>Page</b>
Foreword from the Permanent Secretary	ii
<b>SECTION 1: INTRODUCTION</b>	<b>1</b>
<b>SECTION 2: GRANTS MANAGEMENT IMPROVEMENTS</b>	<b>2</b>
<b>(i) Welsh Government Improvements</b>	<b>2</b>
(a) Guidance and Support for Grant Officials	2
(b) IT System	3
(c) Training	4
(d) Working with Others	5
(e) Measuring Compliance	7
(f) Understanding Administration Costs	10
<b>(ii) WEFO Improvements</b>	<b>11</b>
<b>SECTION 3: FUNDING</b>	<b>14</b>
<b>(i) Funding from Welsh Government</b>	<b>14</b>
Public Sector	15
Private Sector	16
Third Sector	17
<b>(ii) Funding from WEFO</b>	<b>18</b>
<b>SECTION 4: NEXT STEPS FOR GRANTS MANAGEMENT</b>	<b>20</b>
<b>(i) Welsh Government Next Steps</b>	<b>20</b>
<b>(ii) WEFO Next Steps</b>	<b>20</b>

## **Foreword from the Permanent Secretary**

Grant funding is an essential vehicle to deliver Welsh Government priorities as laid out in the Programme for Government. It enables funded organisations to provide specific services whilst both initiating and sustaining significant levels of economic and social activity. A substantial amount of money is invested in grants and I am committed to continue to put appropriate, effective grants management arrangements in place so that everyone can have confidence in our processes.

A significant effort has been invested in improving our internal processes. This has included support to Welsh Government officials who are responsible for managing grants. These improvements have happened over several years and include the establishment of the Grants Centre of Excellence which aims to provide consistent and practical support to grant managers who administer the 400 or so funding programmes that are in operation at any given time. A range of training, guidance and templates have been developed and are available for officials to use. The management reporting derived from our IT systems has been improved and as a result we now have the ability to share key information across the Welsh Government's divisions. Awareness of the key issues has also improved.

We are trying to achieve a balance so that appropriate measures are in place to mitigate the risks associated with grant funding, while avoiding over-bureaucratic and unmanageable systems which can be difficult to operate and burdensome to all. We have certainly made a considerable amount of progress, but there is no complacency and we have a clear understanding that more can be done. Our challenge in the years ahead is to build on the good work thus far so that it is applied and embedded consistently by grant managers across the Welsh Government. I would like to put on record that I am grateful to the Public Accounts Committee and to the Wales Audit Office for their continued interest in this topic and we will continue working with them to improve our grants management.



**Sir Derek Jones**  
**Permanent Secretary to the Welsh Government**

## **SECTION 1: INTRODUCTION**

1.0. This second Annual Report sets out what has been achieved over the last 12 months to improve grants management standards and outlines future improvements that are planned. The challenges associated with administering grant funding remain significant and complex.

1.1. The report provides information on funding provided directly from the Welsh Government and also from the Welsh European Funding Office (WEFO). WEFO is designated as the Managing Authority for Structural Funds in Wales: European Social Fund (ESF) and the European Regional Development Fund (ERDF). Whilst it is a part of the Welsh Government, WEFO acts on behalf of the European Commission in delivering the operational programmes agreed with the Commission to further the development of growth and jobs in Wales. WEFO has overall coordination responsibility for management and control issues for the EU funded programmes. While processes and systems used by WEFO and the rest of the Welsh Government are aligned wherever appropriate, there remain some differences arising from the different regulatory regimes. Accordingly, this report deals with WEFO separately where appropriate.

1.2. The Welsh Government has adopted the following high-level definition of 'grant' to accommodate the breadth of different payment types made: all non-procured payments to an external organisation or individual for activities which are linked to delivering the Welsh Government's policy objectives and the discharge of its statutory obligations.

1.3. Welsh Government grants can be sub-divided into hypothecated and unhypothecated grants. Hypothecated grants are given for a specific purpose and are awarded to organisations to deliver specific Welsh Government policy objectives. Unhypothecated grants are mainly provided by the Welsh Government to deliver statutory obligations; largely to Local Authorities and the NHS. Unhypothecated grants can be used by the recipient organisation in whatever manner it wishes to meet local objectives and services, subject to the delivery of its statutory responsibilities. For the purposes of this report, the financial analysis has focused on hypothecated funding as unhypothecated funding is subject to numerous other reports and scrutiny.

## **SECTION 2: GRANTS MANAGEMENT IMPROVEMENTS**

2.0. This section describes the improvements that have been made in grants management within the Welsh Government since last year's Annual Report.

### **(i) WELSH GOVERNMENT IMPROVEMENTS**

2.1. The Grants Centre of Excellence continues to provide advice to grant managers across all of the Welsh Government. WEFO works closely with the Grants Centre of Excellence. The particular requirements of EU funding mean that it is not always possible to align WEFO processes and controls completely with those of the rest of the Welsh Government, but a number of modifications were made in the year to WEFO's standard grant offer letter and to due diligence processes to bring them into line with the Grants Centre of Excellence guidance.

2.2. There are six key improvement areas that have been focused on in grants management within the Welsh Government :

- (a) Guidance and Support for Grant Officials;
- (b) IT System;
- (c) Training;
- (d) Working with Others;
- (e) Measuring Compliance; and
- (f) Understanding Administration Costs.

#### **(a) Guidance and Support for Grant Officials**

2.3. Support remains available to grant managers across the Welsh Government which promotes continuous improvement by maintaining and developing grants processes and standards. The Minimum Standards for grant funding, which represent an agreed approach to grants management, continue to be embedded across grant programmes. The standard award letter template provides consistency for grants across the Welsh Government and overarching grants guidance is also available to officials to support them in their day to day roles.

2.4. Direct support through the Grants Centre of Excellence is still often the first point of contact for officials seeking advice; approximately 2,500 internal queries are dealt with annually. The Grants Centre of Excellence is also the first point of contact for any grant-related concerns from external organisations.

#### **Case Study : Gypsy and Traveller Sites Capital Grant**

The Gypsy and Traveller Sites Capital Grant provides grant funding to refurbish existing or develop new Local Authority sites across Wales.

In 2012, the grant was assessed to understand the lack of applications received during previous years from Local Authorities. Feedback indicated the application process was over-complicated, too long and time consuming to complete and needed to be simplified.

Following advice from the Grants Centre of Excellence, officials have

implemented the following changes :

- reduction in the number of forms to complete - a simple 2 to 3 page business proposal ensures that the criteria set out in the grant specific guidance notes is met;
- an improved streamlined 'panel assessment' template allows more consistency in the scoring of bids; and
- standard award letter used as opposed to tailored versions.

The changes implemented by grant officials have resulted in a more efficient and effective grant programme which has improved the grant processes for both Local Authorities and the Welsh Government. This has significantly increased the number of applications received for this funding.

**(b) IT system**

2.5. The Welsh Government has previously acknowledged the limitations of its overall management information and corporate data available to support decision making on grants. As a result of the Public Accounts Committee (PAC) recommendations, a number of measures have been put in place to address these concerns.

2.6. Significant work has been undertaken on defining IT requirements and various options have been appraised to identify the best possible solutions to support the grant processes. However, due to the Welsh Government's complex requirements and the niche nature of grant software, there remains a significant level of risk attached to implementing a new IT system at this time. It has been agreed that grants improvements will continue to focus on further embedding the good practice of grants processes and procedures across the Welsh Government, supported by tactical improvements to the existing IT system rather than the implementation of a brand new IT system.

2.7. Work has been undertaken to develop comprehensive management information reports from the current e-Grants system. These reports provide a better understanding of the value and volume of grant offers and payments made across the Welsh Government, comparing recent history with current year activity.

2.8. Financial reports have also been developed which show information based on the Welsh Government's financial structure, including commitment and grant accruals by Ministerial portfolio, which provide improved visibility for officials. Further search facilities have been introduced which allow officials to view grant information across the whole of the Welsh Government, assisting information sharing and reducing duplication.

2.9. The due diligence system remains available for use by officials across the Welsh Government to share information about organisations and/or individuals whilst providing a point of contact for officials seeking further details. A new due diligence enquiry has been introduced which provides a comprehensive view of the information the Welsh Government holds on an organisation/individual. This view provides Customer Relationship Management (CRM) style capability to the IT system.

2.10. As a further enhancement to the IT system, PayGrants has been developed through the rebranding and enhancement to the existing e-Grants payments system. PayGrants has improved menus which reflect some of the grants processes (award letter through to payment) and incorporates the due diligence system. This system also includes links to training records to confirm appropriate training has been undertaken before access to the IT system is given.

2.11. Enhanced reporting, over and above what is currently available in e-Grants, is also included in PayGrants, this includes improved visibility of grant scheme data. PayGrants is in the process of a phased implementation which includes face to face training to allow officials to understand and use the system correctly and be aware of the implications of inputting information incorrectly. This work is being undertaken as part of the wider work the Grants Team is implementing as part of the cultural change process.

### **(c) Training**

#### Internal Training

2.12. Training is a key tool to improve grants management skills and practices across the Welsh Government. The training courses that are available facilitate officials' awareness of the procedures that need to be met effectively and efficiently to deliver grant programmes. Three computer based training (CBT) courses remain in place and are available for officials to undertake:

- grants for Relevant Senior Officers CBT: a high level overview of the grants management processes;
- grants for Grant Managers CBT: aimed at officials who are responsible for the day-to-day management of grants;
- e-Grants for Certifiers and Authorisers CBT: aimed at officials who use the e-Grants payment system and is mandatory for any official requiring access to the system.

2.13. Face to face training sessions for officials continue to be made available across the different Welsh Government offices in Wales. These interactive courses are held as group based sessions and offer practical training sessions on grant management processes. The courses include:

- developing an application form;
- appraisal;
- monitoring;
- evaluation;
- understanding Risk;
- working with the Third Sector;
- the Due Diligence pages.



2.14. Further work is in hand to develop additional training modules and these will be made available as required.

2.15. All aspects of the training are reviewed and updated to ensure that they meet the needs of the business. Officials are able to provide feedback at the end of the courses and this feedback is then used to further enhance the content of the training. Feedback has been positive and has demonstrated that officials welcome the ongoing support, advice, guidance and training that continues to be implemented.

#### External Training

2.16. The Welsh Local Government Association (WLGA) has developed a range of training programmes for Local Authorities via the Chartered Institute of Public Finance and Accountancy (CIPFA). The training has been delivered to Local Authorities through regional events and themed sessions. The training sessions were held in June across Wales aimed at improving good practice and how to manage grants in general. Welsh Government officials were on hand to help answer any queries.

2.17. The Welsh Government and Wales Audit Office (WAO) have delivered training to Local Authorities focussing on the Welsh Government's expectations of Local Authorities in receipt of grant funding. The training covered common themes such as governance arrangements and audit procedures with a focus on assisting Local Authorities to understand how they can improve their own procedures to make both the grant and audit processes as streamlined and compliant as possible. Five courses across Wales have been held with approximately 200 attendees with positive feedback given.

#### **(d) Working with Others**

##### UK Cabinet Office

2.18. Regular meetings continue to be held between the Welsh Government and colleagues in the Cabinet Office. The Cabinet Office has been keen to learn from the work that has already been done in Wales in improving grant management processes. The Welsh Government continues to share key information with the Cabinet Office. This has included the computer based training which was developed by the Welsh Government and the Cabinet Office has subsequently rolled out across the UK Government.

##### Good Governance Group

2.19. The Welsh Government is the principal provider of grant funding in Wales. As such it is well placed to share intelligence with other funding providers about any organisation it has grant funded.

2.20. The Good Governance Group is made up of key grant funders including the Big Lottery Fund, Charity Commission, WCVA, WLGA and other appropriate bodies. The group is chaired by the Welsh Government and its purpose is to discuss and share best practice and information on external bodies and individuals. If a particular concern or issue has been raised about a body it enables the group to make

informed decisions. Not all information that is discussed will result in a withdrawal of funding from a particular organisation but may act as an early warning system for each group member to consider the impact of the information and if appropriate action is needed to mitigate that risk.

2.21. One of the issues which the Public Accounts Committee raised with the Permanent Secretary at his evidence session in June 2014 was a concern that the group should meet more regularly. In response to this concern, the terms of engagement of the group have subsequently been reviewed with a focus on sharing best practice and regular meetings have been established; the first meeting was held in October 2014 with further meetings planned every four months. The group is now chaired by the Director of Governance of the Welsh Government.

#### **Case Study : Sharing Information**

There have been a number of cases where financial and governance concerns about organisations have come to the attention of officials. In some cases these have included possible fraud. The involvement of the Grants Centre of Excellence and sharing of information on organisations through the effective use of the Due Diligence pages has enabled these concerns to be highlighted and communicated to relevant parties.

For example, a third sector organisation had been awarded funding from Welsh Government, however a subsequent review of their finances highlighted significant concerns. The organisation was kept under review and when their financial position deteriorated further and it became apparent that the organisation no longer had the capacity to meet the terms and conditions of the grant, the funding was withdrawn. As a result of reviewing the information on the Due Diligence pages, an official in another part of Welsh Government was alerted to the concerns about the organisation, and the funding that had been awarded was also withdrawn.

Sharing of information through the Due Diligence pages and the Good Governance Group has enabled officials to make informed decisions about funding. This has also empowered officials to act effectively and efficiently to investigate any concerns they may have and to withhold or withdraw funding as appropriate.

#### **Local Authority Qualifications**

2.22. The Wales Audit Office has in the past been critical of Local Authorities' grants management and the number of audit qualifications entered against claims to the Welsh Government. The Welsh Government has consequently carried out a review concentrating on the factors leading to the issue of qualifications. The review has highlighted a number of issues including:

- the current process that the Welsh Government uses to identify which grants require audit;
- the content of the audit instructions provided to WAO;
- follow-up action undertaken by grant managers; and
- visibility of audit findings across the Welsh Government.

2.23. A number of recommendations are now being considered with the aim to reduce the number of qualifications issued and improve value for money.

**(e) Measuring Compliance**

Welsh Government Grant Health Checks (Spot Checks)

2.24. The spot check process was first implemented to reinforce both continued compliance with the Minimum Standards and provide help to grant managers where improvement was needed. Initially the process was aimed at looking at a specific piece of documentation associated with the internal processes in implementing a grant scheme, e.g. desk instructions. This process was never intended to be directed against a particular organisation or body nor was it as detailed or as in depth as an internal audit process. These arrangements were developed to support grant managers in improving processes not from a need to record failures.

2.25. The Public Accounts Committee has asked for information on the value of grants identified as non-compliant, in addition to rates of compliance, to be included in this report. For the 19 months to the end of June 2014, over 250 requests had been made to grant managers to provide various items of internal documentation. 11 documents had been recorded as a fail. Examples of failures include desk instructions not being comprehensive and out of date award letter templates being used instead of the most up to date version available. The total value of the grants associated with the failed documents amounts to £8,384,598. The failure of the internal documentation is not associated with the funded body or the work they undertake; the spot checks did not indicate that the grant was incorrectly awarded or that the funded body was incorrectly utilising the grant funding, or that the funding was in any way at risk. Nevertheless, it is important to identify and correct such short-comings, which is what the spot checks make possible.

2.26. The process of how spot checks are undertaken and recorded has recently been reviewed as there was some confusion around the nature of the checks. The process has been renamed “Grant Health Checks” to avoid confusion over the nature of the activity and to maintain a distinction between these checks and WEFO spot checks; WEFO spot checks include assessments of external organisations’ compliance.

2.27. The new process remains based upon open dialogue with grant managers. Support and encouragement is provided to align internal documentation with best practice, both current and emerging. Under the new Grant Health Check process which commenced in September 2014 evidence is still provided by grant managers but the checks look at the documentation used in one part of the funding life cycle such as the grants application process or the review of a group of related activities, such as the use of the payment system. These health checks will produce a more robust understanding of the grant processes and procedures undertaken by grant managers.

WEFO Verifications (Spot checks)

2.28. WEFO undertakes management verifications (spot checks) to ensure that the expenditure declared to the European Commission is accurate, that the products or

services have been delivered in accordance with the approval decision, that the applications for reimbursement by the beneficiary are correct and that the operations and expenditure comply with community and national rules.

2.29. The error rate for the 2007-2013 programmes measures the total value of irregular expenditure which is reported to the European Commission as a percentage of total certified eligible expenditure claimed by projects. The percentage error for all operational programmes is 0.73%, which is broken down by operational programme as below:

**Figure 1: Total Expenditure Declared Against Total Irregularities Reported to the European Commission**

<b>Programme</b>	<b>Declared Expenditure (€)</b>	<b>Irregular Expenditure (€)</b>	<b>% Error Rate</b>
ERDF Competitiveness	95,578,430	1,266,377	1.32
ESF Competitiveness	106,627,244	355,084	0.33
ERDF Convergence	1,258,786,784	11,004,009	0.87
ESF Convergence	809,508,919	3,922,214	0.48
<b>Total</b>	<b>2,270,501,377</b>	<b>16,547,684</b>	<b>0.73</b>

Source: WEFO finance system

2.30. WEFO has further strengthened management verifications for the 2007-2013 programmes by revising the scope of the sample selected, taking into account risks identified at individual sponsor level and ensuring a minimum 10% coverage. WEFO has recruited additional members of staff to undertake these verifications and arranged for the Welsh Government's Head of Counter Fraud to deliver specialist training to management verification staff, covering key topics to help prevent and detect errors, for example; fraud indicators, conflicts of interest risk, due diligence checks, and specific case studies looking at the authenticity of invoice documents.

#### Code of Practice for Funding the Third Sector

2.31. A new Third Sector Scheme and Code of Practice for Funding the Third Sector was published in January 2014.

2.32. The new Code sets out the 17 principles which underpin the relationship between the Welsh Government and the Third Sector to enable a healthy funding relationship. Each Principle is important to achieving success and covers key issues such as Timely Decisions (IV), Diversity (XIV), Good Governance (XVI), Early and Constructive Dialogue (III), Fair Funding Levels (VI) and Payments (X). Principle IV refers to the notification of future funding at least three months prior to the expiry of an existing funding agreement.

2.33. The new Code encourages a more open relationship between the Welsh Government and the Sector with proactive self-reporting of any instances where any of the principles of the Code have not been met. This differs from the previous custom and practice which was dependent upon problems being notified to the Finance & Compliance Sub-Committee of the Third Sector Partnership Council by the Third Sector organisation affected.

2.34. The Welsh Government's grant managers have been required to provide information in respect of adherence to the Principles set out in the Code, in particular that of timely notification of funding. A small number of instances were reported where the requirements of Principle IV were not met. The incidences were grant specific and not concentrated in any particular area.

2.35. In most of the instances where grant programmes were apparently non-compliant with Principle IV, the grant managers were in discussion or negotiation with the Third Sector organisations concerned in relation to the grant, in line with Principle III of the Code of Practice on early and constructive dialogue. Further work is needed to ensure that the process of self-reporting is sufficiently robust and that other grant programmes are compliant with Principle IV.

2.36. A strong focus on considering compliance with Principle IV is helpful to promote the Code to grant managers. However, it is important that this focus does not lead to the other 16 Principles as a whole being treated as unimportant, given that they cover other key issues such as Diversity (XIV) and Good Governance (XVI). There is also scope for complaints to arise around other principles such as Early and Constructive Dialogue (III); Fair Funding Levels (VI); or Payments (X).

2.37. Some of the action being taken to assess the overall adoption of the Principles includes: Centre of Excellence and Third Sector Unit working with grant managers to raise awareness of the issues that can result from late notification of funding; of the grant schemes identified as not having met Principle IV to clarify the reasons and to focus on how this could be avoided in future rounds of funding; good practice will be identified and shared through training on funding the Third Sector; developing a rolling programme to test grant schemes, particularly in relation to compliance with Principle IV of the Code.

2.38. As well as training and guidance other approaches are being explored to draw attention to compliance with the Code, such as the use on the Welsh Government intranet of a countdown clock in November/December; indicating on a daily basis the time remaining to notify Third Sector organisation of future funding decisions.

**Case Study : Section 64 Mental Health Grant**

The Section 64 mental health grant scheme provides funding to national Third Sector organisations operating in the field of mental health. Historically there was significant variation – in terms of substance and quality - in the submission of applications and progress reports.

In recognition of this, officials undertook a fundamental review of the entire grant funding approach.

To promote consistency, officials developed templates to ensure the submission of complete and accurate information, and the development of SMART targets. A series of workshops were rolled out to the organisations to set out new monitoring, reporting and governance arrangements. The result was greater clarity, improved understanding (by grant recipients of Welsh Government requirements) and concise, precise and relevant progress reports.

In the spirit of continuous improvement, mental health service users were actively involved in the assessment of 2015-18 applications. This innovative development ensures organisations are working to meet not just Welsh Government policy but also the needs and aspirations of service users and carers.

#### National Fraud Initiative 2014

2.39. The National Fraud Initiative (NFI) is a data matching exercise run by the Audit Commission and the Wales Audit Office. NFI takes place every 2 years and, since its inception in 1996, has identified fraud and overpayments totalling £26 million in Wales and £1.17 billion across the UK.

2.40. The Welsh Government is once again participating in the NFI to proactively demonstrate its commitment to identifying fraud and error within the public sector. The Welsh Government has submitted information from its payroll and supplier payment systems, including grant recipients, to the Audit Commission and this will be matched against a variety of information provided by other organisations.

2.41. The Welsh Government standard grant award template includes a general clause which informs funded bodies they must participate in such fraud prevention initiatives. In response to PAC's concerns about lack of consistency in the requirement to ensure funded bodies participate in such initiatives, WEFO is currently amending the award letter used for the next round of funding to incorporate this wording.

#### **(f) Understanding Administration Costs**

2.42. The Welsh Government has previously stated how difficult it is to separate out the administration costs associated with grant funding. Grants are often implemented as a part of the wider development and implementation of policy and it is difficult to separate the cost of the development of policy, grants management processes and associated administration costs. Similarly the Cabinet Office has also been unable to baseline administration costs for grants across UK Government Departments in a consistent manner.

2.43. In response to PAC concerns regarding administration costs, a number of grants have now been reviewed. These included large and small grants to private and third sector bodies and some grants to individuals.

2.44. While recognising that grants differ greatly in nature and scale, the findings nevertheless demonstrated significant variation in the level of administration costs. Administration costs per grant award ranged from £45 to £13,843 which, when considered as a percentage of the amount of grant funding provided, varied from 0.27% to 77.5%.

2.45. End to end processes should be proportionate and appropriate for the specific grant programme. However, there is always a minimum 'baseline' process that has to be followed, whatever the level of grant funding. These standard baseline

processes include activities relating to the application process, appraisal, due diligence, approval procedures, funding agreements, payment and monitoring processes. For some grant programmes these processes may be undertaken with a 'light touch', where the level of risk and grant amounts are low. However, percentages of administration costs for a small grant will always be higher than for a large grant, because of the need to always undertake the baseline processes.

2.46. For example, in two of the grant awards reviewed for a grant programme dealing with small grants to individuals, the administration costs were the same, at just £45. For the larger grant award of £996, this equates to just 4.55% of the grant award, whereas for the smaller grant award of £58, this equates to 77.5%

2.47. It can be clearly seen from this example that the level of grant has a significant effect on the percentage of administration costs. The only way to achieve an accurate picture of administration costs against every grant programme within the Welsh Government would be to review every single grant award as the administration costs vary significantly, even within the same grant programme. Given that approximately 18,000 grant offers are made per year by the Welsh Government, this exercise would be a costly and impractical exercise. However, the Welsh Government remains committed to reducing administration costs for grants management. Improvements in reducing administration costs and bureaucracy will be implemented as part of the ongoing work undertaken by the Grants Project.

#### **Case Study : Papurau Bro**

The Papurau Bro programme awards small grants to support the production and distribution costs of Welsh medium community newspapers. On the advice of the Grants Centre of Excellence, it was recommended that the grant programme was changed to three year funding awards rather than issued annually.

The change from annual to three year funding resulted in a reduction in overall administration of the programme. This meant less administration work on appraising applications, preparing award letters etc, with cost savings over the three years totalling £10,707.

For the period April 2013 to March 2016, 51 grant awards were made totalling £261,030. The savings made equate to £209.95 per grant award and 4.1% of the total grant awarded over the three years.

The change also resulted in cost savings for the applicants, who only had to prepare one grant application, rather than three over the period.

## **(ii) WEFO IMPROVEMENTS**

### Responses to Wales Audit Office Reports

2.48. WEFO has been applying the lessons learned from a number of WAO reports as discussed with the PAC on 12 June 2014. Addressing most of these recommendations is part of the preparation for the 2014 – 2020 funding round and

careful consideration has been given to each recommendation. For example, guidance on the application process, including just what will be required of each submission, has been available since May 2014, and this helps guide potential beneficiaries to an indication of how long an application might take, depending on its complexity and novelty. WEFO priorities have been made clear through the establishment of the Economic Prioritisation Framework and the early publication of the draft operational programmes, which are well ahead of those in other UK administrations.

2.49. The European Commission has now approved all the Operational Programmes for 2014 – 2020. Wales was the first administration in the UK to have its programmes approved and among the first across the European Union. The Minister for Finance and Government Business has already announced the first project approval for Aberystwyth University, and there is a strong pipeline of other projects close behind. WEFO have been able to get ahead of other administrations by working with potential beneficiaries on draft programmes, application processes and guidance, minimising the risk of having to rework our preparations when the programmes were finally approved.

2.50. In some areas there have been constraints on the level of detail that can be provided. For example, the Commission completed the detailed regulations on Simplified Cost Options only in October 2014. Simplified Cost Options have an impact on the way some projects are developed and, in some respects, WEFO will need to continue to develop these options for some time yet. However, on the whole, progress on strategic projects with potential beneficiaries is developing well so they can be considered for approval very quickly after Commission approval of the UK Partnership Agreement and Welsh Operational Programmes.

### Business Processes and Systems

2.51. PPIMS (Programme and Project Management Information System) is a comprehensive, web-based integrated IT application used by WEFO to administer Structural Funds in Wales. The system is tailored to the particular requirements of EU funded programmes, and helps maintain discipline in the application of business processes. The Commission regularly refers other administrations in Europe to Wales as a reference site.

2.52. The look and feel of WEFO On-line (the externally facing aspect of PPIMS) has been refreshed and the navigation has been improved following user feedback. The folder structure for document filing has been changed to reduce the complexity of recording and retaining documents.

2.53. WEFO have made numerous modifications in PPIMS to internal processes, including:

- improving the way in which sponsors can submit evidence to support the transaction lists that accompany each claim to WEFO;
- improvements to the Issues & Actions functionality, making closer links to risk identification and management and giving improved visibility;



- simplification of the Re-evaluation functionality (which allows projects to be re-appraised and altered during their lifetime), making the process quicker for customers and making maintenance of a clear audit trail easier.

### Training

2.54. Training and support is continually being provided to WEFO staff and beneficiaries. In preparation for the new programmes, delivery of a series of training modules is under way, covering the application process for the new funding round, including:

- the need for a clear business case to support the proposed intervention;
- the delivery of outcomes;
- Commission requirements on monitoring and reporting;
- preparing for successful audits;
- document retention, and
- quality control.

2.55. Internally, the Welsh Government's Corporate Governance team has delivered training on risk management and on fraud awareness to WEFO staff, and WEFO's Business Change team has kept staff up to date with each business process improvement as it is implemented.

### Project Reviews

2.56. All operations are subject to regular project reviews. WEFO is constantly considering how this can best be done, especially moving into the closing stages of the 2007 – 2013 programmes, and the challenge of bringing the projects on plan and to budget becomes more acute, in order to maximise the impact of the programmes as a whole. Revised guidance was produced for all WEFO officials that have responsibility for due diligence and the delivery of outcomes. Whilst this is not new, the guidance reiterates again the importance of formal review meetings.

### Document Control

2.57. In response to audit recommendations on the location and classification of documents, and to update guidance from the Commission records management and document retention, WEFO has streamlined the processes for metadata (information about project performance associated with each claim to WEFO) and revised guidance has been provided to officials and to beneficiaries (project sponsors).

**SECTION 3: FUNDING**

3.0. This section gives an overall perspective and a breakdown of grants given to the different sectors detailing funding directly from the Welsh Government (3(i)) and funding from WEFO (3(ii)).

**(i) FUNDING FROM THE WELSH GOVERNMENT**

3.1. Last year’s Annual Report highlighted difficulties in the way that funding by each sector was reported. Whilst the overall total figure for grant funding was accurate there were concerns that the sector figures might not be accurate.



3.2. A significant amount of work has been undertaken to improve the reporting functionality of the Welsh Government’s finance system. As part of this work, nearly 64,000 organisations have been reviewed and an appropriate industry key assigned to each organisation. This work has enabled the system to automatically allocate appropriate finance codes to all expenditure. This has improved the consistency of reporting by removing the possibility of individual human error in the categorisation of grant funding.

3.3. The changes have made a significant improvement to the accuracy of the Welsh Government’s management information and ultimately reporting capability, but the process of improvement is ongoing. Whilst a considerable amount of time and effort have been invested to implement these changes, there are still a number of modifications that are outstanding. The remaining changes will be implemented in the 2014/15 and 2015/16 financial years.

3.4. The 2013/14 figures within this year’s report are based on industry keys and are not directly comparable with the figures in last year’s Annual Report which were based on nominal codes. The improvements being made to the reporting capacity will enable the Welsh Government to continue to refine its use of financial data.

3.5. Figure 2 shows the trends associated with the overall grant management funding by the Welsh Government including both hypothecated and unhypothecated grants.

**Figure 2: Total Welsh Government Grant Funding by Financial Year**

	2011/12	2012/13	2013/14	% Change 2012/13 to 2013/14	
Level of grant provided (£bn)	13.1	13.2	13.6	3.0%	
Approx. no. of programmes per year	456	435	400	8.0%	
Approx. no. of grant offers per year	24,400	20,200	18,400	8.9%	

Source: Welsh Government Finance System and e-Grants system

3.6. Representing a very large proportion of our overall annual budget for 2013/14, the Welsh Government operated around 400 separate grant programmes providing

£13.6 billion of funding to organisations in Wales. Due to the dynamic nature of grants, the number of programmes operating at any point in time can vary considerably. The programmes currently in operation provide approximately 18,400 individual offers of grant per annum. Continued reductions in the number of programmes (8.0%) and the number of grant offers (8.9%) over the last year are demonstrated. This trend is due to a number of activities including reducing the number of grants provided and an increase in collaborative working between Local Authorities and the wider community. This trend is important in the context of the Welsh Government's objective to reduce grant administration costs.

3.7. Of this overall total, over £11.2bn is unhypothecated funding to Local Authorities, NHS and Welsh Government Sponsored Bodies (WGSBs) which is used to deliver priorities determined locally, subject to their statutory obligations. As unhypothecated funding to these organisations is subject to numerous other reports and scrutiny, this funding is not the focus of this section of the Report. The remaining section of the Report concentrates on hypothecated funding, i.e. grant schemes of the kind which have been subject to most management difficulties in recent years.

3.8. Welsh Government directly manages funding from the European Commission via the Regional Development Plan and the European Fisheries Fund; these are included in the hypothecated expenditure. Also included in the hypothecated expenditure is the European funding provided through WEFO which is passed on to third parties by the Welsh Government. However, grants provided directly by WEFO are covered in paragraphs 3.22 to 3.28 of this report.

3.9. The Welsh Government provides grant funding to three main sectors, which are public (local government, National Health Service (NHS), Government Departments, sponsored bodies and educational organisations), private and Third Sector (voluntary organisations, social enterprises, community organisations etc.).

## **Public Sector**

3.10. Hypothecated grant funding is provided to Local Authorities, the NHS, Central Government and Public Corporations, WGSBs and education.

### Local Authorities

3.11. The Welsh Government remains committed to reducing the number of hypothecated grant schemes provided to Local Authorities. Wherever possible the funding for specific activities is transferred into the unhypothecated Revenue Support Grant which enables Local Authorities to determine local priorities and to use the funding as appropriate. This eliminates the administration costs associated with specific grants for both the Local Authority and the Welsh Government. However, specific grants are still required where the implementation and delivery of specific Ministerial priorities need to be undertaken by Local Authorities. In 2013/14, the Welsh Government provided £546m as hypothecated grants to Local Authorities. Examples of hypothecated grants include Families First Programme, 21<sup>st</sup> Century Schools and Major Repairs Allowance Grant.

## NHS

3.12. The Welsh Government's Department for Health and Social Services is responsible for exercising strategic leadership for, and management of, the NHS in Wales and the overall stewardship of NHS funds. The vast majority of the NHS funding is provided as unhypothecated grant-in-aid which enables the NHS to deliver its statutory obligations and meet local priorities. A relatively small amount of hypothecated grant funding (£22m in 2013/14) is also provided to the NHS to enable it to deliver specific activities to meet Welsh Government policy objectives. As part of the reporting improvements described in the earlier part of this section, we are continuing to identify hypothecated funding to health related organisations, and hence might expect funding allocated to this category to increase in coming years. Examples of hypothecated grants to the NHS include grants to support Research and Development activities, and support for the training of Health Visitors linked to the Flying Start Programme.

## Central Government & Public Corporations

3.13. The Welsh Government funds a number of organisations that are linked to Central Government or are Public Corporations such as Department for Work and Pensions, General Teaching Council for Wales, Department for Health, HM Prison Service, Wales Audit Office and the Older People Commissioner for Wales. In 2013/14 £340m of hypothecated funding was provided to these organisations to support activities being undertaken within Wales whilst delivering value for money in taking forward key policies.

## Welsh Government Sponsored Bodies (WGSBs)

3.14. The Welsh Government provides funding for various bodies collectively known as WGSBs. These include Sport Wales, Arts Council for Wales, Natural Resources Wales and Higher Education Funding Council for Wales (HEFCW). In 2013/14, the Welsh Government provided £19m as hypothecated grants to WGSB's which include the Ecosystem Resilience Fund, Flood Protection and Fly Tipping Grant.

## Funding to Education

3.15. Hypothecated grant funding is not paid just directly to schools, colleges and higher education establishments but also indirectly via the third sector, private organisations and Local Authorities which are covered under the relevant sections within this report. Whilst the exact expenditure provided by Local Authorities on education is not separately quantified it is included under the Local Authorities category (paragraph 3.11). Hypothecated grants direct to schools, colleges and universities to deliver specific policy objectives is separately quantified and amounted to £489m in 2013/14.

## **Private Sector**

3.16. In the 2013 Annual Report, the private sector category was based on one nominal code which was manually divided into two parts; funding to businesses and

funding to education. This was due to the Welsh Government finance system not differentiating between businesses and education when analysing expenditure using nominal codes. The individual figures reported for businesses and education were calculated using data from a number of systems therefore the accuracy of the figures had limited assurance.

3.17. The reconfiguration of the accounting structure and the move to industry key reporting has enabled the Welsh Government to identify the funding provided to the private sector in terms of businesses. Hence, for this and future Annual Reports this private sector analysis focusses on purely funding to businesses; funding for education is provided in paragraph 3.15.

3.18. Grant funding to businesses is aimed at improving the economy and covers a wide range of activities including business start-ups, regeneration, energy saving initiatives, training and tourism. Grant funding of £827m in 2013/14 was provided to this sector which demonstrates the Welsh Government's commitment to support businesses to increase economic growth within Wales.

**Case Study : SMARTCymru Grant for Research and Development**

Research and development has been highlighted by the Welsh Government as a method of improving economic growth within the Welsh economy. As a consequence the Welsh Government has developed the SMARTCymru grant to provide funding to companies based in Wales to undertake research and development projects. Without the availability of this grant, the amount of research undertaken by companies in Wales would be significantly reduced, adversely impacting on the success and growth of these organisations.

Since 2012, SMARTCymru has grant funded the Sure Chill Company to undertake research and development into refrigeration technology for vaccines. Grant funding totalling over £290,000 has been provided which helped the company to secure Bill & Melinda Gates Foundation funding.

Sure Chill technology offers unrivalled cooling capability for vaccines, without the risk of freezing, particularly where power supplies are poor, intermittent or non-existent. Since completing the development, Sure Chill has built approximately 1,500 refrigerators in its workshop in Wales, shipping them to more than 40 countries for clients such as Unicef. The company has also signed a licensing deal with a large Indian manufacturer to make medical refrigerators at a new plant under construction near Mumbai.

**Third Sector**

3.19. The Third Sector is defined as independent, non-governmental bodies, established voluntarily by citizens, who are motivated by the desire to further social, cultural or environmental objectives and are committed to reinvesting their surpluses into their objectives. The Welsh Government recognises that the Third Sector has a very important part to play in helping it achieve its objectives under its Programme for Government. The Welsh Government provides hypothecated grant funding to the Third Sector.

3.20. The reported reduction in grant funding to the Third Sector (£303m, £265m and £240m over the last three financial years respectively), reflects a range of circumstances across many Welsh Government departments. The overall economic situation and the reduction in UK Government funding for Wales have inevitably impacted on funding across all sectors. Overall funding figures for the Third Sector, inclusive of procurement, are however anticipated to demonstrate a continued commitment to fund the Third Sector across the Welsh Government. Figures covering the totality of Third Sector funding will be published in the Annual Report on the Third Sector Scheme.

**Case Study : Volunteering in Wales Fund**

In 2013/14, the Welsh Government provided £1.13m to Wales Council for Voluntary Action to administer the Volunteering in Wales Fund. The Fund operates as the primary support scheme for organisations wishing to develop projects which provide good quality volunteering opportunities across Wales.

Overall the Fund supported projects which generated over 5,000 new volunteers, who contributed over 467,000 hours of volunteer time. 13% of volunteers supported went on to further education or subsequently secured employment.

**(ii) FUNDING FROM WEFO**

3.21. This section deals with funding provided direct to organisations from WEFO.

3.22. The European Commission sets the policy and priorities for the funding it provides to Wales. There is some scope for negotiation within these priorities, and WEFO has been able to secure considerable movement in the Commission's initial positions on various points in setting the operational programmes for 2014 - 2020. This includes, for example, support for certain road schemes and on intervention rates; all these areas will have more flexibility than was originally proposed aligning the programmes with the Welsh Government's priorities.

3.23. Due to the nature of WEFO funded projects being collaborative in nature, the vast majority of projects consist of a lead organisation (sponsor) and a number of partners from a number of sectors. Figure 3 details WEFO's 2013/14 commitment and spend allocated against the sector of the lead sponsor. Finance Wales' JEREMIE projects are included in the "Other Public" sector category.

**Figure 3: EU Grant Commitment and Spend by Sector for 2013/14 Financial Year**

<b>Sector</b>	<b>Commitment (£m)</b>	<b>Spend (£m)</b>
Higher & Further Education	62.5	58.0
Local Government	74.8	61.2
Private	3.5	4.7
Other Public	17.1	16.0
Third	16.8	20.0
Welsh Government	201.6	182.9
<b>Total</b>	<b>376.3</b>	<b>342.8</b>

Source: WEFO 31/08/2014

3.24. The majority of the funding is allocated to the Welsh Government to deliver Welsh Government priorities. The transfer of this funding from the Welsh Government to third parties is subject to scrutiny from both WEFO and the Grants Centre of Excellence. The grant funding that is provided to third parties by the Welsh Government using WEFO funds is already included in the financial data previously reported for the relevant sector.

3.25. In many cases, the lead sponsor for a project is not the body that delivers the project. Having a public sector lead sponsor allows for the particular skillset needed for EU funded projects to be supported effectively, and allows for the actual delivery to be procured. This is essential for the private sector engagement as, without a transparent procurement exercise, the delivery body would have no scope for making a profit and would have little incentive to engage in the projects. Across the programmes, approximately 60% by value of the contracts procured go to the private sector with a further 17% going to the third sector.

3.26. For most of 2014, European Regional Development Fund (ERDF) payments to Wales by Europe have been interrupted while issues raised in their audit of Welsh Audit Authority were addressed. The key issue revolved around the sampling methodology used by the Audit Authority; the Commission has required retrospective application of guidance issued in 2013 across the years 2011 to 2013. There were also audits this year by Europe who looked at the European Social Fund (ESF) in 2013.

3.27. Due to the number of changes required as a result of the additional audit work and in order to reduce duplication in the next round, a number of changes to the way the audits are undertaken have been brought forward. This includes the expansion of the scope of checks by the WEFO payments team. The Commission has been satisfied with the changes to the Audit Authority (EFAT) and the Managing Authority (WEFO) process, and the interruption was lifted in October 2014.

## **SECTION 4 – NEXT STEPS FOR GRANTS MANAGEMENT**

4.0. The Welsh Government and WEFO continue to be committed to making grants management processes as efficient and effective as possible. Progress against future activities will be reported in the next Annual Report on Grants Management.

### **(i) WELSH GOVERNMENT NEXT STEPS**

4.1. The following activities are planned:

- **Grants Reviews** – detailed grant reviews will be undertaken to gain further understanding of the grants processes undertaken by officials. The reviews will aim to embed cultural change and implement best practice through streamlining grants processes to ensure they are proportionate and compliant;
- **Communication Exercises** – as lessons are learnt from the reviews there will be a number of awareness sessions and internet articles to disseminate areas for improvement and best practice;
- **PayGrants IT System** – this improved IT system will be rolled out on a phased basis to cover the grants that have been appraised in the review process. This will include practical training to ensure correct use of the system;
- **Grants Training** – comprehensive face to face training will be delivered on key aspects of grants processes across Wales to enable officials to understand and implement best practice;
- **Anti-Fraud Initiative** – the Welsh Government will commission the Chartered Institute of Public Finance and Accountancy (CIPFA) to provide counter-fraud training for key officials in order to increase understanding of this complex area;
- **Grant Health Checks** – the revised process will consider the internal documentation of 20 grants per month with support being provided to implement improvements where necessary; and
- **New Ways of Working** - the opportunities for other innovative ways of making the provision of grants more streamlined and cost effective by making best use of innovative technology will be explored, for example through the use of payment cards.

### **(ii) WEFO NEXT STEPS**

4.2. The following activities are planned:

- **Integration** – WEFO are working closely with the Welsh Government to integrate the delivery of all the European funds (European Regional



Development Fund, European Social Fund, Rural Development Plan and European Fisheries Fund) which will be known collectively as European Structural and Investment (ESI) funds. This includes the establishment of a single programme monitoring committee and the utilisation of one IT platform for the programme;

- **Management Controls** – improvements will focus on embedding changes that have been prepared for the new funding round that will include implementing any technical changes required by the regulations for 2014 – 2020;
- **Simplification** – Simplified Cost Options as encouraged by the European Commission are being applied in 2014 – 2020 and WEFO have aligned as much of the business process, guidance rules etc as possible across EU funds, working with stakeholder groups and overseen by a single Programme Monitoring Committee; and
- **eCohesion** – the eCohesion Policy introduced by the European Commission requires all exchanges of information between all interested parties to be solely by means of electronic data exchange systems. This will be achieved through enhancements to the WEFO payment and monitoring system currently in place.

Document is Restricted

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

Document is Restricted

Document is Restricted

Document is Restricted

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

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

## Agenda Item 6



Llywodraeth Cymru  
Welsh Government

Darren Millar AM  
Chair  
Public Accounts Committee  
Cardiff Bay  
Cardiff  
CF99 1NA

Our Ref: AG/MR/TLT

4 March 2015

Dear Darren

### **Re: Auditor General for Wales Report – NHS Waiting Times for Elective Care in Wales**

I am writing in response to your letter of 28 January 2015 regarding the above report.

The Welsh Government has welcomed the report and the recommendations contained within it. We are pleased that it recognises the work already underway, including the implementation of prudent healthcare principles and the establishment of a Planned Care Programme (PCP), and how this is being used to share good and innovative practice. We recognise that there is still further work to be done to improve waiting times, and to design a system that meets the needs of an ageing population.

It is clear that there are themes running through all of the recommendations that refer to the “Rules for Managing Referral to Treatment Waiting Times” and for the need for the Welsh Government to work with health boards and trusts to deliver the required improvements in planned care across Wales. I therefore wanted to advise you that in response to the report, a review and refresh of the current “*Guide to Good Practice*” and the “*Rules for Managing Referral to Treatment Waiting Times*” will be undertaken. I believe this will provide a vehicle for ensuring a consolidated response to most, if not all, of the recommendations. I am also clear that the PCP Board, and its associated workstreams, provide a robust mechanism through which the Welsh Government can work with health boards and trusts to deliver real, sustained improvement in planned care services.

I can confirm that we will be accepting all the recommendations in the report, and I will now respond to each one in turn.

### **Recommendation 1**

The Welsh Government has not formally reviewed its approach to managing waiting times in light of a sustained deterioration in performance and the challenges of real terms cuts to spending on health. However, with the introduction of a new planning framework, a Planned Care Programme and a range of prudent healthcare initiatives, there are positive signs of a clearer direction for elective care in an environment of austerity. While the Welsh Government is responsible for setting the overall direction, it is for health boards to plan and deliver sustainable and appropriate waiting times. The Welsh Government should therefore work with NHS bodies to:

- a) review and set out the principles, priorities and intended outcomes for elective care, within the context of the wider healthcare system: to include a fundamental review of current waiting times targets and whether they are an effective method to prioritise resources towards those most in need;
- b) develop a shared understanding of demand and capacity across the NHS and develop a realistic timeframe for reducing elective waiting times and the backlog of patients in line with any changes to the targets resulting from R1(a) above; and
- c) assess the costs, benefits and barriers related to adopting seven-day working across the elective care system.

On recommendation 1a, a new approach has been set out in the recently established Planned Care Programme (PCP), based on emerging prudent healthcare principles. This will provide leadership to the NHS in reviewing and reinforcing principles and priorities for elective care, depending on clinical values, better use of the integrated care system in Wales, and a system of benchmarking cost and outcomes of procedures against top performing services. Developing a better understanding of the clinical needs of patients, will inform a review into the appropriateness of individual targets.

The PCP will utilise the national focus on pathways, providing specialty specific guidelines to optimise efficiency, cost, patient experience and outcomes although the principles will still have to be owned and implemented on a local basis.

On recommendation 1b, the Integrated Medium Term Planning (IMTP) process and the specialty specific planned care programmes both require health boards and trusts to provide comprehensive evidence of their capacity and demand plans. The detail contained within the IMTP templates for 2015/16 will provide details of anticipated and actual volumes which will be monitored and performance managed at the regular monthly quality and delivery meetings that the Welsh Government has with individual health boards. This is an enhanced level of detail over planning guidance issued for the previous cycle in 2014/15. As such, IMTPs will drive accountability for delivering improved planned care services in Wales through the existing performance management arrangements.

Welsh Government has maintained its approach around the requirement to deliver waiting times targets while agreeing that the purpose of the new PCP is to develop “sustainable” services, which in this context means matching capacity and demand. In many instances, health boards will need to increase their “core” capacity (either by improved productivity or investing in new capacity) rather than investing in waiting list initiatives.

Equally importantly, health boards will develop new ways of measuring and managing capacity and demand for elective services and achieve sustainable services using prudent health care principles. These service changes will be balanced and include new ways of managing variation, co-production by means of patient activation (information and peer

support) and improve decision making and benchmarking of “value” against best in class services. In addition, we will support new approaches to patient empowerment that deliver improvements in individual wellbeing, rather than necessarily higher use of invasive treatments.

The PCP will work with the NHS to help drive and actively manage demand and capacity across the patient pathway through a process that will work on a specialty by specialty basis and this data will be reported in national specialty boards meeting on a regular basis to develop a shared understanding of demand and capacity across the NHS the necessary measures to provide balanced services.

Individual health boards, in turn, will assume responsibility for investigating the impacts of specific speciality changes including the costs of the new services.

With regard to recommendation 1c, we are working with health boards and trusts to assess, promote and where feasible, implement enhanced seven day services across all areas of the health system. In doing so, we are mindful that in describing seven day services, we have to be clear that this does not mean seven identical days of access or activity. Instead, it is access that ensures we both match available capacity and resources to population need.

Any assessment of seven day working will need to incorporate the whole health system, and cannot just be isolated to scheduled care. If we were to only explore the expansion of elective care over seven days, we are only likely to further compound the pressures on unscheduled care, as the bed capacity bottleneck in the current system would remain in the absence of ring fenced elective capacity.

## **Recommendation 2**

Our review found that aspects of the current design and operation of the outpatient system is not as efficient and patient focused as it could be. The Welsh Government and NHS bodies should work together to radically re-shape the outpatient system. In doing so, they should build on the prudent healthcare principles, to enable the emergence of a system that is based more on need, patients’ own treatment preferences, use of technology and which reduces the risk of over-treatment and an overreliance on hospital-based consultants to diagnose and advise on treatment.

Improving and refining the outpatient system has been identified as a major priority work programme for the Planned Care Programme (PCP). In doing so, the PCP will research and define the detail of the programme. Moving from the current traditional outpatient model to something more appropriate for modern healthcare needs will require a service that is centred around maximising the expertise of individual clinicians appropriately and optimising the use of existing and emerging technology. The PCP is developing speciality specific delivery plans, and these will be used to help drive change, piloting and implementing more efficient models of care, exploring the role of primary and community services in the delivery of this service in the future. The PCP seeks to empower patients in order that they can co-produce their own well being, as well as contributing to service change. This will lead in the longer run to less of a reliance on the traditional use of a hospital consultant, and enable patients to be seen by enhanced nurse practitioners, specialist nurses and therapists, as well as being seen by specialists in primary care, as the NHS looks to reshape the workforce to meet modern patient demands.

In order to shape the future of the NHS workforce, the Welsh Government has committed to



developing a national workforce strategy over the next year. This will be informed by health board and trust IMTPs and any other initiatives as they emerge. Where appropriate, in redesigning outpatient services, the programme will make the necessary links to the developing workforce strategy.

This process will involve patient activation, decision support tools to help patients make appropriate lifestyle choices that aid their health and well-being, as well as developing different community models and social networking.

A refreshed eHealth & Care strategy is being developed; This will promote the need to have informed citizens, patients, health and care professionals and service providers. To be “informed” will require better data provided by better digital tools. These should cover all aspects of patients and citizens experience within health and care systems.

In addition, we will revisit the longer term strategy for the management of patients on accessing and entering the secondary care health system in its entirety and the interface with primary care. The newly published primary care plan articulates the Welsh Government’s strategy for better integrating healthcare across Wales. Successful implementation will be key to the development of patient pathways that address current interface challenges between community, primary and secondary care. Whilst we recognise that there are some areas of good practice in place in Wales, we are constantly looking to learn from other health systems, both in the UK and beyond.

### **Recommendation 3**

We found that in some cases, patients could be facing substantially longer waits if they cancel their appointments because they can find themselves going to the back of the queue. The Welsh Government should review RTT rules and the way in which they are interpreted and applied locally to ensure patients are not being treated unfairly as a result of current approaches to resetting patients’ waiting time clocks.

A review of the way the waiting times rules are applied and interpreted will be carried out over the coming months, together with the re-launch of an enhanced suite of tools to help the NHS modernise the way they deliver services. Alongside this, the current rules will be reviewed in conjunction with a refresh of the NLIAH ‘*Guide to Good Practice*’.

The rules and guidelines for managing patients who cancel their appointments are clearly articulated in the “Rules for managing referral to treatment waiting times,” which was last updated in September 2011. As stated in the above document, the underlying purpose of the target and associated rules is to ensure that “all patients should receive excellent care without unnecessary delay”. They also highlight that in achieving this, both the NHS and patients have a responsibility in the arrangement. The NHS should deliver high quality care within the target time, and the patient should make themselves available for treatment within reasonable timescales.

The current rule in the case of patient cancellations is based on the proviso that adjustments can take place, providing the health board makes a reasonable offer of appointment in the first instance. We recognise that it is possible that the interpretation of such rules at a local level, may lead to some variable practice. To address this, in collaboration with the Delivery Unit we have a process that will assure and audit health board’s compliance with the national rules and definitions. In response to the report we will review that process, with a view to enhancing the level of assurance it can provide.

**Recommendation 4**

Our local fieldwork has identified pockets of good and interesting practice and innovation across the NHS in Wales. The Welsh Government, through the PCP, should identify mechanisms to share interesting and good practice, in ways which enable frontline staff to share ideas and develop new approaches based on what works. This should include the use of statistical analysis to understand demand and plan capacity as set out in the 2005 NLIAH *A Guide to Good Practice*.

The Delivery Unit has continually identified and promoted good practice, specifically supporting the implementation of the focus on pathways to drive patient care, experience and efficiencies within the current systems.

The PCP will build on this work and provide a greater platform for the good practice examples to be shared across NHS Wales. It is aggregating good practice into national specialty plans. These plans are considered by health board Chief Executives, and once endorsed, are then included as part of each health board's Integrated Medium Term Plan. For example, the PCP has already issued WHC(2015)003 – National Ophthalmic Implementation Plan. This collates into one document all of the existing guidance and best practice for the delivery of ophthalmic services in Wales. As part of its implementation, the PCP has established a national speciality board for ophthalmology which will support and monitor organisations delivery of the plan. This will help share and implement best practice in ophthalmic services across Wales. The next speciality for which a similar plan is being developed is orthopaedics.

The PCP is supported by a reference group, which is designed to provide the PCP Board with authoritative and independent advice on service change.

We will continue to encourage the use of statistical analysis by the NHS to understand and plan capacity, and this will be incorporated as part of the refresh of the *Guide to Good Practice* as well.

**Recommendation 5**

A significant minority of patients in our survey were unaware of what would happen to them if they cancelled, did not attend or were unavailable for appointments. The Welsh Government and health boards should work together to better communicate with patients about their responsibilities, those of the different parts of the NHS and what they should expect when they are in the elective care system.

We expect health boards to clearly communicate to patients correct information about their expected wait for appointments and treatment.

As part of the refresh to the *Guide to Good Practice*, which will incorporate a refresh of the RTT guidelines, we will ensure that clear instructions are contained about informing patients of what is expected of them during the process.

We will also explore with health boards through the National Service Users Experience (NSUE) Group how to improve communication between NHS and patients as a patient navigates their way through the RTT pathway. We recognise that there is scope to improve all communication between the NHS and patients. This will need to be flexible to ensure it meets the various communication needs of our population. Over the next six months, we will

engage with the NSUE to agree potential actions and develop timelines. This will also feed into the health board communication plans.

### **Recommendation 6**

The Welsh Government publishes some data on waiting times, but it could provide more useful information to help support scrutiny and management of waiting times, as well as providing local information that would be more helpful for patients on a waiting list. The Welsh Government should therefore publish more detailed national and local information:

- publish waiting times at different parts of the patient pathway (component waits);
- reporting separately waiting times for urgent and routine cases, for both the closed and open pathway measure;
- publishing the data for the closed pathway measure which separates out admitted and non-admitted patients; and
- publishing median and 95th percentile waiting times.

We acknowledge that publishing more information about waiting times will be of benefit to patients, and we note the above possible examples of how we could enhance our current planned care reporting to the general public. The Welsh Government's Knowledge and Analytical Services are currently examining what additional information can be published, including 95th percentile and median waits. However, care will need to be taken on what additional information is made available, as with any potential additional reported measure, we would want to be assured that it appropriately provides additional context to the planned care services actually being delivered, and is not in any way misleading to patients.

Another key consideration will be who publishes any additional information. Welsh Government made a commitment 18 months ago to publish less data centrally, with Health Boards publishing more locally. This will be an important factor in deciding what information is most helpful to inform the public of the time they will most likely have to wait.

Knowledge and Analytical Services will be publishing plans for changing the way that monthly NHS performance data is published shortly, following the consultation 'Proposals concerning the publication of official statistics'. Additional information, as detailed above, could be incorporated into the new publication.

However, we do have some immediate issues with some of the detail. With regard to publishing data on waiting times for urgent and routine cases, this information is not collected. In addition, the benefit of publishing both sets of data would not be apparent, as if a patient is referred as a routine patient, but is subsequently changed to an urgent patient, their waiting time as an urgent patient would be incorrectly shown.

Similarly, data on closed pathways split by admitted and non-admitted patients is not collected centrally.

It is recognised that publishing outpatient and direct access diagnostic waiting times would prove useful for patients.

Our initial reaction to reporting waiting times based on the administrative capture of urgency is one of concern. This is because it can, and will be misinterpreted, e.g. patients can wait a period of time as routine outpatient, re-visit their GP, get expedited and their urgency changed, this would be reported as a long waiting urgent. In a similar way, a patient may have a diagnostic whilst on a pathway and that can change their clinical priority, it does not

mean they waited a long time as an urgent patient.

Data is captured locally on closed pathways information, and in theory, it could be mandated and thereafter published for both admitted and non-admitted patients.

It is important that we carefully scope and understand all the potential implications and consequences from developing new measures. We are clear that any new measure published either locally or nationally should support the provision of a more appropriate understanding of waiting times in Wales.

### **Recommendation 7**

Many people we spoke to on our local fieldwork identified current IT systems as a barrier to improving services and managing patients, although it is unclear to what extent any problems lie with the systems themselves or the way they are being used. The Welsh Government should carry out a fundamental review of the ICT for managing patients across the patient pathway and how it is being used locally and develop actions to address any problems or concerns that are identified.

There is a national programme in place that is delivering a national standardised platform for delivering informatics support in the NHS particularly supporting the patient journey across sectors and organisations.

The IMTP process is key to driving collaboration between organisations and making sure the IT needs of the health boards and trusts form the core of the NWIS work programme and the revised strategy.

A refresh of the eHealth and Care strategy is being developed. One of the first actions of the strategy work was to undertake an independent 'stocktake,' completed in 2014 and this is being used, along with extensive engagement, to inform the refreshed strategy. Any additional requirements to support the NHS in managing the patient pathway not already being addressed will be included in the new strategy and the implementation programme that follows it.

### **Recommendation 8**

Capacity within secondary care is a major barrier to reducing waiting times. Welsh hospitals have higher occupancy rates than comparators elsewhere in the UK and clinicians raised concerns about the lack of flexibility in the system to manage peaks and troughs in demand from emergency care in particular. The Welsh Government and NHS bodies should review the approach taken to planning inpatient capacity across NHS Wales, to enable the NHS to better manage variation in emergency admissions at the same time as delivering sufficient elective activity to sustain and improve performance.

As part of the IMTP submission, health boards are required to provide a detailed breakdown of their current and future bed capacity based on their anticipated future demand levels.

We will be scrutinising the plans to assure that the assessment is accurate and that the health boards are responding by assuring capacity is in place, especially in light of any proposals to further reduce the bed base. We would expect any proposed reductions to be supported with evidence of the alternative services that were being put in place, and for

efficiency and productivity improvements that will be delivered to enable the change to the shape of the bed stock.

All health boards produced winter plans that show how they deal with pressures over the winter months. When doing this, they plan to reduce the number of elective inpatients to enable them to have sufficient capacity to deal with the expected increase in unscheduled care pressures.

### **Recommendation 9**

Cancellations can result in inefficient use of NHS resources and cause frustration for patients. At present, the data on cancellations is incomplete and inconsistent, despite work by the Welsh Government to introduce an updated dataset. The only data that exists covers cancelled operations and health boards appear to be recording the reasons for cancellations differently. The Welsh Government and health boards should therefore work together to:

- ensure that there are comprehensive, agreed and understood definitions of cancellations, and the reasons for them across the entire waiting time pathway to include outpatients, diagnostics, pre-surgical assessment and treatment; and
- ensure that reliable and comparable data on cancellations (and the reasons for them) is collected and used locally and nationally to scrutinise performance and target improvement activities.

Rather than collecting data on the number of cancelled operations, health boards in Wales agreed to change the data collection to cover all postponed admitted procedures. This took into account the inconvenience of having a procedure postponed at short notice has on a patient's life.

Over the last couple of years, a great deal of work has taken place with health boards to ensure there is a consistent way of measuring the number of postponed admitted procedures, and in February 2013, a DSCN was issued to health boards detailing the reporting requirements. The new data collection went live in April 2013. Although there are some problems with reporting the specific reason correctly at present due to technical issues, the broad category for cancellation is being reported. The technical issues are being investigated.

We would agree that health boards and trusts should know the cancellation reasons for outpatient, diagnostics and pre-operative assessment as part of their overall understanding of the services they deliver and to enable them to plan in the future.

In a similar manner to the RTT rules and guidelines, we will work with health boards to assure that there is a consistent understanding and application of the cancellation definitions, and to ensure they have the 'business' information they require across the patient pathway.

As you will appreciate, it would be inappropriate for me to put timescales against a number of these recommendations at present, as they require a great deal of thought and planning. You will appreciate that work is already progressing in some areas, namely work around the Planned Care Programme, and where actions can be taken quickly, we will envisage doing this.

I will write to you again with a further update once the timescales have been agreed.

Yours sincerely

A handwritten signature in black ink, appearing to read "Andrew Goodall". The signature is fluid and cursive, with the first name "Andrew" and the last name "Goodall" clearly distinguishable.

**Dr Andrew Goodall**