Agenda – Public Accounts Committee

Meeting Venue:
Committee Room 3 – Senedd
Meeting date: Monday, 30 January 2017
Meeting time: 13.45

For further information contact:
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Committee Clerk
0300 200 6565
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1 Introductions, apologies, substitutions and declarations of interest

(14.00)

2 Paper(s) to note

(14.00 – 14.05) (Pages 1 – 3)

Inquiry into Regulatory oversight of Housing Associations: Summary of discussions at Stakeholder Event (5 December 2016)

(Pages 4 – 11)

3 Inquiry into Regulatory oversight of Housing Associations: Evidence Session 3

(14.05 – 15.05) (Pages 12 – 32)

Research Briefing
PAC(5)-04-17 Paper 1 – Consultation response from Community Housing Cymru

Stuart Ropke – Chief Executive, Community Housing Cymru
Clarissa Corbisiero-Peters – Deputy Chief Executive, Community Housing Cymru

(Break 15.05 – 15.15)

4 Inquiry into Regulatory oversight of Housing Associations: Evidence Session 4

(15.15 - 16.00) (Pages 33 - 34)

PAC(5)-04-17 Paper 2 - Consultation response from Council of Mortgage Lenders

John Marr - Senior Policy Adviser, Council of Mortgage Lenders
Peter Hughes - Principality Building Society/ Council of Mortgage Lenders

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

Items 6, 7, 8 & 9

6 Inquiry into Regulatory oversight of Housing Associations: Consideration of evidence received

(16.00 - 16.15)

7 Community Safety in Wales: Consideration of Correspondence from Police and Crime Commissioners

(16.15 - 16.30) (Pages 35 - 84)

Research Briefing
PAC(5)-04-17 Paper 3 - Letter from Jeff Cuthbert, Police and Crime Commissioner for Gwent
PAC(5)-04-17 Paper 4 - Letter from Alun Michael, Police and Crime Commissioner for South Wales
PAC(5)-04-17 Paper 5 - Letter from Arfon Jones, Police and Crime Commissioner for North Wales
PAC(5)-04-17 Paper 6 - Letter from Dafydd Llywelyn, Police and Crime Commissioner for Dyfed Powys
PAC(5)-04-17 Paper 7 - Letter from the Auditor General for Wales

8 Medicines Management: Auditor General for Wales' Report

(16.30 - 16.45) (Pages 85 - 166)

Research Briefing

PAC(5)-04-17 Paper 8 – Auditor General for Wales's report
PAC(5)-04-17 Paper 9 – Welsh Government Response to Auditor General for Wales's report

9 Governance Review of the National Library for Wales: Auditor General for Wales' Report

(16.45 - 17.00) (Pages 167 - 220)

Research Briefing

PAC(5)-04-17 Paper 10 – Auditor General for Wales's report
PAC(5)-04-17 Paper 11 – Welsh Government Response to Auditor General for Wales's report

Concise Minutes – Public Accounts Committee

Meeting Venue:

Committee Room 3 – Senedd

Meeting date: Monday, 23 January 2017

Meeting time: 14.00 – 16.52

This meeting can be viewed on Senedd TV at:

http://senedd.tv/en/3908

Attendance

Category	Names
Assembly Members:	Nick Ramsay AM (Chair) Mohammad Asghar (Oscar) AM Mike Hedges AM Neil McEvoy AM Rhianon Passmore AM Lee Waters AM
Witnesses:	Dr Frank Atherton, Chief Medical Officer, Chief Medial Officer Simon Dean, Welsh Government Dr Andrew Goodall, Welsh Government Andrew Carruthers, Welsh Government
Wales Audit Office	Huw Vaughan Thomas – Auditor General for Wales Dave Thomas – Wales Audit Office Mike Usher – Wales Audit Office
Committee Staff:	Meriel Singleton (Second Clerk) Claire Griffiths (Deputy Clerk)

	Matthew Richards (Legal Adviser)

1 The Welsh Government's Funding of Kancoat Ltd: Consideration of the draft report

1.1 The Members considered the draft report and suggested a number of slight amendments.
1.2 A revised draft will be circulated to Members.

Transcript

View the meeting transcript (PDF 999KB) View as HTML (999KB)

2 Introductions, apologies, substitutions and declarations of interest

2.1 The Chair welcomed Members of the Committee.
2.2 Apologies were received from Neil Hamilton. There was no substitute.

3 Paper(s) to note

3.1 The papers were noted.

3.1 The Welsh Government's Funding of Kancoat Ltd: Letters from the Welsh Government (6 January 2017) and (16 January 2017)

3.2 Cardiff Airport: Letter from the Welsh Government (16 January 2017)

4 NHS Waiting Times for Elective Care in Wales

4.1 The Committee scrutinised Dr Andrew Goodall, Director General/NHS Chief Executive, Simon Dean, Deputy Chief Executive NHS Wales, Dr Frank Atherton, Chief Medical Officer and Andrew Carruthers, Delivery Programme Director at the Welsh Government on NHS Waiting Times for Elective Care in Wales.

5 Orthopaedic Services: Update from the Welsh Government

5.1 The Committee scrutinised Dr Andrew Goodall, Director General/NHS Chief Executive, Simon Dean, Deputy Chief Executive NHS Wales, Dr Frank Atherton, Chief Medical Officer and Andrew Carruthers, Delivery Programme Director at the Welsh Government on orthopaedic services.

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

6.1 The motion was agreed.

7 Consideration of evidence received

7.1 Members discussed the evidence received and agreed to monitor both issues on a six-monthly basis. The Chair agreed to write to the Welsh Government with Member's observations from the evidence sessions and to also request written updates to be available for 1 September 2017.

Agenda Item 2.1

Y Pwyllgor Cyfrifon Cyhoeddus / Public Accounts Committee
PAC(5)-04-17 PTN1

Public Accounts Committee

Inquiry into the Regulatory oversight of Housing Associations

Summary of issues raised at stakeholder event (5 December 2016)

Question 1 – How do housing association tenants find out about the Regulatory Framework for Housing Associations in Wales, together with how it works/who is who etc?

Awareness of the Regulatory Framework was felt to be low amongst housing association tenants generally, although participants at the Committee's event were well informed with a number of Tenant Advisory Panel members in attendance.

It appears that some landlords are more effective than others at raising awareness amongst tenants with a feeling that some landlords only make regulatory information available on request. Many participants were involved in tenant participation opportunities with their own landlord, including scrutiny/tenant panels and self-evaluation exercises so had a good awareness of how regulation works in practice.

There was a broad consensus that there is no one single way to inform tenants of regulation. Indeed, it was recognised that many tenants were unlikely to be interested in regulation and should there really be an expectation that they must be interested? Landlords can make use of their own websites (using clear and accessible language), newsletters (sometimes with tenant editorial involvement), tenant meetings, AGMs, social media and training opportunities provided by the landlord (often working with TPAS and Welsh Tenants) to raise awareness of regulation. However, there is a risk that only a few tenants (often the same ones) ever engage fully. Many tenants will only make their voice heard when issues they feel will directly impact on their lives are raised – like rent increases, or repairs/improvements.

There is also a particular challenge engaging with housebound tenants, as well as a broader group (often older and/or in rural areas) who may have no internet access. Where information is made available, on the Welsh Government's website for example, it is not always easy to find the information that's needed. It was suggested that the Welsh Government itself could do more to educate tenants about regulation.

Question 2 – Are tenants sufficiently involved in how housing associations are run and regulated? Do tenants have sufficient opportunities to be involved in how their housing association is governed at Board level? Do tenants have sufficient opportunities to be involved in how their HA is regulated by the Welsh Government?

Committee Members' heard many best practice examples of tenant involvement and how landlords are run on a day-to-day basis, governed and regulated, but also some areas where there appears to be room for improvement.

Where landlords had an effective participation strategy, tenants felt that they were consulted on important matters (such as dealing with housing management issues like anti-social behaviour), and had an opportunity to contribute their ideas and opinions. This included regular tenant surveys by some landlords and making use of existing tenant groups and networks. Again, it was emphasised that not all tenants wish to be involved in these sort of activities. There were many examples of tenant groups that had been established by landlords so there was a forum for consultation and, to some extent, scrutiny. There was a call for clarity in terms of the scrutiny process, including a means to measure its effectiveness and adequate training for any tenants involved in that process.

However, there was some concern, though not unanimous by any means, that groups established by landlords gave a landlord too much control over what issues were discussed. There were some concerns that it was the same tenants who would contribute to these groups/forums, and few younger tenants got involved. One landlord has helped facilitate various social groups that have encouraged younger tenants to participate. Some participants felt training for tenants on how they could contribute might help

encourage more tenants to get involved. It was also suggested that tenant participation budgets were not being fully utilised. However, other participants felt that tenant participation budgets had been reduced; the effectiveness of tenant participation now depends on the landlord's tenant participation officer (where there is one) and their decisions. Some landlords gave tenants control of how the tenant participation budget was utilised.

Participants discussed housing association boards in some detail and, in particular, how tenants interact with those boards as decisions are made. Some participants felt that more could be done to encourage tenants to become board members, and training opportunities could be provided for interested tenants. One example of best practice saw a landlord establish a 'board academy' which allowed tenants to sit in on board meetings before potentially progressing to being a board member. Those sessions also clarified board member roles and responsibilities. Tenants of other landlords saw considerable challenges to tenants becoming board members, with some questioning the transparency of the recruitment process and one participant even suggesting that tenants can be more effective outside the board. Some participants suggested that the opportunities for tenants to contribute to board meetings were limited. Another issue identified was a potential conflict if a tenant was a board member and they also remained active in tenant groups within the organisation. Currently, board members are not paid. If that were to change it could cause some difficulties for any tenant board members who were in receipt of benefits.

Some tenants felt that there are too many local authority representatives on housing association boards established following a stock transfer and this could give the impression that the local authority still owns the housing stock. However, stakeholders also agreed that to completely remove local authority representatives would lose valuable knowledge and experience. Participants suggested that one alternative to having local authority board members was introducing a requirement that housing association boards/executives should regularly report to local authority scrutiny panels.

Tenants in some areas appeared to have direct contact with the Welsh Government's regulation team, while in other areas there was an expectation

that contact would be through the landlord. One example was given of a Welsh Government official attending a tenants' meeting, although many tenants struggled with the technical language that was used. The Welsh Government will take account of tenant feedback in the regulatory process, but some participants were still unclear about how the Welsh Government interacts with housing associations.

There was some concern that the Welsh Government has taken a decision not to fund both TPAS and Welsh Tenants in future – particularly as tenants are intended to be "at the heart of regulation".

Question 3 – Do tenants know enough about how their housing association is performing against regulatory expectations? For example, do tenant know what concerns/risks have been identified through Regulation? Do tenants know what works well and what needs to be improved? Do tenants get to see the Regulatory Opinion report for their housing association?

There was a general consensus that most tenants (though not those who attended the Committee's stakeholder event) were unaware of how their landlord was performing and didn't see the various reports produced by the Welsh Government. However, this does appear to vary between landlords, with little consistency across Wales in terms of what information is made available to tenants (and how accessible it is, for example whether it is prominent on the landlord's website). Participants highlighted the range of information that should be made available: self-evaluation reports, annual reports (which could be more detailed), Regulatory Opinions, Financial Viability Judgements – this could be too much for the average tenant to find the time to read and digest. Some landlords made performance information available in a more accessible form, for example in newsletters. Others shared it with specific tenant groups. While some participants felt that there was insufficient engagement and information is not shared, others were involved in scrutinising the work of their landlord as part of the self-evaluation process. There was a call for the right of tenants to be involved to be enshrined in legislation as there were suggestions that tenant involvement was reducing in some instances.

The value of comparisons against other landlords was felt to be important, with one participant suggesting that this approach was more common in England. However, it was suggested that different members of the regulation team take different approaches, so the value of this could be limited until there is greater consistency.

While information on housing association performance was, in theory, accessible to tenants, there were practical problems for those with no internet access, and the actual reports were not always written in plain language. There was a suggestion that the information could be provided in a different way, possibly face-to-face (although there would be resource implications) and also through using social media.

Some participants felt that there was not sufficient opportunity to access the regulator, although in some areas a member of the Welsh Government's regulation team attends every board meeting. Some tenant forums have arranged to meet with the regulator.

In some areas, it was claimed that board meeting minutes are either not made public, or not readily accessible.

Question 4 - Are housing associations prepared to deal with the various risks that currently face the housing sector, e.g. welfare reform?

There was a general consensus that welfare reform presents housing associations and their tenants with an on-going challenge, particularly with the roll-out of Universal Credit, the direct payment of housing costs to tenants and limits to benefits for housing costs for single people under 35. In light of the expected demand for shared accommodation, concerns were raised about the provision of Houses in Multiple Occupation (HMO) by social landlords as these properties are not subject to the same control as HMOs in the private sector.

Tenant debt, including rent arrears, could increase as will the demand for shared accommodation. It was clear that some landlords had been very pro-active in dealing with this risk (e.g. setting up specific groups to deal with welfare reform), but some participants felt not enough was being done to help tenants. There was also some concern that as landlords were also

trying to collect rent, there was the potential for a conflict of interests where the landlord is also providing advice on income maximisation.

A number of tenants felt that the Welsh Government could have done more to help mitigate the effects of the 'bedroom tax' and noted that the Welsh Government also set rent policy for housing associations. Some housing associations have carried out considerable awareness raising amongst their tenants, with some targeting tenants who they see as particularly at risk. There also appears to have been some good work with credit unions.

Other risks identified included:

- Brexit;
- the recent Office for National Statistics decision to reclassify housing associations as part of the public sector for accounting purposes – this could affect the ability of housing associations to access finance;
- While some attendees felt that landlords' budgets are well scrutinised by boards, others were less content;
- The impact that mergers of housing associations could have on tenants was highlighted, and tenants were not always aware of their landlord's plans;
- Participants also recognised the risks that diversifying into new types of development brings with it the potential for new risks.

Question 5 – Do tenants have opportunities to influence and challenge the way that housing associations work, and the decisions their board takes?

Consultation with tenants, and tenant participation generally, appears to be widely used by housing associations, but participants' views of its effectiveness in terms of influence/challenge varied. Some also drew a distinction between influencing the executive and influencing the board. One participant suggested that there had been no reason to challenge their landlord's decisions as tenants were always involved from an early stage. Other participants commented that there is often a tenant representative on boards (although it was correct that decisions should be taken by a majority). One landlord provided regular feedback to tenant groups on board decisions.

There were also differing opinions about the impact of tenant involvement on the decision making process. Some best practice saw a landlord use a group of tenants on a monthly basis to establish whether issues were being dealt with effectively. Moreover, there are examples of boards taking decisions on the basis of tenant feedback, even though the landlord's executive team disagree with the decision. One participant emphasised that tenants and landlords sharing information outside of the formal regulatory process was important.

There was a call for a regulator to be independent of both the housing association sector, and the Welsh Government. There was some uncertainty amongst participants as to who is protecting the interests of tenants: the Welsh Government or housing associations? A participant also questioned the amount of tenant involvement in developing the Regulatory Framework.

Question 6 – Do tenants have confidence that their interests are being protected by housing association boards and the Welsh Government as Regulator?

Stakeholders drew a clear distinction between the role of landlords and the Welsh Government (as regulator) but there was no consensus about how effectively those bodies protect the interests of tenants.

Specific issues of concern raised in relation to the Welsh Government included the difficulties faced by tenants (and landlords) in dealing with the regular changes in terminology used in the various reports that are produced by the regulator. This often differs from year-to-year and provides another accessibility barrier. There were concerns that the Welsh Government's housing regulation team appears to be under-resourced. Some questioned their regulatory powers, and their detailed understanding of the sector.

A member of staff from a housing association shared the view that they feel regulated by their tenants.

Concerns were raised over the merger of Tai Cantref and Wales and West. There was little (if any) tenant consultation and lack of public information about the difficulties experienced by Tai Cantref prior to the merger, although one participant suggested the merger was actually working well.

One participant commented that tenant participation is an essential component of effective regulation.

Other issues

Making reference to one of the terms of reference of this inquiry, a number of comments were made about remuneration levels of senior staff. While some participants felt that the salaries paid were competitive and important in attracting high calibre candidates, others felt pay levels were too high. Specific reference was made to staff who previously worked for local authorities, who had seen significant pay increases following stock transfer.

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Cartrefi Cymunedol Cymru | Community Housing Cymru

Y Pwyllgor Cyfrifon Cyhoeddus / Public Accounts Committee
PAC(5)-04-17 P1

Public Accounts Committee Inquiry into Regulatory Oversight of Housing Associations

About Us

1. **Community Housing Cymru (CHC)** is the representative body for housing associations and community mutuals in Wales, which are all not-for profit organisations. Housing associations provide over 158,000 affordable homes, and house nearly 10% of the population of Wales. In 2015/16, our members directly employed 9,100 people and spent nearly £2bn (directly and indirectly) in the Welsh economy, with 89% of this spend retained in Wales. Our members work closely with local government, third sector organisations and Welsh Government to provide a range of services in communities across Wales. The work of housing associations is diverse and spans both general needs homes to very specialist accommodation and services.

2. The sector is regulated by Welsh Government's housing regulation team in accordance with The Regulatory Framework for Housing Associations Registered in Wales and overseen by the Regulatory Board for Wales. Whilst constitutional formats vary, the governing instruments of housing association s establish their core purpose as not for profit organisations, committed to benefiting the community.

Our response

3. CHC welcomes the opportunity to respond to this inquiry into the regulatory oversight of housing associations in Wales.

- Housing associations are independent bodies, with a social purpose, delivering a range of services across Wales. Their core business is building and managing social rented homes to those in need. Housing associations provide affordable homes to nearly 10% of the Welsh population, and services and regeneration activity which extends far beyond this, including meeting wider housing need.

- Housing associations have attracted more than £2.5bn of investment into Wales from commercial banks and other investors, allowing us to make public money go further in building homes and regenerating communities.

- Housing associations are committed to a strong and effective regulatory system which supports their work to deliver the homes Wales needs to tackle the housing crisis, and to support tenants and communities across the country.

The effectiveness of the current Regulatory Framework for Housing Associations Registered in Wales:

4. The regulation of housing associations in Wales has developed significantly since the Essex Review recommended that the then Welsh Assembly Government urgently revised and updated the regulatory framework to support the growing role of housing associations. Since the review in 2008, Welsh housing associations have provided an additional 17,864 homes in Wales, with a direct economic contribution of £7.45bn and a further indirect economic contribution of more than £7bn.

5. Housing associations have worked with Welsh Government and tenants' organisations over the 8 years since the Essex Review to continue the development of the Regulatory Framework, so that it supports the work of housing associations to provide quality homes and services to their tenants. In this time, the sector has worked with the regulator to ensure that the sector remains strong through a number of external challenges to their businesses, including welfare reform. The regulatory framework has supported the sector through a number of mergers, and when the sector has encountered challenges, it has worked together to overcome these and allow individual businesses and the sector to develop. It is worth noting, that in contrast with other nations, there have been no defaults in the housing associations sector in Wales.

6. CHC was pleased to see the establishment of an independent Regulatory Board for Wales in February 2015. CHC called for a fully independent board, and it is our view that independence is essential to ensure that regulation is the most effective it can be, and retains the confidence of housing associations, tenants and stakeholders including lenders. It is our belief that the work of the Board to date has added value and focus to regulation in Wales. For example, the Regulatory Board has in its short time in existence made a number of significant changes to the regulatory framework which will increase its focus on good governance, tenant services and financial viability.

7. We are supportive of the most recent development of the regulatory framework, which will be trialled from January 2017, and we believe will ensure increased transparency and focus on governance, tenant services and financial viability. The changes to the regulatory framework will:
    - Establish a series of co-regulatory status levels on financial viability and governance and tenant services, published as part of the annual regulatory judgement
    - Judgements will be based on an assessment of the organisation's capacity to effectively manage and improve the business
    - Introduce a new compliance statement to sit alongside the existing self-evaluation.
    - Consult on an amended set of delivery outcomes, to reflect the updated and clearer focus on financial viability, tenant services and governance.

8. CHC supports this greater focus on governance, tenant services and financial viability whilst maintaining the principles of co-regulation. Housing associations welcome the sharp focus on continuous improvement, and in particular the renewed focus it will bring on leadership and strategic focus, as well as the financial operation of the business and a continued drive to improve and deliver for local communities.

9. The new approach will be piloted for a year. It is crucial to its success that the Regulatory team within Welsh Government have the skills and capacity to respond to the changed framework and focus on governance, tenant services and financial viability.

The effectiveness and quality of governance arrangements:

10. Housing associations in Wales are well governed organisations that, as a sector, have a track record of delivery up and down Wales.

11. Housing associations are not complacent, and are seeking to continually improve the governance throughout the sector. CHC plays a key supporting role in this; we have developed a Code of Governance for the sector – which the vast majority of CHC members have signed up to - along with Model Rules for Welsh housing associations, and our Come On Board scheme which promotes board membership in the sector, and helps our members with the recruitment of board members. Further to this, we support Board Members and professionals involved in the governance of the organisation through a strong training offer.

12. The environment within which housing associations operate in Wales is increasingly complex. For example, some of the risks and challenges boards are currently managing include the impact of leaving the European Union on the housing market and availability of skills and materials, and the impact of welfare reforms on individual tenants and business plan. As such, housing associations will continually challenge themselves to ensure that the skills mix on their boards and within their executive teams are fit for purpose to meet the demands of the environment in which they operate.

13. In the context of the increasing complexity of these organisations and the challenges they face, board members in the housing association sector give their expertise to organisations on a voluntary basis. There are significant demands upon their time, and housing associations are recruiting board members in competition with other sectors where board members are paid. To ensure that housing associations can attract appropriately skilled and committed board members they should have the option of paying their board members if they feel it is appropriate.

Whether the current regulatory regime is effective in managing and mitigating sector wide risks:

14. Housing associations place effective and proportionate risk management at the heart of their business plans. Housing associations do this through rigorous stress testing and challenge through their strong governance arrangements. It is for independent housing associations to manage and mitigate organisational risks. CHC also plays a role to highlight and advocate reducing sector wide risks to the operating environment.

15. The regulator plays an important supportive role in identifying sector wide risks. The proposed changes to the regulatory regime place a much stronger and clearer emphasis on

the ability of the organisation to manage risk and the regulator will take judgements based on the mitigated risks facing an organisation. The framework focuses its attention on the fundamental building blocks of a successful organisation. CHC and our members welcome this evolution of the current approach to regulation.

16. The new approach will be piloted for a year, and housing associations will be keen to ensure that the regulator itself had the skills and capacity to implement this new framework over the course of the pilot. It is essential that regulation managers focus on leadership, governance, managed and mitigated risk rather than a focus on operational and low level risk issues.

17. Housing associations blend public investment with private finance and have been successful in attracting £2.5bn into Wales. Crucial to the sector's ability to access affordable finance has been a strong focus on risk assessment and management. It is at the core of their business and housing associations use a range of tools and techniques including stress testing, asset and liability registers and recovery planning to provide assurance to lenders.

The effectiveness of the co-regulatory approach in practice:

18. Co-regulation is at the core of the regulatory framework and a principle that housing associations fully support. A co-regulatory approach allows housing associations to operate independently and take their own decisions, to deliver on their mission and social purpose, while allowing for regulatory oversight from Welsh Government, tenants, lenders and other stakeholders to protect tenants' interests and public money. The latest development of the regulatory framework retains this focus.

19. Self-assessment remains a core part of the co-regulatory approach. Housing associations use the self-assessment to challenge themselves and seek scrutiny on progress and continuous improvement, and a failure to convince the regulator of the robustness of current performance will result in greater scrutiny. In addition to the self-assessment the new framework will also include a compliance statement which will add additional focus and transparency to the approach.

20. Ongoing dialogue between regulator and sector remains a central component of co-regulation. It is therefore critical that the regulatory team have the skills and capacity to engage proportionately, on an ongoing basis and in a manner that adds value to the effectiveness of the organisation.

The remuneration levels of senior staff of housing associations:

21. Housing associations are independent organisations, and senior staff remuneration is set within housing associations through transparent and robust processes. For example, it is common practice in the sector to operate a Remuneration Committee, which sits independently of the main board to take decisions on salaries. These will often be informed by independent benchmarking, and tenant involvement in the salary setting process.

22. Each of our members produces an annual report and finance statement, which sets out key performance indicators. Our members publish details of their highest paid member of staff in these accounts.

23. As part of the work of our HR Network, CHC carries out an annual benchmarking survey which includes data on salaries in the sector. The survey found that across the sector as a whole, the median ratio of Chief Executive salary compared to the rest of the workforce is 4:1, which compares favourably with the average ratio of 5.97:1 recorded by businesses publishing their ratio on paycompare.org.

24. Housing associations are increasingly complex organisations, delivering a wide range of services for tenants and communities – including care and support - in addition to building houses across all tenures to meet demand locally. Housing associations compete for talent within a UK employment market for the skills, experience and knowledge that are required to lead these organisations and manage and attract finance to deliver new homes and services. It is important to be able to attract talent to the sector to retain the confidence of lenders, and continue to deliver for the communities they serve.

25. Housing associations in Wales provide huge value for money for the Welsh public; for every £1 of capital investment from the public purse, housing associations directly generate £14 of output in Wales. Last year, housing associations invested more than £1bn in communities throughout Wales, with 89p in every £1 remaining in the Welsh economy.

26. Demonstrating value for money is important to the sector, and CHC is working closely with our members to ensure that they can do so. In October 2016, we published a guide for members in partnership with Housemark to help them to do this, and we will be publishing a number of indicators on Value for Money in 2017. We also understand that value for money is a priority area for the Regulatory Board for Wales and that they are supportive of our work this area.

Further comments

27. A further issue intrinsically linked to the discussions about how housing associations are regulated is the decision in September, by the Office for National Statistics, to reclassify housing associations as public sector bodies for the purposes of national accounts.

28. The decision – based on the 2010 European System of Accounts – identifies the significant government control that can be exercised over the general corporate policy of the unit. This is a largely technical accounting issue, but legislation will be required to address it.

29. There has been no immediate adverse impact of the decision, due to a short term agreement between Welsh Government and HM Treasury which will allow time for the legislation to reverse ONS' decision to proceed. However, if housing associations were to remain classified as public sector in the long term, it could impact on their ability to borrow at favourable rates, in turn posing a threat to the Welsh Government's target of 20,000 homes.

30. Housing associations are community-based organisations, which are committed to delivering the ambitious affordable housing target, working with communities and in a strong and effective regulatory environment.

Council of Mortgage Lenders

Regulatory oversight of housing associations

Submission by the Council of Mortgage Lenders
to the National Assembly of Wales' Public Accounts Committee inquiry

Y Pwyllgor Cyfrifon Cyhoeddus / Public Accounts Committee
PAC(5)-04-17 P2

Introduction

1. The CML is the representative body for the residential mortgage lending industry that includes banks, building societies and specialist lenders. Our 139 members currently hold around 97% of the assets of the UK mortgage market. In addition to home ownership, CML members also lend to support the social housing and private rental markets across the UK. We welcome the opportunity to provide this submission to the call for evidence by the Public Accounts Committee of the Assembly into the regulatory oversight of housing associations.

2. The CML has worked constructively with the Welsh Government on measures to improve the regulation of housing associations over a number of years, including from the time of the Essex Review which led to the introduction of a new co-regulatory approach in 2011. This approach has undergone further positive change in the intervening years, most recently with the development of a graded regulatory judgement matrix, to be introduced from early 2017. We have provided specific comments below on matters the Committee is considering as part of its inquiry.

Effectiveness of the current regulatory framework

3. The current regulatory framework is effective and improving. This is especially so with the planned introduction of a new graded regulatory judgements matrix. The publication of graded judgements should, subject to sufficient resources for implementation and enforcement, provide a point of calibration against which lenders can measure their own assessment of an association. This is lacking in the approach to-date, as the current narrative report does not give firm conclusions or judgements on the part of the regulator. Those looking to rely on the narrative report are left to draw their own conclusions. The new judgement approach should address this. It is absolutely the right direction of travel for where the sector is now – in the context of increasing complexity; increasing development activity (and associated risk) and the backdrop of ONS reclassification.

4. We look forward to the provision of regulatory assessments in the new form, with graded judgements. We expect that, until these are available, there might still be some uncertainty as to how robust regulation will be and how the sector will respond to it.

5. The effectiveness of the framework comes down to how and when the regulator intervenes in problem cases or where an association fails. Key to this are issues of resources. The regulatory response to some recent "complex cases" points to areas where available skills, expertise and resource may have struggled to keep pace with the situation. The recent appointment of a former senior banker with sector experience in the regulation team is very welcome. Funders directly involved in recent complex cases will be able to offer their own observations on the experience. The sector will benefit from the forthcoming publication of the regulator's "lessons learned" report.

Effectiveness and quality of governance

6. The quality of governance and its effectiveness is varied. This is to be expected in a diverse sector with a range of organisations of different size, scale, location, resources (board skills etc) and development appetite. The work of the regulator, tenant organisations and Community Housing Cymru, including through its new Code of Governance, help to provide the required environment for good governance to develop and improve in all housing associations across Wales.

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telephone 0845 373 6771 fax 0845 373 6778 website www.cml.org.uk

Effectiveness of current regulatory regime in managing and mitigating sector-wide risks

7. It is for boards to manage and mitigate the effect of sectoral risks in their organisations. The regulator helps to identify these in its published sector risk profile, which is periodically updated. Where appropriate, Welsh Government and the regulator can act in areas that are likely to impact the sector as a whole. For example: responding to the ONS classification decision; the impact of welfare reform changes, such as LHA caps, and the wider impact of the roll-out of Universal Credit. Other areas that bring sectoral risk relate to the operation of wider financial and funding markets. In this respect, we are uncertain as to the level of wider market intelligence and availability of experience of markets within the regulation team, and what external advice is sought and taken on this. As referred to above, the recent appointment of a former senior banker with substantial experience as a funder is a strong step in the right direction.

8. In the context of responding to complex cases that might include the failure of an association, we suggest it would be appropriate for the regulator and government to consider the extent to which the sectoral risk of contagion from the failure of a single association might be mitigated through measures such “living wills” and asset registers.

Effectiveness of the co-regulatory approach in practice

9. From the CML perspective, we are encouraged by the level of proactive engagement we have with government, the regulator, CHC and other key stakeholders. This includes our work with the Advisory Group that supports the new independent Regulatory Board. Individual lenders, with their own direct experience with their borrowers and the regulation team, will be best placed to offer their own views on co-regulation.

10. For both the CML and lenders, there are still some uncertainties about the journey to regulatory intervention and the powers that would be used and when. We expect the new judgements matrix and guidance around it should provide further clarity here, but we suggest a candid sharing of lessons learned on some of the recent complex cases would still be helpful in avoiding potentially unnecessarily sub-optimal outcomes.

Remuneration of senior executives in HAs

11. The issue of paid executives is currently under consideration by the Regulatory Board and its Advisory Group. In our view, this will be a matter for individual board decision, subject to there being effective identification and management of any instances of actual or perceived conflict of interest. Paid executives should be an option for boards, particularly if there are challenges for the particular association in attracting or retaining the skills and experience needed for excellent governance.

12. We suggest that the issue of paid executives on boards raises again the wider issue of remunerated board members (who are not executives). This had been considered by government previously, but not taken forward. Our view is that the remuneration of board members should be an option for associations if they feel it would be of benefit for their particular organisation in attracting and retaining experienced and skilled individuals needed for excellent governance.

13. The economic, strategic and operational context for Welsh RSLs is becoming ever more demanding and complex, and the chairs in particular of some of these bodies may have complex businesses with >£100m of external borrowings and highly onerous financial, legal and other responsibilities. In our view, it will become a tougher challenge to recruit voluntary board members to this sector. For this reason, we believe that it is timely for the issue of remuneration of board members to be reconsidered.

Contact

14. To discuss this submission further, please copy John.Marr@cml.org.uk

21 December, 2016

Agenda Item 7

Document is Restricted

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Comisiynydd Heddlu a Throseddu Gwent | Police and Crime Commissioner for Gwent:
Jeff Cuthbert B.Sc., MCIPD

22 December 2016

Nick Ramsey AM
Chair of the Public Accounts Committee
National Assembly for Wales
Cardiff Bay
Cardiff
CF99 1NA

Dear Nick

COMMUNITY SAFETY IN WALES

Thank you for your letter of 15 December 2016 in relation to the Auditor General for Wales' (AGW) report on Community Safety in Wales and the invitation for me to give my view on the issues raised in the report. The AGW produced a report on the situation in Gwent also and my comments relate to that report mainly.

I welcome the report and recognise the conclusions made, and would largely support the recommendations originating from the research undertaken. I note, however, that although the AGW visited seven local authorities across Wales, none of them are within Gwent.

The complexity of defining community safety is a long standing issues and is further complicated when the issue of responsibility is superimposed on delivery, especially when this delivery could be impacted by the question of devolved and non-devolved services. This is an issue that is not applicable at the point of delivery and therefore should not impinge upon our collective responsibility to provide effective and efficient services to our communities.

With this in mind, two programmes of work, designed and implemented in Gwent via my office, received recognition as 'Good Practice' in the report.

Both the Strategic Commissioning Board and Safer Gwent Partnership have been designed to navigate the issues in the report regarding, collective responsibility, joined up strategic action planning, joined up service delivery and collective performance management:

- The purpose of the **Strategic Commissioning Board** is to provide strategic direction to the Police and Crime Commissioner's Commissioning Programme in relation to strategic planning, service quality, contracting performance and management and stakeholder engagement.

- **Safer Gwent** was established by my Office in 2015 and works with key community safety partners across the five local authority areas. It provides an organised and joined-up approach to achieve better outcomes in tackling issues such as preventing crime, ASB, preventing reoffending and supporting victims. Safer Gwent meets bi-monthly and aims to work collectively to address regional safety issues that impact on local communities.

A further joint enterprise of note, also in place in Gwent, is the Connect Gwent Victims Support Hub:

- **Connect Gwent** is the first ever multi-agency service of its kind in Wales which provides positive and lasting support to victims of crime, helping them to cope and recover. The service has brought together a range of agencies and organisations under one roof to provide enhanced support to victims of crime.

My Gwent wide approach to service delivery has been instrumental in already supporting some, if not the majority, of recommendations made in the report. Hopefully you can see that we are well versed in joint partnership working in order to achieve positive results.

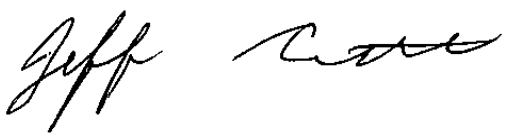
With this in mind, I don't believe that another layer of governance needs be added to the Community Safety landscape, but rather a more supported approach to working in the same way that we are working in Gwent at this time.

I will continue to champion the ethos of the recommendations made through the partnerships highlighted above, and in my work with others partnerships such as Public Service Boards to ensure they are given full consideration in our ongoing programmes of joint working.

Having noted the Welsh Governments suggestions for progressing this matter, I welcome its invitation to work together to develop a comprehensive, consistent and holistic response to the recommendations made in the report. A member of my staff has been allocated to work with the Welsh Government directly on this matter.

Can I add that further work is underway to collate data and develop joint working further in Gwent. I will happily share this information with you, once it is ready, if you feel that it would be helpful.

Yours sincerely



Jeff Cuthbert B.Sc., MCIPD
Police and Crime Commissioner for Gwent

Rt Hon Alun Michael JP OStJ FRSA

Police and Crime Commissioner for South Wales
Comisiynydd yr Heddlu a Throseddu De Cymru

South Wales
Police and Crime Commissioner
Comisiynydd yr Heddlu a Throseddu
De Cymru

Nick Ramsay AM
Chair, Public Accounts Committee
National Assembly for Wales

9th January 2017

Dear Nick

Thank you for the opportunity to comment on the Auditor General's report on Community Safety in Wales. I have been through the report in detail and there are number of areas in which I believe the recommendations are flawed, based on a number of misunderstandings which I have detailed in the "Critique" which I attach for your information. I shared an earlier draft with the Auditor General, which led to a very constructive dialogue, but it is clear that there are points on which we simply have to agree to differ.

The key point of disagreement is the report's suggestion that there should be a national (all-Wales) plan for community safety, with regional plans, leading to a local plan. This multi-layered approach, I believe, is wrong for three reasons :

- First, it is at odds with the legislation. As Deputy Home Secretary, I introduced the legislation which became the Crime and Disorder Act 1998. It is based on the principle that if you tackle local crime, disorder and antisocial behaviour - based on a local "audit" - local success will aggregate to national success. In the past the Home Office has often set out requirements for action which may be sensible for some areas, but are entirely irrelevant for others. The local "audit" should include crime figures from the police, but also be based on the local public experience of crime and disorder and other issues such as vulnerability, so that local action is evidence-based, is "owned" locally and leads to targeted action. These arrangements worked well for a period, but need to be refreshed and we have set about that process with partners across South Wales.

- Second, it overlooks the enormously important opportunity we have at the present time. If the Community Safety Partnerships are refreshed in the way I suggest they can feed effectively into the "needs assessment" that Public Service(s) Boards are drawing up at the present time. Public Service(s) Boards are required to "have regard" to the community safety plan, but clearly that will only work if they are up-to-date and fit for purpose. Both the Minister, Carl Sargeant, and the Future Generations Commissioner, Sophie Howe have confirmed their view that the aim of the community safety partnerships - to make communities safe and confident - is entirely consistent with the values and principles set out for the Public Service(s) Board.
- Third, it is enormously significant that the Future Generations Act is based on the same principles as the 1998 Act in that it requires local planning and delivery to be based on the local "needs analysis" and to be owned by the local partnership rather than taking a top-down approach. The difference is that there is oversight of the work of Public Services Boards - including scrutiny of their needs analysis - by the Future Generations Commissioner. There is no such oversight of community safety partnerships - although in the same legislation I did establish the Youth Justice Board (YJB) to provide that oversight and guidance to Youth Offending Teams. In Wales that work is particularly effective because the work of the YJB is undertaken jointly with Welsh Government.

My view, therefore, is that we have a very simple opportunity to refresh the Community Safety Partnership in each area, so that it can feed into the Public Service Board, based on the "Baseline Audit" of crime and disorder. We can then effectively align the two pieces of legislation and provide the maximum impact for the public. The fact that one piece of legislation was passed at Westminster and the other was passed by Welsh Government needs to be no obstacle to actions under them being undertaken simply and logically in a co-ordinated way.

I have written to local authorities across South Wales on behalf of myself and Chief Constable Peter Vaughan and received positive responses, so we have set in train the collation of data to inform the process.

This approach in no way diminishes the role of Welsh Government or indeed the National Assembly, but it does avoid an over-generalised approach to problems which can often only be tackled at the local level. For example, if there were to be a particular issue with knife crime in one or two areas in Wales, the Minister could require each community safety partnership to "have regard" to levels of knife crime in their area while preparing their Community Safety Plan. The evidence would then be sought locally as to the nature of any problem in the locality. If there was no problem, there would not need to be significant action within the Community Safety Strategy. The focus on this issue would be on those areas where there was evidence of a problem and tackling local problems in a realistic manner would aggregate to tackling the issue across Wales as required by the Minister. Again, I can think of no better example than the Welsh legislation to combat violence against women and girls, which I found enormously helpful in working with local agencies to tackle what was my own priority within my first Police and Crime Plan

The 2011 Police Reform Act which established the role of Police and Crime Commissioner also amends the 1998 Act to give Commissioners a role in the Community Safety Partnerships. This is being taken seriously by all four Commissioners and our role is clearly complementary to that of the Future Generations Commissioner.

I therefore support the view expressed by Welsh Government that it is time to refresh the work of Community Safety Partnerships, and the Auditor General does provide some evidence of the need for a "refresh". However I would reject the Auditor General's suggestion of three layered plans which would increase bureaucracy, go against the principles of local ownership of local problems and solutions, and could undermine the good work that is now being done locally.

Given the strong and constructive dialogue between Commissioners and Chief Constables and with Ministers, and the fact that community safety work under

the existing legislation fits so well with the advent of the Public Service Boards, we have the opportunity to produce a uniquely Welsh solution for maximum impact and minimum bureaucracy.

I would be very happy to give evidence to your committee in greater detail and – as mentioned earlier – I attach a more detailed critique of the Auditor General's Report since there are important detail arguments that need to be dealt with. As is often the case, the "Devil's in the detail" but I hope the above summary boils the whole debate down to three key principles.

Yours ever

Annex

Rt Hon Alun Michael

Police & Crime Commissioner for South Wales

A Critique of "Community Safety in Wales"

- the report published by the Auditor General for Wales, October 2016

I fear that the report published by the Auditor General for Wales on the subject of Community Safety in Wales may mislead the reader in a number of ways. The report is based on a mistaken understanding of the nature of Community Safety and the legislation on which current practice is based.

I have discussed the report with the Auditor General, who has been both courteous and willing to engage in constructive discussion of the issues, although there are aspects on which we have to agree to differ. Having reviewed my initial comments in the light of our exchanges, I now set out my considered view and this note is intended to provide the basis for a different set of actions to those set out in the report's recommendations.

WRONG CONCLUSIONS

The basic fault in the report is that it appears to believe that a top-down approach based on a sort of "national plan" is the way to promote Community Safety, whereas all the evidence suggests that local solutions to local problems, based on local evidence, is the right way to make the community safe. The primary legislation in this area of activity is the 1998 Crime and Disorder Act, for which I was responsible as Deputy Home Secretary, based on the belief that correctly identifying local problems and solving them will aggregate to national success, while generalised national approaches rarely address local need.

It follows that the report is not consistent with the legislation which established the approach to Community Safety in England and Wales and recommends an approach that is also out of kilter with more recent legislation in Wales, particularly the Well-Being of Future Generations Act 2015.

The Future Generations Act takes a particularly enlightened view of delivery, requiring a comprehensive local Needs Assessment to be prepared by each

Public Service(s) Board as the basis for drawing up plans for local action and scrutiny of the local work by the Future Generations Commissioner.

This gives responsibility to local leadership while providing an assurance of oversight and the achievement of standards required by the Future Generations Act. This is comparable to the highly successful model established for Youth Justice, driven through local Youth Offending Teams with scrutiny and support provided by the Youth Justice Board (YJB). In Wales that Youth Justice work has been driven jointly by the YJB's team in Wales and by Welsh Government, thus providing oversight that is tuned to Welsh circumstances.

The Report is certainly correct in identifying flaws in the current operation and practice of Community Safety Partnerships, and I do not dissent from the report's conclusion that there is a disconnect between planning priorities, resources and activity. There is still much good work led both by local authorities and by voluntary and community organisations, but in the past few years, as local authorities and the police have struggled with the severe impact of "austerity" this work has often been given less attention and less resource than in the past. That is why, on behalf of the Chief Constable and myself, I have proposed that we go back to first principles with a local "audit" of crime, disorder and antisocial behaviour as the basis of a refreshed Community Safety Strategy in each local area in South Wales. This has received an immediate and positive response at the local level and will provides the means by which each Public Service(s) Board will be able to fulfil the requirement in the Future Generations Act to take account of community safety strategies. Clearly, if it is to be taken into account seriously by the Public Service Board, the Strategy needs to be robust and up-to-date in identifying local needs. The solution to the current need for a refreshed local strategy lies in refreshing the local evidence base and the level of engagement, not in a top-down approach.

Part 1

The report states as its conclusion that a variety of public bodies have overlapping responsibilities for community safety and concludes that this "creates barriers to effective delivery". In fact the legislation rightly reflects the fact that a variety of different bodies have responsibilities which affect the level of crime, disorder and antisocial behaviour and that the only way to

tackle these issues comprehensively is through a partnership approach. The responsibilities of different agencies, departments and organisations are inevitable intertwined and while it may be true to say that "overlapping responsibilities and the multiplicity of agencies complicate delivery" that is the reality in which we live, and the arrangements of the past in which each agency was responsible for a silo of service delivery resulted in inefficiency and in people and communities falling into the cracks. The Future Generations Act's requirements and the role of the Public Service(s) Boards create a powerful and genuine opportunity to "join up the dots" and to address many past failing in the public sector. By the way, I have referred to them as Public Service(s) Boards because many people talk of them as "Public Service Boards" implying a seamlessness of local service to which we aspire, whereas the Auditor General has pointed out to me that the Act refers to Public Services Boards. Personally I don't think it matters and what is crucial is to seize the current opportunity.

The inter-connected nature of different agencies was clear at the time of the publication of the Morgan Report and the introduction of the 1998 Crime and Disorder Act, but the evidence is set out most clearly in the 2010 report of the Justice Select Committee on "Justice Reinvestment" which noted that while the first responsibility of the police is to prevent crime and reduce offending, all levers which influence levels of offending lie outside the responsibilities of the police and indeed outside the criminal justice system. **It is a fundamental fact that success in community safety depends on local collaboration.**

On this point the report is correct at paragraph1.9 to say that "the extent to which government, local authorities, the police and other partners work together to deliver community safety is fundamental to improvement and is not insurmountable where there is a shared vision and a clear willingness to change". However the report wrongly suggests that "complex accountabilities for community safety make it difficult for public bodies to provide clear and consistent leadership and direction". In fact, close collaboration between those bodies that were designated under the 1998 Crime and Disorder Act has often led to clear and consistent collaborative leadership, which has resulted in significant reduction in offending.

It could be argued that community safety would have benefited from national oversight of the sort provided by the Youth Justice Board in relation to youth

offending, but perhaps this can be addressed in Wales, through the scrutiny provided by the Future Generations Commissioner. Like the Minister, Carl Sargeant, Sophie Howe sees the objective of "safe confident communities" as being entirely consistent with the values set out for the public Services Boards and her role will be significant in ensuring that the requirement to take account of community safety strategies is observed in practice in each local area.

It is inevitable that accountability for joint action is more complex than operating in historic silos, but that does not make the outcomes less significant. It would appear that this mistaken conclusion in the report is based on a wish to have simple answers to complex problems and a view that accountability is more important than effectiveness.

The accountability and responsibilities are clear in law, but the challenge posed by the Auditor General is reasonable in seeking for the clarity in local action and delivery to be equally clear.

It is a natural consequence of the legislation that a number of organisations are collectively responsible for reducing crime and disorder. Indeed, the leadership responsibility was deliberately placed equally on the local police and the local authority while a variety of other organisations and agencies are required to be engaged (the NHS, fire service, schools, colleges etc) or required to be invited to participate (the voluntary sector, the business community etc).

The report finds that the suspension of an all Wales community safety advisory board "may have inhibited cooperation and minimised opportunities to promote new ways of working" but there is no evidence that this is the case. Innovation happens locally and is then shared, so this conclusion seems perverse and the Board has not been missed. The gap in oversight and consistency, on the other hand, does need to be addressed and, as mentioned above, this can be addressed simply and effectively across Wales through the role of the Future Generations Commissioner and locally by each Police and Crime Commissioner in each police force area. Each of the current Commissioners sees this as an important part of the role.

The report states that "arrangements to deliver community safety are complex, have changed over time and are not always joined-up, which has

created difficulties for partnership working". This conclusion is difficult to accept since the complexity work reflects the complexity of the problems.

It would be odd if arrangements had not changed over time to fit with changing circumstances and while co-operation and collaboration often appear more complex than dictatorship or top-down management, they also produce better results in complex circumstances and require a more sophisticated approach to accountability and audit than appears to have been considered by the authors of the report.

The report suggests that "developing approaches to regional working could address current weaknesses" but it is not clear what this means. In some very specific areas of work, such as the Youth Offending Service, there is a good deal of collaboration between local authorities. In the "Western Bay", for example, a single service is managed on behalf of Swansea, Neath Port Talbot and Bridgend while the Cwm Taf service covers from the Cynon Taf and Merthyr Tydfil. But by its very nature, most of the general work of Community Safety is very local in its nature.

We also suffer from the imprecise use of the word "region" and this often causes confusion. In the context of England and Wales, the term is sometimes used - annoyingly - to refer to Wales, it is sometimes used to refer to the Police Force Area and it is sometimes use randomly to refer to any combination of local authorities working together for a specific purpose. It would be better not to use the word region at all, and to be precise as to what specific area is being referred to in any recommendation.

In this recommendation, the report states that "further work is needed to ensure accountability arrangements are fit for purpose" which seems odd when the recommendation itself seems likely to dilute the accountability arrangements.

The report states that "citizens who responded to our survey are not clear on who is responsible for community safety in Wales" but it is not clear why this is seen as a problem. It is surely more important to provide leadership and to be effective than it is to be seen, and while leadership is shared between the chief Constable, the Police and Crime Commissioner, the Leader of the Council and the Chief Executive, many other bodies are also involved and for any one of

them to claim success without giving credit to the others would put the partnership at risk. It is surely most important for the partnership to be effective, and to share credit, or agree together on the need for change or improvement, even if that makes it difficult to identify a single "author".

Part 2

The report states that "national, regional and local priorities differ greatly and are not aligned" but it is not clear what problem is being addressed in this statement. As indicated at the start of this response, an aggregation of success in tackling local problems will add up to national success and national priorities should be confined to genuinely national issues. The report suggests that these differences risk "confusion and uncoordinated action" but the real threat would surely arise from inappropriate national requirements being set - for example requiring local action to tackle knife crime in an area where there is no knife crime problem – or vice versa.

The report states that "there is limited evidence of public engagement to inform the plans" which appears to muddle two separate issues. This point appears more than once in the report. On the one hand action to improve community safety should be based on clear evidence, and there has been significant convergence between the public experience of crime and what is reported to the police. A variety of local ways of listening to the experience of the public are used in most areas, in addition to the sequence of interviews of the Crime Survey of England and Wales, whereas public engagement is a different type of activity with different purposes. It is therefore difficult to understand what the report is recommending and for what purpose.

In a single finding the report states that "there is wide variation in the robustness of community safety plans and the lack of alignment between the UK, Welsh, regional and citizens priorities undermines partnership working and opportunities for improvement". It may be the case that there is wide variation in the robustness of community safety plans and that is something on which it is legitimate to comment, but I would expect the report to be specific in its criticisms and to make specific recommendations about how higher standards could be achieved. Improvement and aspiration to high standards

are surely more important than consistency, and it is not clear what connection this has with the rest of the sentence.

Having said that, I mentioned earlier that, as local authorities struggled with the initial impact of "austerity", community safety teams lost resources and the processes became less robust. That is why I have engaged with local authorities and Public Service(s) Boards in my area to refresh the evidence base (community safety audit) as the necessary precursor to refreshing the community safety plan and feeding it into the Public Service Board's process in each area. Paragraph 2.19 provides some relevant evidence of weaknesses.

The report states that "Police and Crime Commissioners generally draw on a wide range of evidence to determine their priorities for action, but the approach taken varies and is not always robust". I would expect the report to be very specific about any approach which is "not robust" and to make specific recommendations for improvement. On the other hand one would expect each Police and Crime Commissioner to draw on a wide range of evidence to determine priorities. Indeed, one would also expect variation as this was of the essence of the Government's decision to establish the role of Police and Crime Commissioner. Asked whether he would require Commissioners to toe a line on aspects of delivery, the Minister who introduced the legislation, Rt Hon Nick Herbert MP, said "Certainly not. It is for each Commissioner to take decisions and be accountable to the public for those decisions. Let 41 flowers bloom - some will succeed and others will go to the wall".

The criticisms in paragraph 2.16 are weakened by being generalised and not identifying the Police & Crime Commissioner who is being criticised. I can only say that the paragraph clearly does not refer to South Wales because, working closely with the Chief Constable, I and my team have been at great pains to alight the strategic approach and the detail of the Police and Crime Plan with the plans of local authorities and other agencies. It has been a two-way process that has benefitted all of us. However the general comment that community safety partnerships should set out clearly how they will achieve their priorities is what the 1998 Act specifically requires, and the whole concept of a "refresh" is about returning to those clear, sound principles.

Personally I take a very robust approach to evidence of the problems that need to be tackled and the evidence of effectiveness, but that is my decision and if a Commissioner takes a different view it is for him/her to account for it.

The report also states that "most local authorities have adopted priorities for community safety, but these are not always clearly set out". There is a difficulty with this statement since the local authority is expected to provide leadership, but it is not expected to provide that leadership in isolation. Leadership of the Community Safety Partnership lies jointly with the local authority and the local police, who are expected to lead a wider partnership. If the priorities of the partnership are clear that is surely what matters.

Part 3

In part three, the report comments on the impact of "real term reductions in police and local authority community safety management budgets". This is clearly a serious issue as the flexibility for the police in South Wales is considerably reduced by the cuts in police officer numbers from some 3,400 to about 2,800 while in recent years. Local authorities have also experienced considerable cuts in their finances. In South Wales we have maintained the contribution to community safety budgets and to the Youth Offending Service from the police service budget.

The report states that "the availability and use of grants to fund community safety activity is intricate and changing but it is not always clear what benefits or positive impact grants are having". This is one of the reasons that I have chosen a more participative approach to community safety. Instead of, in effect, sending off a cheque and waiting to hear how the money has been used I regard the contribution to the local community safety partnership as "buying a place at the table". The Welsh Audit Office used to ask what my contribution had bought, as if it was a grant to purchase widgets, but I think it is now understood that this is a contribution to the whole budget whose application we seek to make effective through my engagement and that of my team. We are a part of the partnership, not an external grant-making body.

The report reflects a 32.7% cut in local authority expenditure on the management of community safety, which is a lot but arises from UK Government cuts and may therefore inevitable in a time of "austerity", but it is

also true to say that we are all seeking to "do more with less" rather than seeing a decline in the effectiveness of community safety work.

Part 4

The report refers to "difficulties in defining community safety and weaknesses in data, scrutiny and evaluation". I'm not sure that this is correct because community safety does indeed cover a wide and complex range of activities that need to be prevented. It includes crime, disorder, antisocial behaviour and a variety of low level activity which creates a sense of unease. The "broken windows" theory suggests that if low-level neglect is not tackled - including rubbish and graffiti - then the feeling that an area is cared for will lead to an increase in bad behaviour. Indeed, that is why the role of the Community Safety Partnership was expanded as part of the Clean Neighbourhoods Act for which I had responsibility as Minister of State at DEFRA.

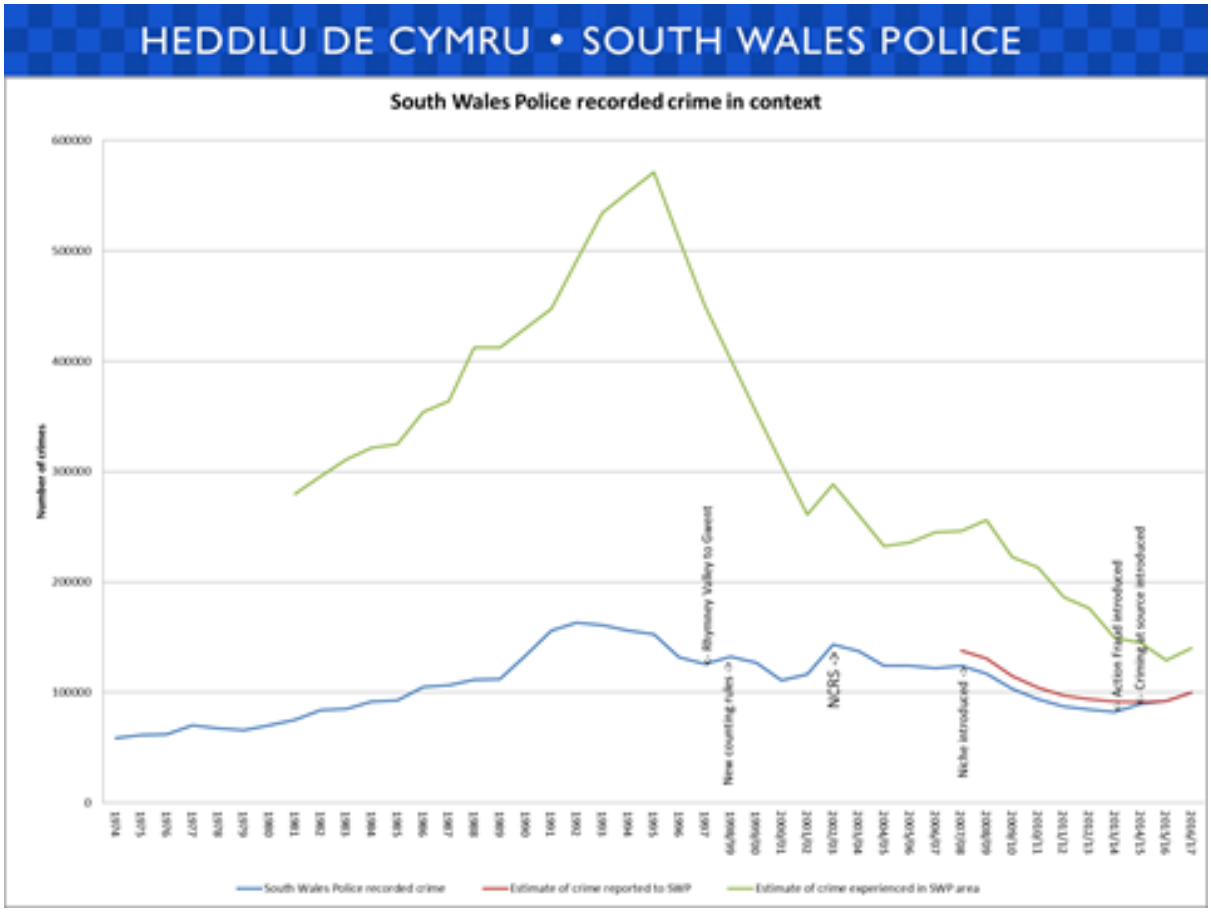
There is a need to expand the concept of Community Safety and aim to create "Safe Confident Communities" but that very concept includes two very separate elements. I frequently ask public meetings in Cardiff whether they are safer or less safe in the city centre than 10 years earlier. In response a significant proportion – often a majority – say they are less safe. In fact violence has been reduced successively in the centre of Cardiff, more than in equivalent cities, over a period of nearly 20 years. The fact is that we have had significant success in making people safer but they don't know it even though local newspapers do frequently report the success of the approach while also reporting on the disorder that does still happen.

The distinguished work of Prof Jon Shepherd in analysing and reducing violence has been built upon incrementally over time. I feel safe in the centre of Cardiff, because I know the facts. Most people - despite that information having been given in headline after headline over the years - still live with the perception that they are less safe in the city centre. It would be wrong to criticise the police or the local authority for this state of affairs when they have, together, played a significant role in making their public safe. This does not seem to have been understood by the authors of the report and is merely one illustration of the complexity of dealing with the separate issues of

"safety" and "confidence" with which anyone concerned with Community Safety must wrestle on a daily basis.

The report is right to say that it is challenging for public bodies to demonstrate the impact of their activity, but that simply comes with the territory in such a complex area of public policy. It is a continual challenge which community safety partners strive separately and collectively to meet.

The report states that "police records and survey findings suggest that crime in Wales has fallen significantly in recent years, but recent reviews of raised issues of concern about the integrity of the data, which makes measurement of community safety difficult". The first part of the sentence is correct, but a great deal of work has gone into ensuring the robustness of the data, including "criming at source" which was introduced because it is right and despite the fact that it would show higher figures for recorded crime. There has been praise from the HMIC for the robustness of our crime data. That leads me to refer to the facts of crime over recent years as shown in the graph below.



Care must always be taken to look at trends over time, and the graph demonstrates the change in relation to two important indicators.

- One is the level of crime as reported to the police and ……
- ……the other is the experience of crime as reported by the public to the Crime Survey of England and Wales (formerly the British Crime Survey).

It is absolutely clear – as the graph shows - that there is greater convergence between recorded crime and the public experience of crime that at any time over the last 40 years. As crime as such is not the only measure of Community Safety, it is important for the Community Safety Partnership to understand the level of experience and concern locally in order to address what is really happening in the local community.

That simply cannot be done at a regional or national level but has to be done at the local level and that is specifically required by Sections 5 and 6 of the 1998 Act. The 2011 Police Reform Act then inserts the Police & Crime Commissioner explicitly into the process. For completeness it should be mentioned that the Clean Neighbourhoods Act 2005 added responsible for local environmental issues to the role of the Community Safety Partnership and is another piece of legislation for which I had responsibility. I saw adding this responsibility to the role of the Community Safety Partnership (originally called the Crime and Disorder Reduction Partnership) to be a better option than creating a further set of organisations and that such an approach was consistent with the "broken windows" approach to reducing crime.

The report is right to say that "Citizens have mixed views on their quality of life and how safe they feel". One of the problems in judging how to deal with this issue is that of the "worried safe" and the fact that some are reassured by seeing police on the streets while people in other communities find the appearance of people in uniform worrying. The pernicious use of the term "Bobbies on the Beat" in the media and by some politicians does little to help.

The final finding of the report is that "judging performance and impact in delivering plans is difficult because of wide variations in the quality and range of measures and targets and actions that public body use". Not only is that true, I wouldn't have it any other way, because that is of the essence

Community Safety. It may make it difficult to count the beans but it is the reality which is being tackled by those involved in this endeavour in ever more sophisticated ways.

Summary Report

I have addressed the conclusions since the most important thing about any report is what should be done in response to its findings.

But in the Summary Report there are some errors which should be noted

- It is suggested in paragraph 3 that "local authorities, the police and health authorities are together responsible for achieving community safety". As a statement, that is not strictly correct.
- Police and Crime Commissioners **<u>are</u>** explicitly linked into the requirements of the Community Safety Partnership arrangements of the 1998 Act – see the following, especially clauses 1 and 2

This has been summarised by the Home Office as follows – paragraphs 1 and 2 are particularly relevant while the third paragraph refers to the responsibility for holding the local criminal justice system to account :

Duties of Police & Crime Commissioner, as set out in the Police Reform Act 2011

1. *The Police & Crime Commissioner must, in exercising his functions, have regard to the relevant priorities of each responsible authority.*
2. *The Commissioner, in exercising his functions, and a responsible authority, in exercising its functions conferred by or under section 6 of the Crime and Disorder Act 1998 in relation to that police area, must act in co-operation with each other.*
3. *The Commissioner, and the criminal justice bodies which exercise functions as criminal justice bodies in that police area, must make arrangements (so far as it is appropriate to do so) for the exercise of functions so as to provide an efficient and effective criminal justice system for the police area.*

- There is some confusion as to the responsibilities of the Commissioner which are described as being "regional" (sic) whereas we have to operate locally. That is why I have a meeting every quarter with the Leader and Chief Executive of each local authority. I go to them, and the Chief Constable comes too. We don't expect them to come to us because this is all local in nature.
- While responsibility for policing is not devolved, we can only operate in the devolved context. All four Police & Crime Commissioners believe

that policing should be devolved, and have published a joint statement saying so, and the chief constables regard this as inevitable having regard to the situation elsewhere in the United Kingdom.

- The main line of accountability for the Police & Crime Commissioner is to the electorate, not to the Government although in some aspects – such as the Strategic Policing Requirement – the Home Secretary does have the legal responsibility to set out the headline requirements. So in general Commissioners do not "take their lead from the Home Office" but there is continual (and lively) dialogue with the Home Office and on relevant issues with the Ministry of Justice. There is also a developing relationship with the National Police Chiefs Council (NPCC).
- Paragraph 7 refers to the individual report that has been prepared by the Welsh Audit Office for each police area. I'm particularly pleased to see that the report states that "The Commissioner provides effective leadership on community safety" and that "The Commissioner is working effectively with partners to deliver their community safety priorities". We will work through the specific suggestions made in that report, but I have addressed most of my comments to the national report since it is that report which could lead to changes based on what I believe to be misapprehensions.
- Paragraph 8 list criteria for the review, but the contents seems to me to be a very odd mixture. The real test is whether a community is safe and confident – but the second of these is not in the hands of public bodies alone. The Media – and increasingly Social Media – have a significant role.
- The document states that Community Safety Partnerships are accountable to the Home Office, but that is not strictly correct.
- Paragraph 13 does not correctly describe the planning process in South Wales where considerable effort has gone into making sure that the Police & Crime Plan is consistent with local Community Safety Plans and other documents of the local authorities, health boards etc.
- Paragraph 15 is wrong : Funding for Police & Crime Commissioners and Police Forces in Wales has not remained stable! Nevertheless I have maintained my contribution to local community safety partnerships and

the level of police secondment – in particular to Youth offending Teams – has also been maintained.

Response to Recommendations :

- R1 : Not accepted. The 1998 Crime and Disorder Act was based on a rejection of top-down centralised control in favour of the aggregation of local success to produce national success in reducing crime and disorder. Ministers can and do ensure that specific aspects of crime are considered by asking or telling the Partnership (and indeed the Public Service(s) Board) to take account of specific issues in their area. Essentially the local partnership should then examine the extent of the particular issue in their area and use that local evidence as the basis for planning and action. A good example would be knife crime. If the Minister requires the Partnership "to have regard to the local level of knife crime" their first step must be to analyse local evidence of knife crime. That should – in accordance with the 1998 Act principles – go beyond police recorded crime figures to examine experience at A & E, the experience of local young people and other sources of information to assess the local issues and provide a proportionate response. If a local area has no problem of knife crime that should be noted and while the situation should perhaps be monitored over time, no actions would appear in the Community Safety Strategy. On the other hand questioning sometimes identifies that there is a local problem that has not come to the attention to the police. So my response respects the role of Ministers – whether at a Wales or England and Wales level - to trigger fresh consideration of evidence by the local Partnership, but it I stress that it must still require an evidence-based approach, based specifically on clear local evidence. That, I submit, is far more effective than requiring an approach based on aggregated data at a national level – but tackling local problems will aggregate to national success.
- R2 : Not accepted. Community Safety is best addressed through a local partnership approach and that should continue following a "refresh". Oversight can be provided through the Public Service Board which has been established for each area under the aegis of the Future Generations Act.

- R3 : Not accepted. This recommendation appears intended to bolster a national approach which would therefore increase bureaucracy without helping local delivery.
- R4 : Not accepted. As was explained in the 2010 report of the Justice Select Committee on Justice Reinvestment, the levers that affect crime and disorder lie in the mainstream activities of organisations like local government, education and health. Effectiveness lies in coordinated action by those bodies, not by creating a separate strand of activity or top slicing their funding.
- R5 : Not accepted. This recommendation also appears likely to increase bureaucracy for no clear purpose. It is difficult to know what is meant by "appropriate measures at each level". Performance information is already required for the work of each agency - in particular the police are measured in minute detail by HM Inspectorate of Constabulary , whilst also having a primary responsibility in law to meet the terms of the Police and Crime Plan published by the Commissioner.
- R6 : I am not entirely clear what is meant by this recommendation, which sounds like the addition of bureaucracy. However I would welcome it if it means a return to the principles set out in the original legislation (the 1998 Act) and working through the process from baseline review to action plan, to delivery and to review. That is the clear intention of our current "refresh" in South Wales with our local authority partners.
- R7 : This recommendation refers to the possibility of a role for the Public Service Board, which I welcome, although it's not entirely clear what is intended. To me, the priority must be to engage with and align with the Public Service(s) Board and not to increase bureaucracy. The priority must surely be the twin aims of enabling communities to be Safe and Confident and delivering the Future Generations vision.

Appendices :There appear to be a number of misunderstandings and misinterpretations within the appendices.

Appendix 1

The 1998 Crime and Disorder Act was a good deal more specific than is set out in this appendix. It also introduced the Anti-Social Behaviour Order to tackle and reduce a continuum of low-level activity. This was not intended to be used on children and young people, but the age was lowered in later legislation creating significant problems because teenagers lack a sense of "risk".

The requirement on responsible authorities to share evidence-based data was already set out in the 1998 Act and in any event was already the law. The requirements of the Police and Justice Act of 2006 illustrate above all else the innate reluctance of public bodies to understand the need to share data for the purpose of preventing and reducing crime. The requirement of annual rolling three-year community safety plans also existed from 1998 and despite the reinforcement in 2006. This has not always been observed.

The 2011 Act also embedded Commissioners within the requirements of the 1998 Act much more firmly than is suggested here.

I would argue that the Anti-Social Behaviour Crime and Policing Act of 2014 significantly weakened the powers to tackle antisocial behaviour.

Appendix 2

Reference is made in this appendix as the requirements of the Serious and Organised Crime Strategy and we need to be clear that these are not in conflict with local arrangements for Community Safety. These are two separate sets of requirements.

Welsh Government does have responsibility for Community Safety as a contributor and a designated body under the 1998 Crime and Disorder Act. What is far more significant is the responsibilities of Welsh Government for virtually every body that has an impact on levels of crime and disorder in the local area. That makes the establishment of Public Service Boards under the Future Generations Act a significant development into which community safety partnerships need to fit.

Collaboration between different organisations can be achieved in a variety of ways. For instance, in South Wales we have a Memorandum of Understanding which has been signed by the Police and Crime Commissioner and the Chief Constable, along with the Chair and Chief Executive of Public Health Wales.

This recognises the fact that many factors that have a detrimental effect on health also have a detrimental effect on community safety and the most significant developers the way in which we are working together to mitigate the impact of Adverse Childhood Experiences. [See Annex]

In relation to the role of Police and Crime Commissioners, the words are accurate, but the whole ethos of the role is to tackle crime and achieve community safety. Being able to commission community safety work is nothing like as important as the elements in the Police and Crime Plan and the way in which that is integrated into the work of other agencies in the local area. The Police and Crime Commissioner is above all else a force for reducing crime and increasing community safety.

The paragraph on local authorities states that "community safety partnerships are led by local authorities" but legal responsibility for leading the Partnership lies jointly with the local police and the local authority, while the other designated bodies are required to be fully engaged in the work of the community safety partnership and others (such as the voluntary sector and business) have to be invited to be involved.

Finally, there are additional responsibilities placed on Community Safety Partnerships by the Clean Neighbourhoods Act 2005 which included the words "including anti-social and other behaviour affecting the local environment" to the role of the Partnerships as set out in the 1998 Act. That seems to have been overlooked in this report.

Alun Michael

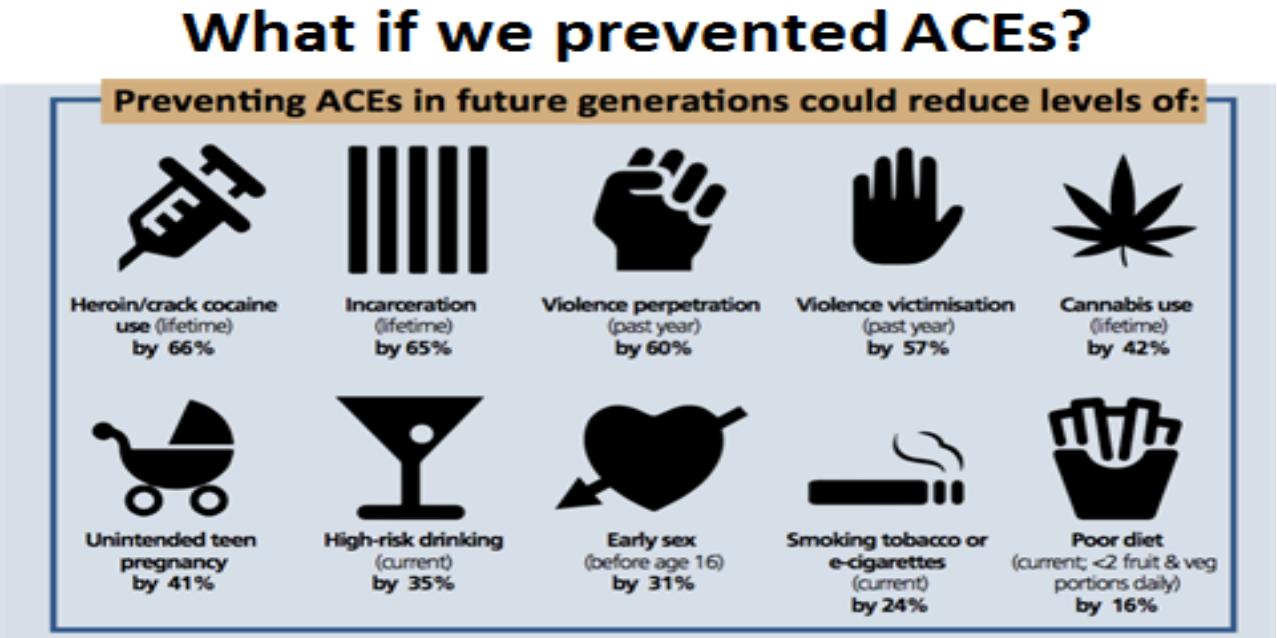
January 2017

Annex follows ……..

ANNEX

The following Graphic sets out the potential impact of preventing Adverse Childhood Experiences in Wales. While prevention is better than cure, those who experience ACEs may live for many years and we need to take steps to help individuals when the impact of ACEs emerge and reduce the potential negative impact on the community.

It will result of benefits both in terms of health and also in terms of the **reduced likelihood of offending**. That is at the heart of the South Wales Police approach of "Early Intervention and Prompt Positive Action" and the work we are undertaking in collaboration with Public Health Wales as well as (in relation to young offenders) the Youth Justice Board staff in Wales.



SWYDDFA COMISIYNYDD HEDDLU A THROSEDD GOGLEDD CYMRU
OFFICE OF THE POLICE & CRIME COMMISSIONER NORTH WALES

Mr Nick Ramsay AM
Chair
National Assembly for Wales Public Accounts Committee
National Assembly for Wales
Cardiff Bay
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Ein Cyf / Our Ref: AJ/AMJ/1432

13 January 2017

Dear Mr Ramsay AM

Thank you for your letter dated 15 December 2016 and the opportunity to share my views on the Auditor General for Wales' report on Community Safety in Wales. The Chief Constable and I have several concerns in relation to this report which we have shared with the Wales Audit Office, many of which I also refer to below.

Firstly, the report correctly identified that the definition of Community Safety is much broader than crime and includes environmental and quality of life issues. However, the focus of the report is very much on crime and did not consider the wider areas of Community Safety. To successfully review Community Safety in Wales all aspects of this subject should have been reviewed. I therefore question the methodology and the reliability of the evidence gathered during the compilation process for this report.

Given the report's focus on crime, it is disappointing that no police officers or police staff were included within the consultation process. The outcome of that lack of engagement is a report that demonstrates a lack of appreciation as to the existing statutory framework and the responsibilities that lie with me as the Police & Crime Commissioner, the Chief Constable and other agencies.

It also, in my view, offers a poor example of a single agency, narrow assessment of what is a broad topic. The report appears to contain a one dimensional approach to volume crime which fails to take into account the wider investment in the vulnerability agenda, including cyber-crime, Modern Slavery and Child Sexual Exploitation, amongst others, where significant investments and improvements have been seen.

The report consequently fails to engage Her Majesty's Inspectorate of Constabulary (HMIC) and others and also the plethora of performance information and data available including most obviously the Crime Survey England & Wales. Much of the data within the latter and other information available is in stark contrast to some of the asserted findings and recommendations.

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In reference to the recommendations, they do not support or reflect the importance of the Police and Crime Plan. There is no need for a national strategy. The strategy is set in Wales by the four Police and Crime Plans which are subsequently delivered through regional and local plans. Other recommendations made by the report are already in place and highlight the insufficient evidence gathering of this report[1].

The report highlights the need to demonstrate how my Plan was influenced by public consultation. I consult with the people of North Wales throughout the year whether it is an informal conversation at several events or during my formal consultation evenings and third sector event. I also open an online survey to the public to comment on my perspective policing priorities. The evidence gathered during these consultation evenings will be published on my website.

There are a number of examples of how I and North Wales Police engage with partners to deliver a range of community safety initiatives, many of which are included within the Safer Communities Board Regional Plan I refer to above.

In summary, I believe the report makes a number of assertions and sweeping recommendations based on little evidence base. The report states that comparisons have been drawn across Wales; however, a greater proportion of fieldwork appears to have been undertaken in North Wales which will not give a balanced view of the whole country. The report also does not appear to be representative of WG arrangements.

I would be happy to provide further detail if required and would also be happy to meet with the committee to discuss my concerns further.

Yours sincerely

Arfon Jones
Police and Crime Commissioner

c.c. Chief Constable Mark Polin

[1] Recommendation 3 and 4 suggest further planning is required through the creation of action plans and pooled budgets. These measures are already in place with the Safer Communities Board and its Regional Plan which seeks to achieve the same outcomes as my Police and Crime Plan.

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25 January 2017

Nick Ramsay AM

Chair of Public Accounts Committee, National Assembly for Wales

Dear Nick

Wales Audit Office Community Safety Review

Many thanks for your recent correspondence seeking the views of Police and Crime Commissioners (PCCs) regarding the above report and recommendations. Essentially the recommendations aim to put Community Safety working on a more formal footing in Wales with better planning, performance management and audit structures, more visibility from Public Service Boards and more joined up budgets. Whilst there is nothing here with which I would disagree, the report lacks some significant detail in terms of when and how this will happen and who is to be held responsible. The report serves to reinforce the existing and indeed ongoing issues experienced by partners within the Community Safety arena but provides only limited direction in terms of the necessary responses.

Early discussions between my office and the Wales Audit Office team indicated that a regional Community Safety Partnership footprint would be recommended; this would have been highly favourable for Commissioners along with a number of other partner agencies. However, this recommendation appears to have been diminished within the final report. There is mention within the report, rather than explicitly within the recommendations, of regional partnerships with the report stating that PCCs have been central to driving this forward in many areas. The report references both North Wales and Gwent's positive approaches to regional working arrangements and I am currently working with partners within Dyfed Powys regarding the benefits of a Force-wide approach and joint funding.

I welcome the move towards pooled budgets, but again this needs commitment from Welsh Government and other funders to deliver grants with these terms and conditions attached. This recommendation is the joint responsibility of Welsh Government, Police and Crime Commissioners and Local Authorities and therefore needs more drive to ensure it is delivered. Effective joint commissioning of services involves much more than merely pooling budgetary arrangements. Within Dyfed Powys we are currently taking a collaborative approach to the VAWDASV agenda, with the ultimate aim of joint commissioning of Independent Domestic Violence Advisory services. The work involved in reaching this goal should not be underestimated.

I would keenly support the recommendation to establish effective performance management; currently only one of the Community Safety Partnerships within Dyfed Powys works to an agreed performance framework although this is still under development as it doesn't yet reflect the priorities of all partner agencies. There is a distinct lack of performance information shared at partnerships; whilst all constituent members provide updates on organisational performance, they fail to identify those areas where joined up working is adding value and there is no measurement of the outcomes achieved.

The report highlights the fact that consulting local people has not typically formed part of the process of identifying community safety priorities. The review of key plans concluded that only 6 of the 20 community safety partnerships have effective consultation approaches with the public. Through the public survey, Wales Audit Office also found that 91% of citizens who responded to the survey stated that they were unaware of how their community-safety partnership consulted or engaged with them when developing their priorities for community safety. Police and Crime Commissioners are vital in providing this community engagement that is so clearly missing. This is something I am personally committed to and have already established links with numerous community groups, along with seeking input from local communities for both the recruitment of a new Chief Constable and to inform the development of my Police and Crime Plan. I have recently recruited two Community Engagement Officers to join my team; these roles will help to build a more informed and effective relationship between local communities and my office and are in a position to work with Community Safety Partnerships to improve further engagement opportunities.

The report references the limited safety information or self-help facilities on many Community Safety Partnership websites, with no performance information and no 'Have Your Say' section. Wales Audit Office states that "as a result it is hard to see how the public can take responsibility for their own safety…which is a missed opportunity to engage with younger people". I am working closely with partners to encourage a more collaborative approach to media and communications and I plan to launch a specific youth strategy to align with my new Police and Crime Plan to ensure that the needs and views of young people are identified and incorporated into service planning and delivery.

The response from Welsh Government correctly highlights the additional complexities faced within Wales as a result of devolved and non-devolved policies and recognises that current arrangements are not sustainable in the long term. I welcome the commitment from Welsh Government to review and refresh the arrangements for Community Safety in Wales and I believe that if all stakeholders remain open to addressing these issues then together we can achieve the required efficiencies and improvements.

Furthermore Police and Crime Commissioners, as the elected representatives with responsibility not only for Policing but actively working across a wide range of responsibilities, must be seen as the leaders in this activity. PCCs have the opportunity to significantly impact and influence the Community Safety agenda in Wales. Welsh Government and Local Authorities, along with other partners, must work with PCCs to achieve these shared goals.

Yours sincerely,

Dafydd Llywelyn
Police and Crime Commissioner

Archwilydd Cyffredinol Cymru
Auditor General for Wales

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Mr Arfon Jones
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Date: 23 January 2017
Our ref: HVT/2673/caf
Page: 1 of 3

Dear Arfon

Public Accounts Committee – Review of community safety in Wales

I am writing with regard to your letter of January 13th to the Chair of the Public Accounts Committee in respect of the above. There are a number of remarks in your letter which I feel it would be helpful for me to comment on and bring to your attention, given your election to the office of Police and Crime Commissioner came mid-way through delivery of this study.

Firstly, you note that "*the focus of the report is very much on crime and did not consider the wider areas of Community Safety. To successfully review Community Safety in Wales all aspects of this subject should have been reviewed*". The focus of the report is not based solely on crime and in fact refers to a number of areas and some good practice examples which are not directly related to crime. The evidence gathered was from a large number of stakeholders including those who work directly with community safety partnerships and judges the priorities set by organisations and how well they work together to address these.

You also note that "*the report appears to contain a one dimensional approach to volume crime which fails to take into account the wider investment in the vulnerability agenda, including cyber-crime, Modern Slavery and Child Sexual Exploitation, amongst others, where significant investments and improvements have been seen*". The study was focussed on reviewing whether Welsh Government, Police and Crime Commissioners and Community Safety Partnerships are working effectively together. This was set out in the project brief provided to all bodies and I attach

a copy for your information. You will see that the focus of the study is clearly set out in paragraphs 11 and 12 and is concentrated on reviewing the "*effectiveness of leadership, accountability, planning and delivery of community safety in Wales*".

You state that "g*iven the report's focus on crime, it is disappointing that no police officers or police staff were included within the consultation process. The outcome of that lack of engagement is a report that demonstrates a lack of appreciation as to the existing statutory framework and the responsibilities that lie with me as the Police & Crime Commissioner, the Chief Constable and other agencies*".

The proposed Local Government study for community safety was provided to public bodies, including statutory partners within community safety partnerships. With regard to North Wales Police specifically, the project brief for the study was provided to the North Wales Police and Crime Commissioner and Police Force in July 2015 and was discussed beforehand with both the Deputy Police and Crime Commissioner for North Wales and Deputy Chief Constable of North Wales Police in March 2015. These discussions resulted in agreement on the staff the Wales Audit Office would interview as part of the study.

Further to this, in the 2015 local Audit Plan I outlined my performance audit work programme and noted this would include a review of the effectiveness of the Commissioner's collaboration and partnership arrangements, including the work of community safety partnerships. My Annual Audit Letter to the Police & Crime Commissioner for North Wales and Chief Constable of North Wales Police published in November 2015 provided an update against these commitments and included in paragraph 15 a short summary of progress on the community safety study.

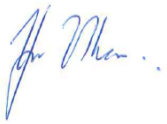
In addition to and during our fieldwork at North Wales, we interviewed the then Deputy Police and Crime Commissioner and the Commissioner's Commissioning Officer as well as a number of police officers, Fire officers, Health Trust officers and other Community Safety Partnership members including several members of the North Wales Safer Communities Board. We also surveyed members of individual Community Safety Partnerships in North Wales. Finally, we also provided each Police Force area with a specific local report, including North Wales, which was cleared and finalised with North Wales Police and issued in November 2016.

You further note that the report "*consequently fails to engage Her Majesty's Inspectorate of Constabulary (HMIC) and others and also the plethora of performance information and data available including most obviously the Crime Survey England & Wales*". Wales Audit staff informed HMIC of the study on 17th July 2015. Wales Audit staff liaised regularly with HMIC to minimise the risk of overlap with work they are undertaking or planning.

Finally, your comment that "*there are a number of examples of how I and North Wales Police engage with partners to deliver a range of community safety initiatives, many of which are included within the Safer Communities Board Regional Plan*". The report highlighted the positive work of the Safer Communities Board (page 23 paragraph 1.27 of my report) and we include a range of initiatives and approaches delivered in North Wales as good practice examples where they relate to community safety matters. For instance, work in Wrexham, Denbighshire and Conwy set out on page 78 of my report. These are all examples of wider community safety improvement work.

A copy of this letter, as yours, goes to Nick Ramsay AM.

Yours sincerely



HUW VAUGHAN THOMAS
AUDITOR GENERAL FOR WALES

Enc: Project Brief – All Wales Local Government Improvement Study: Community Safety Partnerships

cc: Mr Nick Ramsay AM, Chair, Public Accounts Committee

Archwilydd Cyffredinol Cymru
Auditor General for Wales

WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

All Wales Local Government Improvement Study: Community Safety Partnerships

Project Brief

Audit year: 2015-16

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This document was produced by Duncan Mackenzie and Gareth Jones.

Contents

Project Brief

Background to the study

1. In a recent letter to local government chief executives, the Auditor General set out his programme of all Wales local government studies for 2015-16. Following consultation, the Auditor General decided that one of his studies would focus on Community Safety Partnerships (CSPs). This project brief sets out why we are undertaking the study and outlines its focus and the methodology, outputs and timing.

The purpose of the study

2. Community safety is a complex issue that relates to people's sense of personal security and their feeling of ease in the places that they live, work and spend leisure time. It affects how they value their neighbourhood and it plays a major part in influencing whether a neighbourhood is a good or bad place to live. Exhibit 1 shows that across Wales, the number of recorded offences has fallen by 50,000 in the last four recorded years, from 221,000 in 2009-10 to 172,000 in 2013-14.

Exhibit 1: The number of recorded offences has fallen between 2009-10 and 2013-14

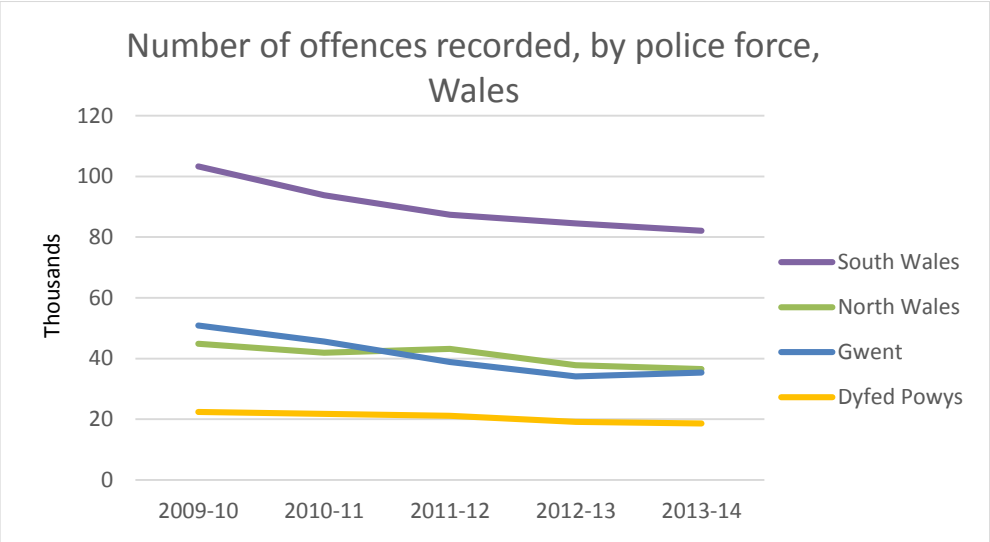
The number of recorded offences is falling in Wales.

Source: Office for National Statistics, Crime in England and Wales.

3. This decrease in recorded crime between 2009 and 2014 has occurred in all four Welsh police force areas, with the largest percentage drop being in Gwent. However, Gwent also recorded a slight increase in recorded crime in 2013-14.

Exhibit 2: The number of recorded offences has fallen in all four police force areas from 2009-10 to 2013-14

All Welsh Police Forces have seen a fall in recorded crime.



Source: Office for National Statistics, Crime in England and Wales.

4. However, the rates of improvement are decreasing and in some forms of crime (for example domestic abuse, sexual crime and hate crime) are increasing according to the very latest data. This highlights the importance of good data and real time decision making to ensure performance is focussed on addressing the key priorities.

5. Community Safety Partnerships are statutory bodies under the Crime and Disorder Act 1998. By law, all CSPs must include membership from five 'responsible authorities' – Police; Local authority; Fire and Rescue authority; Probation; and Local Health Boards. Community Safety Partnerships have a statutory duty to work together to:

- reduce reoffending;
- tackle crime and disorder;
- tackle anti-social behaviour;
- tackle alcohol and substance misuse; and
- tackle any other behaviour which has a negative effect on the local environment.

6. Policing and crime is not a devolved issue, so legislation made in Westminster applies to Wales. However, CSPs can function differently in Wales to England. The role and function of CSPs can be transferred to the Local Service Board, and the reporting requirements of CSPs can be assumed into single integrated plans at a local level. Community Safety Partnerships can also cover more than one local authority area, as in Gwynedd and the Isle of Anglesey.

7. The Welsh Government has prioritised its community safety work through Theme 10 of its Programme for Government[1], which outlines four core areas of focus:

- reducing the level of crime and fear of crime;
- reducing harms associated with substance misuse;
- reduction and prevention of youth offending; and
- improving safety in communities.

8. The varied way that CSPs can be structured, the complication of a non-devolved function, the impact of austerity and reduced budgets to all areas of the public sector have made the landscape in which CSPs operate challenging.

9. However, the impact of crime and the fear of crime on people's lives are so great that the structures put in place to tackle this must be given the best chance to succeed. Community Safety Partnerships are the primary tool at a local level for achieving this reduction in crime and the fear of crime. Community Safety Partnerships can utilise the expertise and resources of a number of public sector organisations and have the ability to allocate large amounts of the public purse to the development and implementation of local strategic priorities. Community Safety Partnerships also have a statutory duty through legislation to work towards a number of goals. Therefore, it is in the public's interest that the effectiveness of CSPs and the impact of their work in delivering improvement within their communities are assessed.

Focus of the study

10. Community Safety Partnerships operate in a complex network of relationships and roles, with leadership, accountability and delivery spread across Welsh Government, Police and Crime Commissioners and local authorities. The role of different organisations on different issues adds a further complication to what is a very complex operating environment. This makes it difficult to quantify who is responsible and accountable for community safety and it is not always clear how local priorities have been shaped by public and stakeholder engagement, especially in long-term planning.

11. Our proposed study will therefore look at the effectiveness of leadership, accountability, planning and delivery of community safety in Wales. This study will make no judgement on the level or appropriateness of Home Office funding but will consider the Welsh Government's leadership and policy role, together with the way it uses funding to target and deliver community safety initiatives. The four Welsh Police and Crime Commissioners will also be reviewed, as well as the role of local authorities. The study will review the effectiveness and impact of joint working at a national, regional and local level in delivering improvement. It will focus on outcomes and will refer to CSPs working elsewhere in the UK.

[1] http://gov.wales/about/programmeforgov/?lang=en

12. We will also look at funding for CSPs. Community Safety Partnerships are becoming increasingly reliant on charitable and Welsh Government grants, as opposed to pooling budgets through the integration of partners' workstreams. Accessing new funding streams is important because of the cuts made to Home Office and other community safety budgets. Community Safety Partnerships have a statutory function and complex issues to tackle, but with little resource. Partnerships can often be seen as a 'soft option' for cuts in local authority provision.

13. We will look at how CSPs have managed to maintain their function and role with less resource and more demands placed on the time of officers. Community Safety Partnerships have 155 performance indicators to report on, as well as establishing links with the relevant sections in Programme for Government and other local strategic plans. We will look at how CSPs use these performance indicators and other data to identify local priorities, measure impact, raise the public's understanding of community safety, and link with other Partnerships, strategies and action plans operating within their areas.

14. We will also look at how CSPs are preparing for the Wellbeing of Future Generations Act, and the changes this will bring to the planning, responsibility and monitoring of community safety at a local level in Wales.

Key Study Question

15. The study is seeking to answer the following main question: **Are Welsh Government, Police and Crime Commissioners and Community Safety Partnerships (CSPs) working effectively together to tackle crime and other public safety issues that have a negative effect on people's wellbeing?**

Methods

16. The fieldwork will be carried out between July 2015 and October 2015 and will include:

- A survey of members of all 20 CSPs in Wales.
- A national survey open to all citizens in Wales to give their views about community safety leadership and engagement by CSPs with local communities in setting priorities.
- Interviews with other key stakeholders including:
  - Welsh Government;
  - the four Police and Crime Commissioners;
  - the Home Office Crime Team for Wales;
  - National Offender Management Service;
  - Probation Services;
  - Welsh Local Government Association; and
  - voluntary and third sector partners such as Victim Support.

- A literature review of relevant plans, strategies and other outputs from all CSPs, Police and Crime Commissioners and Welsh Government.
- An assessment of the financial position of CSPs. This will focus on the resources available to manage the CSPs themselves, resources directed towards meeting the aims and objectives of the CSPs, and any resources accessed from external sources by the CSP (for example, grants and charitable funding).
- Additionally, we will carry out detailed fieldwork in six local authority areas:
  - Wrexham;
  - Conwy and Denbighshire;
  - Ceredigion;
  - Bridgend;
  - Swansea; and
  - Cardiff.

17. All fieldwork will be delivered by Wales Audit Office staff. All fieldwork will be set up through the project support officer (contact details below) and the local Wales Audit Office regulatory teams will be notified of the fieldwork.

Interviewees

18. In each of the six fieldwork CSPs we wish to interview the following officers. We estimate that a maximum of one and a half hours will be required for each interview. The fieldwork team will be based in each CSP area for one week.

Level	Interviewees
Community Safety Partnership	Chair and a selection of responsible authority members of CSPs – Police; Local authority; Fire and Rescue authority; Probation and Local Health Board. Police and Crime Commissioner Local Authority Member with portfolio responsibility CSP co-ordinators and officers Directors, Heads of Service and officers with community safety responsibility Police and Crime Panel representatives

19. At a national level, we will be interviewing representatives of the following organisations.

Level	Interviewees
National	Welsh Government Welsh Local Government Association Association of Chief Police Officers Cymru Association of Community Safety Officers/ CSPs Home Office Crime Team for Wales National Offender Management Service Wales Community Rehabilitation Company National Probation Service Wales Youth Justice Board Wales Citizens Advice Cymru Welsh Council for Voluntary Action Alcohol and substance misuse charities Welsh Women's Aid Victim Support Age Cymru Race Equality First Crimestoppers Cymru

Outputs

20. The outputs for this work will include:

- a national report on the findings from the local government study;
- a short summary of key findings for PCC areas covering regional issues and variations; and
- work with key stakeholders to promote and disseminate our key findings on completion of the study.

Timing

21. An indicative timetable for undertaking the work and producing the local and national outputs is set out below:

Activity	Timetable
Distribution of study brief to Councils, Police and Crime Commissioners and Welsh Government	July 2015
Police and Crime Commissioners fieldwork	July 2015 to September 2015
National level fieldwork	July 2015 to September 2015
Community Safety Partnership and council fieldwork	September 2015 to December 2015
On line surveys	August 2015 to October 2015
Drawing conclusions	January 2016
Drafting National Report	March 2016
Clearance	May 2016
Publish National Report	June 2016
Dissemination of key findings with partners and stakeholders	June 2016 onwards

Study Team Contacts

22. The contacts for the Wales Audit Office study team are as follows:

Project Manager	Performance Auditor	Performance Auditor
Nick Selwyn Nick.selwyn@audit.wales Telephone: 02920 320 500 Mobile: 07815 955389	Duncan Mackenzie Duncan.mackenzie@audit.wales Telephone: 02920 320 500 Mobile: 07773 945181	Gareth Jones GarethP.jones@audit.wales Telephone: 02920 320 500 Mobile: 07970 737433
Project Support Officer	**Performance Audit Lead for Police work**	**Contractor**
Emily Owen Emily.owen@audit.wales Telephone: 02920 320 500	Andy Bruce Andy.bruce@audit.wales Telephone: 07919 164779	Steve Frank steve@collinsfrank.com Telephone: 07876 144846

Document and key contact request

23. The following is a list of suggested documents that we would wish to review. The list is not exhaustive and we will be informed by discussions with CSPs, Police and Crime Commissoners' offices and local authorities:

Document
Annual Community Safety review for 2013-14 and 2014-15
Current Community Safety plan/strategy
Community Safety Partnership scheme of delegation and constitution
Funding information: • Grants for community safety work; • CSP budgets; • Police and Crime Commissioner budgets for community safety work; and • Welsh Government funding on community safety work.

24. Please submit all documents to emily.owen@audit.wales by Friday 10 July 2015.

25. In addition, we request that each Council and Police and Crime Commissoner's Office provide a key contact for liaison and engagement purposes with the Wales Audit Office for this study. Those contact details should be provided to emily.owen@audit.wales by **Friday 10 July 2015**.

Regulatory Team Contacts

26. The Wales Audit Office Regulatory Team contacts are as follows:

Local Government Region and Police Authority	Councils	Wales Audit Office contacts for the region
South East Wales	• Newport • Torfaen • Monmouthshire • Blaenau Gwent • Caerphilly • Cardiff	Non Jenkins – non.jenkins@audit.wales David Wilson – david.wilson@audit.wales Martin Gibson – martin.gibson@audit.wales Chris Pugh – chris.pugh@audit.wales Lisa Williams – lisa.williams@audit.wales
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South Wales	• Vale • Bridgend • NPT • Swansea	Steve Barry – steve.barry@audit.wales Samantha Clements – samantha.clements@audit.wales
Police and Crime Commissoners	• Dyfed-Powys Police • Gwent Police • North Wales Police • South Wales Police	Andy Bruce – andy.bruce@audit.wales

27. The Regulatory team has responsibility for overall delivery of the Wales Audit Office programme of performance audit work at each council. With regards to this particular study, engagement will be coordinated by the study team and all liaison should take place with the study team as set out in paragraph 22 above.

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Agenda Item 8

Document is Restricted

Y Pwyllgor Cyfrifon Cyhoeddus / Public Accounts Committee
PAC(5)-04-17 P8

December 2016

Archwilydd Cyffredinol Cymru
Auditor General for Wales

Managing medicines in primary and secondary care

WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

I have prepared and published this report in accordance with the Government of Wales Acts 1998 and 2006.

The Wales Audit Office study team comprised Tracey Davies, Kate Febry, Phil Jones, Stephen Lisle, Elaine Matthews, Mandy Townsend and Sara Utley under the direction of David Thomas.

Huw Vaughan Thomas
Auditor General for Wales
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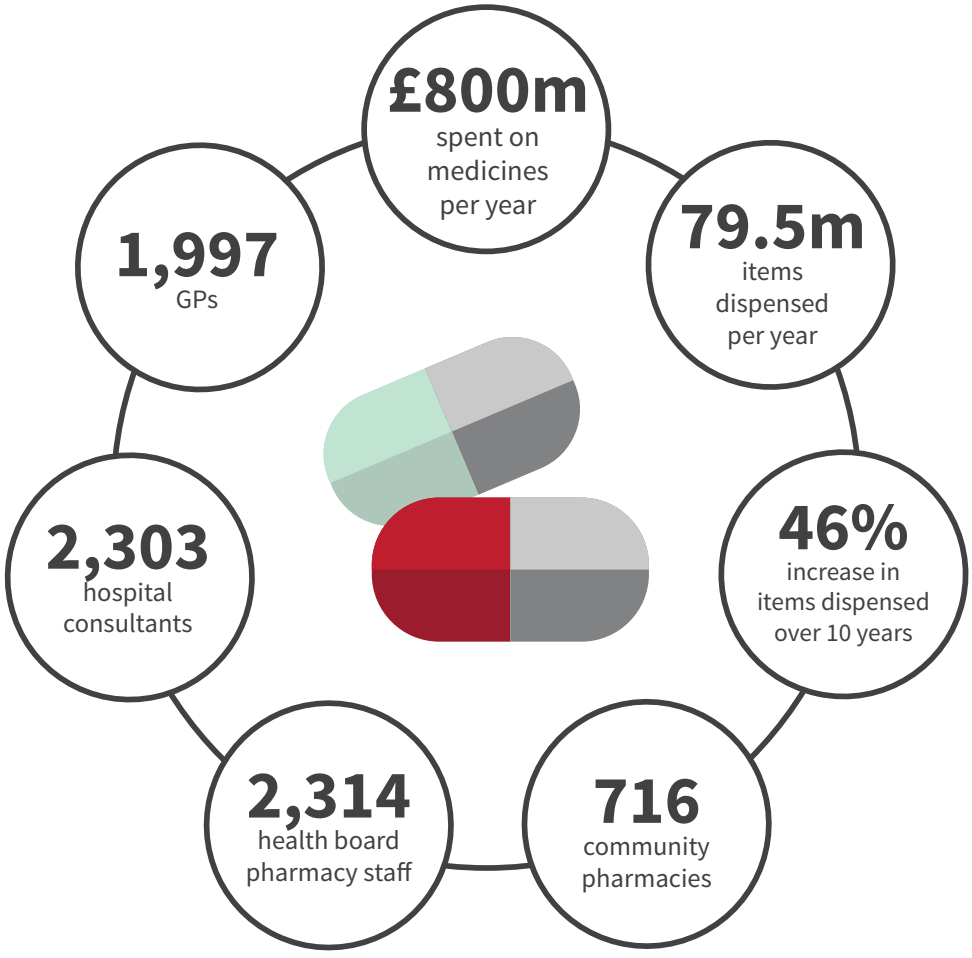
Contents

Summary report

Background

1 The most common therapeutic intervention in the NHS is the prescribing of medicines[1] and demand for medicines is growing. Exhibit 1 highlights some key statistics about the use of medicines in NHS Wales.

Exhibit 1 – Key statistics about medicines in Wales

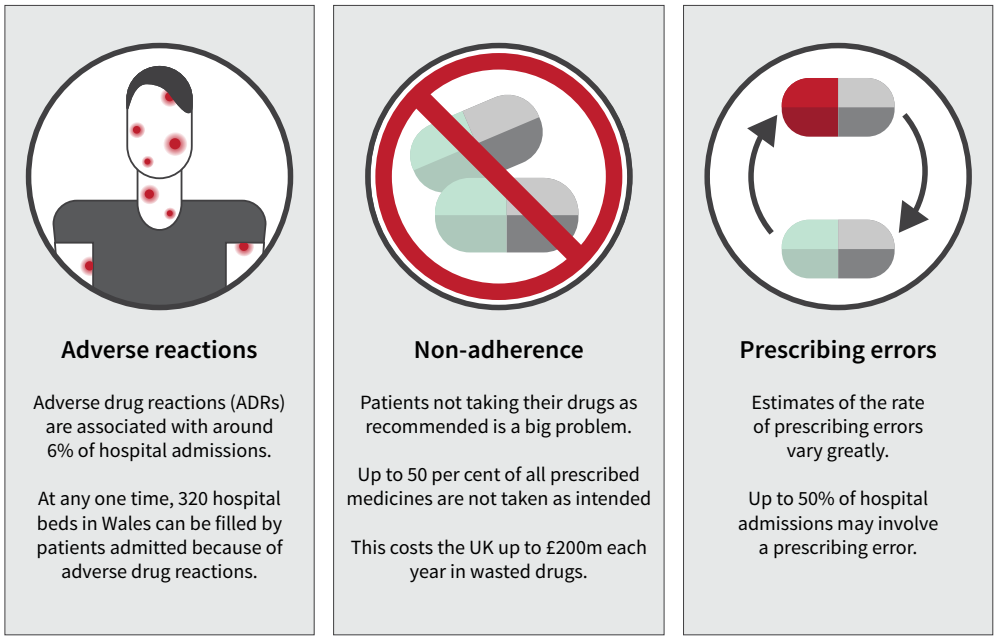


Sources: Cost data are from the All Wales Therapeutics and Toxicology Centre report NICE 'Do not do' Recommendations, April 2015. Dispensing data are from StatsWales in 2015 and relate to items dispensed in the community. GP numbers are from Statistics for Wales release SDR 41/2016. Consultant numbers are from SDR 38/2016. Community pharmacy data are from Statistics for Wales release SDR 166/2015. Data on staff numbers are from the All-Wales Resourcing Mapping Exercise 2014.

1 **Improving Medicines Management webpage on the 1000 Lives website, NHS Wales.**

2 The Welsh Government has emphasised the importance of prudent prescribing[2] in responding to challenges of rising demand and austerity. The Prudent Healthcare campaign states that whilst medicines can extend people's lives, they can also reduce the quality of life and directly cause hospital admissions. Exhibit 2 highlights the main sources of harm to patients from poor medicines management. Given the cost of medicines, the rising demand and the potential for harm to patients from inappropriate prescribing, it is important that the NHS uses medicines effectively to ensure patients get good outcomes from their treatment and that maximum value is secured from this expenditure.

Exhibit 2 – Key facts about the three main sources of harm from medicines



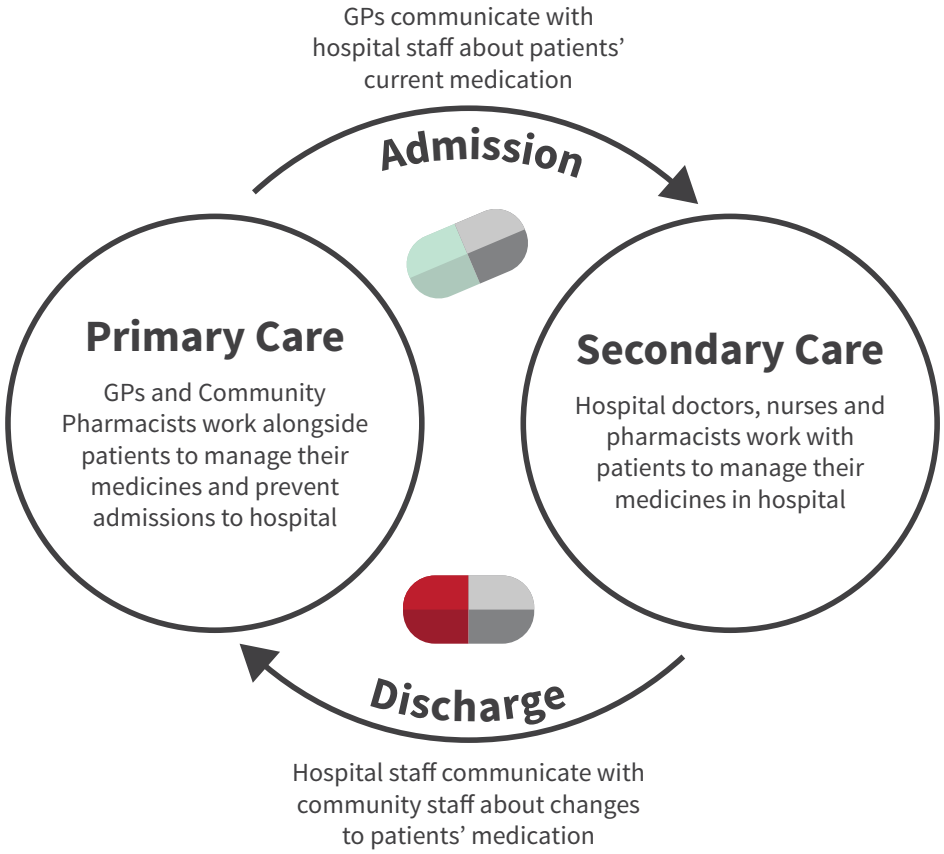
Source: See footnotes 3, 4, 5, 6, 7

2 **Better health outcomes and safer care through prudent prescribing webpage on the Making Prudent Healthcare Happen website**
3 Pirmohamed et al, **Adverse drug reactions as cause of admission to hospital: prospective analysis of 18820 patients, British Medical Journal**, 2004; 329 (7456), 15-19.
4 **Better health outcomes and safer care through prudent prescribing webpage on the Making Prudent Healthcare Happen website**
5 Lewis et al, **Prevalence, incidence and nature of prescribing errors in hospital inpatients: a systematic review**, Drug Saf 2009; 32:379-89.
6 1000 Lives Plus, **Achieving prudent healthcare in NHS Wales**, June 2014.
7 Royal Pharmaceutical Society of Great Britain, From Compliance to Concordance – Achieving Partnership in Medicine-Taking, RPSGB, London, 1997. Shapps, Grant, **A bitter pill to swallow: A report into the cost of wasted medicine in the NHS**, June 2007.

3 Making the best use of medicines is just as important in primary care[8] as it is in hospital (secondary care) and good communication about medicines is particularly important when people are admitted to hospital or are discharged from hospital. When people move from one care setting to another, poor communication can lead to poor continuity of care and subsequent problems with patients' medicines.

4 Exhibit 3 highlights that various groups of healthcare professionals need to be involved to ensure good medicines management in primary and secondary care.

Exhibit 3 – Good medicines management involves numerous professionals working in partnership with the patient, particularly at admission and discharge from hospital



Source: Wales Audit Office

8 Primary care prescribing relates predominantly to the prescribing of medicines by GPs but can also include the supply of devices and dressings. GPs are responsible for the majority of prescribing although other professionals including district nurses, community and practice nurses, pharmacists and optometrists can advise and prescribe in certain circumstances.

5 The Auditor General reviewed primary care prescribing at all health boards in late 2013 and 2014.[9] The work examined issues such as the strategic planning of prescribing, the delivery of national prescribing priorities and the opportunities for securing cost and quality improvements. In August 2015, auditors assessed the progress that health boards had made in implementing audit recommendations.

6 During 2015, auditors also reported findings from local work which examined the adequacy of hospital pharmacy facilities, pharmacy staffing levels and the effectiveness of a range of processes related to the use of medicines in hospitals.

7 This report brings together the key messages from all of the Auditor General's local work on medicines management. A number of recommendations are made which are designed to help strengthen medicines management arrangements in NHS Wales, and support wider prudent prescribing aims. The recommendations in this report supplement and build upon those already made to individual NHS bodies in local audit reports.

8 The key findings are summarised below, and are grouped into the following areas:

- corporate arrangements for managing medicines in NHS bodies;
- primary care prescribing;
- management of the prescribing interface between primary and secondary care; and
- medicines management in acute hospitals, with a specific focus on pharmacy departments.

9 Wales Audit Office work on Primary Care Prescribing. We reported at all health boards between August 2013 and March 2014. We updated our findings in August 2015 when health boards completed a self-assessment of their progress in implementing our previous recommendations.

Key findings

9 Our overall conclusion is:

a **We found many good aspects of medicines management, and health bodies are collaborating well to improve services. Nevertheless, medicines management needs a higher profile within health bodies.**

b **Whilst NHS Wales is taking positive steps to improve primary care prescribing, there is further scope to make quality and cost improvements.**

c **In hospital, pharmacy services are rated highly by NHS staff but there are problems with medicines storage, gaps in information about medicines, and the delay in implementing a national electronic prescribing system is frustrating efforts to improve safety and efficiency.**

10 Our key findings are set out in the paragraphs below.

Corporate arrangements: Health bodies are collaborating well but there is scope to raise the profile of medicines issues, improve local planning and strengthen scrutiny of performance

11 Health bodies are working well together to contribute to the national strategic direction for medicines and prescribing, although these bodies have made mixed progress in developing their own local plans for medicines management.

12 There is a well-defined national process for appraising new medicines and deciding whether they should be used in the NHS in Wales. However, we are aware of three instances where such decisions have been taken outside the national process, which risks undermining the agreed approaches.

13 There is a need to strengthen the planning of pharmacy workforce and resources. There are limitations in the current data on pharmacy staffing levels, which makes it difficult to compare health bodies and complicates health bodies' workforce planning. Chief pharmacists told us there would be benefits from agreeing a national service specification for pharmacy services. The specification could facilitate planning by standardising descriptions of services and estimating the resources required.

14 There are specific committees related to medicines at all health bodies but we found that these committees tend to be driven by pharmacists and would benefit from more involvement from medical and nursing staff.

15 There is scope to raise the profile of medicines management issues in most health bodies. The Trusted to Care report raised the profile of particular issues, such as the way that medicines are administered to patients and the storage of medicines in hospital, but there is a risk that this focus will not be sustained. We also found that the focus on medicines waned during the period when National Prescribing Indicators were removed from the NHS Wales performance management framework.

16 Monitoring of prescribing performance focuses on the quantity of drugs prescribed and expenditure. There is little consideration of whether the right patients are receiving the right medicines and whether medicines use is being optimised and is making a difference to people's health outcomes. A key barrier to the recording of prescribing information in hospital is that the wards tend to have manual, paper-based recording of medicines information. Implementing electronic prescribing systems would provide a platform for the routine capture of electronic information about prescribing that should facilitate better monitoring of performance.

Primary care: NHS Wales is taking positive steps to improve medicines management in primary care although there is scope to make prescribing safer and more cost effective

17 NHS Wales has taken steps to improve prescribing expertise in primary care teams. The introduction of cluster pharmacists to support medicines management in small numbers of GP surgeries has been well received. There has also been an expansion in the range of services involved in managing people's medicines in the community.

18 Homecare medicines services involve the delivery of medicines to patients' homes and now cost around £52 million per year in Wales. These homecare services can be convenient for patients and can save health bodies money but there are also some risks associated with outsourcing these services to private companies. NHS Wales recognises these risks and has taken steps to improve governance of these services.

19 Joint working between health boards and GPs to focus on prudent prescribing practices has secured improvements in recent years in aspects of prescribing that relate to patient safety and quality of care, as well as cost reductions. However, scope for further improvements exists and this report points to opportunities for better quality prescribing in relation to antibiotics, analgesics, preventative asthma medicine and drugs used to treat certain mental health conditions. Securing these and other improvements can also release further financial efficiencies, and this report highlights scope for around £8.3 million in savings through improved prescribing practices. It is important to note, however, that health bodies' efforts to reduce the total cost of medicines is complicated by fluctuating drug prices, rising

demand for certain medications and the frequent emergence of new and expensive medicines. Nevertheless, the Welsh Government has estimated that around £10 million in possible savings is available by reducing wasted medicines.

20 When people have problems with the management of their medicines in the community it can lead to them being admitted to hospital. Weaknesses in recording such instances means the extent of medicines-related admissions is difficult to quantify.

Interface between primary and secondary care: There are medicines-related safety risks and inefficiencies when people move in and out of hospital

21 When patients move between primary care and secondary care settings, it is important that information about their prescribed medicines transfers with them. Good communication between the GP and the hospital can prevent errors and inaccuracies about people's medicines and reduce the risk of avoidable harm to patients. Local audit work found that there is often poor transfer of information about patients' medicines when they are admitted to hospital, and when they are discharged back to the GP. Problems typically centred on the quality and timeliness of medicines information and access to systems that can help facilitate good exchange of information. Whilst a system called the GP Record provides hospital staff and community pharmacists with summary information about patients' normal medications, the system has only been made available to a limited range of staff, and only for patients admitted as emergencies.

22 When a patient is being discharged from hospital, a community pharmacist may be asked to carry out a Discharge Medicines Review (DMR) soon after the patient's return home. The review aims to ensure that changes to the patients' medication are continued appropriately in the community. The Welsh Government intends to increase the rate of DMRs and is investing in technology to make DMRs easier but auditors found wide variation in the current extent of DMR use across Wales.

Acute hospitals: Pharmacy services are rated highly by medical and nursing staff but there are problems with medicines storage, gaps in medicines information and there is frustration at delays in implementing electronic prescribing

23 In Welsh hospitals, the prescribing process is paper-based. Prescribers in hospital write prescriptions on paper drug charts which are used by pharmacy staff to dispense the medicines. The drug chart reviews we carried out in a sample of wards found some gaps in the medicines information recorded, with a small number of charts not having the requisite information on patients' medicines allergies, and some instances of unclear recording of whether or not patients had received the doses of medicines they were due.

24 The introduction of electronic prescribing systems could have significant benefits by facilitating quicker, safer and cost-effective transfer of information. There has been a national plan to implement electronic prescribing since 2007 and throughout our work staff expressed frustration at the time it is taking to implement electronic prescribing and medicines administration. Roll out of electronic prescribing is not due until 2023.

25 Our visits to hospital pharmacies concluded that, in general, they comply with key national requirements for pharmacy facilities. Boundary security and monitoring of fridge temperatures are generally sound, although there is scope to improve the storage and security of medicines within pharmacy departments and on the wards.

26 Medicines management is a multi-disciplinary process and we found good relationships on hospital wards between pharmacy, medical and nursing staff. Doctors and nurses generally consider pharmacy services to be accessible and responsive to their needs, although less so outside normal working hours. Most health bodies are considering extending pharmacy hours but no health body has yet developed a clear, sustainable plan for seven-day pharmacy services.

27 A report[10] from England has highlighted the importance of pharmacy teams spending more time on patient-facing, clinical services, rather than back-office services. Whilst there are limitations in the current data on pharmacy staffing levels, we found there is a need for more consistent clinical pharmacy input on the wards and to spend more time educating patients and supporting them to take medicines correctly.

10 Lord Carter of Coles, **Operational productivity and performance in English NHS acute hospitals: Unwarranted variations**, February 2016.

Recommendations

28 Recommendations made here are in addition to those we have made at each health body.

Recommendations	
R1	Electronic prescribing systems have significant potential to improve safety and efficiency. There has been a national plan to implement electronic prescribing in secondary care since 2007 but no hospital in Wales is using electronic prescribing on its wards. The Welsh Government, NHS Wales Informatics Service (NWIS) and all health bodies should agree a detailed, time-bound plan for implementing electronic prescribing systems in secondary care, along with a clear process for monitoring the delivery of the plan.
R2	The Trusted to Care report led to the development of an all-Wales policy and patient safety notice on medicines administration, recording, review and storage (MARRS) as well as the introduction of a new mandatory training programme for all staff involved in medicines administration. Nevertheless, our visits to hospital wards found safety issues caused by incomplete information on drug charts, making it unclear whether patients had received their medicines as intended. We also found that some health bodies are securing benefits from using automated vending machines for medicines although these are not yet commonplace on hospital wards. a The Chief Pharmaceutical Officer for Wales should lead national reviews to assess each health body's compliance with the MARRS policy, to assess the effectiveness of the new mandatory training programme on medicines management and to assess the long-term sustainability of actions taken in each health body to address all medicines-related findings from Trusted to Care. b Each health body should develop a time-bound plan for improving storage and security of medicines on hospital wards, including specific consideration of the benefits of implementing automated vending machines.
R3	Prescribing and medicines management need a higher profile within health bodies. The Trusted to Care report has raised the profile of certain issues but there is a risk that this focus will not be sustained. Pharmacy is not well represented at Board committees and not all Chief Pharmacists report directly and regularly to an executive director. a Health bodies should ensure their Chief Pharmacist is, or reports directly to, an executive director. b Health bodies should have an annual agenda item at the Board to discuss an annual report covering pharmacy services, medicines management, primary care prescribing, homecare medicines services and progress in addressing the issues identified in Trusted to Care.

Recommendations	
R4	We found limitations in workforce planning information and there is no definitive guidance to help health bodies calculate the resources they need to deliver pharmacy services. There are also specific workforce challenges, such as the need for more consistent clinical pharmacy input on hospital wards and for hospital pharmacy staff to spend more time supporting patients to take their medicines correctly. Chief Pharmacists should seek the support of the NHS Wales Shared Services Partnership's Workforce, Education and Development Services to strengthen current resource mapping approaches to facilitate robust comparisons of pharmacy staffing levels across Wales and to produce a generic service specification. The specification should set out the typical resources required to deliver key pharmacy services, such as clinical pharmacy input and patient education on the wards. The specification should also be flexible enough to recognise that different types of wards will require different levels of resource.
R5	Joint working between health boards and GPs to focus on prudent prescribing practices has secured cost reductions in recent years, as well as improvements in safety and quality of care. This report points to opportunities to secure further improvements, accepting that health bodies' efforts to reduce their total spending on medicines are complicated by fluctuating drug prices, rising demand for certain medications and the frequent emergence of new and expensive medicines. Whilst our work did not consider in detail the prescribing performance of hospital-based staff, feedback from health bodies suggests scope exists to improve the quality and cost of secondary care prescribing. a To drive further improvements in prescribing, health bodies should ensure they have a targeted plan of action to achieve cost and quality improvements in prescribing in primary care and in secondary care, in line with prudent healthcare principles. The plan of action should be informed by regular analysis of prescribing data to ensure that attention is focused on the areas where the greatest scope exists to secure cost and quality improvements. b In line with the need to increase the profile of medicines management at Board level, health bodies should ensure that performance against the National Prescribing Indicators is considered regularly by the Board, alongside progress in delivering wider cost and quality improvements in primary care prescribing. c The Welsh Government should ensure the work of the Efficiency, Healthcare Value and Improvement Group takes an all-Wales view on the cost and quality improvements that should be achievable through better prescribing and medicines management, and uses mechanisms such as the twice-yearly Joint Executive Team meeting between government officials and each individual health body to ensure that the necessary progress is being made in securing these improvements.

Recommendations	
	d The Welsh Government should work with NHS bodies to develop and implement a clear national plan of action aimed at reducing medicines wastage, building on the findings from the ongoing evaluation of the Your Medicines, Your Health campaign. Reducing waste leads to cost savings whilst at the same time helping patients to take their medicines as prescribed, thereby helping to secure maximum benefit from the medicine. e Linked to the above points, the Welsh Government should ensure that there is a clear and time-bound plan in place to roll out improved repeat prescribing systems that are being tested by the Prudent Prescribing Implementation Group.
R6	Performance monitoring in relation to medicines currently focuses on the quantity and cost of medicines prescribed. There is little consideration of the conditions for which medicines are prescribed and the outcomes from people's medication, although much of this information is recorded in GP information systems. The NHS in Wales is therefore not yet considering a rounded picture of whether the prescribing of medicines is effective. The Welsh Government should develop a plan, in partnership with All Wales Medicines Strategy Group (AWMSG), health bodies and GPs, to evolve the National Prescribing Indicators so that they begin to consider measures of whether the right patients are receiving the right medicines and whether medicines are making a difference to people's outcomes.
R7	Homecare medicines services involve the direct delivery of medicines to patients' homes, thereby preventing the need for patients to visit hospital to receive medicines. These services cost NHS Wales at least £52 million in 2015-16 although our findings suggest health bodies may not have a clear picture of the true cost. There is also a risk that by health bodies outsourcing these services to private providers, they may not have a clear picture of the quality and safety of services provided. The All Wales Chief Pharmacists' Committee should lead a national audit of compliance with the measures set out in the all-Wales handbook[11] on the safe and effective delivery of homecare services.
R8	There is a need to do more to prevent medication-related admissions (MRAs) to hospital but issues with the coding of hospital admissions make it difficult to quantify the true extent of the problem. With such poor data it is difficult to target the root causes of these admissions. Welsh Government, supported by 1000 Lives Improvement, should work with pharmacy teams, clinical coding staff and clinicians across Wales to develop a programme aimed at identifying and preventing MRAs.

11 Royal Pharmaceutical Society Wales, **Handbook for Homecare Services Wales**, September 2014.

Recommendations
R9 The GP Record allows authorised staff to access electronic information held by GPs about patients' current medication. The system is currently available to a limited range of staff in hospital and in the community, and can only be used in hospital for patients admitted as emergencies. A barrier to expanding the use of the system is concern from GPs about the security and governance of sensitive information about their patients. The Welsh Government and NWIS should: a continue to work with GP representatives to ensure their concerns about information governance are addressed; b facilitate wider access to the GP Record so that all pharmacists and pharmacy technicians that deliver clinical services on the wards can access the system for patients who are admitted for an elective procedure, as well as those admitted as emergencies; and c facilitate wider access to, and use of, the GP Record in community pharmacies so that whenever it is clinically appropriate, patients can have their medicines managed in the community without accessing a GP or other NHS services.
R10 The Welsh Government has, on occasions, not used the agreed national process when taking decisions on whether to make new medicines available to patients. There is a risk that such decisions could 'muddy the waters' and undermine what is otherwise a clear and well-defined national appraisal process. Where the Welsh Government makes a decision to make a new medicine available outside the current national appraisal process, it should clearly explain the rationale underpinning its decision and ensure that health bodies are given sufficient time to plan for the financial implications and service changes associated with introducing those new medicines.

Part 1

Corporate arrangements: Health bodies are collaborating well but there is scope to raise the profile of medicines issues, improve local planning and strengthen scrutiny of performance

A collaborative approach has been positively used to develop the national strategic direction for medicines although progress by health bodies in developing their own local plans has been more mixed

1.1 Local audit work examined whether NHS Wales and its constituent health bodies had clear strategies and plans setting out how patients' medicines should be managed across primary and secondary care.

1.2 Exhibit 4 shows that there are numerous national sources of expertise and guidance that collectively contribute to the strategic direction for medicines in Wales. These various groups and fora provide a mechanism for NHS bodies, and in particular Chief Pharmacists, to work collaboratively on the identification of priorities and evidence based ways of working in relation to medicines management.

Exhibit 4 – The national strategic direction for prescribing and medicines management is set out in various sources of expertise and guidance

Source of expertise and guidance
All Wales Medicines Strategy Group (AWMSG) The AWMSG was formed in 2002 to provide advice on medicines to the Minister for Health and Social Services. The group has members from all local health bodies and produced a five-year strategy for medicines in 2014. The strategy recognises the importance of integration of primary and secondary care, improvements coming from electronic prescribing and the need to 'make every penny count' through better value-for-money prescribing. This document clearly sets out some of the outcomes and what will be achieved and as a technical document should support the development of local strategies. AWMSG is advised by two sub-groups: • All Wales Prescribing Advisory Group (AWPAG), which advises on clinical development relating to medicines use and medicines management/ optimisation; and • the New Medicines Group (NMG), which makes preliminary recommendations about the introduction of new medicines. The AWMSG receives professional support from the All Wales Therapeutics and Toxicology Centre (AWTTC), which has several functions to support health bodies. These functions include the provision of independent information on medicines and the provision of data analysis and financial forecasting through the Welsh Analytical Prescribing Support Unit (WAPSU) and encouragement of suspected adverse drug reaction reporting.

Source of expertise and guidance
Prudent Prescribing Implementation Group (PPIG) The PPIG replaced the National Medicines Management Programme Board in 2014. Its role is to provide leadership on safe and effective medication practice, in line with the principles of Prudent Healthcare. The group reports to the Cabinet Secretary for Health, Wellbeing and Sport via the Chief Pharmaceutical Officer and the Chief Executive of NHS Wales, who reviews the group's work plan and its annual reports.
All Wales Chief Pharmacists' Committee This is a forum that was formed to provide leadership, vision and direction to the pharmacy sector in Wales. The chief pharmacists from each of the health boards and Velindre NHS Trust meet five times a year and have a broad range of responsibilities including collaboration, improving safety and setting priority areas for improvement.
National Prescribing Indicators (NPIs) The NPIs are a key source of guidance for the strategic direction in Wales and were originally developed with the intention of supporting prescribing optimisation. The NPIs are developed by AWPAG and are then endorsed annually by the AWMSG. This process appears to involve ample opportunity for discussion and consultation across Wales and has resulted in considerable, specific focus on the issues included in the NPIs. Clinical Effectiveness Prescribing Programme (CEPP) webpage on the AWMSG's website
Approach to Individual Patient Funding Requests (IPFR) IPFRs are usually requests from clinicians who want health-body approval to use medicines that are not normally funded by the NHS. Clinicians submit requests relating to individual patients and must convince the panel of 'exceptionality', meaning that the patient's unusual clinical issues mean that the patient would derive greater clinical benefit from the treatment than other patients with the same condition. After recognising difficulties and varied practices across Wales for managing the difficult and emotive decisions related to IPFRs, NHS Wales has collaborated to develop an all-Wales IPFR policy. Work is also ongoing to develop a 'One Wales' cohort process to take decisions on funding medicines in circumstances where several patients may benefit from the medicine and therefore cannot be considered through IPFRs, as each patient cannot be argued to be 'exceptional'.[12] In July 2016, the Cabinet Secretary for Health, Wellbeing and Sport announced plans for a review of the IPFR process, to look at consistency of decisions across health bodies and to consider the eligibility criteria for the individual patients concerned in IPFRs.

Source: Wales Audit Office

12 All Wales Therapeutics and Toxicology Centre webpage on Individual Patient Funding Requests

1.3 There is a well-defined national process for appraising new medicines and deciding whether they should be used in the NHS. These decisions are taken following advice from two sources, the National Institute for Health and Care Excellence (NICE) and AWMSG. These bodies consider how well the medicine works, how cost-effective it is and which patients would benefit from the treatment. The two bodies work in a co-ordinated way to ensure they do not duplicate each other's efforts, with AWMSG tending to appraise medicines not due to be appraised by NICE for some time, often producing interim guidelines until NICE has concluded its appraisal.

1.4 We are aware of some instances where decisions have been taken outside the national process described above (see Appendix 2). Whilst we have not reviewed the appropriateness or effectiveness of these decisions, there is a risk that such decisions could 'muddy the waters' and potentially undermine what is otherwise a clear and well-defined national appraisal process.

1.5 The extent to which individual health bodies in Wales have developed local strategies and plans for medicines management varies considerably. The variation extends from having no medicines management strategy in place, to having a clear strategy that focused specifically on key challenges such as integration between primary and secondary care. Health bodies have accepted our recommendations to strengthen local strategies and plans and Chief Pharmacists across Wales have articulated plans to work jointly to develop a common approach to taking this forward.

1.6 Across Wales we found health bodies have struggled to engage patients and staff in the development of medicines strategies. There are clear benefits from involving patients and staff because they can provide vital perspectives from the point of view of receiving and delivering health services. The AWTTC/AWMSG has established a Patient and Public Involvement Group (PAPIG) to engage patients and staff in the development of medicines strategies and it will be important to ensure that the output from this group helps facilitate the closer engagement that is needed.

1.7 In response to our survey across Wales, 64 per cent of pharmacy staff agreed or strongly agreed that their organisation had an effective medicines management strategy. Only 31 per cent of pharmacy staff in our survey said they had been consulted and been able to contribute to the development of the strategy.

1.8 Health bodies need workforce plans to align with their service plans, to ensure pharmacy teams have the right skill mix, capability and capacity to manage patients' medicines effectively. Our work revealed some specific ways in which workforce planning could be improved in relation to pharmacy and medicines management, as summarised in Exhibit 5.

Exhibit 5 – There is a need to strengthen planning of pharmacy workforce and resources

Main issues in relation to workforce planning
Difficulties comparing hospital pharmacy staffing levels Chief Pharmacists are collaborating on work to compare staffing levels of hospital pharmacy teams as part of an exercise called Resource Mapping. Whilst this collaboration is a positive step, the exercise has not yet been successful in securing robust comparisons across health bodies, due to difficulties in ensuring fair comparisons.
Pharmacy can be forgotten when planning new services During our fieldwork, pharmacy teams told us about several occasions where health bodies had introduced new services, such as new clinics, without fully considering the pharmacy resource that would be required to support the new service.
New cluster pharmacist roles have depleted resources in hospital The introduction of new cluster pharmacist roles (see paragraph 2.4 for further details) in primary care appears to be a positive step. However, recruitment to fill these posts was largely from band seven hospital pharmacists who are major contributors to direct service delivery in hospitals. Whilst this depletion in hospital pharmacy teams is temporary, this instance emphasises the need for comprehensive and future-proofed planning of the pharmacy workforce across sectors. At the time of drafting this report, the Chief Pharmaceutical Officer and NWSSP were working together to strengthen pharmacy workforce planning. Pre-registration training is currently separate for hospital and community pharmacists. Work is ongoing to integrate the two training programmes with a view to planning and training the workforce more holistically.
Pharmacy's role is likely to be more clinical in future Your Care Your Medicines is a vision document developed jointly by the Welsh Pharmaceutical Committee and the Royal Pharmaceutical Society. The document sets out the ambition for the future of the pharmacy profession in Wales. It emphasises the need for pharmacists to be better integrated into multidisciplinary healthcare teams and promotes the broadening of pharmacy team roles into more clinical areas. This vision fits with the Prudent Healthcare concept of promoting NHS staff to 'only do what only you can do', thereby using their expertise prudently.

Main issues in relation to workforce planning
The use of non-medical prescribing needs remains piecemeal Prescribing is traditionally a role carried out by doctors but non-medical prescribing is carried out by nurses, pharmacists, physiotherapists and other healthcare professionals. Research carried out at Cardiff University[13] has identified a range of factors that are hampering the expansion of non-medical prescribing in Wales, such as a lack of funding and support to develop such roles. Our work showed some positive examples of prescribing being carried out by pharmacy staff rather than by doctors. However, the development of these roles is piecemeal and there is not yet consensus and a structured approach to developing these roles for the future.
There are challenges in moving towards seven-day hospital services The Royal Pharmaceutical Society has highlighted problems with the availability of pharmacy services outside normal working hours. The society reports that limited availability of hospital pharmacy services, particularly at weekends, can result in more missed doses and prescription errors, a lack of medicines reconciliation and prolonged waits for discharge medication[14]. Health bodies are at the stage of considering how and whether to expand the hours of their pharmacy services and robust workforce planning will be an essential enabler.
A national service specification could help health bodies plan the pharmacy resources they need to meet demand Chief pharmacists told us there would be benefits from developing a nationally-agreed service specification that could be used to guide the planning of services in each health body. The specification could help to standardise the descriptions of various pharmacy services and could set out estimates of the resources required to deliver these specific services. In this way, the service specification would be beneficial in standardising approaches to workforce and service planning. Local work did, however, identify examples of positive practice, such as work underway in Hywel Dda and Betsi Cadwaladr University Health Boards to develop a service specification for clinical pharmacy services on inpatient hospital wards.

Source: Wales Audit Office

13 Professor Molly Courtenay, Dr Riyad Khanfer, **An overview of non-medical prescribing across Wales**, presentation to the Chief Nursing Officer for Wales conference, May 2016.
14 Royal Pharmaceutical Society, **Seven Day Services in Hospital Pharmacy: Giving patients the care they deserve**, 2014.

Health bodies' medicines management groups tend to be driven by pharmacists and would benefit from greater involvement from doctors and nurses

1.9 The **Professional Standards for Hospital Pharmacy Services**[15] (the Standards) state that health bodies should have multidisciplinary medicines management groups to provide a focal point for the development of policies, procedures and guidance.

1.10 We found that all health bodies have medicines management groups but the names, memberships, remits and reporting lines vary across Wales. A general issue across Wales is that these groups tend to be driven primarily by pharmacists, with more limited involvement from doctors and nurses.

1.11 It is important that pharmacists, doctors and nurses are engaged in these groups because medicines management is a truly multi-professional process where doctors do the majority of prescribing, pharmacists do the majority of clinical checking of prescriptions, pharmacy technicians tend to dispense medicines and nurses do the majority of the administration of medicines to patients. It is also important that the pharmacists, doctors and nurses engaged in these groups are sufficiently informed about the key issues related to medicines management, and are sufficiently influential to spread the learning from the group to their colleagues. We found that whilst a small number of groups are chaired by doctors, membership from medical and nursing staff varies and there can be difficulties in ensuring attendance and ownership from these groups of staff.

The Trusted to Care report has focused attention on particular medicines issues but this focus needs to be sustained and there is a general need to do more to raise the profile of medicines issues within health bodies

Trusted to Care has raised the profile of the need to improve the storage and administration of medicines in hospital but there is a risk that this increased focus will not be sustained

1.12 In May 2014, an independent review[16] at Abertawe Bro Morgannwg University Health Board, called **Trusted to Care**, highlighted serious problems with administration and recording of medicines. After **Trusted to Care**, the Minister for Health and Social Services ordered spot checks at 20 hospitals across Wales. The main findings from the spot checks were the need to improve standards in the dispensing and administration of medicines during hospital drug rounds, the storage of medicines on the wards and the need to record much better information about which patients have received their medicines.

15 Royal Pharmaceutical Society, **Professional Standards for Hospital Pharmacy Services**, July 2012.
16 Professor June Andrews, Mark Butler, **Trusted to care: An independent review of the Princess of Wales Hospital and Neath Port Talbot Hospital at Abertawe Bro Morgannwg University Health Board**, May 2014.

1.13 Health bodies published on their websites details of the actions they took after **Trusted to Care**. Actions related to medicines at a national level have included:

- Development of an all-Wales policy on medicine administration, recording, review and storage (MARRS) in November 2015. The policy emphasises that the secure storage of medicines on the ward is the responsibility of the sister or charge nurse. The policy also includes specifications for medication cupboards and states that treatment room doors should be kept locked when not in use.
- Development of an electronic learning package for all staff involved in MARRS.
- Introduction of mandatory training on medicines management for all staff involved in medicines administration, when joining a health body, including three-yearly update training.
- Release of a patient safety notice relating to the safe storage of medicines in hospital[17].
- The development of a framework that sets out how healthcare support workers can safely and effectively be involved in medicines management.

1.14 In August 2015, Professor June Andrews published a follow-up report[18] which recognised that medicines management was one of the areas where there had been particular progress at Abertawe Bro Morgannwg University Health Board since the original review. The Welsh Government's accompanying report, **Learning from Trusted to Care: One year on**, notes much good work and emphasises the need to maintain the momentum of improvement.

1.15 It was clear from our work that **Trusted to Care** has helped raise the profile of certain medicines-related issues in health bodies across Wales, in particular there has been a greater focus on MARRS. While **Trusted to Care** has been impactful, there is a risk that since the programme of work on MARRS has now ended, the focus on improving medicines administration and recording processes will not be maintained. Chief pharmacists told us that NHS Wales needs to find a way of ensuring a sustained, long-term focus on improving the administration of medicines and recording processes. Local audit findings relating to the recording of administered medicines are considered further in Part 4 of this report.

17 NHS Wales website, **Patient Safety Notice PSN 030, The safe storage of medicines: Cupboards**, April 2016.
18 Professor June Andrews, **Trusted to Care – 2015 Review**, August 2015.

There is scope to raise the profile of medicines and prescribing within health bodies, particularly since the Board focus on national prescribing indicators has waned

1.16 Annual expenditure on medicines in Wales is around £0.8 billion. To put this in context, this is more than the entire revenue budget of Cardiff and Vale University Health Board[19]. Given the scale of this expenditure, it would be reasonable to expect that prescribing and medicines management should have a high profile within health bodies. However, pharmacy staff interviewed as part of the local audit work were concerned that this was not happening. Auditors were also told that the profile needs to be on the quality of prescribing and medicines management, not just the costs.

1.17 The position of pharmacy services within health body management structures has an impact on the profile of medicines-related issues. The situation varies across Wales ranging from pharmacy having its own independent directorate to pharmacy sitting within the support services directorate. The Royal Pharmaceutical Society recommends that chief pharmacists should be, or should report directly to, a designated executive board member. Across all organisations involved in a 2015 benchmarking exercise run by the NHS Benchmarking Network[20] (the NHS Benchmarking Network exercise), 68 per cent of organisations have a chief pharmacist who is, or reports directly to, a designated executive board member. In Wales, all health board chief pharmacists are professionally accountable to an executive director. However, the level and frequency of involvement between the chief pharmacists and executive ranges from monthly one-to-one meetings to no regular involvement.

1.18 The pharmacy team should also be able to influence the design of services that involve medicines. This is because when new services or clinics are introduced, this normally creates extra demand for pharmacy services. Across Wales we found that pharmacy teams have little or no involvement in decisions to introduce new services or clinics[21].

1.19 National Prescribing Indicators (NPIs) were removed from the NHS Wales performance management framework in 2013-14. Consequently, in recent years, the NPIs have not featured prominently in the performance management frameworks of health bodies and progress against the indicators is rarely featured in reports to Boards and Committees. The Welsh Government has now recognised the need to elevate the profile of the NPIs and it has reintroduced a selection of the indicators within the national performance framework for 2016-17[22].

19 The total revenue resource limit of Cardiff and Vale University Health Board in 2015-16 was approximately £0.78 billion.
20 NHS Benchmarking **Network, Pharmacy and Medicines Optimisation, Provider Project**, July 2015.
21 All health bodies said their pharmacy teams had no or limited involvement in such decisions except Velindre NHS Trust's whose pharmacy team is fully involved in decisions regarding new services.
22 Welsh Government, Welsh Health Circular (WHC (2016) 023), **NHS Outcome Framework and measures guidance 2016-17**, 29 March 2016.

Performance monitoring focuses on quantity and costs of prescriptions but more information is needed on quality, safety and efficiency

1.20 Given the importance of medicines in healthcare, it is essential that health bodies have robust arrangements for monitoring their performance.

1.21 Nationally-produced reports on NPI performance have improved markedly in recent years. At the time of our initial work on primary care prescribing, the nationally-available data on NPIs was highly technical and difficult for the lay reader to interpret. The reports on NPI performance now routinely produced by AWTTC are much improved. The reports contain engaging graphs that compare performance between Wales and England, trend data in each health board area and even information at the level of primary care clusters. Health bodies now need to ensure they are making good use of the nationally-produced data to help them drive comparisons and improvements.

1.22 Further improvements to the national data include work by WAPSU to develop an interactive, online tool for analysing primary care prescribing data, called Spira. This engaging and user-friendly tool presents data flexibly, using dashboard views, and was showcased at a good practice event led by AWTTC in June 2016.

1.23 We found that there is improving collaboration between health bodies in relation to benchmarking information on medication safety. All health bodies are now recording and reporting information related to the Patient Safety Thermometer, which covers a number of safety-related indicators.

1.24 The NHS Benchmarking Network exercise found that 57 per cent of participating organisations had fully complied with the Royal Pharmaceutical Society requirement to have in place agreed key performance indicators 'to enable internal and external assessment of the operational and financial performance of pharmacy services'. All five of the participating Welsh organisations had fully complied with this.

1.25 However, we found that health bodies can do more to make prescribing and medicines management information more visible to staff, with the purpose of driving improvement. We also found that performance monitoring can be inhibited by inadequacies in the information collected. National and local monitoring of prescribing focuses on which medicines are prescribed, in what quantity and at what cost. Whilst these are valid measures, the NHS in Wales would benefit from collecting better information about why medicines were prescribed. There is little information available on the conditions for which medicines were prescribed and measures of outcomes from people's medication. If the NHS in Wales is to improve its understanding of the behavioural issues behind prescribing then it needs better information and it needs to overcome the barriers set out in Exhibit 6.

Exhibit 6 – There are three key barriers that are preventing the intelligent analysis of prescribing and medicines management in Wales

Key barriers
Difficulties accessing GP-held information One of the barriers to carrying out this more detailed analysis is the fact that much of the personal information about patients' conditions, ages and demographics is held within GP computer systems. There are complications with information governance that mean it is difficult for health bodies and the Welsh Government to access information directly held by GPs.
Lack of IT systems to capture prescribing information on hospital wards Another key barrier is that on hospital wards there is very limited electronic data collected on prescribing. Hospital pharmacy departments have IT systems to record data on the quantity of medicines delivered to each of the wards, but on the wards, there tends to be manual, paper-based recording of which patients received the medicines, the doses they received and the clinicians who prescribed the medicines. Without the capture of this information electronically, there are significant barriers to monitoring and improving the prescribing and use of medicines on the wards. Implementing electronic prescribing systems would be a key enabler in improving the recording of computerised information on medicines use in hospital and these systems are described further in paragraphs 4.7 to 4.12.
Difficulties agreeing on valid comparisons between populations Our fieldwork suggests that there is no perfect way of comparing prescribing performance across different populations and geographical areas. There are several measures of prescribing that have been developed in an attempt to take into account the demographic difference between populations. However, there is recognition that these measures are not perfect. The NHS Benchmarking Network also told us that Wales needs to develop 'weighted population data' for each health board area to account for the different healthcare needs of populations, to ensure comparisons with England are valid.

Source: Wales Audit Office

1.26 More needs to be done to measure patients' experience of their medicines. The NHS Benchmarking Network exercise found that only 39 per cent of organisations had fully complied with the Royal Pharmaceutical Society requirement that 'feedback from patients, service users and colleagues inform the development of services'. Of the five participating organisations from Wales, one had fully complied with this and four had partially implemented it.

Part 2

Primary care: NHS Wales is taking positive steps to improve medicines management in primary care although there is scope to make prescribing safer and more cost effective

NHS Wales has taken positive action by introducing new ways of providing pharmacist support to GP practices and by expanding the range of community services for managing people's medicines

Most areas have introduced new cluster pharmacist roles to increase the availability of medicines management expertise in primary care teams

2.1 The 1,997 GPs that work in Wales[23] are the main prescribers of medicines in the community. If health bodies are to improve their use of medicines, it is essential they work effectively with GPs to optimise their prescribing practices, to improve quality and to minimise any unnecessary costs.

2.2 Health boards use pharmacists and technicians in a range of ways to help optimise prescribing practices, some of which are described in the bullet points below:

- Practice-based pharmacists: These staff tend to be employed by GP practices to be part of the primary care practice team and carry out clinical roles as well as providing prescribing guidance to other staff.
- Prescribing advisors: These staff tend to be employed by the health board to support a range of GP practices through providing data and analysis and facilitating service development. The advisors also provide guidance and support to improve the quality of prescribing.
- Cluster pharmacists: These staff tend to be employed by the health board and work with a cluster of GP practices, seeing patients in clinics and reviewing patients' medicines.

2.3 The work of prescribing advisors has tended to be driven by health board prescribing priorities and models have tended to involve the advisors working across large numbers of GP practices. Local audits of primary prescribing found that the numbers of prescribing advisors and the way in which they are used varied significantly across health boards in Wales. We were told during our fieldwork interviews that health board prescribing advisors are sometimes not seen as an intrinsic part of the primary care team, and can be limited in the time they are able to spend in practices, which can make it more difficult for these staff to secure sustainable change in prescribing behaviours.

2.4 Since we published our local reports, many primary care clusters[24] have used Welsh Government funding to invest in cluster pharmacist roles. There are around 80 such posts in Wales and these roles differ from traditional prescribing advisor roles because they are more directly involved in clinical services through the delivery of clinics and reviewing patients' medicines, rather than advising GP surgeries on their prescribing practices. Cluster pharmacists also tend to be permanently based in GP practices, rather than being based in health boards.

23 This figure is taken from the **Statistics for Wales release SDR 41/2016** and excludes registrars, retainers and locums).
24 Primary care clusters are groupings of GPs and practices locally determined by health boards. NHS Wales, GP One website, **Clusters webpage**

Emerging evidence indicates that this approach is helping to embed these staff as part of community teams. In addition, cluster pharmacists tend to cover a much smaller number of practices than traditional prescribing advisors, so the resource is not spread so thinly. Evaluation of these cluster roles is ongoing by Cardiff University and the Royal Pharmaceutical Society.

2.5 As described in paragraph 1.8 and Exhibit 5, the introduction of cluster pharmacists has contributed to some temporary workforce problems in hospital pharmacy teams. Recruitment to fill the cluster posts was largely from band seven hospital pharmacists who are major contributors to direct service delivery in hospitals. Whilst this depletion in hospital pharmacy teams is temporary, this instance emphasises the need for comprehensive and future-proofed planning of the pharmacy workforce.

There is a growing range of medicines management services in the community although there are risks associated with services that deliver medicines management in people's homes

2.6 In addition to the introduction of cluster pharmacists, recent years have seen an expansion in the range of services involved in managing people's medicines in the community. For example, Wales, along with the rest of the United Kingdom, has seen large growth in the use of homecare medicines services.

2.7 Homecare medicines services involve the direct delivery of medicines to patients' homes, thereby preventing the need for them to visit hospital to receive their medicines. These services can provide various types of support, ranging from basic delivery of medicines to complex support through intravenous infusion of medicines. Data we collected from health bodies in May 2016 suggested that in 2015-16, more than 7,000 patients[25] were receiving homecare medicines services. The data also suggested that the overall cost of homecare medicines services was around £52 million. The estimated cost has increased 43 per cent since 2014-15, however, this is partly due to health boards improving their monitoring of costs and therefore capturing better, more comprehensive data on expenditure.

2.8 The **Hackett Report**[26] in England highlighted a number of concerns in relation to homecare services, such as:

- chief pharmacists were not always directly involved in overseeing homecare medicines services, meaning there was a lack of specialist monitoring and control of these services;
- there were weak contractual, governance and operational control mechanisms to set, operate and monitor contractual arrangements with private providers;
- there was a lack of national or regional collaboration in the procurement of homecare services; and

25 We have not validated these data. Data on patient numbers was not available from Aneurin Bevan University Health Board.
26 Hackett M, **Homecare medicines: towards a vision for the future**, November 2011.

- there were risks related to the rapid expansion in the market, with large numbers of companies offering particular aspects of homecare whilst some other areas of homecare services are offered by relatively few providers.

2.9 During our work across Wales, pharmacy staff told us that many of the issues raised in the **Hackett Report** apply to Wales. Exhibit 7 summarises some of the benefits and risks associated with homecare services that we were made aware of during our fieldwork in Wales.

Exhibit 7 – There are benefits and risks associated with homecare services

Benefits	Risks
Patient benefits: Delivery of medicines to patients' homes can prevent unnecessary journeys to hospital and to community pharmacies.	**Quality and safety risks**: By health bodies outsourcing these services to private providers, health bodies have less control and oversight of the quality and safety of care being provided.
Financial benefits: Medicines dispensed outside NHS locations are exempt from VAT so health bodies can save 20 per cent on the costs of medicines (although there are additional costs of using homecare service providers).	**Financial governance risks**: There are risks that health bodies do not have a true picture of the cost of homecare services. This is because not all of the invoices for homecare services are routed through a central point within the health body.
Benefits for hospital pharmacy services: Provision of medicines in patients' own homes rather than in hospital reduces the workload on busy hospital pharmacies.	**Continuity risks**: Homecare services in Wales are provided by a relatively small number of large companies. If any such company was to fold, this could have negative impacts for the continuity of care for patients who are currently receiving services.
Benefits in freeing up clinic capacity: Delivering medicines to patients' homes can, in certain circumstances, prevent the need for outpatient and day case visits, thereby freeing up appointments for other patients.	

Source: Wales Audit Office

2.10 NHS Wales has taken some action in an attempt to minimise the risks relating to the governance and management of homecare services. The AWMSG set up a Homecare Subgroup which worked in partnership with the Royal Pharmaceutical Society to produce an all-Wales handbook[27] to guide the safe and effective delivery of homecare services.

2.11 Another action has been in Abertawe Bro Morgannwg University Health Board taking the lead for Wales in developing standard governance processes related to homecare services. Other health bodies are now learning from this approach and are actively considering whether to commission Abertawe Bro Morgannwg University Health Board to provide homecare administration processes for all of Wales, in order to secure economies of scale and ensure a consistent approach. Regardless of the approach which is chosen, all health bodies will need to ensure they have comprehensive clinical governance checks and balances that provide assurance to their Boards on homecare services.

2.12 At the time of our audit work in hospitals, some health bodies were discussing the possibility of moving much of their outpatient dispensing services into the community. Rather than outpatients waiting for their medicines at hospital pharmacies, the new model would see outpatients leaving hospital with a prescription to be dispensed in their local community pharmacy. As well as potentially reducing waiting times, another potential benefit is the easing of demand on busy hospital pharmacies. There are also potential financial benefits because medicines dispensed in the community are exempt from VAT. We are aware of only one example of a health body asking patients for their opinions on moving outpatient dispensing into the community. There may be a need for NHS Wales to more comprehensively assess the impact that such a dispensing approach will have on patients. Whilst outpatient dispensing in the community may prevent waits in hospital, patients may find it inconvenient to visit a community pharmacy after their hospital visit, which could result in delays in patients collecting their prescribed medicines.

2.13 There has also been an increased focus on improving medicines management in Welsh care homes. Working in partnership with Welsh pharmacists, the Royal Pharmaceutical Society has produced a new policy called **Improving Medicines Use for Care Home Residents**[28]. The policy encourages more involvement from pharmacy staff within care homes, as part of the multidisciplinary healthcare team. The Welsh Government has also invested £455,000 from its Health Technology and Telehealth Fund to pilot improvements to prescribing in 30 care homes. The funding was used to trial an electronic system where community pharmacists print and adhere a barcode to the medicines of care home residents. Each barcode is unique to the individual patient. When care home staff administer the medicine, they scan the barcode as an additional check and to automatically record its administration. An evaluation carried out at Cardiff University[29] found the electronic system has reduced medication errors, missed doses and the level of wasted medicines.

27 Royal Pharmaceutical Society Wales, **Handbook for Homecare Services Wales,** September 2014.
28 Royal Pharmaceutical Society, **Improving medicines use for care home residents**, March 2016.
29 The findings were presented at a symposium at the Cardiff School of Pharmacy and Pharmaceutical Sciences on Wednesday 27 January 2016.

2.14 Another development in community medicines services is the implementation of a national common ailments service called Choose Pharmacy (Exhibit 8). A pilot scheme was begun in 2013 with the aim of diverting patients away from visiting GP surgeries and hospital emergency departments, by using community pharmacy as the first port of call for some minor conditions. Choose Pharmacy allows patients to access pharmacist advice and products for 26 conditions free of charge and without the need for an appointment. An evaluation of the pilot scheme in 2015 showed that whilst the scheme had 'yet to make an impact at scale', it did show a small reduction in the number of prescriptions issued by GPs and many stakeholders believed the scheme had delivered positive outcomes including a reduction in demand for GP consultations[30]. The evaluation estimated that the national roll out of Choose Pharmacy is likely to secure around £43 million in savings, mainly due to a reduction in GP appointments. Based on the positive evaluation, in March 2015 the Welsh Government announced £750,000 to fund technology to support the full roll out of the scheme across Wales. The cost of providing the service will sit with the health bodies.

Exhibit 8 – Choose Pharmacy promotes use of pharmacy instead of GP services for certain conditions

Source: NHS Wales

30 Welsh Government website, **Evaluation of the Choose Pharmacy common ailments webpage**, 30 July 2015 service.

Health boards and GPs have secured improvements in prudent prescribing but there are opportunities to further enhance safety and reduce costs

The cost of primary care prescribing per head in Wales is higher than England, similar to Scotland and lower than Northern Ireland

2.15 Of the £800 million spent on prescribed medicines in Wales each year, approximately £600 million is spent in primary care[31]. Expenditure on medicines varies across the United Kingdom. The cost of primary care prescribing per head of the population in Wales figure in 2015 was £192, which is higher than England (£171), similar to Scotland (£190) but lower than in Northern Ireland (£228)[32].

2.16 The annual number of items dispensed per head of the population in Wales is 25.7 and this is the highest in the UK[33]. However, the net ingredient cost[34] per prescription item in Wales is the lowest in the UK. These data suggest that the overall picture in Wales compared to the rest of the UK is one where more items are prescribed but at a lower average cost per item.

2.17 It is important to note that the comparisons presented above provide only a basic analysis of relative prescribing cost and volume. The analysis does not account for the demographic and population morbidity factors that will affect rates of prescribing, nor does it consider the frequency and duration of prescriptions. There is evidence to suggest that prescription intervals in Wales are shorter than in other parts of the UK resulting in lower dose units per prescription item and correspondingly higher items per head of the population.

NHS Wales has reduced costs by focusing on prudent prescribing practices but there are opportunities for further improvements

2.18 Our local audits of primary care prescribing in 2013-14 examined where savings could be realised without any detriment to patient care. The audits focused on specific groups of drugs, and using the drug prices at the time of the audit, estimated that £7.4 million of potential savings were available through actions such as:

- securing further progress with generic prescribing[35] (ie using cheaper, non-branded medicines instead of more costly, branded medicines);
- prescribing more cost-effective statins (lipid lowering drugs) as a first choice;
- reviewing the use of opioid analgesics;
- reducing the use of certain proton pump inhibitors (PPIs); and
- reducing the amount spent on drugs classified as ‘less suitable for prescribing’.

31 AWTTC, **NICE: ‘Do not do’ recommendations**, April 2015.
32 Statistics for Wales, **Prescriptions dispensed in the community in Wales**, 18 May 2016.
33 Statistics for Wales, **Prescriptions dispensed in the community in Wales, 2015, SDR 60/2016**, 18 May 2016.
34 Net Ingredient Cost (NIC) is a recognised unit for measuring the cost of medicines. The NIC is the cost of a drug before any discounts, and excluding dispensing costs or fees.
35 Once a brand name drug has come off patent, prescriptions can be issued for the generic medication which has the same active ingredient but typically at a much lower price.

2.19 As part of the preparation of this report, we sought updates from health boards on the extent to which they had addressed the recommendations from our 2013-14 local audit work. In general terms, there was evidence that health boards have been making good progress, including taking action in the areas where scope for cost improvements was identified. It was beyond the scope of the short follow-up audit exercise to calculate how much of the theoretical savings had been achieved, a task complicated by ongoing changes to drug prices since the original savings figures were calculated. However, we collected more recent data from WAPSU to illustrate where savings have been secured and where opportunities for cost improvements still exist. This report highlights potential for current savings of around £8.3 million across Wales, specifically in relation to areas covered by the current set of National Prescribing Indicators. It is important to note, however, that the savings figures set out in this report are illustrative, and based upon the premise of all health boards in Wales matching the prescribing profile of the best performing health board.

2.20 Whilst this simple calculation is a valid way of illustrating what cost improvements are possible, it is recognised that health boards' efforts to secure cost savings will be complicated by fluctuating drug prices, rising demand for certain medications and the frequent emergence of new and expensive medicines. However, health boards should be using prescribing information, in primary and secondary care, to identify where scope exists to secure further cost and quality improvements in prescribing behaviour, and put in place local targets and action plans to achieve these improvements as part of their wider actions to embed the principles of prudent healthcare.

2.21 In relation to generic prescribing, the NHS in Wales has a good track record of improvement, and the current average generic prescribing rate in Wales is around 82 per cent[36]. This indicates that scope for securing further savings is becoming more limited, although there is still a variation in generic prescribing rates across GP practices in Wales. Data from WAPSU showed that between 2014 and 2015 health boards across Wales made savings of around £370,000 by switching from branded to generic medicines. If all health boards had achieved the same percentage improvement as the highest performing health board[37], a further saving of £162,000 would have been possible.

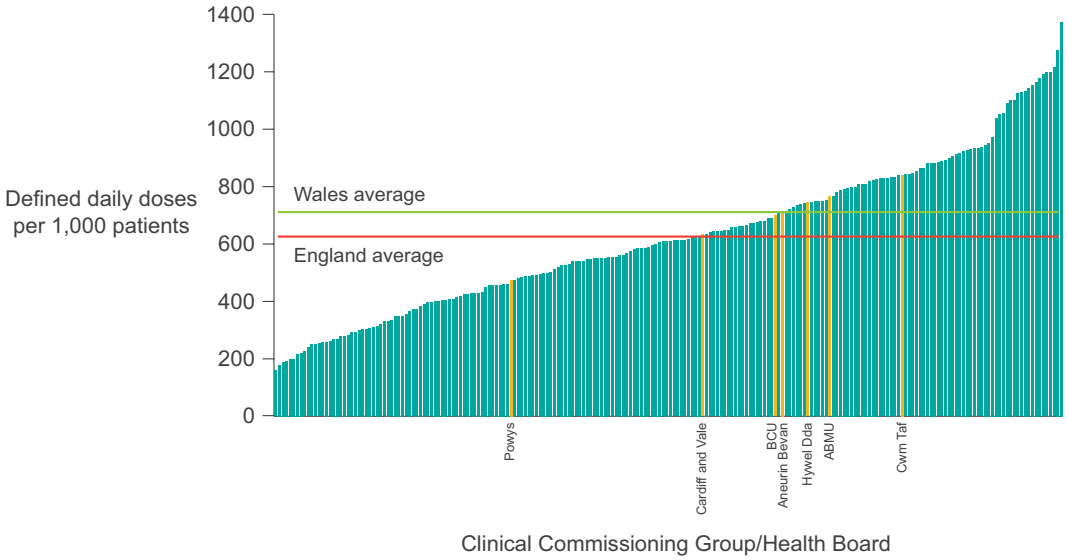
2.22 Significant improvements have been made in the prescribing of low cost statins for patients with or at risk of cardiovascular disease. Since 2002-03 there has been a National Prescribing Indicator[38] to increase the use of low acquisition cost (LAC) statins as a percentage of all statins prescribed. Performance across Wales has improved considerably during that time and in December 2015, in excess of 92 per cent of all statins prescribed were LACs. Despite this positive position, the volume of statins and other lipid-regulating drugs in Wales is such that significant opportunities for further savings still exist. Expenditure on this group of drugs

36 Generic prescribing is no longer an NPI, mainly because some branded medicines are now cheaper than generic alternatives. WAPSU calculated the savings in relation to a basket of 40 medicines. WAPSU measured the reduction in branded items between 2014 and 2015, and then assumed that the branded items were replaced with generic medicines.
37 Betsi Cadwaladr was the health board that made the greatest percentage improvement at 12 per cent.
38 In order to respond to significant improvements in performance the NPI has been made more difficult to achieve. Such changes have been made a number of times since 2002-03 to promote continued momentum and improvement.

decreased slightly between 2014 and 2015 from £15.5 million to £15.3 million, and WAPSU's calculations suggest there are opportunities to reduce spending by a further £900,000[39].

2.23 Opioid drugs have a well-established role in the management of acute pain following surgery, trauma and pain associated with terminal illness. The National Prescribing Indicators include targets for the prescribing of tramadol, largely as a patient safety measure to ensure its use is kept under review and to avoid the potential for misuse. Between 2010 and 2013 there was a steady rise in the prescribing of tramadol in Wales. However, between 2014 and 2015, a decrease of around eight per cent in defined daily doses (DDDs)[40] per 1,000 patients was observed across Wales, equating to a cost reduction of around £92,000. If all health boards had achieved the same percentage improvement as the highest performing health board[41], a further saving of £109,000 would have been possible. Exhibit 9 shows that prescribing of tramadol in Wales remains higher than in England, and that prescribing rates vary between health boards. Tramadol prescribing is described further in paragraph 2.29.

Exhibit 9 – Tramadol prescribing is higher in Wales than in England and there is marked variation between health boards in Wales



Source: AWMSG, National Prescribing Indicators 2016-17, February 2016

39 For some NPIs, AWMSG has agreed a 'threshold' rate of performance which, whilst not a target, sets a nationally agreed aspirational performance level. The estimated additional savings here were based on projected number of items that would be prescribed at the threshold rate of 2015-16 at the average cost. Threshold remained the same as at 2013-14.

40 The defined daily dose (DDD) is a unit for estimating the consumption/use of medicines and is defined by the World Health Organization as the assumed average maintenance dose per day for a drug used for its main indication in adults.

41 Betsi Cadwaladr was the health board that made the greatest percentage improvement at 6.4 per cent.

2.24 Expenditure is rising in Wales in relation to PPIs, a class of medicines used mainly to treat gastrointestinal conditions[42]. Long-term use of PPIs can lead to serious adverse effects, such as bone fractures and Clostridium difficile infections. Use of PPIs in Wales is increasing at a rate of around five per cent per year and expenditure on PPIs in 2015 was approximately £7.8 million (£0.2 million more than in 2014). Calculations from WAPSU suggest further savings of around £740,000 are possible across Wales[43]. A measure related to PPI use has been reintroduced as a National Prescribing Indicator for 2015-16 and reducing the use of PPIs was previously an area of focus for the Prudent Prescribing Implementation Group[44]. All health boards have agreed to implement a local prescribing reduction plan and the implementation group has developed a national information bulletin for clinicians.

2.25 Joint working between health boards and GPs has led to savings by reducing the prescribing of medicines that have little or no evidence to support their use. A group of 14 medicines have been designated by NICE as 'do not dos'. These are medicines that should not be routinely prescribed. Health boards worked collaboratively to develop and share processes for reviewing patients currently prescribed these drugs, with a view to stopping their use. Approximately £215,000[45] was saved across Wales between 2014 and 2015. If all health boards had achieved the same percentage reduction in cost as the best performing health board in Wales, a further cost reduction of £123,000 could have been secured.[46]

2.26 There is mixed performance across Wales in relation to the use of asthma medicines. Inhaled corticosteroids (ICSs) are a group of medicines that account for the highest spend in primary care, totalling £56.2 million in Wales during 2015. Between 2014 and 2015, Welsh health boards achieved savings of £126,000 in relation to ICSs and WAPSU calculates that there are opportunities to reduce expenditure by a further £6.3 million[47]. Prescribing of ICSs is described further in paragraph 2.30.

2.27 Whilst the data collected have shown that further savings are possible by focusing on specific prescribing practices, the most significant scope to secure savings is in reducing levels of medicines wasted. The annual cost of wasted medicines in Wales has been estimated to amount to £50 million although there is some doubt about the validity of this estimate[48]. The Welsh Government believes the recoverable costs of waste in Wales are more likely to be in the region of £10 million. A national campaign called Your Medicines, Your Health is being led by Cwm Taf University Health Board on behalf of all health bodies, with the aim of changing public attitudes to their medicines. Actions taken in Cwm Taf have included a campaign to persuade patients to return unwanted and out-of-date

42 One reason for the increased use of PPIs is that NICE guidance has been introduced, stating that PPIs should be prescribed alongside a growing number of other drugs.
43 Projected savings were calculated by WAPSU by comparing the average cost per DDD from 2015 with the annualised DDD target for 2016-17.
44 AWMSG has developed a **resource pack to support prescribing of PPIs**.
45 These savings are based on calculations by WAPSU and compare December 2014 with December 2015. Savings data may be affected by fluctuations in the price of medicines over time.
46 Cwm Taf made the highest reduction in percentage terms (17.18 per cent).
47 WAPSU has estimated the opportunities for further cost reductions by comparing actual costs from 2015 with the cost that would have been incurred had NHS Wales achieved the threshold of 57 per cent low dose ICS items against the 43 per cent higher dose ICS items.
48 The £50 million figure was extrapolated using a document called **Evaluation of the scale, causes and costs of wasted medicines**, by York Health Economics Consortium and The School of Pharmacy at the University of London.

medicines to community pharmacies (see Exhibit 10), the inclusion of campaign messages on bags used to dispense medicines to patients and awareness raising sessions with schools. Cwm Taf is currently evaluating the campaign and discussions are ongoing between Chief Pharmacists in Wales about how to further bolster approaches to minimising wasted medicines.

2.28 For patients with long-term or recurrent conditions, repeat prescribing can be a convenient and appropriate way of accessing medication without always needing to see a clinician. However, if appropriate processes are not in place to manage and regularly review repeat prescriptions they can be a significant cause of waste. Research suggests that around 80 per cent of all prescribing in primary care is repeat prescribing[49]. The Prudent Prescribing Implementation Group is now undertaking work to test and implement improved processes for ordering and collecting repeat prescriptions, with the aim of improving safety as well as reducing over-ordering of medicines.

Exhibit 10 – Unused medicines from just one patient at Cwm Taf University Health Board

Source: Cwm Taf University Health Board

49 National Prescribing Centre: **Saving time, helping patients – a good practice guide to quality repeat prescribing**. January 2004.

Health boards and GPs have worked together to improve aspects of quality and safety of primary care prescribing but some aspects require further improvement

2.29 When reviewing prescribing behaviour it is equally important to examine issues relating to the quality and safety of patient care alongside costs. In paragraph 2.23 we note recent reductions in the prescribing of tramadol. Whilst this has a cost benefit, the wider quality and safety benefits are equally if not more important. Deaths related to the misuse of tramadol in England and Wales increased from 83 in 2008 to 220 in 2013[50]. It is subject to abuse and dependence, and problems can arise in relation to interactions with other medications. The Prudent Prescribing Implementation Group is building on previous work from AWTTC to improve tramadol prescribing through new treatment templates for clinicians to use with individual patients.

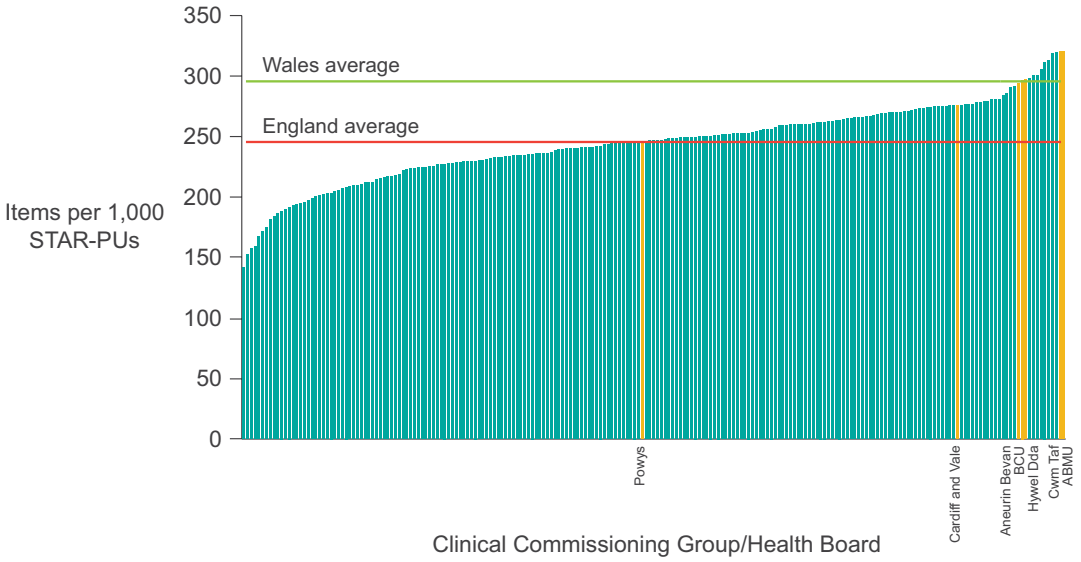
2.30 In paragraph 2.26 we note scope to make savings by improving the prescribing of inhaled corticosteroids (ICSs). However, a National Prescribing Indicator on ICSs was largely introduced because of safety issues associated with high doses. The indicator encourages routine reviews of preventative ICSs in people with asthma, with a view to stepping down the strength of their medication where clinically appropriate[51]. In the quarter ending December 2015, performance across Wales on the use of ICSs had deteriorated by 2.4 per cent on the same quarter the previous year.

2.31 Resistance to antibiotics has increased in Wales[52] and the Welsh Government's national delivery plan recognises antimicrobial resistance as one of the greatest current threats to human health[53]. One of the National Prescribing Indicators promotes a year-on-year reduction in the total number of antibiotic items prescribed in Wales. In quarter three of 2015-16, the total number of antibiotic items prescribed in Wales was eight per cent lower than in the same quarter in the previous year. However, as shown in Exhibit 11, when compared with English health bodies, all Welsh health boards other than Powys are amongst the highest prescribers of antibiotics.

2.32 Broad spectrum antibiotics are medicines that need to be reserved to treat diseases resistant to standard antibiotics. Overuse of broad spectrum antibiotics increases the risk of infections from Clostridium difficile and Methicillin-resistant Staphylococcus aureus (MRSA). The National Prescribing Indicators contain targets for reducing the use of three types of broad spectrum antibiotics, co-amoxiclav, cephalosporins and fluoroquinolones. Between June 2013 and December 2015, all health boards except Abertawe Bro Morgannwg reduced their use of co-amoxiclav and the prescribing rate in Wales was slightly lower than in England. Over the same period, most health boards also achieved reductions in prescribing of cephalosporins and fluoroquinolones but the rate of prescribing in Wales as a whole was higher than in England.

50 Office for National Statistics, **Deaths related to drug poisoning in England and Wales**, 2013. 2014
51 The National Prescribing Indicator encourages an increase in low-strength ICSs as a percentage of all ICSs.
52 Public Health Wales, **Antimicrobial resistance and usage in Wales (2005-2011)**, November 2012.
53 Welsh Government, **Together for Health, Tackling antimicrobial resistance and improving antibiotic prescribing**, 2015.

Exhibit 11 – Prescribing of antibiotics in Welsh health boards is generally higher than in English Clinical Commissioning Groups



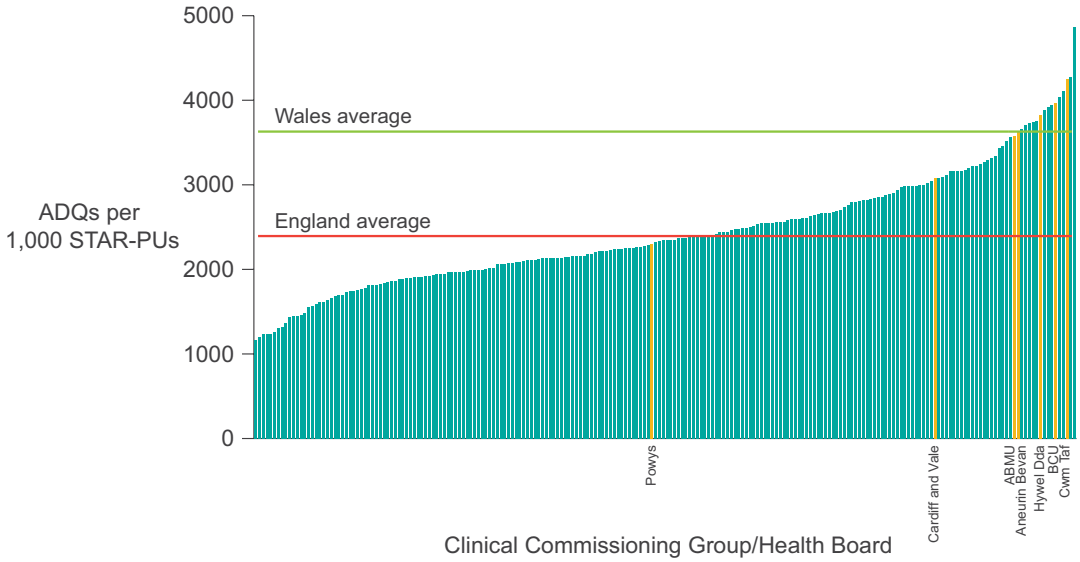
Note

A STAR-PU (or Specific Therapeutic group Age-sex Related Prescribing Unit) is a value calculated to reflect both the number of patients in a practice, and the age and sex mix of that group.

Source: AWMSG, National Prescribing Indicators 2016-17, February 2016.

2.33 A National Prescribing Indicator has been in place for many years with the aim of reducing the prescribing of anxiolytic and hypnotic drugs within NHS Wales. These are drugs that are used to treat insomnia and various states of anxiety, and typically consist of different forms of benzodiazepines. Targeted action supported by specific guidance has contributed to reductions in the amount of hypnotics and anxiolytics prescribed over recent years. However, as shown in Exhibit 12, the prescribing of these drugs is disproportionately high in Wales compared to England. Moreover, there is considerable variation in prescribing rates between health boards.

Exhibit 12 – Prescribing of hypnotic and anxiolytics is higher in Wales than in England, with large differences between some Welsh health boards



Note

A STAR-PU (or Specific Therapeutic group Age-sex Related Prescribing Unit) is a value calculated to reflect both the number of patients in a practice, and the age and sex mix of that group.

Source: AWMSG, National Prescribing Indicators 2016-17, February 2016.

2.34 There have also been improvements in Wales in the reporting of side effects from medicines, commonly referred to as adverse drug reactions (ADRs). These reactions are associated with six per cent of hospital admissions. Healthcare professionals are supposed to report ADRs to the Yellow Card Centre for Wales which reports issues to the Medicines and Healthcare Products Regulatory Agency (MHRA) to monitor the safety of medicines and vaccines on the market. There has been a general increase in the number of yellow cards reported from primary care in recent years[54] and according to data from AWTTC, use of the Yellow Card Scheme in Wales is around 50 per cent higher than in the rest of the United Kingdom as a whole. The higher reporting rate has been associated with initiatives such as the identification of Yellow Card 'champions' in Wales. However, during our audit, staff in secondary care had mixed views on the effectiveness with which the Yellow Card scheme is promoted. Less than a third of doctors responding to our survey agreed/strongly agreed that the Yellow Card Scheme is promoted effectively.

54 All Wales Therapeutics and Toxicology Centre, National Prescribing Indicators 2015-2016, **Analysis of prescribing data to September 2015.**

2.35 During our fieldwork we were told about several examples of health boards taking positive actions to address specific issues related to primary care prescribing. Appendix 4 gives details of some of the examples of good practice showcased at an event hosted by AWTTC in June 2016.

NHS Wales needs to do more to prevent medicines-related hospital admissions but it is difficult to quantify the extent of the problem

2.36 When a patient's medicines are not managed well in primary care, this can cause problems that result in an admission to hospital. Problems with the coding of Welsh hospital admissions makes it difficult to quantify the number of patients who are admitted to hospital as a result of problems with the management of their medicines in the community. Data jointly analysed by NWIS and Betsi Cadwaladr University Health Board suggests that just 0.76 per cent of admissions to Welsh hospitals in 2014-15 were medicine-related admission (MRAs). The data show considerable variation across Wales, with the rate of MRAs ranging from 0.37 per cent at Velindre NHS Trust to 0.95 per cent at Betsi Cadwaladr University Health Board. Chief pharmacists told us that the variation across Wales is likely to be a result of differences in clinical coding practices and not due to any variation in the quality of care.

2.37 Large observational studies and systematic reviews[55] suggest a much higher prevalence of MRAs than suggested above, with at least five per cent of all hospital admissions being identified as medicines related. The difference is likely to be linked to the clinical coding issue mentioned above and inconsistencies in the way that MRAs are routinely documented and reported within the NHS.

2.38 As part of the local audit work across Wales auditors worked with pharmacists to attempt to measure the rate of MRAs within the sample of wards that were visited[56]. This exercise identified an even higher rate of MRAs, with 10 per cent of the patients in the sample being classed as having a medicines related admission. Clearly the figures generated will depend on the definition of an MRA, however, taking the five per cent figure suggested by larger observational studies, the estimated cost of admissions due to medication issues in Wales in 2014-15 would be more than £8 million[57]. If the figure of 10 per cent obtained through the local audit sample is representative, the cost would rise to £16 million.

2.39 Betsi Cadwaladr University Health Board is currently carrying out work to improve the recording of MRAs. Pharmacists at the health board have embarked on a programme of work aimed at helping medical and nursing staff to recognise the types of medication that can often lead to MRAs. The programme encourages better recording of these issues in the patient's notes and emphasises the importance of completing a yellow card (see paragraph 2.34). Betsi Cadwaladr University Health Board is planning to share its learning with the rest of the health bodies in Wales during 2016.

55 Welsh Medicines Resource Centre (WeMeRec) Bulletin, **Medicines-related admissions**, February 2015.
56 The method for calculating the rate of MRAs is contained in Appendix 1.
57 Based on 10 per cent of the 356,304 emergency admission episodes recorded by NHS Wales Informatics Service in 2014-15, and a cost per admission of £456, the figure defined in Cardiff University's Evaluation of the Discharge Medicines Review Service, March 2014.

Part 3

Interface between primary and secondary care: There are medicines-related safety risks and inefficiencies when people move in and out of hospital

Poor transfer of information about patients' medicines is causing safety risks and inefficiencies when people are admitted to hospital

3.1 When patients move between care primary and secondary care settings, it is important that information about their prescribed medicines transfers with them. Good communication between the GP and the hospital can prevent errors and inaccuracies about people's medicines and reduce the risk of avoidable harm to patients.

3.2 As part of the local audit work, hospital pharmacy teams were asked to assess the quality of information provided by primary care to support admissions. In a sample of 362 patients admitted to hospital via a GP, 148 patients (41 per cent) had no medicines information from primary care to support their admission, 64 (18 per cent) had limited information, 71 (20 per cent) had standard information and 79 (22 per cent) had comprehensive information[58].

3.3 In the survey of hospital staff undertaken as part of the local audits, 23 per cent of doctors and 38 per cent of pharmacy staff disagreed or strongly disagreed with the statement that admission information about medicines for elective patients was sufficient. For emergency patients, 61 per cent of doctors and 63 per cent of pharmacy staff disagreed or strongly disagreed with the statement that '…it is easy to access sufficient written/electronic information about patients' existing medication'.

3.4 When patients arrive in hospital with limited information about their medicines, pharmacy teams often telephone GP surgeries to secure a patient's drug history. This work can be time-consuming and is potentially avoidable. The GP Record (formerly called the Individual Health Record) is an electronic system that contains a summary of the information held by GPs about their patients. In 2014 and 2015, the system was piloted at Aneurin Bevan and Cardiff and Vale University Health Boards before being rolled out to other health bodies. The system allows pharmacists to directly access GP-held information about patients' medicines without having to make telephone calls to GP surgeries.

3.5 Our work has noted some limitations with the GP Record system which are summarised below:

- The record is only currently used for patients admitted as emergencies, and is not used for elective patients.
- Only doctors and pharmacists are permitted to access the record, and before they do so, they need to seek the permission of the patient. Some patients can be asked for permission several times during their episode of care, which can be frustrating for patients. Pharmacy staff told us that there would be benefits from making the record available to certain pharmacy technicians, as long as there were robust information governance controls in place.

58 The options were 'No information/could not find information in notes', 'Limited information: contained an incomplete drug history', 'Standard information: contained a complete drug history', Comprehensive information: contained a complete drug history including supporting clinical information and relevant test results.

- The GP Record is not being used as often as it should be. Pharmacy staff told us that junior doctors need to use the system more upon admissions to prevent potential medication issues that need to be spotted and subsequently corrected by pharmacy teams.

3.6 Given the potentially significant time savings and safety improvements possible through the GP Record, both on the wards and in general practices, it is important that use of the system is expanded. Any efforts to expand access and use of use of the system will need to continue to involve full engagement with GPs who will understandably want assurance that robust information governance arrangements are in place regarding sensitive data about their patients. At the time of drafting this report, NWIS was implementing a national audit tool designed to monitor use of the GP Record in health bodies and in community pharmacy. Following successful implementation of the tool, NWIS plans to extend access to the GP Record to a greater number of registered pharmacy professionals.

3.7 Medicines reconciliation is a checking process, often led by a pharmacist, to ensure that when a patient moves in or out of hospital, they are followed by accurate and complete medication information. The **Professional Standards for Hospital Pharmacy Services**[59] (the Standards) state that within 24 hours of admission, patients' medicines should be reviewed or 'reconciled' to avoid unintentional changes to their medication. Of the 955 patients reviewed as part of our clinical pharmacy review where a medicines reconciliation date had been recorded, 611 (64 per cent) received a medicines review within one day of their admission[60]. Data routinely collected by all health boards except Powys suggest that typically around 75 per cent of patients have their medicines reconciled within 24 hours of their admission to hospital.

When patients are discharged from hospital there are often issues with the quality and timeliness of medicines information provided to the GP

3.8 When patients are discharged from hospital, the Standards state that arrangements should ensure 'accurate information about the patient's medicines is transferred to the healthcare professional(s) taking over care of the patient at the time of the transfer'. Across Wales, 17 out of 18 hospitals that we reviewed had a standard template that sets out the information to be provided to GPs upon a patient's discharge.

3.9 We found that the quality and timeliness of discharge information can be an issue. Our survey of staff showed that 31 per cent of pharmacy staff and 27 per cent of doctors disagreed or strongly disagreed with the statement 'The discharge information about patients' medicines provided to GPs is of high quality.' During our fieldwork we were also told that some discharge summaries can take a long time to reach the GP and some are difficult to read because they are handwritten.

59 Royal Pharmaceutical Society, **Professional Standards for Hospital Pharmacy Services**, July 2012
60 Figure represents patients whose medicines review date was either the same day as admission or the following day.

Electronic discharge summaries can be a solution to such issues as they involve computerised records being directly sent to GP systems. Across Wales, at the time of our local audit work just 34 per cent of wards produced electronic discharge summaries.

3.10 Since our local audit work, there has been progress in implementing an electronic discharge information system called Medicines Transcribing and e-Discharge (MTeD). The system was developed by the NHS Wales Informatics Service (NWIS) and has been made available to health bodies to allow rapid, accurate transfer of medication information from hospital to primary care upon discharge. The AWMSG Five-Year Strategy 2013-2018 says that the roll-out of electronic discharge systems should have been completed by September 2015. As at April 2016, Cardiff and Vale had 39 wards using MTeD, Cwm Taf had implemented the system on its medical wards and one community hospital ward, Hywel Dda was using the system on one ward at each of its hospitals, Betsi Cadwaladr had the system on two orthopaedic wards and Powys had MTeD on one ward. The other three health bodies had no wards using MTeD[61] and there was no clear timescale for finalising the roll out across Wales. During our fieldwork, pharmacy staff expressed positive views about the system but they told us that for MTeD to work effectively, prescribers need to be fully involved in using the system, which can be a difficult change to implement. Pharmacy staff also told us that prescribers need better training on the system, to prevent inaccurate input of medicines information that needs subsequent correction by pharmacy.

NHS Wales is strengthening the role of community pharmacists in reviewing patients' medicines after their discharge from hospital

3.11 When a patient is being discharged from hospital, community pharmacists may be requested to carry out a Discharge Medicines Review (DMR) soon after the patient's return home. These DMRs aim to ensure changes to patients' medicines initiated in hospital are continued appropriately in the community. The reviews also ensure patients are supported in adhering to their medication regime.

3.12 An independent review of the DMR service in Wales estimated that each DMR costs £68.50 and that for every pound spent on DMRs there is approximately three pounds saved by avoiding emergency department attendances, hospital admissions and medicines wastage[62].

3.13 In the 14,649 DMRs considered as part of the independent review, there were 19,878 discrepancies discovered in patients' medications. This shows that whilst DMRs appear to be a positive step in improving continuity and safety of medicines management, DMRs are essentially correcting preventable problems that have arisen earlier in a patient's episode of care. Health bodies should therefore continue to use DMRs as a backstop for identifying these problems, whilst at the same time focusing on preventing these problems happening in the first place.

61 The health bodies yet to implement the system were Velindre, Abertawe Bro Morgannwg and Aneurin Bevan. The latter two bodies are using alternative systems for electronic discharge ahead of agreeing a date for implementing MTeD.

62 Cardiff University, **Evaluation of the discharge medicines review service**, March 2014.

3.14 Across Wales, 7,353 DMRs were carried out in Wales between April 2015 and January 2016 at a cost of approximately £500,000[63]. Out of the 716 community pharmacies in Wales, 450 provided DMRs during 2015. The Welsh Government intends to increase the number of DMRs carried out in Wales. We found that 14 DMRs were carried out for every 1,000 discharges and the rate varied across health bodies from 9 to 21 DMRs per 1,000 patients discharged[64].

3.15 The Welsh Government has invested £750,000 in technology to improve the use of DMRs. The improvements have included additional functionality within the MTeD discharge information system to make it easier for community pharmacists to perform DMRs. Staff in some hospitals can now use the system to send electronic information about the patient's medicines directly to the patient's local community pharmacist. The same system is now being used to facilitate community pharmacists in providing the Choose Pharmacy common ailments service (see paragraph 2.14). In August 2016, the Welsh Pharmaceutical Committee discussed scope to drive further use of DMRs by introducing a feedback loop, where secondary care staff that request DMRs are provided with feedback on the outcomes of the DMRs carried out in the community.

63 We have calculated this cost by multiplying the number of DMRs carried out by £68.50.
64 We have used the number of discharges in 2013-14 at acute hospitals as the denominator in this paragraph.

Part 4

Acute hospitals: Pharmacy services are rated highly by medical and nursing staff but there are problems with medicines storage, gaps in medicines information and there is frustration at delays in implementing electronic prescribing

We found some safety issues caused by incomplete medicines information recorded on paper drug charts

4.1 In Welsh hospitals the prescribing process is paper-based. Prescribers in hospital write prescriptions on paper drug charts which are used by pharmacy staff to dispense the medicines. These same charts are used by nursing staff during the drug administration process to record the doses and times that each patient receives their medication.

4.2 During our fieldwork, we visited 40 wards in 23 hospitals across Wales and in each ward we typically reviewed the drug charts of 10 randomly-selected patients. On the positive side, we noted that all hospitals were using a particular type of drug chart that has been developed on an all-Wales basis to standardise the recording of medicines information.

4.3 We found that a small number of drug charts did not contain important information about patients' allergies. Of the 403 drug charts reviewed, 11 did not have the requisite information about whether or not patients had specific allergies to medicines.

4.4 We also highlighted scope to improve recording of missed doses. There can be justifiable reasons why a dose is missed when it is due, such as the patient refusing to take their medicines. However, sometimes doses are missed because the drug is not available on the ward or sometimes poor record keeping means it is not clear from the drug chart whether a dose has been omitted or not. The latter is particularly dangerous because when the drugs chart has not been properly completed it risks the patient being given their dose of medication twice. In our review of 403 charts, we found 54 charts that were unclear about whether a dose had been omitted or not. Within these 54 charts, there was a total of 93 instances where it was unclear about whether a dose had been omitted or not. Similar issues were identified by Healthcare Inspectorate Wales during their programme of hospital inspections during 2015-16. An updated all-Wales drug chart was due to be launched in August 2016. The chart has been redesigned to make the recording of missed doses easier and more visible.

4.5 The risks associated with missed doses were highlighted in **Learning from Trusted to Care**[65] although the Ministerial spot checks found a low incidence of omitted doses. The All Wales Policy for Medicines Administration, Recording, Review, Storage and Disposal that was produced in response to Trusted to Care emphasises the importance of clear, accurate and immediate recording of all medicines administered and also of missed doses. Since Trusted to Care, health bodies have undertaken audits of missed doses on their hospital wards, however, during interviews, some Chief Pharmacists said there is a risk that health bodies' focus on missed doses could wane without a specific and sustained effort to improve the recording of medicines administration.

65 Welsh Government, **Learning from Trusted to Care: All Wales Report**, 2014

4.6 We also identified scope to improve record keeping when drug charts were completely filled up and new charts needed to be started. We found that in such instances, patient details such as admission dates and allergy information, were often not transcribed from the old form to the new form.

Electronic prescribing could significantly improve the safety and efficiency of medicines information in hospital but progress has been slow

4.7 The information manually entered onto paper drug charts (see Exhibit 13) is not routinely computerised. Health bodies therefore have gaps in their electronic data about patients' medicines and this is a barrier to using information for managing and improving prescribing. Health bodies typically have no electronic information about the actual medicines that individual patients receive, nor do they have electronic information to allow them to monitor the prescribing practices of individual prescribers. The latter is a particular barrier in the important area of improving the use of antibiotics. Health bodies are not able to identify secondary care prescribers that are using antibiotics inappropriately and are therefore not able to target individual staff with the relevant support and education.

4.8 **Learning from Trusted to Care: One Year On** recognised the limitations of the current process and stated that the implementation of a single electronic system would hugely benefit the management of medicines. The report recommended that a business case for implementing such an electronic system should be completed as soon as possible.

4.9 Electronic prescribing and medicines administration (EPMA) is use of computers to generate and transmit a prescription, aiding the choice, administration and supply of medicines. Such EPMA systems can allow quicker, safer and cost-effective transfer of information[66] and provide clinicians with decision-support and a robust audit trail for the entire medicines management process. While no health board in Wales has implemented electronic prescribing for inpatients, 13 per cent of English acute trusts have such systems in place[67].

4.10 Since 2007, there has been a national plan to implement EPMA by 2010. Progress has been slower than anticipated, partly because other pharmacy-related IT projects in NWIS took priority over EPMA, such as upgrades to hospital pharmacy systems and implementation of MTeD. An attempt from NWIS to introduce EPMA through an invest-to-save[68] approach faltered when health bodies decided not to commit to the approach, partly because they struggled to identify where realisable savings would come from.

66 1000 Lives Plus, **Achieving prudent healthcare in NHS Wales**, June 2014.
67 Lord Carter of Coles, **Operational productivity and performance in English NHS acute hospitals: Unwarranted variations**, February 2016.
68 Invest-to-save schemes aim to promote innovation and improvement, typically through one-off, upfront investments to fund changes that, if successful, will secure financial savings over the long term.

Exhibit 13 – Standard drugs charts in Wales are not computerised so there are gaps in health bodies' electronic information on prescribing

Royal College of Physicians

IN-PATIENT MEDICATION ADMINISTRATION RECORD

Developed in collaboration with the All Wales Chief Pharmacists Committee

GIG CYMRU NHS WALES

DRUG ALLERGIES & SENSITIVITIES

PLEASE CIRCLE AS APPROPRIATE:

NONE KNOWN YES

SIGNED..... DATE.....

NAME.....

Drug / Allergen:

Description of Reaction:

This section must usually be completed prior to administration of any medicine. Refer to local policies for further guidance.

HOSPITAL No: _____

SURNAME: _____

FIRST NAME: _____

ADDRESS: _____

ADDRESSOGRAPH

DATE OF BIRTH: _____

Height (m)			Weight (kg)			Surface Area (m^2)
Date	Height	Sign	Date	Weight	Sign	
			Date	Weight	Sign	

DATE OF ADMISSION _____

HOSPITAL _____

WARD _____

CONSULTANT _____

MULTIPLE MEDICATION CHARTS

CHART .....

OF .....

MEDICATION ON SUPPLEMENTARY CHARTS SHOULD ALSO BE RECORDED ON THIS DRUG CHART.

DETAILS OF SUPPLEMENTARY CHARTS
TICK APPROPRIATE BOX

ANTICOAGULANT ☐

SUPPLEMENTARY INFUSION CHART ☐

INSULIN ☐

PATIENT CONTROLLED ANALGESIA/EPIDURAL ☐

SYRINGE DRIVER ☐

OTHER (PLEASE SPECIFY)

Venous Thromboembolism Risk Assessment

	(Y/N)	Signature	Date
Does the patient need thromboprophylaxis? (Refer to local policy)			

If **YES,** please prescribe appropriate thromboprophylaxis on the prescription chart

If thromboprophylaxis contraindicated, please state reason: .....

.....

(N.B. Reassess risk of bleeding and venous thromboembolism within 24 hours and if clinical situation changes)

PRESCRIPTIONS FOR ONCE ONLY and PRE-ANAESTHETIC MEDICATION

DATE	MEDICINE (APPROVED NAME)	DOSE	ROUTE	TIME TO BE GIVEN	PRESCRIBERS SIGNATURE	PHARMACY	DATE	TIME GIVEN	GIVEN BY	CHECKED BY
					bleep No					
					bleep No					
					bleep No					
					bleep No					
					bleep No					
					bleep No					
					bleep No					
					bleep No					
					bleep No					

MEDICINES MANAGEMENT

MEDICATION HISTORY OBTAINED FROM:

PATIENT ☐ GP ☐ NH/RH ☐ CARER ☐

PODS ☐ MDS ☐ OTHER .....

COMPLIANCE ISSUES .....

INITIALS ..... DATE .....

MEDICINES RECONCILED

INITIALS ..... DATE .....

COMMENTS / NOTES

GP

COMMUNITY PHARMACY DETAILS

DISCHARGE PRESCRIPTION WRITTEN

INITIALS ..... DATE .....

IN-PATIENT MEDICATION ADMINISTRATION RECORD

1

AWMR03.12

Source: Wales Audit Office.

4.11 During our fieldwork, pharmacy teams frequently expressed their frustration at the slow progress in implementing the roll out of an EPMA solution. An outline business case is currently being drafted by NWIS[69] and NWIS has appointed a Principal Project Manager, Business Analyst and Clinical Lead for EPMA. However, the roll out of the system is not due until 2023, reflecting the complexity of projects involving installation of hardware on every hospital ward, central infrastructure such as servers, and staff training, as well the significant cost which is projected to run to tens of millions of pounds.

4.12 In the absence of a national system for EPMA, two health boards have begun to explore local solutions. Abertawe Bro Morgannwg University Health Board is in the process of implementing electronic prescribing in its outpatients departments and is developing a business case to implement an inpatient EPMA system, which will provide learning to support the national procurement and implementation of EPMA. Cardiff and Vale University Health Board is also trialling an electronic prescribing system in one of its outpatient departments. The system at Cardiff and Vale has allowed much improved recording and analysis of the use of specific, high-cost medicines. By analysing the use of one particular high-cost medicine and reducing unnecessary use of such medicines at just one renal clinic, the system is predicted to save around £36,000 during 2017.

Facilities generally comply with key requirements but there are weaknesses in medicines storage and security on the wards and in pharmacies

4.13 As discussed in paragraphs 1.12 to 1.15, the **Trusted to Care** spot checks highlighted issues across Wales regarding the safe and secure storage of medications on hospital wards. Our visits to hospitals revealed that some of these issues are ongoing such as a lack of space in medicine and treatment rooms, medicines cupboards being unlocked and a lack of routine monitoring of fridge temperatures. Similar issues were identified by Healthcare Inspectorate Wales during their programme of hospital inspections during 2015-16.

4.14 The introduction of automated vending machines to store and dispense medicines on the wards can improve security, audit trails and can release pharmacy and nursing staff time. However, at present just eight per cent of wards in Wales have automated vending machines.

4.15 As well as visits to hospital wards, auditors carried out observations at 19 hospitals to assess whether pharmacy departments comply with key national requirements[70]. They found that the majority of pharmacy departments are in convenient ground floor locations and are easily accessible from the hospital pharmacy departments main corridors.

69 The business case will also plan to implement hospital pharmacy computer systems across Wales, which are dated and in need of replacement. These systems are key to the stock management and most processes within hospital pharmacy departments.

70 NHS Wales Shared Services Partnership, **Pharmacy and radiopharmacy facilities**, Welsh Health Building Note WHBN 14-01, 2014.

4.16 Boundary security of hospital pharmacies was largely sound, with all departments controlling access via swipe cards or pin code systems. At two health bodies we highlighted instances where unauthorised people had accessed the hospital pharmacy. At one hospital we were told that the PIN code for the hospital pharmacy department was widely known and two building contractors had entered the pharmacy department without permission. At another hospital we were told that a member of the public, waiting in the pharmacy waiting area, watched a member of staff input the pin code, then input the code themselves to gain entry to the pharmacy corridor. Since our audit, the pin code entry system has been replaced with a swipe card system.

4.17 Local audit work also identified some weaknesses in the storage arrangements in hospital pharmacies. In seven pharmacies[71] we observed boxes stored on the floor, which is not in compliance with the national requirements, and in four hospitals[72] there were problems with regulating the temperature of areas used to store 'bulk items' such as boxes of intravenous fluid drips. In two hospitals[73] we found that bulk items were stored in areas accessible to the public.

4.18 Arrangements for securing controlled drugs in hospital pharmacy departments were generally appropriate, involving storage in locked and alarmed cupboards or separate rooms.

4.19 Auditors found good arrangements for monitoring the temperatures of fridges used in pharmacy departments for storing medicines. The vast majority of fridges had temperatures constantly monitored and recorded through electronic systems, with alarms in place to alert staff to unexpected changes in temperature.

4.20 Robotic machines are often used in hospital pharmacies to improve the storage of medicines and to enhance safety of dispensing. Welsh hospital pharmacies are more likely to have a dispensing robot than in England. Out of the English and Welsh hospitals that participated in the NHS Benchmarking Network's 2015 pharmacy exercise, 77 per cent had a pharmacy robot in place, whereas in Wales, all participating hospitals had a robot in place.

There are high satisfaction levels with hospital pharmacy services although these services are harder to access outside normal working hours

4.21 Medicines management is a multi-professional discipline where pharmacy teams, doctors and nurses need to work together effectively to ensure good communication and safe and effective treatment.

4.22 Our work found that there are generally positive relationships between hospital pharmacy teams, doctors and nurses. Exhibit 14 shows that all staff groups felt that relationships were excellent or good.

71 Singleton, Princess of Wales, Neath Port Talbot, Royal Gwent, Velindre Cancer Centre, Llandough and University Hospital of Wales.
72 Princess of Wales, Neath Port Talbot, Royal Gwent and Llandough.
73 Royal Gwent and Princess of Wales.

Exhibit 14 – There are positive relationships between hospital pharmacy staff, doctors and nurses

Pharmacy staff views:
77 per cent of pharmacy staff said their relationship with doctors was Excellent or Good.
87 per cent of pharmacy staff said their relationship with nurses was Excellent or Good.
Doctors' views:
76 per cent of doctors said their relationship with pharmacy staff was Excellent or Good.
Nursing staff views:
88 per cent of nursing staff said their relationship with pharmacy staff was Excellent or Good.

Source: Wales Audit Office staff surveys

4.23 Pharmacy services should be accessible to healthcare staff at the times when they are most needed. The Royal Pharmaceutical Society has highlighted problems across the United Kingdom with the availability of pharmacy services outside normal working hours. The society reports that limited availability of hospital pharmacy services, particularly at weekends, can result in more missed doses and prescription errors, a lack of medicines reconciliation and prolonged waits for discharge medication[74].

4.24 When we asked doctors and nurses for their views on the accessibility and responsiveness of pharmacy teams to requests for support or advice, the responses were largely positive (Exhibit 15). However, doctors and nurses told us that pharmacy teams are less accessible and responsive outside normal working hours, echoing the concerns identified by the Royal Pharmaceutical Society.

4.25 Whilst all hospital pharmacy teams in Wales are available on-call at all times of the day or night, on average, pharmacy services are open to outpatients and emergency departments for just five hours at weekends. Clinical pharmacy services on the wards are provided for just four hours at weekends.

74 Royal Pharmaceutical Society, Seven Day Services in Hospital Pharmacy: Giving patients the care they deserve, 2014.

Exhibit 15 – Doctors and nurses told us that pharmacy teams are accessible and responsive but less so outside normal working hours

During normal working hours

85 per cent of doctors agreed or strongly agreed that 'It is easy to contact the pharmacy team'.

83 per cent of doctors agreed or strongly agreed that the pharmacy team responds in reasonable timescales to my requests.

Outside normal working hours

31 per cent of doctors agreed or strongly agreed that 'It is easy to contact the pharmacy team'.

31 per cent of doctors agreed or strongly agreed that the pharmacy team responds in reasonable timescales to my requests.

Source: Wales Audit Office staff surveys

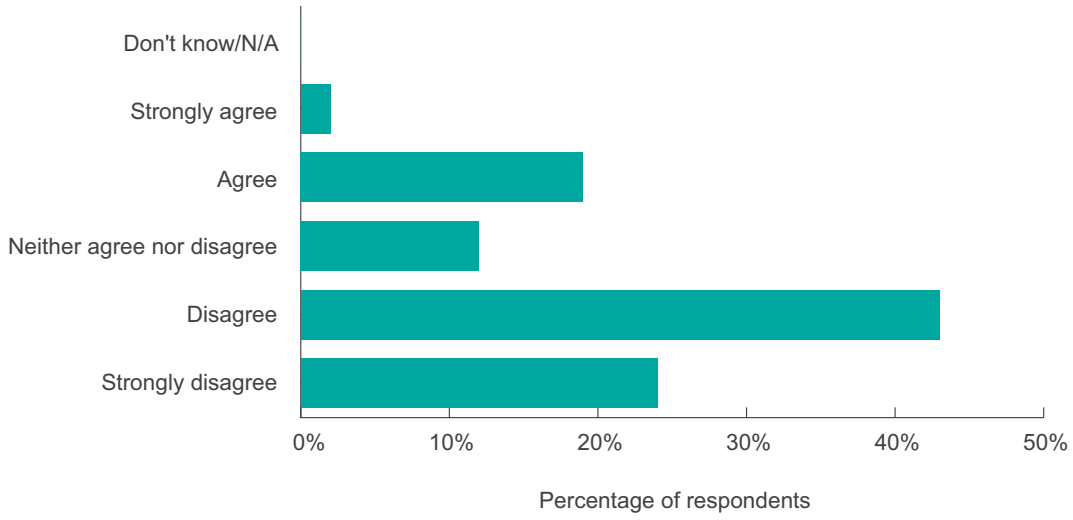
4.26 Our local work found that most health bodies were considering ways of extending pharmacy hours, to make services more accessible at weekends and in the evenings. Some health bodies had begun to extend hours in a limited way. However, no health board had a clear and sustainable plan for funding and implementing extended pharmacy hours. Appendix 3 includes a case study where a hospital in Manchester has implemented seven-day pharmacy services.

There is a need to ensure more consistent clinical pharmacy input on the wards and to spend more time educating patients

4.27 Paragraph 1.8 and Exhibit 5 highlight limitations in the current data on pharmacy staffing levels, which makes it difficult to compare staffing in different health bodies and complicates health bodies' workforce planning.

4.28 Nevertheless, our work across Wales highlighted general perceptions of high workload pressures within hospital pharmacy teams. Across Wales, 60 per cent of pharmacy staff disagreed or strongly disagreed with the statement 'There are enough pharmacy staff at this organisation for me to do my job properly.' Exhibit 16 shows that most pharmacy staff also disagreed with the statement 'I have time to carry out all of my work.'

Exhibit 16 – Pharmacy staff generally disagreed with the statement 'I have time to carry out all of my work'



Source: Wales Audit Office survey of pharmacy staff

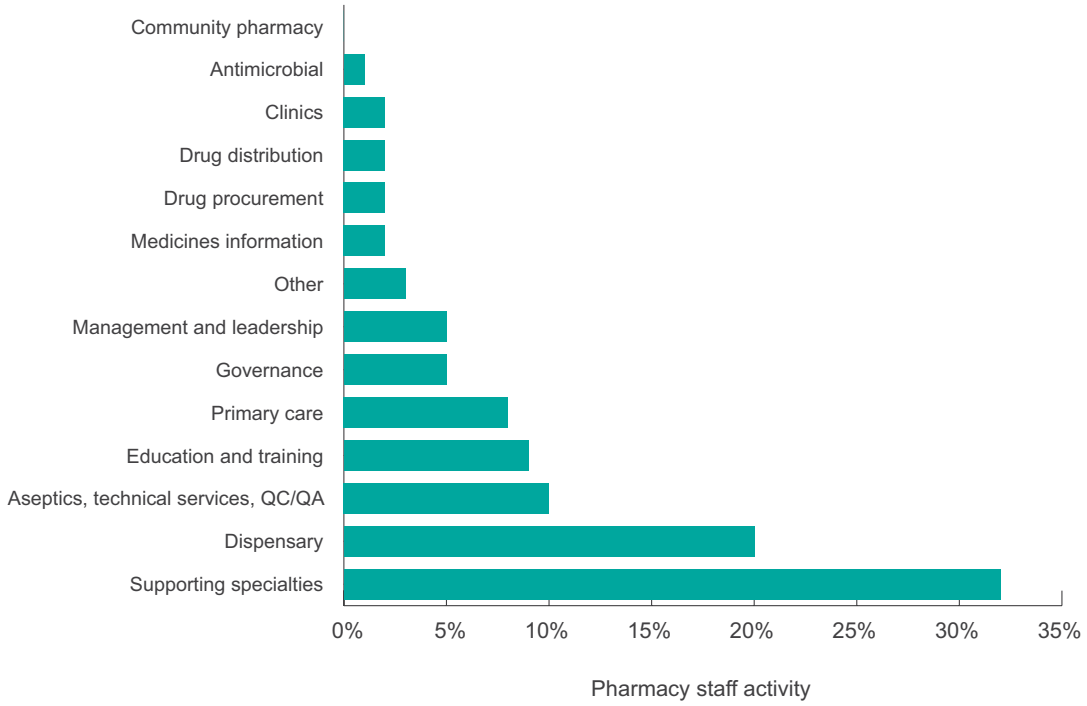
4.29 The **Carter Report** highlights the importance of hospital pharmacy teams providing clinical services. Clinical pharmacy is a term used to describe the activities of pharmacy teams on hospital wards and in clinics, including the provision of advice to other clinicians, monitoring patients' medicines, and providing information directly to patients about their medication. The **Carter Report** states 'In hospital pharmacy we know that the more time pharmacists spend on clinical services rather than infrastructure or back-office services, the more likely medicines use is optimised.'[75] Exhibit 17 shows the activities that hospital pharmacists and technicians spent most of their time carrying out during 2014. The data show that 32 per cent of their time was used providing clinical pharmacy services to specialty hospital wards.

4.30 Our data collection from health bodies showed that 11 per cent of wards in Welsh acute hospitals have no routine visiting service from the pharmacy team. We also found that where pharmacy teams are providing visiting services, only five per cent provide this seven days a week. The average number of hours that the pharmacy team has a presence on each ward is approximately 13 hours per ward per week.

4.31 There can be benefits in assigning each ward a specific, named member of the pharmacy team as a liaison point. This can improve communication, develop relationships and provide consistency of pharmacy input. We found that 91 per cent of wards in Welsh hospitals have a named pharmacist although only 50 per

75 Lord Carter of Coles, **Operational productivity and performance in English NHS acute hospitals: Unwarranted variations**, February 2016.

Exhibit 17 – Hospital pharmacy teams are spending approximately a third of their time in specialties carrying out clinical pharmacy work



Source: Resource Mapping Exercise

cent have a named technician. We also found that the named pharmacist may be the named pharmacist on several wards, and this might mean they are limited in their ability to provide time and input on each ward. We also found that in some wards the link member of pharmacy varies during the working week and can cause problems with the consistency of pharmacy input.

4.32 A key role of pharmacy teams on the wards, can be to spend time with patients to explain their medication. If a patient understands what medicines they are taking, and for what purposes, they may be more likely to stick to their prescribed regime in future. We found that pharmacy teams are struggling to spend enough time educating patients on their medicines. In our clinical pharmacy review across Wales, we found that only six per cent of patients or carers were educated on an aspect of their medication.

Appendices

Appendix 1 - Methods
Appendix 2 - Decisions taken outside the national medicines appraisal process
Appendix 3 - Case study on extended pharmacy hours
Appendix 4 - Examples of good practice

Appendix 1 - Methods

Our audit consisted of the following methods:

Method	Detail
Core medicines management tool	The core tool was a questionnaire that asked for corporate-level data from the health bodies. The tool also collected some basic information about the medicines management arrangements on 466 wards across Wales.
Document request	We requested and reviewed a range of documents from each health board.
Clinical pharmacy review (including a Visit Log and Patient Log)	The clinical pharmacy review was completed by pharmacy teams on a sample of wards in each acute hospital in Wales. At each hospital we typically sampled three wards and across Wales we sampled a total of 49 wards. The tool aimed to record the activity of pharmacy teams during ward visits. The Visit Log was completed by pharmacy staff every time they visited a ward and gathered data about the staff member's activities during their visit. The Patient Log was completed once on each ward and gathered information about each patient that was currently in a bed. For example, pharmacy staff were asked to record whether or not the patient's admission was medication-related. Admissions were recorded as medication-related if the diagnosis in the patient documentation included a possible problem with their medication, including adverse drug reactions, non-compliance with their prescribed medicines, non-evidence based prescribing, dispensing errors and poor medication advice.
Interviews	We interviewed a small number of staff at each health body which typically included: Chief Operating Officers, Medical Directors, Chief Pharmacists/Heads of Medicines Management and also ward-based staff, pharmacists and technicians.
Walkthroughs	We visited all acute hospitals in Wales where we carried out an observation within the hospital pharmacy/dispensary. We also visited a sample of wards at each hospital where we spoke to staff and carried out a drug chart review. We typically visited two wards per hospital.

Method	Detail
Surveys of medical and nursing staff	We carried out an online survey of a sample of medical and nursing staff to ask their views on the effectiveness of medicines management within the organisation. Across Wales we received 436 responses from doctors and 422 responses from nurses.
Survey of pharmacy staff	We carried out an online survey of pharmacy staff to ask their views on the effectiveness of medicines management within the organisation. Across Wales we received 437 responses from pharmacy staff.
Use of existing data	We used existing sources of data wherever possible such as incident data from the National Reporting and Learning System, data from the Cardiff University review of the Discharge Medicines Review Service and the NHS Wales pharmacy resource mapping exercise 2014.

Appendix 2 - Decisions taken outside the national medicines appraisal process

There are some instances where decisions have been taken outside the national process for appraising medicines. These examples are described below:

- In November 2015, the Welsh Government announced an agreement with pharmaceutical company Novartis to make available the cancer drug everolimus[76] before an appraisal from AWMSG and NICE. Within the agreement Novartis, will invest £1.3 million to run an observational study on the patients that receive everolimus, with the aim of collecting data to inform subsequent appraisal of the drug.
- In March 2016, the Welsh Government took a decision to continue to make a pancreatic cancer drug available in Wales, despite a decision from NICE not to recommend its use in the NHS. Abraxane has been available to certain patients in Wales since 2014, when AWMSG recommended it for use in the NHS. In 2015, NICE disagreed with AWMSG and recommended that abraxane should not be used in the NHS. NICE decisions normally supersede AWMSG decisions but in this instance, the Welsh Government took a decision to continue to make the drug available. The Welsh Government reached an agreement with the drug's manufacturer Celgene, to ensure the drug remains available and to assist the manufacturer in collecting extra data on the effectiveness of the drug, with the intention of seeking re-appraisal of the drug within two years.
- In 2013, AWMSG decided to not recommend a cystic fibrosis drug for use in the NHS in Wales. The drug called ivacaftor (Kalydeco) had been made available in England and Scotland, and in the interests of equity, the Welsh Government decided to make the drug available in Wales.

76 The drug's trade names are Afinitor and Votubia. The Ministerial decision was taken following advice from the Chief Pharmaceutical Officer for Wales and from other Welsh Government officials.

Appendix 3 - Case study on extended pharmacy hours

We wrote this case study after hearing a talk by Debra Armstrong (debra.armstrong@cmft.nhs.uk), Clinical Pharmacy Services Manager, from the Central Manchester University Hospitals NHS Foundation Trust, at an NHS Benchmarking Network conference on medicines management in May 2015.

Drivers for seven-day working

The Future Hospital Commission has called for consultant services and accessible support services on all seven days of the week[77]. Many health bodies are now thinking about the demand that exists for seven-day services and are considering ways to extend services.

Patient safety should be the biggest driver for seven-day working. The Royal Pharmaceutical Society has highlighted particular problems caused by limited pharmacy available in hospitals at weekends. This can contribute to errors, missed doses and delays in supplying patients with their discharge medicines[78].

Pharmacy staff can be unhappy with current ways of working. They arrive for work on Monday mornings and can be faced with a backlog of work that has not been done by the skeleton staff over the weekend. On-call systems can also put undue pressure on staff.

Barriers to seven-day working

Staff may object to changes to the current ways of working. There may be perceptions that seven-day working is not necessary, regardless of what the data show in relation to demand.

Given the current financial pressures being faced in the NHS, health bodies may find it difficult to justify any additional expenditure related to extended services.

If seven-day services are implemented by spreading out existing resources over seven days, this could have a detrimental impact on capacity and performance of services on weekdays.

The solution at Central Manchester University Hospitals NHS Foundation Trust

A merger of hospital services at the trust provided an opportunity to review pharmacy services and extend hours of working. To achieve this, a pharmacist was on-site until 9 pm on weekdays, with an on-call pharmacist being off-site during the night and at weekends.

Staff disliked the demanding on-call arrangements. They also disliked arriving at the hospital on Mondays to find an accumulation of work that had not been completed over the weekend.

Financial pressures also provided an impetus for the pharmacy service to look at either losing posts or find savings by changing the way it worked. The trust created a distinct team of pharmacy staff to work out of hours called the Pharmacy Extended Hours Team (PEHT). The on-call service ceased, along with the costs of on-call payments.

77 Future Hospital Commission, **Future hospital: Caring for medical patients**, September 2013.
78 Royal Pharmaceutical Society, **Seven Day Services in Hospital Pharmacy: Giving patients the care they deserve**, 2014.

The trust had a high number of pharmacist vacancies at the time. It was able to recruit new staff to the PEHT, rather than asking existing staff to change their patterns of working.

The changes involved a reduction of two whole-time equivalents in the pharmacy resource available during the normal working week, so it was important to ensure that PEHT carried out work that would otherwise have to be done during the in-hours period.

The pharmacy service now operates seven days a week and has extended working hours on weekdays. It provides clinical services to selected wards at weekends until 5 pm. The acute admissions unit receives a full pharmacy service until 8.30 pm and on other wards, new items and discharges are carried out until 10 pm (and 8.30 pm at weekends).

The trust is now considering further extending its pharmacy services, to focus more clinical services on the wards, rather than just ensuring pharmacy presence in the dispensary. It carried out a week-long pilot to test the impacts of increasing the pharmacy team resources at weekends to the levels of cover normally in place between Christmas and the New Year. The evaluation findings included:

- Weekend dispensary workload increased by 64 per cent. This dispelled the myth that there would be insufficient work for pharmacy at weekends.
- Pharmacy staff reported that the week felt quieter than normal although the data suggested the week was busier than normal.
- Discharge medication turnaround times improved considerably.
- Pharmacy staff attended more ward rounds. Pharmacy had been struggling to attend ward rounds due to pressure to meet targets for medicines reconciliation and supply.
- When pharmacists made suggestions about patients' medicines, there was an increase in the proportion of these suggestions that were accepted by doctors.
- Around 33 per cent of the pharmacists' interventions in the out-of-hours period contributed to a reduction in length of stay.
- A shortage of prescribers caused delays at weekends. The trust is considering increasing its pharmacist prescriber resource to meet this demand.
- Patients, medical and nursing staff gave positive feedback about the presence of pharmacists on the wards at weekends.

A working party is leading the next phase of changes which may include increasing the number of accuracy checking technicians in the dispensary to release pharmacists to carry out clinical work on the wards; increasing the number of band 8 pharmacists; and increasing the presence of technicians on the wards at weekends so that ward pharmacists can spend less time on medicines reconciliation and more on the specialist clinical work.

Appendix 4 - Examples of good practice

A best practice event was held by the All Wales Therapeutics and Toxicology Centre at Cardiff City Stadium on 16 June 2016. Below are some of the details of the initiatives that health bodies discussed during the event, which focused mainly on primary care prescribing:

- Antibiotics at Cardiff and Vale – Since 2009, improving antibiotic prescribing has been a priority of the health board's primary care prescribing team. The health board has set out to improve antibiotic prescribing and stewardship by taking a range of actions such as increasing the number of antibiotic-related indicators in the Medicines Management Incentive Scheme and by carrying out detailed audits of antibiotic use at each practice. Other actions included attendance at prescribing lead meetings, posters and leaflets to educate patients about the risks of antibiotic resistance and the development of information for prescribers on the health board's prescribing website.

- Non-steroidal anti-inflammatory drugs (NSAIDs) at Cwm Taf – The health board implemented a range of changes across primary and secondary care and secured improvement in its prescribing of NSAIDs. Actions included GP education sessions, letters sent to patients to inform them about changes to their medication, involvement in a national audit of NSAIDs, the addition of messaging on NSAIDS to GPs' decision-support software, changes to the medicines stock held by the Out of Hours service and in secondary care, and the development of a secondary care prescribing policy that allowed pharmacists to alter patients' NSAIDs prescriptions.

- Respiratory prescribing at Abertawe Bro Morgannwg – The health board launched a Respiratory Prescribing Management scheme as part of its existing incentive scheme within primary care. Financial incentives were available to practices that improved their prescribing of inhalers. Actions taken included reviewing patients' use of inhaled corticosteroids, promoting the use of more cost effective inhalers as a first choice for prescribing and reducing waste by reviewing patients who ordered large numbers of inhalers. The overall use of inhalers actually increased during the scheme but not as much as the increase in the rest of Wales during the same period. The health board concluded that whilst most participating practices achieved savings, the impacts from the scheme were not as marked as they had expected.

- Hypnotics and anxiolytics at Betsi Cadwaladr – The health board carried out pharmacist-led sleep clinics and technician-led support for GP surgeries in a bid to improve the use of hypnotics and anxiolytics. A sample of patients taking hypnotics were invited to sleep clinics to be seen by an independent prescribing pharmacist. The technician-led support for GP surgeries involved providing educational support to prescribers, development of local prescribing policies and identifying and supporting patients who would benefit from a reduction in their prescription for hypnotics. The schemes contributed to a reduction in the number of patients taking hypnotics and a reduction in the dosage of many patients that remained on hypnotics.

- Proton Pump Inhibitors (PPIs) at Hywel Dda – The health board carried out work to reduce the use of drugs called PPIs by promoting the use of a prescribing resource pack, educating patients about the side effects of PPIs, educating secondary care prescribers and carrying out presentations at GP prescribing lead meetings. Other actions included the introduction of nurse-led clinics for patients suffering complications with their PPI medication, to review their prescription and to switch from high cost to low cost PPIs.
- Tramadol at Aneurin Bevan – The health board attempted to reduce the use of tramadol in primary and secondary care by taking a range of actions. These actions included the production of new prescribing guidance from the Medicines and Therapeutics Committee, presentations at numerous forums of prescribers, a memo from the Medical Director to highlight the issues, and removal of tramadol from ward stock lists and routine prescribing pathways. There was also specific work to identify patients that would benefit from a reduction in their tramadol prescription. The scheme secured a reduction in the use of tramadol in scheduled and unscheduled care services.

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Director General Health and Social Services/
NHS Wales Chief Executive
Health and Social Services Group

Llywodraeth Cymru
Welsh Government

Huw Vaughan Thomas
Auditor General for Wales
24 Cathedral Road
Cardiff
CF11 9LJ

Our Ref: AG/AE/SB

5 January 2017

Dear Huw

Response to the Report of the Auditor General for Wales entitled managing medicines in primary and secondary care

Thank you for report entitled 'managing medicines in primary and secondary care' which was published earlier this month.

We welcome the findings of the report and in particular its recognition both that there are many good aspects of medicines management in Wales, and that NHS bodies are collaborating well to make further improvements.

We note the ten recommendations contained within the report and our detailed response is set out in the attached annex. A number of the recommendations contained within the report are aimed at health boards and NHS Trusts, in the case of these recommendations we have indicated how we intend to support those bodies in implementing the recommendations.

Yours sincerely

Dr Andrew Goodall

cc: Nick Ramsey AM, Chair, Public Accounts Committee
Andrew Evans, Chief Pharmaceutical Officer, Welsh Government

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Annex A

Response to the recommendations contained in the report of the Auditor General for Wales entitled managing medicines in primary and secondary care

Recommendation – The Welsh Government, NHS Wales Informatics Service (NWIS) and all health bodies should agree a detailed, time-bound plan for implementing electronic prescribing systems in secondary care, along with a clear process for monitoring the delivery of the plan.

Response – Accepted.

The NHS Wales Informatics Service (NWIS) has established the Welsh Hospital Electronic Prescribing and Medicines Administration project to develop and implement the national plan for electronic prescribing in secondary care and the inaugural meeting of the project board was held on 23 November 2016.

The project team is currently working with stakeholders to define the exact scope of the project and the system requirements. Once this is complete the business case for procurement of a replacement hospital pharmacy system and an electronic prescribing and medicines administration solution will be completed by NWIS and considered by Welsh Government. Subject to the completion of the business case, it is expected that the procurement of these systems will be completed during 2018-19 with implementation beginning in the early part of 2019.

Recommendation – The Chief Pharmaceutical Officer for Wales should lead national reviews to assess each health body's compliance with the MARRS policy, to assess the effectiveness of the new mandatory training programme on medicines management and to assess the long-term sustainability of actions taken in each health body to address all medicines-related findings from Trusted to Care; and

Each health body should develop a time-bound plan for improving storage and security of medicines on hospital wards, including specific consideration of the benefits of implementing automated vending machines.

Response – Accepted.

The Chief Pharmaceutical Officer for Wales will re-convene the Medicine Administration, Recording, Review and Storage (MARRS) working group to undertake a review of each health body's compliance with the MARRS policy. Due to unforeseen circumstances there has been a delay in implementing the e-learning programme on medicines administration. The working group will therefore give further considerations as to how the e-learning programme can be rolled out most effectively. We envisage the first meeting of the re-convened MARRS working group will be in April 2017 and that it will complete its review by March 2019.

Patient Safety Notice PSN 030, issued in April 2016 set out the expected standards for safe and secure storage of medicines on hospital wards. We have identified the need to review the requirements contained in the notice in light of concerns that the cost of replacing the storage on all hospital wards, regardless of current condition, would be disproportionate to the anticipated benefit; given the low level of risk presented by storage facilities on the majority of wards. The MARRS working group will, as part of its work, review PSN 030 and updated guidance will be issued before the end of 2017.

The Chief Pharmaceutical Officer will, with the Chief Pharmacists in local health boards and Velindre Cancer Centre, complete an audit of the current use automated ward vending machines in NHS hospitals in Wales and develop a prioritised list of sites in which automated ward vending should be implemented. This work will be completed by June 2017.

Recommendation – Health bodies should ensure their Chief Pharmacist is, or reports directly to, an executive director; and

Health bodies should have an annual agenda item at the Board to discuss an annual report covering pharmacy services, medicines management, primary care prescribing, homecare medicines services and progress in addressing the issues identified in Trusted to Care.

Response – Accepted in part.

We agree fully that the Board of every health body in Wales should regularly scrutinise all aspects of medicines management. To that end and prior to the publication of your report, in 2016-17 we included six national prescribing indicators, covering a range of areas including antimicrobial prescribing, adverse drug reaction reporting, high risk medicines and the efficient use of resources, in the NHS Outcomes Framework.

To maintain focus on improving medicines management within NHS Wales, we will continue to develop medicines management indicators as part of the outcomes framework. We will also raise medicines management issues through the Joint Executive Team meetings between Welsh Government and NHS Wales bodies.

The UK-wide rebalancing medicines legislation and pharmacy regulation programme, supported by the Department of Health in England on behalf of the four UK administrations, is considering various changes to medicines legislation which are likely to impact on the role of health body Chief Pharmacists. We do not consider it would be appropriate to make a commitment regarding the reporting arrangements for Chief Pharmacists until the outcome of that programme is known. We anticipate the implications for Chief Pharmacists will be clearer in early 2018. In preparation we will undertake an audit of the reporting arrangements for NHS Chief Pharmacists in Wales, this will be complete by September 2017.

Recommendation – Chief Pharmacists should seek the support of the NHS Wales Shared Services Partnership's Workforce, Education and Development Services to strengthen current resource mapping approaches to facilitate robust comparisons of pharmacy staffing levels across Wales and to produce a generic service specification. The specification should set out the typical resources required to deliver key pharmacy services, such as clinical pharmacy input and patient education on the wards. The specification should also be flexible enough to recognise that different types of wards will require different levels of resource.

Response – Accepted.

During 2017-18 we will work with the NHS Wales Shared Services Partnership's Workforce, Education and Development Service and Chief Pharmacists of NHS Wales bodies to undertake a robust assessment of the current and future needs for the pharmacy workforce. This work will be completed by March 2018.

Recommendation – To drive further improvements in prescribing, health bodies should ensure they have a targeted plan of action to achieve cost and quality improvements in prescribing in primary care and in secondary care, in line with prudent healthcare principles. The plan of action should be informed by regular analysis of prescribing data to ensure that attention is focused on the areas where the greatest scope exists to secure cost and quality improvements;

In line with the need to increase the profile of medicines management at Board level, health bodies should ensure that performance against the National Prescribing Indicators is considered regularly by the Board, alongside progress in delivering wider cost and quality improvements in primary care prescribing;

The Welsh Government should ensure the work of the Efficiency, Healthcare Value and Improvement Group takes an all-Wales view on the cost and quality improvements that should be achievable through better prescribing and medicines management, and uses mechanisms such as the twice-yearly Joint Executive Team meeting between government officials and each individual health body to ensure that the necessary progress is being made in securing these improvements.

The Welsh Government should work with NHS bodies to develop and implement a clear national plan of action aimed at reducing medicines wastage, building on the findings from the ongoing evaluation of the Your Medicines, Your Health campaign. Reducing waste leads to cost savings whilst at the same time helping patients to take their medicines as prescribed, thereby helping to secure maximum benefit from the medicine; and

Linked to the above points, the Welsh Government should ensure that there is a clear and time-bound plan in place to roll out improved repeat prescribing systems that are being tested by the Prudent Prescribing Implementation Group.

Response – Accepted.

The Efficiency, Healthcare Value and Improvement Group have agreed an all-Wales approach to cost and quality improvement in medicines management in primary and secondary care will be a key area for 2017-18.

During 2017-18 we will agree with health board Chief Pharmacists and other stakeholders, key priorities in the following six areas: driving efficiency; reducing medicines related harm; improving patient experience and outcomes; workforce modernisation; collaborative working, better use of technology and improved estates; and benchmarking. These priorities will be taken forward on an all-Wales basis and progress overseen through regular meetings between the Chief Pharmaceutical Officer and health board Chief Pharmacists, and Joint Executive Team meetings.

We will work with NHS bodies to develop and implement a clear national plan of action aimed at reducing medicines waste. Primarily this will be achieved by encouraging NHS bodies to adopt the elements of the *Your Medicines, Your Health* campaign which the ongoing evaluation, once completed, demonstrates are successful. We will also encourage health boards to implement evidence based approaches which reduce medicines waste. These will include implementing improved repeat prescribing systems such as those which have been tested through the Prudent Prescribing Implementation Group or evaluated in other parts of the UK. We envisage this work will begin in 2017-18 with a time-bound plan agreed by March 2018.

Recommendation – The Welsh Government should develop a plan, in partnership with All Wales Medicines Strategy Group (AWMSG), health bodies and GPs, to evolve the National Prescribing Indicators so that they begin to consider measures of whether the right patients are receiving the right medicines and whether medicines are making a difference to people's outcomes.

Response – We agree that National Prescribing Indicators are currently too focused on the quantity and cost of medicines prescribed with inadequate consideration given to clinical appropriateness and outcomes. The availability of data to support more sensitive indicators has been a significant constraint.

Whilst significant improvements have been made to reduce variation in prescribing, the rate of improvement has slowed in recent years in part as a result of this approach. We will work with the Wales Analytical Prescribing Support Unit (WAPSU) to establish a project in 2017-18 the purpose of which will be to define a new suite of National Prescribing Indicators utilising additional data sources. The indicators will be developed during 2017-18 with the intention they are approved by the All Wales Medicines Strategy Group (AWMSG) prior to their use from April 2018.

Recommendation – The All Wales Chief Pharmacists' Committee should lead a national audit of compliance with the measures set out in the all-Wales handbook on the safe and effective delivery of homecare services.

Response – Accepted.

We note this recommendation is aimed at the All Wales Chief Pharmacist's Committee. We will ensure work to improve the safe and effective delivery of homecare services, including an audit of compliance with the measures set out in the all-Wales handbook, forms part of the key priorities agreed with health board Chief Pharmacists and other stakeholders in 2017-18.

Recommendation – The Welsh Government, supported by 1000 Lives Improvement, should work with pharmacy teams, clinical coding staff and clinicians across Wales to develop a programme aimed at identifying and preventing medicines related admissions (MRAs).

Response – Accepted.

This work will be scoped with 1000 Lives Improvement during the early part of 2017-18 with a view to establishing a medication safety programme in 2018-19.

Recommendation – The Welsh Government and NWIS should continue to work with GP representatives to ensure their concerns about information governance are addressed;

Facilitate wider access to the GP Record so that all pharmacists and pharmacy technicians that deliver clinical services on the wards can access the system for patients who are admitted for an elective procedure, as well as those admitted as emergencies; and

Facilitate wider access to, and use of, the GP Record in community pharmacies so that whenever it is clinically appropriate, patients can have their medicines managed in the community without accessing a GP or other NHS services.

Response – Accepted.

We are continuing to work with NWIS to secure wider access to the Welsh GP Record (WGPR). On 21 November 2016, NWIS announced that access to the WGPR would be extended to hospital pharmacists and pharmacy technicians in planned care settings including outpatients. This builds on the access in emergency care settings which has been available for some time.

The Chief Pharmaceutical Officer is working directly with the Medical Director at NWIS to put in place appropriate information governance arrangements which will allow use of the WGPR by community pharmacists in specified circumstances to support patient care. We envisage this work will be completed early in 2017.

Recommendation –Where the Welsh Government makes a decision to make a new medicine available outside the current national appraisal process, it should clearly explain the rationale underpinning its decision and ensure that health bodies are given sufficient time to plan for the financial implications and service changes associated with introducing those new medicines.

Response – Accepted.

We are pleased the Auditor General for Wales recognises that from time to time it may be necessary for the Welsh Government to make medicines available outside the current national appraisal process. We recognise that this should happen by exception and only where the rationale for so doing is clear.

As has been the case with agreements to date, we expect agreements will continue to be made only where there is strong support for the availability of the medicine(s) both from clinicians and patients across Wales. However we will, with immediate effect and for all future agreements, ensure NHS bodies are more closely involved in the planning arrangements and afforded an appropriate period in which to prepare for the service and financial implications.

Agenda Item 9

Document is Restricted

Y Pwyllgor Cyfrifon Cyhoeddus / Public Accounts Committee
PAC(5)-04-17 P10

5 December 2016

Archwilydd Cyffredinol Cymru
Auditor General for Wales

National Library of Wales – A Review of Governance

WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

I have prepared and published this report in accordance with the Public Audit (Wales) Act 2004 and the Government of Wales Act 2006.

The Wales Audit Office study team comprised Huw Lloyd Jones and Nick Raynor under the direction of Ann-Marie Harkin.

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Summary report

Summary

1 The National Library of Wales (the Library) was established by Royal Charter (the Charter) in 1907. Its object, as set out in the Charter, is to, 'collect, preserve and give access to all kinds of forms of recorded knowledge, especially relating to Wales and the Welsh and other Celtic peoples, for the benefit of the public, including those engaged in research and learning'. The Library's vast collection is of both national and international importance.

2 External correspondence to the Auditor General during 2014 and 2015 reflected concerns about aspects of the Library's leadership and governance, including tensions in staff relations and publicity about specific concerns relating to the outcome of an employment tribunal, which found that two members of staff were dismissed unfairly. As a result, the Auditor General indicated in 2015 to the Library, Welsh Government and the Public Accounts Committee that he would undertake a review of the Library's governance arrangements.

3 In March 2015, the Library's Board of Trustees commissioned Pricewaterhouse Coopers to review the implementation of the Library's disciplinary policy. The Auditor General decided to await the outcome of this work and to allow the Library time to respond to it before undertaking his review.

4 Staff of the Wales Audit Office, on behalf of the Auditor General for Wales, undertook this review in early 2016. Our methodology is set out in more detail in Appendix 2. The objectives of our review were to provide:

- assurance to the National Assembly for Wales with regard to the governance of the Library; and
- insight to the Library's Board of Trustees and senior management at a time of significant change in both its executive and non-executive leadership.

5 We found that, following a difficult period between 2013 and 2015, the Library has improved important aspects of its governance and management arrangements, but that further work remains necessary to place the Library on a sustainable footing.

6 In support of this conclusion, Part One of this report sets out that the Library has experienced a turbulent period in its distinguished history during which the need to reduce costs became its main focus and over-riding priority. We report that:

- The Library has a long and distinguished history of collecting and preserving information and knowledge for the benefit of future generations.

- Between 2013 and 2015, the Library made significant financial savings in order to remain viable, but its financial planning was not well enough integrated with the Strategic Plan. In the face of year-on-year reductions in its grant-in-aid from the Welsh Government, which represents over 80 per cent of the Library's annual income, the Library focused its attention successfully on finding the necessary savings by reducing the number of staff it employs. However, and despite Trustees' concerns, the impact of the staffing reductions on other aspects of the Strategic Plan were not considered in sufficient detail.

- The consequences of a fire in 2013 and the issues arising from the poor handling of two disciplinary cases also contributed to the loss of focus on the Library's strategic priorities.

7 In Part Two of the report, we conclude that, since July 2015, the Library has improved important aspects of its governance and management, but it faces challenges and opportunities as it seeks to remain sustainable. We report that:

- The Library's positive response to the recommendations of the PwC report[1] has helped to improve governance and created a closer working relationship between the executive and the Board.

- Trustees have a broad set of skills and experience, but the Library could exploit their roles more fully and improve decision-making and the effectiveness of Board meetings. Prior to April 2016, the Board's reluctance to discuss potentially sensitive issues in open session both reflects and has contributed to an erosion of trust between staff and the Library's leadership.

- The Library recognises that change is essential in order to maintain its financial viability. In particular, the Library recognises that the use of reserves to balance the budget cannot be sustained and that it will need to generate additional income or continue to deliver further savings. We note, however, that the Library's ability to take a longer-term view of its finances is constrained by aspects of the Welsh Government's current funding arrangements.

- The development of a new Strategic Plan and the implementation of the Well-being of Future Generations Act provide opportunities for the Library to better integrate the planning of its resources, including its staff and the condition and suitability of the Library building.

8 We set out our recommendations below.

1 Independent external review of the National Library of Wales, PricewaterhouseCoopers, July 2015. The PwC Report is available on the National Library of Wales website alongside the agenda and minutes of the July 2015 meeting of the Board.

Recommendations

Recommendations		Reference
R1	We recommend that the Welsh Government clarifies its position in response to the Public Accounts Committee's recommendations that: • there should be greater clarity around the Library's insurance arrangements; and • those insurance arrangements should be reviewed.	Paragraph 1.29
R2	In order to increase the level of mutual understanding of the roles of staff and the Board, the Library should: • create both formal and informal opportunities for Trustees and staff to meet regularly; and • establish protocols to ensure that engagement between Trustees and staff does not undermine the Library's line-management structures.	Paragraph 2.16
R3	In order to improve the effectiveness of its meetings, the Board should: • in formulating and scheduling agenda items, give priority to those items requiring a decision; • focus discussion on reaching a decision where such a decision is required; • record decisions clearly in the minutes; and • establish and maintain an action log, and review its status at each Board meeting.	Paragraph 2.21
R4	In order to enhance the quality of decision-making at Board meetings, the Board should establish further committees with clear terms of reference, and whose remits might include matters relating to: • the workforce, including staff remuneration; and • the Library estate.	Paragraph 2.26
R5	In order to increase the level of trust and co-operation between staff and the Library's leadership: • the executive team should engage the Trades Unions when considering the structure, content and frequency of a single staff perception survey, and seek the support of the Trades Unions in encouraging full participation by all staff; and • the results of future staff surveys should routinely be reported to the Board.	Paragraph 2.30

Recommendations	Reference
R6 In order to increase the transparency of Board meetings, the Library should publish on its website: • papers supporting agenda items in open sessions; and • brief reasons supporting the decision to restrict the public from those items to be discussed in closed session.	Paragraph 2.33
R7 As part of future financial planning, the Board should consider establishing targets for the upper and lower limits of its balance of unrestricted private funds and set out clearly the reasons for its decision.	Paragraph 2.41
R8 In order to support the Library in fulfilling its statutory duty to plan for a sustainable future, the Welsh Government should consider: • notifying the Library of its annual funding allocation at the earliest opportunity in the preceding financial year; and • resume the practice of providing indicative budgets to the Library once the UK Government confirms indicative levels of future funding to the Welsh Government.	Paragraph 2.45
R9 In implementing its income generation strategy, the Library should ensure a consistent approach to the implementation and monitoring of departmental business plans that includes a rigorous analysis of income generated and the associated costs.	Paragraph 2.48
R10 In developing its new Strategic Plan to succeed 'Knowledge for All', the Board should adopt a three-year business plan, to be updated annually, that: • enables the more timely production of the annual Operational Plan, thereby allowing sufficient Board engagement; and • establishes a suite of projects and accompanying budgets and governance arrangements that, together, will deliver its Strategic Plan.	Paragraph 2.53
R11 In producing its Workforce Development Strategy, implement a two-phased approach to managing workforce planning by: • assessing the current workforce arrangements in order to inform a strategic review of the Library's functions and future delivery; and • once the strategic direction is clear, develop a 'People Strategy' that reflects the corporate plan and which includes the elements of workforce planning, succession planning, and talent management.	Paragraph 2.63

Recommendations	Reference
R12 In developing its asset management planning, the Library should: • align the plan with its medium-term strategic planning, taking account of the agreed vision for the nature and volume of services that the Library will offer from its site in Aberystwyth; • assess the current condition of its estate assets, identifying how well they are serving the needs of the Library, and the costs of the action needed to bring them up to the required standards to deliver the Library's Strategic Plan; • establish a realistic baseline for future routine maintenance costs; • prioritise the assets that need attention, demonstrating how planned improvements will contribute to delivering the Library's strategic objectives and the risks associated with not carrying out the work; and • work alongside Welsh Government to identify the sources of the funding needed to develop and maintain the assets.	Paragraph 2.70

Part 1

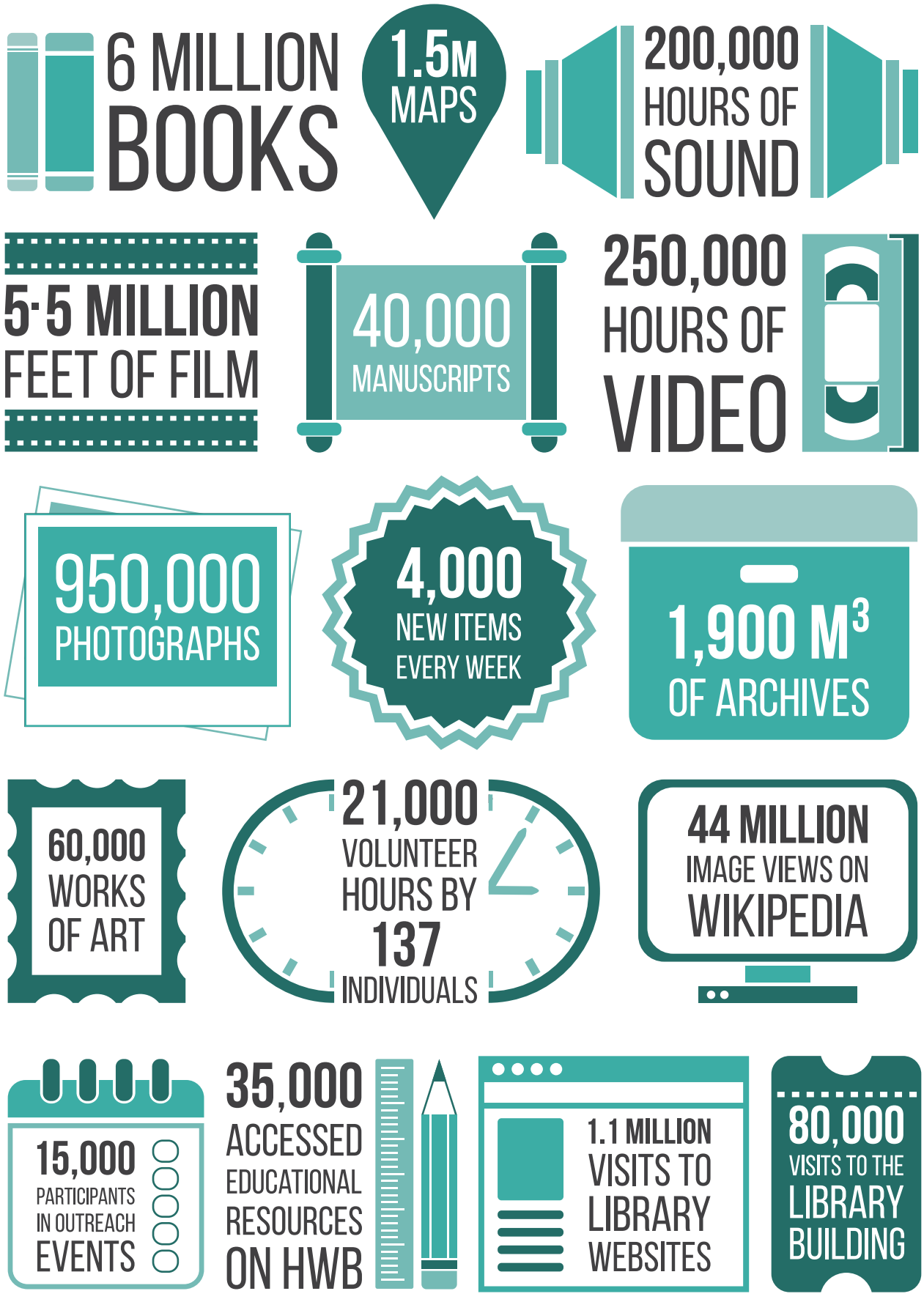
The Library has experienced a turbulent period in its distinguished history during which the need to reduce costs became its main focus and over-riding priority

The Library has a long and distinguished history of collecting and preserving information and knowledge for the benefit of future generations

1.1 The National Library of Wales (the Library) was established by Royal Charter (the Charter) in 1907. Its object, as set out in the Charter, is to, 'collect, preserve and give access to all kinds of forms of recorded knowledge, especially relating to Wales and the Welsh and other Celtic peoples, for the benefit of the public, including those engaged in research and learning'. The Library's vast collection is of both national and international importance.

1.2 Since moving into its current building in 1916, the Library has evolved and adapted to technological changes and to legal requirements, particularly during the last 30 years. The Library is one of only five legal deposit libraries in the British Isles and, under the Legal Deposit Libraries Act 2003, is entitled to claim from every publisher a copy of any and all printed works published in the UK and Ireland. Since the Legal Deposit Libraries Act came into effect, the Library has also been working jointly with other similar institutions to establish a system for depositing electronic and microform publications. This and other legislation, along with a range of agreements with other libraries and organisations, contribute to the fact that the Library adds over 4,000 items to its collections every week in implementing its Collections Development Policy. Exhibit 1 seeks to summarise the scale and diversity of the Library's collection.

Exhibit 1 – The Library preserves and makes accessible to the public a vast and continuously-growing range of print, visual, audio-visual and electronic resources



Source: Adapted from the National Library of Wales

1.3 The Charter sets out the Library's core purpose. Supplemental Charters were granted in 1911 and 1978, revising aspects of the Library's constitution. In 2006, a further Supplemental Charter changed the constitution significantly by replacing the former Court of Governors and Council with a non-executive Board of 15 Trustees (the Board). Trustees are able to claim reasonable expenses but are not remunerated for their work. The Charter also establishes the role of President, who chairs meetings of the Board. The Board delegates the day-to-day running of the Library to the Librarian, who is also the Chief Executive and Accounting Officer for the Library, and the executive team.

1.4 The Library is also a registered charity. As such, the Library's Trustees and managers must abide by the requirements of the Charities Act 2011 and are accountable to the Charity Commission for ensuring that all the Library's activities are conducted for the benefit of the public, and with due regard to guidance published by the Charity Commission.

1.5 In addition to the duties set out in the Charter and by virtue of its charitable status, the Library is also a Welsh Government Sponsored Body, and therefore accountable to the Minister nominated by the First Minister[2]. A Framework Document, prepared by the Welsh Government in consultation with the Library in 2011, sets out the broad context within which the Library operates and details the terms and conditions under which Welsh Ministers provide grant-in-aid to the Library. The Framework Document specifies that it should be reviewed at intervals of no less than five years.

1.6 The Framework Document sets out clearly and concisely the roles and responsibilities of key individuals in relation to the Library's governance, both within Welsh Government and at the Library. Where relevant, the Framework Document refers to and takes account of the Library's powers and duties under the Charter and its responsibilities as a registered charity.

1.7 The Framework Document also summarises the business planning and performance management arrangements to which the Library must adhere. We summarise these arrangements in Exhibit 8 on page 20. All plans and strategies required by the Framework Document, together with the Library's annual reports and quarterly performance reports, are available on the Library's website[3] alongside the Minister's annual remit letter.

2 In 2011, when the Framework Document was compiled, the Minister for Housing, Regeneration and Heritage was responsible for the oversight of the Library and generally exercised the functions of Welsh Ministers in relation to the Library. Following a reorganisation during 2011, this responsibility passed to the Minister for Business, Enterprise, Technology and Science. Since May 2016, the Cabinet Secretary for Economy and Infrastructure is responsible for oversight of the Library.

3 **National Library of Wales' Corporate Documentation**

Between 2013 and 2015, the Library made significant financial savings in order to remain viable, but its financial planning was not well enough integrated with the Strategic Plan

Welsh Government revenue grant-in-aid, which represents over 80 per cent of the Library's annual income, has been declining year-on-year

1.8 The Library receives revenue income from:

- Welsh Government grant funding, which consists of core grant-in-aid revenue support, and additional grant-in-aid on occasion for specific purposes;
- grant funding from other bodies;
- trading income, consisting of sales, catering, car parks and other miscellaneous income;
- donations and bequests; and
- investment income.

1.9 Exhibit 2 below shows the Library's revenue income for each of the six financial years since 2010-11. Whilst income from donations and bequests has increased significantly in each of the last three financial years, total revenue income for 2015-16 is only marginally higher than it was in 2010-11. We calculate that, in real terms at 2010-11 prices, total revenue income has decreased by about 6.7 per cent. Furthermore, income received in the form of donation and bequests is, by its nature, unpredictable and cannot be relied upon as a basis for financial planning. The Welsh Government also provides capital grants to the Library. We refer separately in Part 2 of this report (paragraphs 2.64 – 2.70) to the Library's use of capital funding.

Exhibit 2 – Despite increases in the volume of donations and bequests, the Library's total revenue income was only marginally higher in 2015-16 than in 2010-11

Income source	2010-11 £000	2011-12 £000	2012-13 £000	2013-14 £000	2014-15[4] £000	2015-16 £000
Welsh Government revenue grants[5]	10,933	10,523	10,345	10,591	11,439	10,481
Other grants	266	629	1,106	1,469	739	462
Trading income	555	502	458	506	572	569
Donations and bequests	60	305	74	588	1,434	572
Investment income	143	167	171	184	188	204
Total	**11,957**	**12,126**	**12,154**	**13,338**	**14,372**	**12,288**

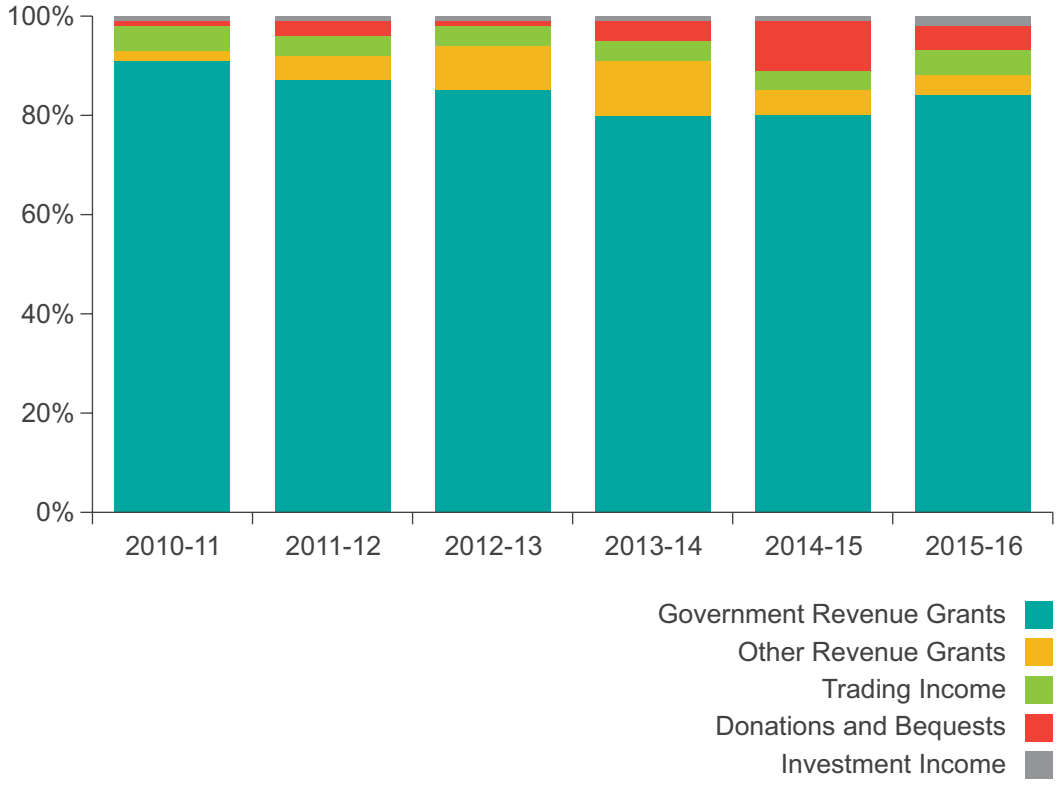
Source: Annual accounts, National Library of Wales

1.10 The Library depends heavily on Welsh Government grants, and predominantly on grant-in-aid, to fund its day-to-day work. Exhibit 3 shows that the level of the Library's dependency on Welsh Government grants fell from 91 per cent in 2010-11 to a little below 80 per cent in 2013-14 and 2014-15, mainly because of an increase in other sources of grant funding and as a result of an increase in donations and bequests. However, dependency on Welsh Government grants has increased to 85 per cent in 2015-16.

4 Figures for 2014-15 are based on the restated figures in the 2015-16 accounts where a number of 'other grants' totalling £898,000 have been reclassified as Welsh Government grants. The corresponding figure for 2015-16 is £767,000

5 Welsh Government revenue grants include core grant-in-aid and additional grant-in-aid for specific purposes.

Exhibit 3 – The Library remains heavily dependent on Welsh Government revenue grants in order to fulfil its duties

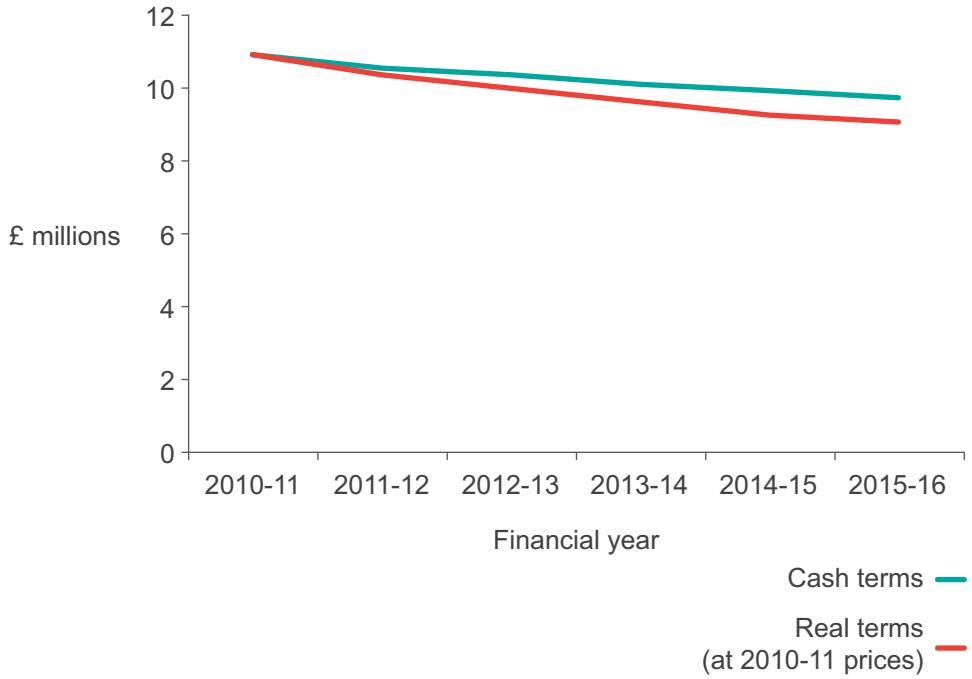


Source: Annual accounts, National Library of Wales[6]

1.11 Core grant-in-aid forms by far the greatest proportion of the Welsh Government's revenue grant funding. In 2015-16, for example, grant-in-aid formed 93 per cent of the £10.5 million revenue support from the Welsh Government. The remaining £0.776 million was allocated to support a range of specific projects such as the Library's work on The Great War. Exhibit 4 shows that the Welsh Government's core grant-in-aid to the Library has fallen year-on-year from £10.9 million in 2010-11 to £9.7 million in 2015-16. We estimate that, based on prices in 2010-11, this 11 per cent reduction in cash terms represents a fall of some 17.2 per cent in real terms.

6 Figures for 2014-15 are taken from the restated position shown in the 2015-16 accounts.

Exhibit 4 – Welsh Government Revenue Grant-in-Aid for core running costs has fallen year-on-year since 2010-11



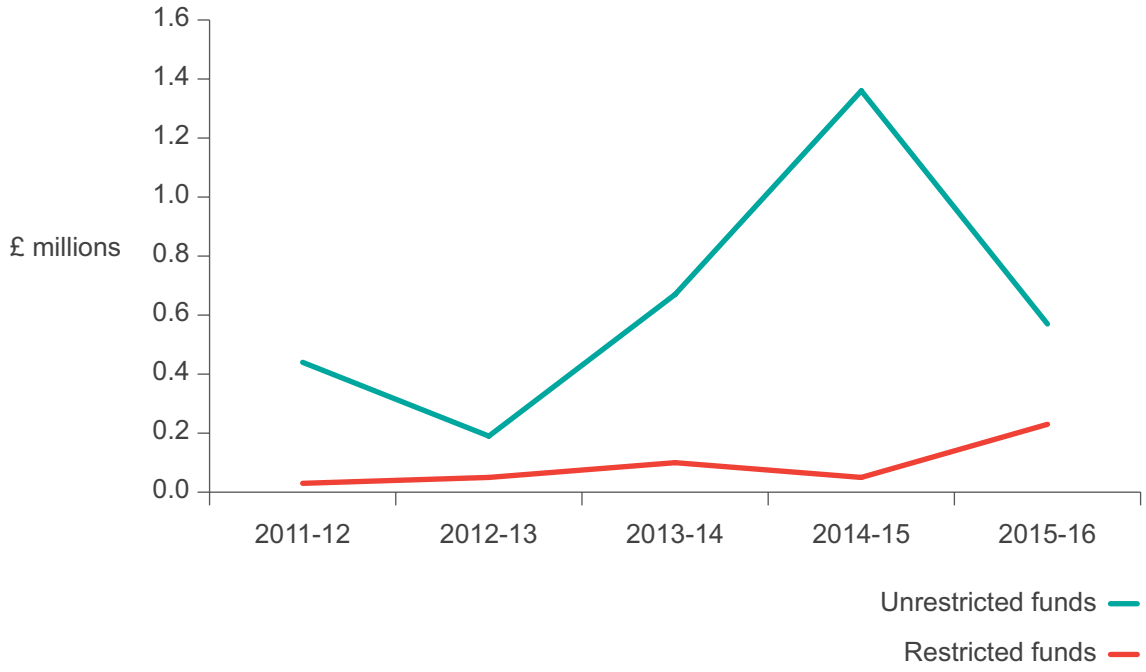
Source: Annual accounts, National Library of Wales, and Welsh Government remit letters

1.12 The Library secures grant income from sources other than Welsh Government. The Heritage Lottery Fund, for example, supported the purchase of the Boston Manuscript[7] in 2012 and is the largest contributor to the Cynefin project, which aims to repair and digitise around 1,200 tithe maps and transcribe over 30,000 pages of index documents. However, income such as this forms only a small proportion of the Library's income; importantly, such funding pays for work that is specified in grant conditions and is additional to the duties and functions set out in the Library's Charter. Furthermore, grant income linked to specific projects is time bound. The Library therefore depends on Welsh Government grant-in-aid to fulfil its statutory duties.

7 The Boston Manuscript is a rare medieval manuscript of the Laws of Hywel Dda

1.13 Private funds in the form of donations, bequests and the investment income that they generate represent a small but important part of the Library's annual income. Some private funds are subject to restrictions; donors may, for example, specify that their contributions may only be used to add to the Library's collection. Total income in the form of private funds for the five year period 2011-12 to 2015-16 was £3.7 million. There were no restrictions placed on £3.2 million of the income, of which some £1.2 million was received as a significant bequest in 2014-15. Exhibit 5 shows that, during the five years 2011-12 to 2015-16, annual private funds income has varied between £245,000 in 2012-13 and £1.41 million in 2014-15. At the end of 2015-16, the Library held unrestricted private fund balances of about £7.9 million. We comment further on the Library's use of unrestricted private funds in Part 2 of this report (paragraphs 2.34 – 2.41).

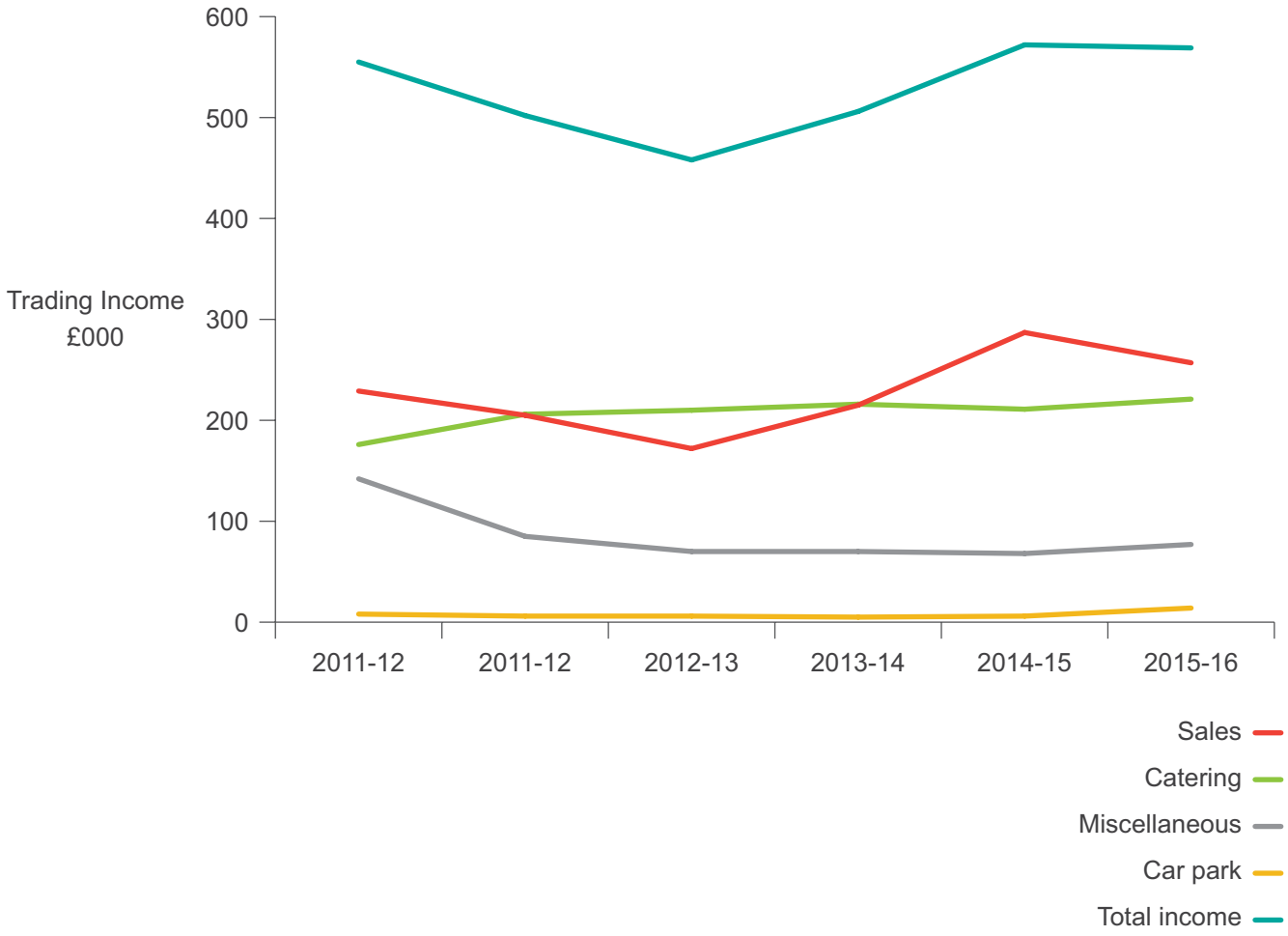
Exhibit 5 – Private funds income is variable and, over the five years between 2011-12 and 2015-16, has fluctuated between £245,000 and £1.41 million



Source: Annual Accounts, National Library of Wales

1.14 Trading income provides the fourth source of income to supplement Welsh Government funding. In recent years, trading income has represented only about three per cent of the Library's income, fluctuating between about £460,000 in 2012-13 and £570,000 in 2015-16. Exhibit 6 shows that sales and catering contribute the bulk of the Library's trading income, with the Library's shop and Pendinas, its onsite restaurant, together contributing almost half the total.

Exhibit 6 – Trading income of about £500,000 per annum consists mostly of Sales and Catering



Source: Annual Accounts, National Library of Wales

1.15 Although the last two years have seen slight increases in trading income, revenue from sales and catering continues to make only a small contribution to the Library's total income. Opportunities to increase such revenue are limited; the Library does not attract casual visitors in the way that other heritage attractions do but, instead, depends largely on those who wish to use its collection for research. As the Library increases the digital availability of its collection, the number of users visiting the site in Aberystwyth is declining and is likely to continue to do so. Even though the Library seeks to raise its profile by, for example, hosting lectures and events for schools, the trading income generated by such events does not, in all cases, cover the costs of staffing the shop and restaurant.

The Library made significant financial savings in order to remain a going concern in the face of reductions in grant-in-aid

1.16 The Board approved its current Strategic Plan 2014-2017, 'Knowledge for All,' (the Strategic Plan) in February 2014. 'Knowledge for All' sets out the Library's mission, vision, values and strategic priorities. Exhibit 7 shows two extracts from the Strategic Plan's introduction which articulate clearly the need to make significant changes in response to the worsening financial climate. The Strategic Plan succeeded the previous three-year plan, 'The Agile Library', adopted in February 2011, which also recognised the need for change in the context of reducing levels of public expenditure.

Exhibit 7 – The Strategic Plan 2014-2017, 'Knowledge for All', clearly identifies the need to make significant changes in response to reductions in public expenditure

Extracts from the Librarian's introduction to 'Knowledge for All'
' Reductions in public expenditure are likely to continue throughout the period of this Strategic Plan. Since the Library does not undertake activities that are marginal to its purposes, it follows that it must respond either by finding more cost-efficient ways of carrying out its core functions, or by reducing its range of services'.
' Resources, or the lack of them, will be a central concern during 2014-2017. Revenue funding for core services and capital funding for new developments and building maintenance are likely to decrease. The search for diverse funding streams will become increasingly important, as will active fundraising and income generation'.

Source: 'Knowledge for All': National Library of Wales Strategic Plan 2014-2017, pages 3-4

1.17 The Board also approved a Medium Term Financial Plan in February 2014. The minutes of the Board's meeting on 21 February 2014 record that, '…the Library was in a situation where the loss of substantial numbers of staff in the next two years would be the only way that it could maintain its financial sustainability... the period from 2014 onwards looked extremely bleak and that there was a significant risk of financial failure by 2016-17 that should be addressed urgently.' The Medium Term Financial Plan estimated that £1.25 million, a sum equivalent to about 40 posts (about 14 per cent of the workforce at that time), needed to be taken out of the Library's base budget. As a result of this bleak but uncertain financial prognosis, the Library embarked on a restructuring programme, based on voluntary early severance, that was intended to:

- support the delivery of the new Strategic Plan; and
- create substantial savings in the base budget.

We refer in more detail to the impact of the restructuring programme in paragraphs 2.54 – 2.63.

Plans to deliver substantial savings in the base budget were insufficiently well integrated or aligned with other aspects of the Strategic Plan

1.18 We refer in paragraph 1.16 to the Library's Strategic Plan, which forms part of a business planning and performance management cycle required by Welsh Government and set out in the Framework Document. Exhibit 8 summarises the requirements set out in the Framework Document.

Exhibit 8 – The Framework Document sets out the business planning and performance management arrangements to which the Library must adhere

Every three to four years	' The Library will produce a Corporate Plan or Strategy… reflecting the aims and objectives as set out in the Library's Charter, and… reflecting the Welsh Government's strategic agenda'.
Annually	' The Library shall prepare an annual operational plan setting out the level of service to be achieved in key areas…The operational plan will be informed by the Minister's remit letter, the Welsh Government's strategic agenda and the Library's Strategy, and Charter objectives'. ' ..the Library shall publish a report of its activities to permit the National Assembly, other clients and the public to judge its success in meeting its targets'.
Quarterly	' ..the Library shall provide a report to the sponsor department which sets out the progress towards meeting the key targets set out in the operational plan'.

Source: The National Library of Wales: Framework Document, 2011

1.19 The production of the Strategic Plan 2014-2017, 'Knowledge for All', was timely, and complied with the requirements of the Framework Document. The Strategic Plan is an engaging document that sets out a total of 23 commitments, arranged under each of five Strategic Priorities:

- Access;
- Expertise;
- Collaboration;
- Sustainability; and
- Forward Thinking.

The Strategic Priorities are consistent with and well-aligned to the Welsh Government priorities set out in the 2014-15 Remit Letter. We set out the commitments under each Strategic Priority in Appendix 1.

1.20 However, the Strategic Plan provides only a direction of travel. It does not, for example, seek to quantify the scale of change necessary under each of the 23 commitments, nor its cost. The Strategic Plan offers no information about the likely sequencing of the commitments across its three-year duration.

1.21 The Library's Board of Trustees recognised that a more detailed business plan was necessary in order to underpin the Strategic Plan, linking it to the Medium-Term Financial Plan and the staffing reductions that were already underway. Despite regular requests for clarification, the Board was unable to satisfy itself that there was a clear relationship between the delivery of the new strategy and the staff restructuring programme. Between November 2014 and July 2015 the Board regularly requested a 'business plan' in respect of the restructuring programme and expressed concerns over the content and quality of the information it was receiving about the programme. For example, the Board held a special meeting on 23 January 2015 specifically to consider the Operational Transformation Plan in relation to the Corporate Restructuring Programme. The minutes of the meeting record Trustees' concerns that the paper presented did not show the Library's medium or long-term vision and that a three-year business plan was necessary. Trustees wanted to understand how reductions in the Library's budget would affect services and which services would be delivered differently as a result of the budget cuts.

1.22 At this meeting in January 2015, the Board asked the then Librarian to prepare a three-year business plan along with appropriate financial projections for the next Board meeting. However, neither the plan presented in March nor a further iteration presented in July 2015 met the Board's expectations, and they were not approved.

1.23 In the meantime, the Library had submitted its annual Operational Plan for 2015-16 to Welsh Government, as required. The Board is responsible for determining the content of the Operational Plan, in consultation with the sponsor department. The Board discusses and approves the Operational Plan each year, but the extent of the Board's involvement in producing and challenging the plans has, in recent years, been inappropriately limited. In approving the 2015-16 Operational Plan, the Board acknowledged that it had not set aside sufficient time to discuss the plan in greater detail.

1.24 The Framework Document states that the Library's Operational Plan, 'will be informed by the Minister's remit letter, the Welsh Government's strategic agenda and the Library's Strategy, and Charter objectives'. The Framework Document makes clear that that the Library's Operational Plan should accommodate the requirements of the remit letter within the context of the Library's statutory and charitable duties. The annual Operational Plan should therefore perform a dual role of:

- setting out the framework for delivering those aspects of the commitments set out in the Library's Strategic Plan that are to be addressed during the year, and the key actions and targets that relate to those commitments; and
- providing accountability to the Welsh Government by means of a summary of the main activities and developments that will deliver the Welsh Government's strategic priorities as set out in the remit letter.

1.25 In practice, the Library's operational plan has met the requirements of the Framework Document in most respects. However, the planning and implementation of the staffing changes made necessary by reductions in grant-in-aid have not been sufficiently well-integrated with the Library's wider ambitions as set out in the Strategic Plan, 'Knowledge for All'. For example, it has been unclear how staffing reductions might impact on the Library's strategic ambition to, 'Expand our presence across Wales', and to 'Investigate new income streams'. Better alignment of operational planning would contribute directly to improving the Library's sustainability, which is one of the Library's own Strategic Priorities and also a requirement of the Welsh Government's Remit Letter for 2014-15.

The consequences of a fire in April 2013 and the issues arising from the poor handling of two disciplinary cases contributed to the loss of focus on the Library's strategic priorities

1.26 A roof fire in April 2013 caused extensive damage to the structure of the Library building. The accommodation affected by the fire and by the water used to extinguish it was mostly office space, and swift action by staff helped to ensure that damage to the collections was limited. There were no injuries to staff or to visitors; despite one of the Library's main server rooms being destroyed by the water from the fire, the Library's digital services and operations remained available.

1.27 Under the terms of its Welsh Government sponsorship, the Library is covered for insurance purposes by Crown Guarantee. Welsh Government contributed £2.47 million of additional capital grant during 2013-14 for the repair of the building, and made a further £470,000 revenue contribution to the core grant-in-aid in recognition of the costs associated with the fire.

1.28 With Welsh Government financial support, the Library has dealt with the direct consequences of the fire. However, discussions continue as to whether the Library might instigate a successful legal action against a contractor in order to recover some of the expenditure incurred. The Crown Guarantee does not cover the financial risks associated with such a course of action, and the Board and its legal advisers discussed 'matters relating to the fire' at most Board meetings between the start of 2014 and late 2015, taking up time that might otherwise have been used to focus on the Library's strategic priorities.

1.29 In its Scrutiny of Accounts 2014-15[8], the National Assembly for Wales Public Accounts Committee expressed the view that, 'the fire of 2013 raises questions regarding the National Library's insurance arrangements.' The Committee recommended (Recommendation 3) that the Library's insurance arrangements, 'be reviewed as a matter of urgency to ensure future arrangements are cost effective and minimise losses to the public purse.' We endorse this view and that of the Public Accounts Committee (Recommendation 4) that, 'there is a need for greater clarity around the National Library's insurance arrangements and we recommend that discussions take place with Welsh Government to address this.' In her response to the Public Accounts Committee in February 2016, the Librarian stated that, 'The Board has repeatedly sought further clarification from the Welsh Government regarding the scheme, however, ultimately, this is an issue for the Welsh Government to consider in the broader context of its relationship with its sponsored bodies.'

8 Scrutiny of Accounts 2014-15, National Assembly for Wales Public Accounts Committee, Recommendations 2-4, December 2015

1.30 In March 2015, the Board agreed to commission an independent external review in relation to the implementation of the Library's disciplinary policy which had led to an Employment Tribunal finding against the Library during the autumn of 2014. PricewaterhouseCoopers were appointed to undertake the review and reported to the Board in July 2015 (the PwC Report[9]).

1.31 The key findings of the PwC Report state that, '….the disciplinary process and subsequent claims and Employment Tribunal could have been handled more effectively. There are matters identified in the review that relate to the governance and culture of the Library which, unless addressed, may inhibit the Library's ability to move forward'. The PwC report makes 11 recommendations.

1.32 The disciplinary process and the subsequent task of responding to the 11 recommendations in the PwC Report have been time-consuming for both the executive and the Board, diverting time and energy away from the Library's priorities. Part 2 of this report refers in more detail to the progress that the Library has made in addressing the recommendations and key findings of the PwC report.

9 Independent external review of the National Library of Wales, PricewaterhouseCoopers, July 2015. The PwC Report is available on the National Library of Wales website alongside the agenda and minutes of the July 2015 meeting of the Board.

Part 2

Since July 2015 the Library has improved important aspects of its governance and management, but it faces challenges and opportunities as it seeks to remain sustainable

The Library's positive response to the recommendations of the PwC report has helped to improve governance and created a closer working relationship between the executive and the Board

2.1 Leadership at the Library has undergone a period of significant change. The former Librarian stepped down from his post in August 2015 after only two years in post and his replacement, the eleventh person to hold the post since 1909, took up post in November 2015 on an interim basis. The new Librarian brings to the post significant valuable experience, having previously led the team representing the Welsh Government's Sponsor Division in its dealings with the Library.

2.2 The Librarian is supported by an Executive Team that has halved in size from four officers in early 2015 to only two a year later. The Executive Team is supported, in turn, by the Delivery Group, a team of nine senior managers that includes the Librarian and two Directors.

2.3 There was no President in office at the time of our fieldwork, the previous President having reached the end of his term of office in December 2015. The Vice-President led the Board until the new President took up post in April 2016, and subsequently stepped down in July 2016

2.4 The Board acted swiftly and decisively on receiving the PwC report in July 2015. It made public the full report on the date of receipt, and established a governance taskforce consisting of Trustees and senior managers to produce and implement an action plan. The Library has reported progress against its action plan regularly and we conclude, in summary, that:

- there has been good progress in addressing the numerous policy deficiencies identified in the PwC report, drawing on appropriate specialist advice as necessary;
- the Vice-President took active and effective steps to engage regularly with the new Librarian and to monitor her performance; and
- leaders at the Library acknowledge and understand the limitations of the Library's small HR team, and recognise the need to engage specialist advice to deal with complex but rare issues such as those that led to the Employment Tribunal.

2.5 The key findings of the PwC report refer to the need to address 'matters ….that relate to the governance and culture of the Library'. Such matters are, by their nature, issues that must be tackled over the medium and longer term. Nevertheless, we found that the process of responding to the recommendations in the PwC report has helped to forge a closer and more productive working relationship between the Trustees and senior managers. Close working between the new Librarian and the Acting President and much improved communication within the executive team have been significant contributory factors. Prior to the appointment of the new President in April 2016, weekly meetings or telephone conversations between the Vice-President and Librarian were of mutual benefit in achieving a shared understanding of priorities and progress. The new President has continued this valuable practice since his appointment. In addition, the Librarian has, since her appointment, sought to improve engagement with staff by, for example, the production of a weekly news bulletin.

Trustees have a broad set of skills and experience but the Library could exploit their roles more fully and improve decision-making

Trustees bring to the Library a broad set of skills and experience

2.6 Trustees bring to the role a rich breadth of experience and expertise covering both public and private sectors. The fact that Trustees usually serve fixed terms of four years in office (and a maximum of eight consecutive years) ensures a regular turnover, bringing new blood and fresh ideas to the Board. There remains scope to increase the Board's diversity in terms of both its gender balance and age profile; at the time of our fieldwork in January 2016, only three of the 14 Trustees in post at that time were women.

2.7 The fact that the role of Trustee is unremunerated is one indicator of Trustees' commitment to the Library. Our interviews with Trustees confirmed that, in keeping with the requirements of charity law, they are committed to acting in the Library's best interests. Under the terms of its sponsoring agreement, the Welsh Government appoints eight of the 15 Trustees to the Board, including the President and Vice-President. However, we found no difference in the level of Trustees' commitment to the Library between Trustees who are Welsh Government appointees and those appointed by the Library.

2.8 The PwC Report refers to a 'lack of consultation of the Executive Team'[10] between the autumn of 2013 and the issuing of their report in July 2015. However, we found that, under the current Librarian, the executive has worked well together to provide good support to Trustees in developing and maintaining their understanding of their role. Newly appointed Trustees attend a valuable induction process that raises their awareness of their roles as Trustees and, importantly, the nature of the work that occurs from day to day at the Library. Trustees also receive a copy of the 'Trustees Companion', last revised in November 2015, which provides a well-organised compendium of relevant documents that include:

- the 2006 Supplemental Royal Charter and Statutes;
- a Code of Conduct, agreed by the Board in 2007 and which enshrines the 'Nolan Principles[11]';
- 'The Essential Trustee', issued by the Charity Commission in 2015;
- the Framework Document compiled by the Welsh Government, in consultation with the Library, and finalised in 2011; and
- a Corporate Governance Framework produced by the Library in 2013, which summarises the key responsibilities of the Board and the Library's Executive Team; the Board's powers of delegation; the conduct expected of the Board; and the proceedings of the Board in delivering services to the people of Wales.

There is scope to exploit more fully the role of the Trustee, both within the Library and externally

2.9 The primary role of Trustees lies in their contribution to decision-making at Board meetings. The Board has met formally on five occasions in each of 2014 and 2015. Some Trustees also serve on the Audit Committee which, typically, meets four times a year. We discuss in paragraphs 2.22 – 2.33 the role and conduct of Board meetings and the Board's committee structure.

2.10 However, the role of Trustees as external ambassadors for the Library has, to date, not been exploited as well as it might. There is a growing understanding at the Library that, despite the increasing availability of its collection in a digital form, the level of awareness of the Library's work across Wales and beyond is limited. Until recently, the Library has had little understanding of the perceptions of those using its services and even less understanding of how it might engage more effectively with those with scant knowledge of the Library, its work and the services it offers.

10 Independent external review of the National Library of Wales, PricewaterhouseCoopers, July 2015
11 The Nolan Principles are the basis of the ethical standards expected of holders of public office. They are set out in 'The Seven Principles of Public Life', published by the Committee on Standards in Public Life in 1995.

2.11 The 2014-2017 Strategic Plan includes a number of commitments that aim to increase the Library's physical and online presence across Wales, and to engage more effectively with service users. The annual operational plan for 2013-14 includes a pledge to 'continue to increase the Library's profile' and the equivalent plans for 2014-15 and 2015-16 include, as actions, the development and implementation of strategies and policies for marketing and outreach. The pace of development has been slow, but the Library has recently appointed an interim head of external relations, who is making progress. The operational plan for 2016-17 pledges to implement new strategies for Marketing and for Outreach and Engagement by September 2016. We understand that these plans are progressing as planned.

2.12 New Trustees have brought additional expertise in marketing to the Board. The Vice-President of the Body has met with the Library's Advisory Body, a potentially valuable group of service users, which has met infrequently in recent years and whose role currently lacks clarity. More generally, however, the potential for Trustees to promote the Library within their broad and diverse networks has not been exploited systematically and managers have not always supported efforts by individual Trustees to do so. Such engagement by Trustees carries a risk that Trustees may, in promoting the Library, find themselves in a position of conflicting interests. However, the Board has clear arrangements in place which, if applied diligently, should mitigate this risk.

2.13 New Trustees receive a valuable induction that includes presentations by departmental managers. The process helps Trustees understand the range and scale of the work undertaken at the Library and introduces them to some of those delivering the work. Once the induction process is over, however, most Trustees engage only with members of the executive team. Board meetings have, in the past, included oral updates by departmental managers, but this process has recently been replaced by a set of written reports that reflect recent events across the Library. The reports are generally informative but they take up valuable time during Board meetings.

2.14 Staff have limited awareness of the role of Trustees and little opportunity to engage with them. However, the new Governance and Performance Committee has recognised in a discussion paper that the attempt in the 2006 Regulations to, 'draw clear boundaries between the functions of the Trustees and the functions of the Executive Team… has resulted in confusion'. In formulating amendments to the Regulations, the paper goes on to state that, '..the role of the Trustees as set out in the Charter and Statutes (and elaborated by the Charity Commission) requires overlap between internal executive functions and the role of the Trustees and Board'. The discussion paper goes on to suggest that,'..a fluid exchange of information and comment is essential'.

2.15 In essence, the paper recognises that the role of Trustee has, hitherto, been confined too rigidly to their attendance at and contribution to formal meetings of the Board and, in some cases, the Audit Committee. Instead, the paper proposes that Trustees should be able to, '..communicate freely on issues relevant to the effectiveness of the Library's functions, development and external relationships at appropriate stages'.

2.16 We recognise that other demands may limit the additional time, over and above formal meetings, that some Trustees are able to devote to their roles at the Library. However, in order to fulfil successfully the more fluid role envisaged in the paper produced by the Governance and Performance Committee, the Board requires a greater awareness of the Library's work and the issues faced by its staff in carrying out their functions. We acknowledge the concerns, expressed by a few Trustees, that close engagement with staff poses a risk of undermining the Library's management structure. However, through the development of appropriate protocols and controls, we consider that the Library is well-placed to manage the risk successfully.

The Board receives timely and clear supporting papers, though agendas are often too long and decisions are not always clearly recorded

2.17 As part of our fieldwork, we have reviewed the agendas, papers and minutes of all Board meetings held over the last two years. We also attended one meeting of the Board as observers. We found that papers are generally well-presented and clearly written in both Welsh and English. Trustees receive their agenda packs in good time and, based on the evidence of the meeting that we observed, prepare thoroughly for the meetings. The Vice-President chaired the meeting well, ensuring that all Trustees took part, including some new Trustees that were attending their first Board meeting. Contributions and questions were constructive, appropriately challenging of management, and generally pertinent to the topics being discussed.

2.18 Regulations for the Board[12] specify that it, '….will normally meet seven times each year'. As noted in paragraph 2.9, Board meetings during 2014 and 2015 have been less frequent. Partly in consequence, typical agendas are weighty. The agenda for the open session of the February 2016 meeting, for example, includes 22 substantive items, with a further five items scheduled for the closed session. Items to be discussed during the open session included the Operational Plan for 2016-17 and the 2016-17 budget, as well as new fundraising and procurement strategies.

12 Regulations made by the Trustees pursuant to the Supplemental Charter and Statutes, 2006

2.19 Of the 27 agenda items scheduled for the open session, 18 were supported by papers. The Board made clear at the meeting that, in future, it requires supporting information to inform discussion about the Library's restructuring programme. For those items supported by papers, Trustees' agenda packs include a helpful single introductory page that states clearly the purpose of the item and what action, if any, is required of the Board. However, 10 of the 18 papers are 'for information' or for the Board to note, with only eight requiring the Board's approval. Two of the scheduled three hours for the open session had elapsed before the Board began to discuss key matters relating to the Library's finance and governance.

2.20 The minutes of the meeting provide a succinct summary of the Board's discussions. They also helpfully record any actions required as a result of those discussions. Past agendas and minutes suggest that there is no rigorous follow-up of action points at subsequent meetings to ensure that they have been completed to the Board's satisfaction.

2.21 Discussions relating to items requiring a decision tend not to focus clearly enough on reaching such a decision. As a result, the minutes are inconsistent in the clarity with which they record whether or not the Board gave its approval for those items requiring such a decision. At the February 2016 meeting, for example, the Executive requested that the Board approve a new procurement strategy for the Library. However, the minutes record only that 'Members were pleased to note the Strategy'.

The new Governance and Performance committee, reporting to the Board, has the potential to bring clearer focus to discussion at Board meetings

2.22 The 2006 Supplemental Charter permits Trustees, '…from time to time to appoint such Committees (which must include an audit committee) as they deem expedient and consisting of such Trustees as they think fit and either with or without any other person or persons…..'. The Charter makes clear the extent to which Trustees may delegate their functions to such committees and allows the Board to determine the extent to which the minutes of such committees should be laid before the Board.

2.23 In recent years, the Audit Committee has been the only committee reporting to the Board. The Audit Committee includes two independent members and meets four times each year. As the Library's external auditor, Wales Audit Office staff attend most Audit Committee meetings; they are, on the whole, well run and regularly consider a pertinent range of matters such as reports by both internal and external auditors, and the contents of the Library's risk register. The Board receives Audit Committee minutes for information during its closed sessions.

2.24 In addition to the Audit Committee, the Board has also established various ad hoc 'task and finish' groups, comprising both staff and Trustees, to consider specific issues. Receipt of the PwC Report, for example, led to the creation of a Governance Taskforce, led by the Vice-President, to drive the Library's response to the recommendations of the report. The success of the Governance Taskforce has led to the establishment of a Governance and Performance Committee, which held its inaugural meeting in early February 2016 and reported to the Board later that month.

2.25 The Governance and Performance Committee's first meeting was productive. In particular, they recommended that the Board approve:

- a paper on the roles of, and relationships between, the Board and the executive team;
- a revised version of the Library's Governance Framework;
- revised Regulations; and
- performance indicators for the quarter preceding the meeting.

2.26 Recommendations to the Board, such as those made by the Governance and Performance Committee, have the potential to expedite the transaction of business at Board meetings. Detailed discussions take place in committee rather than at the Board meeting, allowing the Board to concentrate on the recommendations and its response to them. The Board has recognised that a similar approach with regard to other major issues facing the Library is likely to further enhance the Board's decision-making and, since our fieldwork, has established a Financial Planning Committee.

The Board's reluctance to discuss potentially sensitive issues in open session both reflects and has contributed to the erosion of trust between staff and the Library's leadership

2.27 Events since 2013 resulted in a fall in staff morale and in declining trust and confidence in the Library's leadership at both executive and Board level. During our fieldwork, staff focus groups and Trades Union representatives referred to a number of negative perceptions, including that:

- the continuing restructuring process has resulted in excessive workloads for certain staff, and that those staff have had insufficient guidance in order to be able to prioritise effectively;
- changes in responsibilities have not been communicated well enough, with the result that some staff are no longer clear about where certain responsibilities lie;
- a lack of pay progression has led to the erosion of the value of salaries; and
- the Library's handling of the disciplinary cases that led to the employment tribunal judgement was unfair.

2.28 These perceptions are largely reflected in the results of staff surveys. The HR team conducts a biennial survey on behalf of management, enabling the Library's executive to gauge staff morale and to identify issues. The latest survey, conducted in November 2015, attracted a much lower response rate than in 2013, when 240 staff completed the survey. Even though staff were required to complete the survey in 2015, only 120 staff (48 per cent) did so. The much-reduced response rate undermines the validity of a comparative analysis of the two sets of results. Nevertheless, the 2015 survey suggested that significant issues remain in relation to:

- dissatisfaction with the level of consultation about organisational policies and decisions;
- the supportiveness of senior managers;
- the strained quality of relationships at work; and
- low morale within the organisation.

2.29 Separately from the management survey, the Trades Unions jointly conduct an annual evaluation of members' perceptions about a range of issues, many of which are similar to those covered in the HR survey. As with the HR survey, the number of responses to the Trades Unions' survey in February 2016 fell to 84, a little less than half the membership. Responses again tended to confirm the negative perceptions we heard during our fieldwork, although there are some signs of slow improvement. The Trades Unions' survey reports, for example, that:

- almost three-quarters of respondents felt that stress levels had increased during the last 12 months;
- a similar proportion disagreed that their personal morale was high; and
- very few respondents agreed that the Library was well led.

2.30 Until very recently, the Trades Unions have not shared the results of their surveys with the Library's executive team. Although the Trades Unions have raised the survey outcomes in informal meetings with HR, there have been no formal discussions between management and Trades Unions about the survey results. Similarly, the executive has not engaged in formal dialogue with the Trades Unions about the results of the biennial management survey. The Board has not been briefed about the results of either sets of surveys.

2.31 Most Board agenda items are discussed in sessions that are open to the press and public. Agendas for these sessions are published on the Library's website in good time and the minutes follow, once approved at the Board's subsequent meeting. However, the Library does not publish the papers that support agenda items. This practice makes it impossible for any members of the public planning to attend a Board meeting to read papers in advance and makes it more difficult for them to follow the Board's discussions when present at a meeting.

2.32 Until April 2016, most Board meetings also included 'closed sessions'. Executive members attended these sessions but the press and public were excluded, as were the Library's Trade Union representatives. Prior to the July 2016 meeting, the Library published no details of the agenda items for closed sessions but, typically, they included items such as the minutes of previous Audit Committee meetings and matters relating to the restructuring process.

2.33 We acknowledge that certain items are legitimately exempt from public scrutiny. Items that will necessarily involve the discussion of contractual details, for example, may be exempt on the grounds of commercial sensitivity, and some matters relating to the restructuring process may necessarily focus on the futures of readily identifiable small groups of staff. However, the absence, until recently, of a publicly available agenda and a justification of why certain items were considered to be too sensitive for discussion in open session both reflects and has contributed to an erosion of trust between staff and the Library's leadership.

The Library recognises that change is essential in order to maintain its financial viability

The Library has risen to the challenge of further reducing its revenue costs for 2016-17 but is clear that its approach to balancing the budget cannot be sustained

2.34 Significant reductions in grant-in-aid continue. Welsh Government revenue grant-in-aid for 2016-17 is £9.26 million, some £460,000 less than in 2015-16. In addition, the Welsh Government removed from the Library's capital grant allocation the dedicated Collections Purchase Grant of £305,000. However, this grant was subsequently re-instated.

2.35 In setting its revenue budget for 2016-17, the Library planned to use £480,000 from its unrestricted private funds to cover the projected deficit in the Library's running costs as a result of reduced grant-in-aid. A report to the Board on the 2016-17 budget in February 2016 set out long-term financial projections based on a far-from-certain standstill level of grant-in-aid, and assumptions of no staff reductions, fixed budget and a one per cent pay increase. Based on the Library's projections, and taking a decision to carry out a number of identified projects and fund the deficit, the Library's private funds would reduce from £8.6 million to just £1.7 million by 2019-20.

2.36 Trustees and senior managers are clear, therefore, that, unless invested in order to generate further income or increased efficiency, the use of reserves to contribute to the Library's day-to-day running costs is an unsustainable strategy.

2.37 The Library's private funds derive from charitable donations and their subsequent management, rather than from any savings or surpluses arising from the Library's operational activity. Private funds consist of two categories: restricted private funds and unrestricted private funds. We referred in paragraph 1.13 to the fact that the Library held about £7.9 million in unrestricted private funds at the end of 2015-16. In addition, the Library held a further £7.8 million in restricted private funds, almost 90 per cent of which is in the form of donated assets whose cash value cannot be realised.

2.38 The Library sets out its Reserves Policy in its annual accounts and in its return to the Charity Commissioner. The Library's private restricted funds may only be used in accordance with the terms of each specific bequest. However, the Library's unrestricted private funds reserves are available for use at the discretion of the Board in furtherance of the general objectives of the Library. The Reserves Policy makes clear that unrestricted private funds have three main objectives:

- to contribute to the revenue costs of running the Library;
- to supplement the Collections Purchase Grant to enable the Library to fulfil its collections policy; and
- to finance the acquisition of capital assets including equipment, buildings and computer hardware and software.

2.39 References to the Library's Reserves Policy in the 2015-16 annual accounts provide more clarity than before about the distinction between the Library's reserves and the nature of the restrictions associated with each category. The policy objectives for the use of unrestricted private funds are clear. However, they provide limited guidance to steer the Board's decision-making. There is a lack of agreement and clarity amongst Trustees about what unrestricted private funds reserves should be used for, when they can be used, and how much can be used. The Library's intention to use unrestricted private funds to support the Library whilst it arrives at a more sustainable medium-term financial solution is not unreasonable or contrary to the reserves policy. However, some Trustees feel that unrestricted private funds should not be used to fund the Library's day-to-day running costs.

2.40 The current level of reserves in the form of unrestricted private funds represents less than a year's grant-in-aid and is therefore not excessive. Furthermore, receipts in the form of bequests are, by their nature, unpredictable; the Library cannot rely in its financial planning on receiving regular donations in future.

2.41 The Library's approach to managing unrestricted private funds to date has been to maximise the value of the funds, rather than to set a target range for the level of reserves it holds. Charity Commission guidance[13] states that, 'There is no single level of reserves, or even a range, that is right for all charities'. However, deciding appropriate thresholds for the maximum and minimum levels of free reserves is an important part of financial management and forward planning; a specified level of reserves would support decisions about, for example, how new projects or activities might be funded, and whether reserves need to be drawn down or built up. Agreed maximum and minimum thresholds for reserves should be reviewed regularly and should not be static or inflexible. However, targets based on a clear rationale may be valuable in justifying that the reserves levels are appropriate, and to support the case for additional funding or to explain decisions that lead to changes to service delivery.

13 'Charity reserves: building resilience' (CC19): Charity Commission, January 2016

The ability to plan and manage the Library's service delivery in the medium term is hindered by the lack of clarity over future funding arrangements and restrictions on carry-forward of grant-in-aid

2.42 Robust medium-term financial planning and a degree of clarity about future funding arrangements are prerequisites for sustainable and effective service delivery planning. As a Welsh Government Sponsored Body (WGSB), the Library receives notification of its annual core grant-in-aid funding late in the preceding financial year. In each of the last three financial years, Welsh Government has also provided additional grant-in-aid late in the year, with the proviso that the subsequent year's core funding will be reduced to offset some of the additional funding. The additional funding was as follows:

- In 2013-14, additional revenue grant of £470,000 in recognition of the costs resulting from the fire,;
- In 2014-15, additional grant-in-aid of £600,000 to support the Library's voluntary severance programme, with a reduction of £300,000 in grant-in-aid for 2015-16;
- In 2015-16, additional grant-in-aid of £270,000, with a reduction of £170,000 in 2016-17.

2.43 In common with other WGSB, the Framework Document permits the Library to hold no more than two per cent of its gross annual grant-in-aid – currently about £200,000 – as cash balances at the financial year-end. Carry-over of sums in excess of this amount may be agreed in writing in advance with the Welsh Government on a case by case basis and the Welsh Government has, in the past, approved the carry-over of unspent cash balances exceeding the two per cent limit. However, the restrictions placed on end-of-year unspent cash balances limit the Library's ability to take a longer term view in managing its finances. The limits on carry-over present particular difficulties with regard to the prudent use of additional funding received late in the financial year.

2.44 Since 2015-16, the Library's annual funding settlement, as set out in the Welsh Government's remit letter, has included no indicative funding levels for future years. This lack of indicative future funding levels hinders the Library's ability to effectively plan its service delivery in the medium term. In particular, budget planning based on an over-optimistic assumption may result, in due course, in the need for further rapid, non-strategic staffing reductions in order to yield the unanticipated level of budget savings. On the other hand, budget planning that is based on too bleak a view of the future can lead to unnecessary uncertainty among staff, and to the erosion of morale.

2.45 The Welsh Government also faces uncertainty in its future income projections, particularly following the result of the June 2016 referendum that the United Kingdom should leave the European Union. We accept the argument that, under these circumstances, the Welsh Government cannot offer certainty about future funding levels for a Welsh Government Sponsored Body such as the Library. However, we consider it reasonable that the Welsh Government should notify the Library of its annual budget allocation at the earliest opportunity in the previous financial year, and that it should resume the practice of providing indicative budgets once the UK Government has confirmed future levels of funding to the Welsh Government.

The Library recognises the need to generate additional income or deliver further savings

2.46 The Library's Strategic Plan 2014-2017, 'Knowledge for All', recognises the need for the Library to diversify its funding base and to identify opportunities to increase the income that it generates, whether by fundraising or by trading. The Operational Plan for 2016-17 reflects the Strategic Plan and includes a target for increasing commercial income by 10 per cent, and recent Welsh Government remit letters have included targets for income generation. The 2016-17 remit letter includes an income generation target for the Library of £660,000, for example, which is about 16 per cent higher than the level of trading income reported in the Library's accounts for 2015-16. The recent relocation of the Royal Commission on the Ancient and Historical Monuments of Wales to the Library building will, from 2016-17, make a valuable contribution by providing annual rental income of £95,000.

2.47 To encourage the generation of income, Welsh Government has reserved the right to withhold an element of the Library's grant-in-aid funding in 2016-17 if it is not satisfied with the progress that the Library is making to increase income. However, the Library is rightly concerned that the emphasis is on increasing income, rather than on the profitability of income-generating events. Significant increases in net income will require the investment of scarce resources.

2.48 There is nevertheless an increasing recognition within the Library of the need for all departments to adopt a more business-like approach and to consider income alongside the costs incurred in generating it. Senior managers are also clear that the Library may need to consider whether some services to the public that are currently free may, in future, incur charges. The Delivery Group is developing a new income generation strategy which is intended to align with the business restructuring programme and the marketing strategy.

The development of a new Strategic Plan and implementation of the Well-being of Future Generations Act provide opportunities for the Library to better integrate the planning of its resources

The requirement to develop a new Strategic Plan offers the Library an opportunity to support delivery more effectively than before with an integrated, resourced and widely-owned set of underpinning plans

2.49 The Operational Plan for 2016-17 represents the third and final such plan in the life of the Strategic Plan, 'Knowledge for All', spanning 2014-2017. The Librarian presented the draft Operational Plan for 2016-17 to the Board in February 2016, acknowledging that it was, at that stage, incomplete and a 'work in progress'. Though perhaps understandable for 2016-17 because of the changes in the Library's leadership, the Library's annual planning cycle begins too late in the year to enable it to produce a finalised and agreed annual Operational Plan for implementation at the start of the new financial year.

2.50 Nevertheless, the Operational Plan for 2016-17 represents a considerable improvement in comparison with previous years. In particular, the plan integrates more effectively than before the Library's plans for addressing Welsh Government priorities, the Library's published Strategic Priorities and its duties under its Royal Charter. Furthermore, the Operational Plan includes a number of specific dates and targets over and above those agreed with the Welsh Government, and supporting the role of Trustees in monitoring progress during the year.

2.51 Most strands of the Operational Plan will require more detailed project planning for their effective delivery. Some may be delivered by individual staff or departments, but many others – such as the implementation of a new internal and external communications strategy – will demand a consistent corporate approach. The Executive Team and Board acknowledge that the Library has, in the past, lacked coherent arrangements to ensure the effective delivery of those elements of the operational plan that require such a corporate approach, spanning the Library's departmental structure.

2.52 A key strand of the restructuring programme has been the development of the Delivery Group, consisting of senior managers across the Library. Though not yet fully realised, the Delivery Group has the potential to bring greater consistency to departmental leadership, and in fostering a corporate approach in tackling the significant internal and external challenges the Library faces. The need to develop a number of key strategies in areas such as marketing; income generation; and outreach and engagement, has featured in successive Operational Plans, but progress has been limited prior to 2016-17. The Delivery Group will be instrumental in developing such strategies and leading their teams in delivering their contributions to the implementation of those strategies.

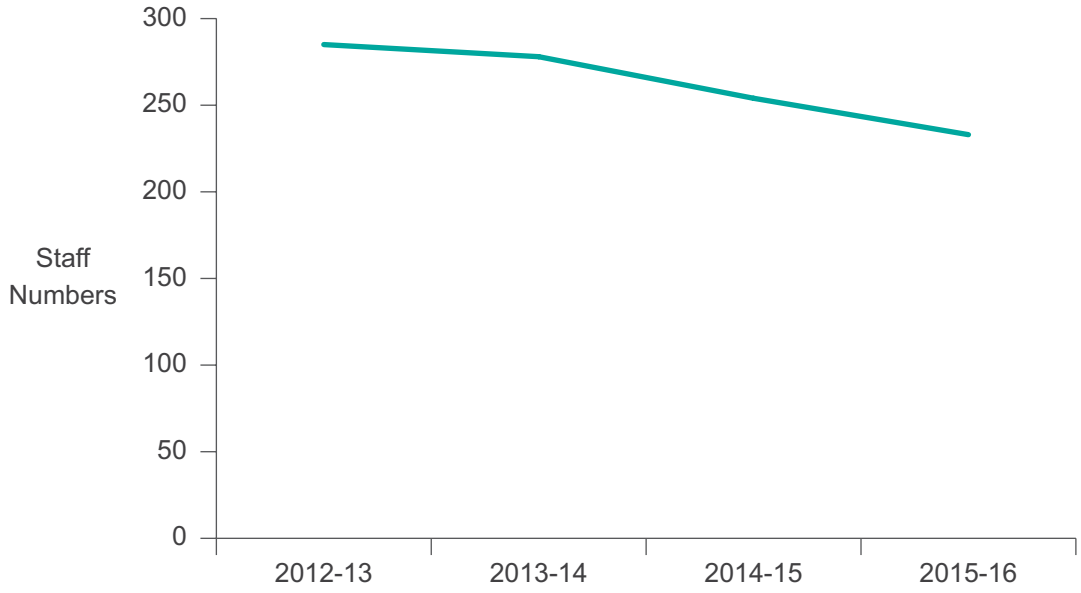
2.53 As the period covered by ‘Knowledge for All’, the Strategic Plan for 2014-2017, draws to a close, the Library has begun to discuss how best to consult and to engage with its key stakeholders in order to refresh its direction for the next three or four years. The process of redefining its strategy provides a valuable opportunity for the Library, in addition, to underpin its strategic planning with more timely and rigorous operational planning arrangements.

The Library needs to re-assess the range and scale of services it provides and the quality standards it seeks to achieve in response to the reductions it has experienced in funding and staffing

2.54 Staff at the Library are proud of the range and quality of the services that they deliver, whether responding directly to enquiries from the public or through their work in conserving and making accessible the Library’s collection.

2.55 Staff reductions continue to provide the main source of financial savings. Exhibit 9 shows that, as a result of the staff restructuring programme that began in 2013-14, full-time equivalent staff numbers have fallen by nearly 20 per cent between 1 April 2013 and 1 April 2016. Forty-five full-time equivalent posts have been lost since 1 April 2014, in line with the proposals in the Medium-Term Financial Plan agreed in February 2014.

Exhibit 9 – The number of full-time equivalent staff employed at the National Library of Wales between 2012-13 and 2015-16 has reduced by nearly 20 per cent



Source: Annual accounts, National Library of Wales

2.56 The restructuring programme has achieved its aim of reducing the number of staff in order to make financial savings and balance the budget. In doing so, all departures have come about through the non-replacement of staff who retire or who leave for posts elsewhere, or through voluntary redundancy, thereby avoiding compulsory redundancies. In total, the 27 voluntary severance packages agreed during 2014-15 and 2015-16 cost a little over £1.35 million, all of which is accounted for in the 2014-15 accounts. The Welsh Government contributed £500,000 of additional grant-in-aid to support the Library's redundancy costs during 2014-15, repaid through reduced grant-in-aid in 2015-16.

2.57 In its Scrutiny of Accounts 2014-15[14], the National Assembly for Wales Public Accounts Committee commented that, '…the National Library appears to operate a generous pension and severance scheme compared with other Welsh public service organisations' and that 'the sustainability of the scheme needs examination'. The Committee recommended that the Library should review the sustainability of its pension scheme.

2.58 In its letter of response to the Public Accounts Committee, the Library noted that it, 'currently is operating a fully funded pension scheme, in sharp contrast to other similar organisations. The Board of Trustees regularly reviews the pension scheme and a separate Board of Pension Trustees provides oversight.' The letter also states that, 'The arrangements for severance are being actively reviewed by management and a commitment for management and Trades Union representatives to discuss existing arrangements formed part of the pay offer for 2015-2017 which was agreed in December 2015.'

2.59 We understand that these discussions about the Library's pension arrangements continue. Several staff we spoke to acknowledged that the Library operates a generous pension scheme. However, we also acknowledge that, following a long pay freeze prior to the December 2015 agreement, any attempt by management to reduce pension benefits would have further undermined the already fragile morale among staff. Furthermore, the benefits associated with voluntary severance have helped the Library to balance its budget in the face of reducing grant-in-aid.

2.60 However, the Library has not monitored closely enough the impact of the staffing reductions on different parts of its business. The Library has sought to absorb the reductions in the size of its workforce whilst continuing to offer its full range of services to the public. Managers and senior managers have tried to minimise the impact of the loss of expertise from their departments by making handover arrangements before staff left, and by planning the redistribution of responsibilities among remaining staff.

14 Scrutiny of Accounts 2014-15, National Assembly for Wales Public Accounts Committee, December 2015

2.61 The Library has also refreshed its volunteer scheme, enabling those interested in the Library's work to contribute both on-site in Aberystwyth and online from their homes. Between August 2015 and June 2016, the Library's Newsletter reports that the number of volunteers increased from 37 to 48, while the number of hours of service they provided over the preceding three months increased by 70 per cent to about 2,400 hours.

2.62 However, the increase in the number of volunteers cannot, and is not intended to, compensate for the loss of a large number of staff, many of whom were specialised. Any further reductions in funding will inevitably, therefore, have an impact on the range and volume of services that the Library can provide. The Library must fulfil its core objectives and statutory responsibilities; however, the Library has not yet adequately assessed and prioritised the range of services it provides, considering whether, alone or in collaboration with other bodies, it:

- has the skills and capacity to continue to provide them;
- needs to provide them at all; or
- can deliver them in a different way.

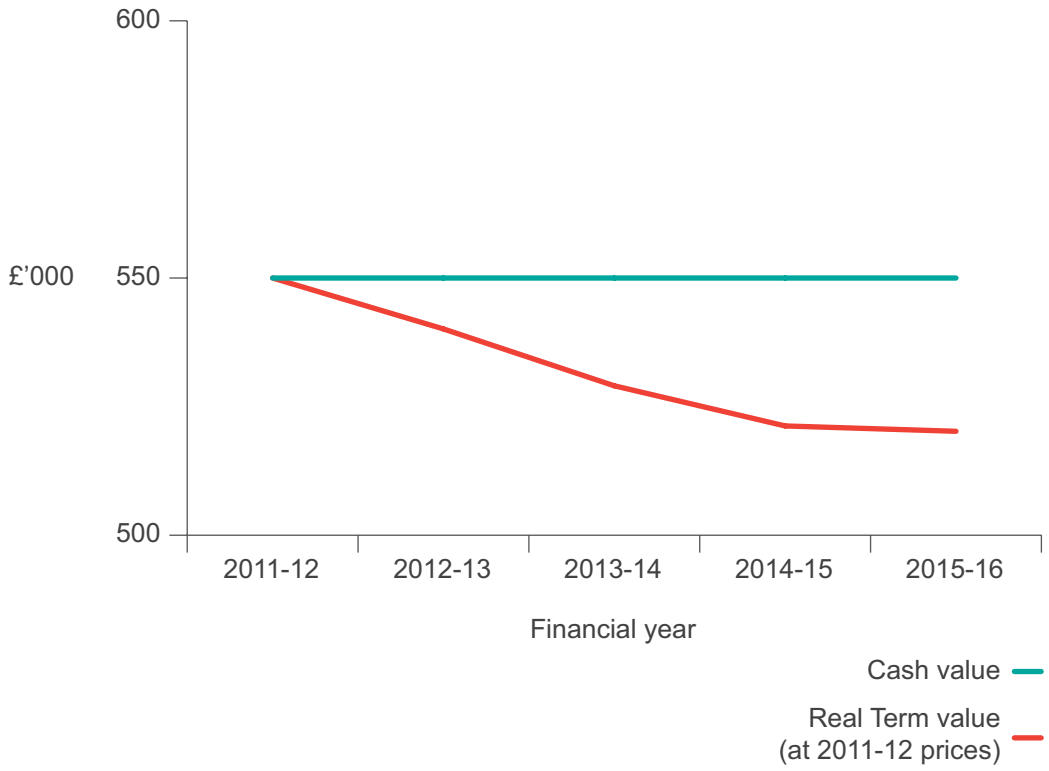
2.63 The Board and Executive Team have identified as a key challenge the need to develop a flexible workforce to respond to the financial challenges it is facing, and the loss of staff and specialisms arising from the restructuring programme. The Library has made a commitment in its operational plan for 2016-17 to complete the organisational re-structuring programme and to produce a new Workforce Development Strategy by December 2016.

The Library is committed to developing a robust asset management plan that covers the condition of the building and the use of space within it

2.64 The Library building, set in a prominent position overlooking Cardigan Bay and the town of Aberystwyth, was first opened in 1916. The central block, completed in 1937, is a Grade II* Listed Building. The third Library building opened in 1996, doubling the Library's storage capacity.

2.65 The Library receives capital grant-in-aid funding from the Welsh Government that it uses for investment in the building, equipment and information technology. Exhibit 10 shows that core capital grant-in-aid funding has remained static in cash terms, at £550,000 per annum for a number of years. However, in real terms this means that the value of the 2015-16 allocation has fallen by some 5.4 per cent to about £520,000 since 2011-12.

Exhibit 10 – Baseline capital grant-in-aid has fallen in value in recent years



Source: Welsh Government remit letters to the National Library of Wales

2.66 In addition to the core capital grant-in-aid allocation, the Welsh Government has also provided substantial additional capital investment for specific projects and to enable essential remedial and development work on the Library's building and infrastructure. The Welsh Government provided a grant of £2.47 million in 2013-14, for example, to fund restoration work following the fire in 2013. The Welsh Government provided a further £3.5 million (£3.3 million in 2014-15 and a further £0.2 million in 2015-16) for the 'Courtyard Infill' project in order to provide appropriate accommodation for the Royal Commission on the Ancient and Historical Monuments of Wales and the National Monuments Record. However, the decreasing value of core capital funding is likely to result in the maintenance backlog increasing over time. A lack of investment in the building will create issues for the long-term sustainability of the Library's collections, services and the building itself. The Library considers it a significant risk, for example, that parts of the building do not meet modern fire regulations.

2.67 Managers and Trustees have, for some time, expressed concern that the level of investment in the maintenance of the building is insufficient to halt the deterioration in its condition and to address health and safety issues. In June 2015 the Library submitted a document to Welsh Government summarising the main priorities for capital funding. The total value of the work required was estimated at £26.55 million over the five years to 2020-21. This estimate drew mainly on a previous list of capital projects, valued at £24 million, and included within the 2013-14 operational plan.

2.68 In addition to the issues concerning the condition of the Library building, staff and Trustees recognise that there are also problems with regard to its sufficiency and its suitability. In its capacity as a legal deposit library, the Library receives and stores, on average, over 4,500 new items each week. Some items require specialist conditions in order that they will be preserved for future generations. The Library's performance indicators for both 2014-15 and 2015-16 show that 65 per cent of the collection is stored in appropriate environmental conditions. Although this figure is in line with the Library's own targets, the Library will eventually lack sufficient appropriate storage space for its collection. An internal audit review of 'Collections Space Management' in 2015-16 identified that there were no formal arrangements in place to manage and plan for the needs placed on the Library's space.

2.69 Trends in the ways in which the public gains access to the Library's collections are also changing and have implications for the future of the Library building. Over the two years 2014-15 and 2015-16, for example, the Library's performance indicators show that almost 380,000 new items from its collection became accessible digitally. Over the same period, the number of visits to the Library's website increased by 16 per cent to 1.26 million, while use of the reading rooms fell by a similar percentage to 20,330.

2.70 The appointment in August 2015 of the Head of Estates and Support Services has begun to deliver a more strategic approach to the management of the Library building, focusing attention on health and safety, maintenance and business continuity issues. However, the Library's operational plan for 2016-17 commits to developing a new asset management plan for the Library's estate.

The implementation of the Well-being of Future Generations Act provides a timely and valuable opportunity for the Library to address its future sustainability

2.71 Sustainability is at the heart of the Library's core purpose. Its Object, as defined in the Supplementary Royal Charter of 2006, is, 'to collect, preserve and give access to all kinds of forms of recorded knowledge, especially relating to Wales… for the benefit of the public'. Its role, therefore, is to ensure that future generations are able to benefit from the knowledge and information produced by past and present generations. However, we have found that decision-making about the use of resources of all kinds has not, thus far, been sufficiently well-integrated to ensure the Library's sustainability in the face of dwindling public funding.

2.72 The Well-being of Future Generations (Wales) Act 2015[15] (the Act) applies to all Welsh Government Sponsored Bodies, including the Library. The Act requires public bodies that fall under its remit to 'carry out sustainable development' by maximising their contribution to each of the seven Wellbeing Goals defined in the Act. In carrying out sustainable development, the Act requires the Library to set wellbeing objectives for change over the long term, and to take all reasonable steps to meet those objectives. In doing so, the Library must apply the sustainable development principle by taking account of the five 'sustainable ways of working':

- looking to the long-term;
- taking an integrated approach;
- involving people;
- collaborating with others; and
- prevention.

2.73 The Board is at an early stage in its understanding of the requirements of the Act. However, the Welsh Government's remit letter for 2016-17 requires the Library to develop its response to the Act by March 2017. This requirement provides a timely and valuable opportunity for the Board to develop a new strategic plan to succeed 'Knowledge for All', ensuring that all its planning is aligned with and contributes to its new wellbeing objectives.

15 More information about the requirements of the Act is available in 'Shared Purpose: Shared Future', Welsh Government statutory guidance on the Well-being of Future Generations (Wales) Act, 2015.

Appendices

Appendix 1 – Commitments made in the 2014-2017 Strategic Plan, ‘Knowledge for All’

Appendix 2 – Our methodology

Appendix 1 – Commitments made in the 2014-2017 Strategic Plan, 'Knowledge for All'

Strategic Priority	Commitments
Access	We will: I Facilitate access and use, and repurpose collections II Expand our presence across Wales III Develop and preserve collections to ease access IV Maintain, develop and provide access to the national collection including legal deposit material V Encourage and gather feedback from users VI Maintain and support research, increasing impact on the collections
Expertise	We will: I Share skills and knowledge II Lead by setting standards of good practice III Develop the Conservation and Digital Preservation Service for Wales' Documentary Heritage Project IV Nurture and preserve competencies and skills
Collaboration	We will: I Engage with users and allied groups II Collaborate with the private sector III Develop a Community Partnership Programme with partners in the public sector IV Collaborate with other bodies within and outside Wales V Contribute to international research VI Play a leading role in the culture and heritage sectors
Sustainability	We will: I Investigate new income streams II Encourage a culture of continuing improvement III Measure and monitor the value and impact of the Library IV Promote, develop and sustain environmental efficiency
Forward Thinking	We will: I Lead a national debate on the potential for establishing a National Archive for Wales II Lead and collaborate in developing an information base for Wales III Be proactive in developing commercial opportunities

Source: 'Knowledge for All', National Library of Wales, February 2014

Appendix 2 – Our methodology

External correspondence to the Auditor General during 2014 and 2015 reflected concerns about aspects of the Library's leadership and governance, including tensions in staff relations and publicity about specific concerns relating to the outcome of an employment tribunal, which found that two members of staff were dismissed unfairly. As a result, the Auditor General indicated in 2015 to the Library, Welsh Government and the Public Accounts Committee that he would undertake a review of the Library's governance arrangements.

In March 2015, the Library's Board of Trustees commissioned Pricewaterhouse Coopers to review the implementation of the Library's disciplinary policy. The Auditor General decided to await the outcome of this work and to allow the Library time to respond to it before undertaking his review.

In conducting the review, we considered a wide range of documents. We refer to these documents as necessary in the report. They include:

- frameworks, Charters, Welsh Government remit letters and other documents that set out the external requirements governing the Library;
- the Library's strategic and operational plans;
- the Library's annual accounts;
- the PwC Report and the Library's action plans and monitoring reports;
- the minutes of meetings of the Board and Audit Committee, and the papers submitted to those meetings from 2015; and
- data from staff surveys conducted by the Executive and by Trades Unions at the Library.

Between January and March 2016, we held discussions with relevant Welsh Government officials and attended the February meeting of the Board as observers. We also conducted two focus groups with randomly chosen staff at the Library and interviewed:

- 11 of the Trustees who were, at that time, members of the Board;
- the four members of the Library's Executive team;
- a sample of heads of department at the Library;
- Trades Union representatives; and
- the Library's internal auditors.

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