

Agenda – Public Accounts Committee

Meeting Venue:

Committee Room 3 – The Senedd

Meeting date: 18 June 2018

Meeting time: 13.45

For further information contact:

Fay Bowen

Committee Clerk

0300 200 6565

SeneddPAC@assembly.wales

(Pre-meeting)

(13.45 – 14.00)

1 Introductions, apologies, substitutions and declarations of interest

(14.00)

2 Paper(s) to note

(14.00 – 14.05)

(Pages 1 – 3)

2.1 NHS Waiting Times for Elective Care in Wales and Orthopaedic Services: Letter from the Welsh Government (6 June 2018)

(Pages 4 – 5)

2.2 NHS Wales Informatics Services: Letter from the Welsh Government (7 June 2018)

(Pages 6 – 7)

2.3 NHS Wales Informatics Services: Letter from the Auditor General for Wales (8 June 2018)

(Pages 8 – 16)

2.4 The Welsh Government's relationship with Pinewood: Auditor General for Wales' Report (12 June 2018)

(Pages 17 – 62)

3 Housing Adaptations: Evidence Session 1

(14.05 – 15.05)

(Pages 63 – 87)

Research Briefing



PAC(5)-17-18 Paper 1 - Letter from Welsh Government to Auditor General for Wales

PAC(5)-17-18 Paper 2 - Welsh Local Government Association

Jim McKirdle - WLGA Housing Policy Officer

Gaynor Toft - Community Wellbeing Manager, Ceredigion County Council

Julian Pike - Housing & Community Safety Manager, Merthyr Tydfil County Borough Council

4 Housing Adaptations: Evidence Session 2

(15.05 - 15.50)

(Pages 88 - 96)

PAC(5)-17-18 Paper 3 - Paper from Care & Repair

Stuart Ropke Chief Executive, Community Housing Cymru

Chris Jones - Chief Executive, Care & Repair

(Break)

(15.50 - 16.00)

5 Housing Adaptations: Evidence Session 3

(16.00 - 16.45)

Alicja Zalesinska - Director, Tai Pawb

Ruth Nortey - Policy & Research Officer, Disability Wales

Rhian Stangroom-Teel - Policy and Public Affairs Manager (Wales), Leonard Cheshire Disability

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

(16.45)

Item 7 & Item 1 of the meeting on 25 June 2018.

7 Housing Adaptations: Consideration of evidence received

(16.45 - 17.00)

Concise Minutes – Public Accounts Committee

Meeting Venue:

Committee Room 3 – The Senedd

Meeting date: Monday, 11 June 2018

Meeting time: 14.06 – 16.41

This meeting can be viewed

on [Senedd TV](#) at:

<http://senedd.tv/en/4748>

Attendance

Category	Names
Assembly Members:	Nick Ramsay AM (Chair) Mohammad Asghar (Oscar) AM Vikki Howells AM Lee Waters AM
Witnesses:	Iestyn Davies, Colleges Wales Judith Evans, Coleg y Cymoedd Paula Ham, Vale of Glamorgan Council Guy Lacey, Coleg Gwent Dr Chris Llewelyn, Welsh Local Government Association
Wales Audit Office:	Huw Vaughan Thomas CBE – Auditor General for Wales Mark Jeffs
Committee Staff:	Fay Bowen (Clerk) Meriel Singleton (Second Clerk) Claire Griffiths (Deputy Clerk)



1 Introductions, apologies, substitutions and declarations of interest

1.1 The Chair welcomed the Members to the Committee.

1.2 Apologies were received from Neil Hamilton AM, Rhianon Passmore AM and Adam Price AM. There were no substitutes.

1.3 The Chair congratulated Huw Vaughan Thomas, the Auditor General for Wales, on receiving a CBE in recognition of services to Public Audit and Accountability in Wales, in the recent Queen's Birthday Honours List.

2 Paper(s) to note

2.1 The papers were noted.

2.1 Regarding the inquiry into care experienced children and young people, the Chair agreed to contact Care Inspectorate Wales regarding the thematic review they are undertaking which is due to report in March 2019. Following information and advice from the Auditor General, it was agreed to hold a further evidence session as part of the NHS Wales Informatics Services inquiry before the end of the summer term.

2.1 The Regeneration Investment Fund for Wales (RIFW): Letter from the Welsh Government (21 May 2018)

2.2 Care experienced children and young people: Letter from the Welsh Government (31 May 2018)

2.3 NHS Wales Informatics Services: Committee Correspondence

3 Medicines Management: Consideration of responses to report recommendations

3.1 The Committee noted the responses and it was agreed that the Chair will write to the Welsh Government seeking clarification on a number of the responses to the Committee's recommendations.

4 The 21st Century Schools and Education Programme: Correspondence

4.1 The Committee noted the correspondence.

5 The 21st Century Schools and Education Programme: Evidence Session 1

5.1 Members received evidence from Dr Chris Llewelyn, Deputy Chief Executive & Director of Lifelong Learning, Leisure and Information, Welsh Local Government Association and Paula Ham, Director of Learning and Skills, Vale of Glamorgan Council as part of the inquiry into the 21st Century Schools and Education Programme.

5.2 Dr Llewelyn agreed to send further information outlining the benefits/advantages of local authorities using the mutual investment model in place of their own borrowing powers.

6 The 21st Century Schools and Education Programme: Evidence Session 2

6.1 Members received evidence from Iestyn Davies, CEO, Colegau Cymru, Judith Evans, Principal, Coleg y Cymoedd, and Guy Lacey, Principal, Coleg Gwent as part of the inquiry into the 21st Century Schools and Education Programme.

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

7.1 The motion was agreed.

8 The 21st Century Schools and Education Programme: Consideration of evidence received

8.1 Members considered the evidence received.

9 Care experienced children and young people: Consideration of key issues

9.1 Members noted that a further paper would be available for their consideration at Committee on 25 June.

Agenda Item 2.1

Cyfarwyddwr Cyffredinol Iechyd a Gwasanaethau Cymdeithasol/
Prif Weithredwr GIG Cymru
Grŵp Iechyd a Gwasanaethau Cymdeithasol

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



Llywodraeth Cymru
Welsh Government

Nick Ramsay AM
Chair
Public Accounts Committee

Our Ref: AG/MR

06 June 2018

Dear Mr Ramsay

NHS Waiting Times for Elective Care in Wales and Orthopaedic Services

Following the update provided in March 2018, I am now providing a further update as requested.

In relation to waiting times, as you are aware, the Welsh Government invested a further £50 million in 2017-18 to help health boards to build on the progress made over the last two years and stabilised to further reduce the number of patients waiting over 36 weeks, those waiting over eight weeks for diagnostics and those waiting over 14 weeks for therapy services by the end of March 2018.

Despite the increased unscheduled care pressures seen in January to March 2018, thanks to the dedication and hard work of the staff in NHS Wales and the additional investment from Welsh Government, we were able to show another annual improvement in the total number of people waiting over 36 weeks, with the number now at 12,119, a 2% improvement on the March 2017 position. This is the best position since March 2014. Six of the seven health boards are in a better or the same position in terms of 36 week numbers when compared to March 2017, with the only deterioration seen in Betsi Cadwaladr. However, even there, the number waiting over 36 weeks has reduced by 39% compared to their original IMTP profile and is 45% lower than the high point of December 2017. I recognise the all-Wales figure is still too high and I expect to see further improvements during 2018-19 as set out in health board Integrated Medium Term Plans (IMTP).

In terms of diagnostics, the end of March 2018 position was 69% lower than March 2017 and was the lowest position since September 2009. Again, improvements were seen in the majority of health boards when compared to March 2017 and I expect to see further improvements during 2018-19. For therapy services, the March 2018 position was 90% lower than the March 2017 position and was the lowest figure since June 2011. Four of the

health boards in Wales reported having no one waiting over 14 weeks at the end of March 2018.

On other aspects of the original report into waiting times that were still outstanding; the rules and definitions regarding how to manage a patient on a referral to treatment pathway have been issued under a Welsh Health Circular (WHC(2018)018) along with the rules for managing patients on a cardiac pathway (<https://gov.wales/docs/dhss/publications/whc2018-018en.pdf>). The 1000 Lives programme has been working on the refresh to the *Guide to Good Practice - outpatients* and this was published on 1 May 2018 (<http://www.1000livesplus.wales.nhs.uk/guide-to-good-practice>).

In respect of orthopaedics, funding to continue the PROMs, PREMs and Efficiency programme has been secured and the funding will support the roll out and implementation of orthopaedic PROMs. The solution to collect orthopaedic PROMS in a patient's home is operational in some health boards. Software releases to improve functionality to allow services to administer the PROM pathway after initial triage, as well as other improvements, are scheduled to take place later this year.

The planned care informatics group has submitted an information standard development proposal to the Welsh Information Standards Board Submission for formal approval in May 2018. The development of this standard will ensure a consistent approach for the collection of demand planning data in Wales; this does not exist at present. Based on the experience and lessons learned in Scotland through their demand, capacity, activity and queue (DACQ) programme, the programme has been able to work with services and information colleagues to make real and sustainable improvements, which underpins the follow-up action plans.

Health boards have started to report the Clinical Musculoskeletal Assessment and Treatment Centre (CMATs) data metrics. Moving forward, these will be reported on a quarterly basis and will form part of the Welsh Orthopaedic Board agenda. Discussions amongst clinicians and CMAT leads are leading to changes in working practice, leading to improved quality of patient care and access to services by working more collaboratively. The All Wales CMAT group will review the existing data metrics at the end of quarter two to confirm the right metrics are being collected and the targets are sensible, before proceeding with an information standard development proposal to formalise the reporting. This is integral to understand where to improve the use of resources, and how embedding collection into normal working practice will ensure the effective monitoring of the CMAT and referral service.

I trust this letter provides you with the assurance you require that progress continues to be made.

Yours sincerely



Dr Andrew Goodall

Agenda Item 2.2

Mwyngolwr Gyffwrdd / Public Accounts Committee
PAC(5)-17-18 PTN2

Cyfarwyddwr Cyffredinol Iechyd a Gwasanaethau Cymdeithasol/

Prif Weithredwr GIG Cymru

Grŵp Iechyd a Gwasanaethau Cymdeithasol

Director General Health and Social Services/

NHS Wales Chief Executive

Health and Social Services Group



Llywodraeth Cymru
Welsh Government

Nick Ramsay AM

Chair

Public Accounts Committee

7 June 2018

Dear Mr Ramsay

Information and Technical Standards

Further to my attendance at the Public Accounts Committee session on 14th May, I thought it would be helpful to write to provide the Committee with further information in relation to the development and publication of information and technical standards.

As part of the informatics governance structure, we have two Boards to oversee the setting of standards across NHS Wales:

Information Standards

We have a defined Information Standards Assurance Process which is overseen by the Welsh Information Standards Board (WISB). This process assures the development of new or changed national information standards and their implementation across NHS Wales, so as to maximise fitness for purpose, efficiency of data capture and information coherence.

Following the development of a standard and approval by WISB, a Data Standards Change Notice (DSCN) is produced which mandates the standard for implementation in NHS Wales. Where applicable, an associated Analysis Methods Notice (AMN) and Clinical Coding Change Notice (CCCN) are also issued to NHS Wales to mandate the standards describing the agreed national analysis methodology and clinical coding standard respectively. These are published online at <http://www.nwisinformationstandards.wales.nhs.uk>.

For new information standards developed to support a Welsh Government policy requirement, a supporting Welsh Health Circular (WHC) is also issued. These are published at <https://gov.wales/topics/health/nhs/wales/circulars>.

Technical Standards

In February 2018 the NHS Wales Informatics Management Board agreed to the creation of a new Welsh Technical Standards Board (WTSB) in order to establish a catalogue of technical standards to enable greater integration and interoperability across health and care systems, and to support local innovation and the use of third party delivery partners.



The new Board, chaired by Mark Wardle, Consultant Neurologist at Cardiff and Vale University Health Board, will focus on technical principles and standards. Its remit includes:

- Integration standards
- Interoperability standards
- Software development standards
- Infrastructure standards
- Cyber security standards

When a standard is agreed by the WTSB a Technical Standards Change Notice (TSCN) will be produced and a supporting Welsh Health Circular published by Welsh Government.

The Board, which is accountable to the National Informatics Management Board, held its inaugural meeting on 22 May 2018.

The Government Digital Service (GDS) is part of the Cabinet Office and was established to support digital transformation across UK Government Departments. GDS have developed both the GDS Design Principles and the Digital Service Standard:

- GDS Design Principles - <https://www.gov.uk/guidance/government-design-principles>
- Digital Service Standard - <https://www.gov.uk/service-manual/service-standard>

In its first meeting, the WTSB discussed how the GDS Design Principles could be adopted for use across NHS Wales. The next meeting of the Board is on the 19th June when a decision on the adoption of the GDS Design Principles will be made.

I hope this letter provides you with the information required.

Yours sincerely

Dr Andrew Goodall

24 Cathedral Road / 24 Heol y Gadeirlan
Cardiff / Caerdydd
CF11 9LJ

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

Tel / Ffôn: 029 2032 0500
Fax / Ffacs: 029 2032 0600
Textphone / Ffôn testun: 029 2032 0660
info@audit.wales / post@archwilio.cymru
www.audit.wales / www.archwilio.cymru

Reference: HVT/2852/caf

Date issued: 8 June 2018

Dear Nick

Incidents affecting availability of national clinical information systems

Given that the Committee is still in the process of finalising its inquiry on NHS informatics services, I thought I should bring to your urgent attention some information my staff have picked up in relation to the resilience of major NHS IT systems in Wales. We have recently learnt that a number of NWIS maintained systems have suffered “major incident” failures over the last 12 months. The situation is helpfully summed up in a paper that was recently presented to the Velindre NHS Trust board, and which I have enclosed.

The incidents of 24 January 2018 and 21 March 2018 appear to have caused particular concern given they affected a number of key clinical systems resulting in significant local problems for NHS bodies in respect of maintaining routine clinical activity while the systems were down. I am aware that Abertawe Bro Morgannwg University Health Board has raised concerns in respect of these two incidents and sought assurances from the Chief Executive of Velindre NHS Trust, although we are not sighted of any response as yet. We are not aware of patients coming to harm as a result of the system failures, although it can reasonably be expected that the issues will have contributed to negative patient experiences and significant frustration on the part of NHS staff. Indeed, as I write this letter I can see that news on the IT problems is already starting to filter through to the media.

I understand that NWIS has taken immediate action to investigate and address each of the system failures, however, apparent delays in the service receiving formal investigation reports from NWIS mean that it is not possible to pinpoint the cause of the problems. Anecdotal evidence suggests that the system failures are the result of various different factors possibly relating to underlying infrastructure issues.

I must stress that these issues have come to light since I reported my findings on NHS informatics systems earlier this year, and it is important to note that this work did not examine issues relating to the resilience of systems or business continuity arrangements. As such I am not able to draw on any specific audit work in this area. However, from the information we do have it has struck me that there could be some read across to the wider systemic challenges identified in my recent report and the Committee's subsequent inquiry. As such I thought it was appropriate that I draw the Committee's attention to these issues so that it can consider whether or not to extend its inquiry in some way to include these significant concerns.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Huw Vaughan Thomas'.

Huw Vaughan Thomas
Auditor General for Wales

Enc: Briefing on CANISC Major Incidents and Business Continuity

TRUST BOARD

BRIEFING ON CANISC MAJOR INCIDENTS AND BUSINESS CONTINUITY

Meeting Date:	30 th May 2018
Authors:	Ann Marie Stockdale and Lisa Miller
Sponsoring Director:	Andrea Hague and Mark Osland
Report Presented by:	Andrea Hague
Committee/Group who have received or considered this paper:	None

Trust Resolution to: (please tick) <input checked="" type="checkbox"/>			
APPROVE:	<input type="checkbox"/>	REVIEW:	<input checked="" type="checkbox"/>
INFORM:	<input type="checkbox"/>	ASSURE:	<input type="checkbox"/>
Recommendation:	<p>The Trust Board are asked to note the content of this paper and request that the Executive Management Board consider the options in more detail leading to a final option being taken forward as a matter of urgency.</p>		

This report supports the following Trust objectives as set out in the Integrated Medium Term Plan: (please tick) <input checked="" type="checkbox"/>	
Equitable and timely services	<input checked="" type="checkbox"/>
Providing evidence based care and research which is clinically effective	<input type="checkbox"/>
Supporting our staff to excel	<input checked="" type="checkbox"/>
Safe and reliable services	<input checked="" type="checkbox"/>
First class patient /donor experience	<input checked="" type="checkbox"/>
Spending every pound well	<input checked="" type="checkbox"/>
ACRONYMS	

This report supports the following Health & Care Standards: http://www.wales.nhs.uk/governance-emanual/health-and-care-standards	
<ul style="list-style-type: none"> • Staying Healthy • Safe Care • Effective Care • Dignified Care • Timely Care • Individual Care • Staff and Resources 	Pack Page 10

1. Introduction / Background

- 1.1 This paper has been produced to brief the Trust Board regarding ongoing major incidents with the Canisc system within VCC.
- 1.2 There are a number of IT systems and supporting infrastructure in use at Velindre Cancer Centre that provides functions critical for the safe delivery of patient care. Canisc is VCC's patient record and administration system which was developed over 20 years ago.
- 1.3 This paper focuses specifically on incidents categorised as major at a local and/or national level. ServicePoint is the tool in place for the recording of such incidents for resolution and Datix incident reports are completed in line with Trust Policy.
- 1.4 These National clinical and administration critical systems are hosted by the NHS Wales Informatics Service (NWIS) out of the Newport and Blaenavon Data Centres.
- 1.5 Major incidents affecting the availability of national clinical critical systems including, but not limited to, Canisc and the Welsh Laboratory Information Management System (WLIMS) have reached increased in frequency with a total of 11 incidents occurring since 17 April 2018, summarised below along with the NWIS definitions:-

Date	System	Timescale
17 April 2018	National Canisc Incident	12:23 – 15:39
24 April 2018	National Data Centre Incident (Blaenavon)	20:30 to 14:00 25 April 2018
30 April 2018	National Canisc Incident	13:23 – 13:46
30 April 2018	National Welsh Laboratory Information Management System (WLIMS)	15:18 to 17:30
2 May – 8 May 2018	National Canisc Incident	22:00 to 14:45
14 May 2018	National Canisc Incident	09:10 – 19:00
14 May 2018	National Welsh Laboratory Information Management System (WLIMS)	11:58 - 18:11
15 May 2018	National Welsh Laboratory Information Management System (WLIMS)	14:45 – 18:22
16 May 2018	National Canisc Incident	07:50 – 11:30
17 May 2018	National Canisc Incident	08:30 – 20:01
22 May 2018	National Canisc Incident	08:00 – 13:40

Definition of Major Incidents (NWIS)

Calls - Priority 1 (P1)	<p>P1s are one or more Incidents which cause significant business impact, resulting in the loss of a critical clinical or administrative service within one or more core sites. These would typically be incidents which:</p> <ul style="list-style-type: none"> • Cause unavailability of the Service, a key module or a major function; • OR Cause incorrect processing of data or errors in a major Software function; • AND affect multiple Authority Party Sites
Calls – Priority 2 (P2)	<p>P2s are one or more Incidents which cause localised business impact resulting in the loss of normal clinical or administrative service, to one site or multiple non-core sites. These would typically be incidents which:</p> <ul style="list-style-type: none"> • Cause disruption to a number of Users or unavailability to a single user within a core site of the Service, a key module or a major function; • OR Cause incorrect processing of data or errors in a Software function;

- | | |
|--|---|
| | <ul style="list-style-type: none"> • AND Affect some users at multiple Service Recipients or all users at a single site. |
|--|---|

- 1.6 The summary above reflects the incident resolution timescale only, not the recovery timescale or associated cost specific to the Cancer Centre.
- 1.7 At the time of providing this report, initial NWIS feedback has referred to the root cause being underlying infrastructure issues for the majority of incidents, however a formal response has not been received.
- 1.8 The Trust IG&T Committee has highlighted concerns to the NWIS Directors regarding the delay in receiving formal incident investigation reports. Please see appendix 1 for detail.
- 1.9 However, in terms of impact, this has resulted in:-
- Lack of information to prescribe chemotherapy/radiotherapy
 - Delays/risk of error in prescribing chemotherapy/radiotherapy
 - Inability to access blood results, essential to support decision making in relation to patient treatment/care
 - Decisions made without all information to hand, requirement for retrospective checks to be made, leading to an increased likelihood of error
 - Poor patient experience (some patient's unable to be seen, or leave, or waiting considerable lengths of time)
 - Potential impact on clinical staff attrition/retirement
 - Added stress to overburdened work force
 - Negative experience and could impact staff retention where it is hard to recruit (in light of medical staff shortages etc)
 - Consultants preparing every clinic (often in personal time at home) in the expectation IT systems cannot be accessed
 - Reputational damage to organisation due to people's perception of service due to long waits, staff stress levels etc
- 1.10 All incidents were immediately reported to the NHS Wales Informatics Service, who then commenced their internal investigation in line with their service management processes.
- 1.11 Velindre Cancer Centre implemented their business continuity plan, including emergency communication key staff on a regular basis.

2. Timing:

- 2.1. This paper will advise Trust Board members of the current position. The Executive Management Board will discuss the options in more detail when the financial and implementation times are known. The EMB will then monitor the progress and provide regular reports to the Trust Board.
- 2.2. The current business continuity plan cannot be sustained and more importantly does not provide a full solution to an incidents. Therefore the urgent action is required.

3. Description:

- 3.1. The Trust IG&T Committee received a report on major incidents and discussions took place relating to recent IT systems issues during week commencing 14th May 2018. The Committee discussed the risks to the service, impact upon patient experience and staff wellbeing. The Chair also reported that this issue was raised many times during her induction walkaround at VCC.

- 3.2. VCC have business continuity plans in place which are tested regularly in real time due to the frequency of incidents. These area combination of providing and printing the paper record and access to some other systems such as WPAS.
- 3.3. Whilst the implementation of Welsh Clinical Portal, Chemocare and LIMS have enhanced continuity arrangements the reliance upon CANISC as a Patient Administration System (PAS) remains a risk as these systems do not replace the full functionality.
- 3.4. It is accepted that there is a programme to replace CANISC but at this stage there are no definitive timescales for this work to be completed.
- 3.5. VCC SMT now require more robust and enhanced continuity arrangements are implemented as a matter of urgency. This will mean reprioritisation of work and the understanding that some work will need to cease to allow the relevant departments to focus upon this work.

An assessment of the options available are stated below. However, at this stage the timescales and financial implications for option 3 and 4 are unknown. The ADI and Head of Information at VCC are progressing these with the relevant colleagues. Once these are known the full option appraisal will be provided to the EMB.

3.5.1. Option 1 Do nothing – best endeavours on a case by case basis.

3.5.2. Option 2 Revert to recording all information in the physical medical record. It is recognised that this will be considered a ‘step back’ as paper is considered cumbersome and inefficient, but will ensure that all Canisc case note information is available to all staff as required enabling safe care.

3.5.3. Option 3 Copy of the read-only Canisc database to be mirrored at Velindre Cancer Centre. This option would need to be undertaken with NWIS. In the event of a network incident at the Cancer Centre, the read only version of Canisc will become unavailable.

3.5.4. Option 4 Development of the Velindre Cancer Centre data warehouse to include data extracts specific to new patient and follow-up annotations.

- 3.6. Alongside the above options there are 3 key pieces of work required to support business continuity for the Cancer Centre, these are:-
 - 3.6.1. Canisc Case Note Summary to be made available in the Welsh Care Record Service
 - 3.6.2. Document Management System (VCC documents available in the Welsh Care Record Service); and
 - 3.6.3. Welsh Clinical Portal link to the e-Master Patient Index

The Medical IT lead has identified the above as the minimum to enable safe care that must occur alongside the options.

4. Financial Impact:

- 4.1. Unknown at this stage.

5. Quality, Equality, Safety and Patient Experience Impact

- 5.1. There is no evidence to suggest that patients have been harmed but it is evident that the patient experience is poor when such incidents occur.
- 5.2. There is acknowledgement of a high profile (UK) case citing a computer failure requiring a doctor to obtain results over the telephone and a cognitive error being made. This led to the junior doctor being ‘struck off’. This case should be considered by Executive Board and lessons learnt in relation to current Trust services and pressures.

6. Considerations for Board / Committee

- 6.1. Trust Board are asked to note the contents of this paper and task the EMB with taking forward the most appropriate option as a matter of urgency.
- 6.2. VCC's continuity plan for both VCC and outreach clinics remains in place which requires the printing of or saving of case notes in alternative format. This clearly has a significant resource implication and has led to some tasks or work ceasing in order to prioritise this service continuity plan.

7. Next Steps:

- 7.1. Trust Board are asked to consider this paper.
- 7.2. ADI and VCC Head of Information to finalise options with financial and timescale information.
- 7.3. Chief Executive to ensure options are discussed at EMB and an appropriate recommendation is resourced and achieved.

Quarter 1 Update

During Quarter 1 2017, a total of six major incidents were reported. The status in relation to each incident is detailed below.

- INC 01** **LIMS National Incident 24 May 2017**
 Status: Incident resolved. Awaiting Major Incident Report from NWIS, due September 2017.
- INC 03** **LIMS National Incident 20 June 2017**
 Status: Incident resolved. Awaiting Major Incident Report from NWIS, due October 2017.
- INC 04** **Canisc Interface Feeds 19 June 2017**
 Status: Incident resolved. Awaiting Major Incident Report from NWIS, due October 2017.
- INC 06** **Canisc National Incident 20 June 2017**
 Status: Incident resolved. Awaiting Major Incident Report from NWIS, due October 2017.
- INC 07** **Velindre Cancer Centre Network 11 July 2017**
 Status: Incident resolved. Root cause analysis completed (see February 2018 report)
- INC 08** **Network Issues at Cardigan Leisure Centre (WBS Donation Clinic)**
 Status: Incident resolved. No further incidents of a similar nature. Equipment to test local Wi-Fi resilience has been purchased and will be used when undertaking risk assessments of potential new venues for donation clinics.

Quarter 2 Update

- INC 01** **Radiology Investigation Reports unavailable in Canisc 22 August 2017**
 Status: Incident re-opened. Incident re-opened January 2018. Due to issues with setting up the end to end test environment, limited resources and operational issues, NWIS have delayed the testing of the Radis/Canisc bug fix until 09.04.18. Root Cause Analysis in draft.
- INC 02** **Unavailability of Network (National Incident) 15 September 2017, 09:30**
 Status: Incident resolved. Awaiting Major Incident Report from NWIS, due December 2017.
- INC 03** **Unavailability of Network (Local Incident) 15 September 2017, 014:30**
 Status: Incident resolved. Root cause identified at time of incident and de-escalated. Investigation completed and reported in DATIX.

Quarter 3 Update

No incidents

Quarter 4 Update

- INC 01** **Unavailability of Network (National Incident) 24 January 2018, 11:45**
 Status: Incident resolved. All Wales Major Incident declared following connection issues with both national data centres. A range of clinical and admin critical systems were unavailable for a period of approx. 4 hours. Systems affected included CANISC, WCP, WLIMS (Cardiff & Vale UHB), all Trust email services and WHTN phone lines. Whilst still operational, the WBS experienced performance issues with its core ePROGESA system, as well as some label and report printing issues. The loss of email meant donor registry-to-registry messaging (used for donor/patient matching) was unavailable for the period of the outage. The outage directly impacted on patient services in VCC – e.g. radiotherapy patients delayed, unable to

access test results, unable to schedule and manage outpatient attendances. NWIS have confirmed the cause as an equipment failure in the Newport Data Centre following delivery of a firewall configuration change. Investigations are ongoing; a 'No Surprises' briefing submitted to Welsh Government. Major Incident Report awaited. The Trust is awaiting further feedback on the root cause and future mitigation(s).

- INC 02**
Status: **Unable to Access Canisc (National Incident) 1 February 2018**
Incident resolved. Connection problem identified when users attempting to launch Canisc via the national Blaenavon Data Centre. Major Incident Report awaited.
- INC 03**
Status: **Users Unable to Access WBS Online Booking System (National Incident) 20 March 2018 @ 18:05**
Incident resolved. A planned change to national firewalls by NWIS (ServicePoint ref: 57202) impacted on services using the outer Demilitarized Zone (DMZ), which includes the WBS online booking system. Users were unable to access the website for approx. 2hours. WBS / Velindre were not notified of the planned change, nor was the online booking system referenced as a 'related service' in the Change record on ServicePoint. Discussions ongoing with NWIS to understand root cause and ensure WBS / Velindre services are appropriately referenced within NWIS Service Catalogue.
- INC 04**
Status: **National System Outage 21 March 2018 @ approx. 16:00**
Incident resolved. Network issue in Blaenavon Data Centre (BDS) resulted in failure of a number of clinic and admin critical systems for a period of approx. 2 hours. Trust email services affected. In VCC access to XXXX was restricted, which resulted in XXXX. Full connectivity was restored by NWIS shortly after 18:30. The NHS Wales Informatics Service have submitted a 'No Surprises' brief to Welsh Government. The Trust is awaiting further feedback on the root cause and future mitigation(s).
- INC 05**
Status: **National Loss of Access to WLIMS 29 March 2018 15:56 – 17:10**
Incident resolved. All Wales incident preventing users from accessing LIMS. Messages not flowing – users unable to send test requests and receive test results. Root cause identified as change to increase capacity on the Lab Database impacted the Citrix servers.

Archwilydd Cyffredinol Cymru
Auditor General for Wales

The Welsh Government's relationship with Pinewood



WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU



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

The Wales Audit Office study team comprised Ian Hughes and Anwen Worthy under the direction of Mike Usher.

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

The Auditor General is independent of the National Assembly and government. He examines and certifies the accounts of the Welsh Government and its sponsored and related public bodies, including NHS bodies. He also has the power to report to the National Assembly on the economy, efficiency and effectiveness with which those organisations have used, and may improve the use of, their resources in discharging their functions.

The Auditor General also audits local government bodies in Wales, conducts local government value for money studies and inspects for compliance with the requirements of the Local Government (Wales) Measure 2009.

The Auditor General undertakes his work using staff and other resources provided by the Wales Audit Office, which is a statutory board established for that purpose and to monitor and advise the Auditor General.

© Auditor General for Wales 2018

You may re-use this publication (not including logos) free of charge in any format or medium. If you re-use it, your re-use must be accurate and must not be in a misleading context. The material must be acknowledged as Auditor General for Wales copyright and you must give the title of this publication. Where we have identified any third party copyright material you will need to obtain permission from the copyright holders concerned before re-use.

For further information, or if you require any of our publications in an alternative format and/or language, please contact us by telephone on 029 2032 0500, or email info@audit.wales. We welcome telephone calls in Welsh and English. You can also write to us in either Welsh or English and we will respond in the language you have used. Corresponding in Welsh will not lead to a delay.

Mae'r ddogfen hon hefyd ar gael yn Gymraeg.

Contents

Our review examined the Welsh Government’s relationship with Pinewood. This commenced with the Collaborative Agreement entered into by the Welsh Government and Pinewood in February 2014 to promote TV and film production in Wales. We set out the facts leading to the termination of this agreement, together with details of the successor Management Services Agreement that commenced in November 2017.

Summary report	6
What this review is about	6
Key findings	8
Part 1 – Establishment of the Welsh Government’s Collaboration Agreement with Pinewood in February 2014	12
Welsh Government Ministers entered into a Collaboration Agreement with Pinewood to promote TV and film production in Wales	12
The Welsh Government established a £30 million budget to invest in film and TV production, and appointed Pinewood Film Advisors (Wales) Ltd to identify projects suitable for investment	22
Part 2 – Operation of the Collaboration Agreement until October 2017	25
The Welsh Government established an independent Media Investment Panel to decide which projects put forward by Pinewood should be supported by the investment budget	25
The Media Investment Budget’s performance did not meet the panel’s expectations	27
Pinewood Studios Wales Ltd was unable to operate the studio as a going concern without the support of Pinewood Group Limited	30
Part 3 – The revised management arrangements from November 2017	33
In October 2017, the Welsh Government terminated its Lease and Collaboration Agreements with Pinewood, and Pinewood ceased to manage the Media Investment Budget	33
In November 2017, the Welsh Government entered into a new three-year ‘management services agreement’ with Pinewood Studios Wales Ltd	33

Appendices	39
Appendix 1 – Our audit approach and methods	39
Appendix 2 – Timeline of events	40
Appendix 3 – The Welsh Government’s overall approach to promoting Wales as a venue to produce high-impact film and TV productions	41
Appendix 4 – The seven types of investment that the Welsh Government can make in TV and film productions	42
Appendix 5 – Productions supported by the Media Investment Budget, 2014-2018	44

Summary report

What this review is about

- 1 In February 2014, the Welsh Government purchased the former Energy Centre site at Wentloog¹ for £6.3 million to develop as a film and TV studio in collaboration with Pinewood Shepperton Plc (Pinewood).
- 2 Shortly afterwards, Welsh Government Ministers entered into a 'Collaboration Agreement' with two newly established subsidiary companies of Pinewood. The agreement involved the Welsh Government:
 - leasing the Wentloog studio to Pinewood;
 - establishing a £30 million Media Investment Budget (for which Pinewood would source productions suitable for Welsh Government investment); and
 - sponsoring Pinewood to market and promote both the studio and the investment budget.
- 3 By entering into this Collaboration Agreement, over five years, the Welsh Government expected to generate an estimated £90 million production spend in Wales, creating or safeguarding at least 1,950 full-time equivalent job years.
- 4 In order to deliver the benefits of the Media Investment Budget, the Welsh Government created an independent Media Investment Panel to scrutinise the investment proposals identified and put forward by Pinewood.
- 5 Members of the Panel² decided in August 2016 that the Collaboration Agreement was unlikely to meet the Welsh Government's expectations for the performance of the investment budget. In January 2017 Pinewood confirmed its willingness to renegotiate the terms of the Collaboration Agreement.
- 6 Following negotiations, the Welsh Government and Pinewood entered into a new 'Management Services Agreement' on 1 November 2017.
- 7 There has been political and media interest in the new agreement and the events leading up to it. An Assembly Member has raised concerns with the Auditor General about the terms of both the original collaboration agreement and the new management services agreement.
- 8 The National Assembly's Culture, Welsh Language and Communications Committee is currently conducting an inquiry into major film and television production in Wales.

1 Located between Newport and Cardiff.

2 In conjunction with members of the Welsh Government's Creative Industries Sector Panel.

- 9 This 'facts only' report sets out the key matters relating to the Welsh Government's agreements with Pinewood. We have not examined the value for money the Welsh Government has obtained from the Collaboration Agreement or the effectiveness of its work in promoting this sector of the Welsh economy.
- 10 **Appendix 1** sets out our audit approach and methods, and **Appendix 2** sets out a timeline of key events.
- 11 **Appendix 3** sets out the Welsh Government's overall approach to promoting Wales as a venue to produce high-impact film and TV productions, whilst **Appendices 4 and 5** provide further details about the Media Investment Budget.

Key findings

- 12 In February 2014, the Welsh Government purchased the former Energy Centre site at Wentloog for £6.3 million to develop as a film and TV studio in collaboration with Pinewood. The building was renovated at a cost to the Welsh Government of £3.1 million. This included unforeseen roof repairs of just under £1 million.
- 13 The Welsh Government also acquired a Grade II Listed Farmhouse as part of the purchase. This needed improvements of around £360,000 to meet required standards. Although the farmhouse was seen as a potential valuable asset, it has not been renovated as planned and remains derelict on land adjacent to the main Wentloog site.
- 14 Shortly after the Wentloog site was purchased, Welsh Government Ministers entered into a 'Collaboration Agreement' with Pinewood Shepperton Plc to promote TV and film production in Wales. The agreement involved the Welsh Government:
 - leasing the former Wentloog Energy Centre to Pinewood Studio (Wales) Ltd over a 15 year term;
 - redeveloping the site and branding it 'Pinewood Studio Wales';
 - creating a £30 million Media Investment Budget, to be made available over a period of five years for investment in film and TV development, production and distribution. Pinewood Film Advisors (Wales) Ltd was established and appointed to identify and formulate production proposals to utilise the budget; and
 - 'sponsoring' Pinewood Studio (Wales) Ltd to market and promote the new film and TV studio and media investment budget at an annual cost of £525,600 over a five year term.
- 15 The Welsh Government established a new and independent Media Investment Panel to decide which productions sourced by Pinewood should be supported by the investment budget and by what type(s) of funding package.
- 16 By August 2016 members of the Media Investment Panel and Creative Industries Sector Panel had become dissatisfied with the performance of the Media Investment Budget, which was lower than anticipated.

- 17 The latest available figures show that £13.8 million of the £30 million budget has been invested across 14 projects. A total of £4.3 million has so far been recouped from the projects supported. One project has recouped more than its original investment; four projects have recouped some of their original investment and nine projects have not yet recouped any of their original investment. These projects are in various stages of development; some have not yet benefitted from international cinematic release or TV broadcast, and funds will continue to be recouped through auxiliary sales.
- 18 Welsh Government officials advised the Cabinet Secretary for Economy and Infrastructure in August 2016 of their concerns about the budget's performance. These concerns were:
- a greater number of higher-risk investments being put forward by Pinewood because productions could obtain lower-risk funding from other sources;
 - Pinewood's operating model meant it was reluctant to invest its own money in these higher-risk projects alongside the Welsh Government; and
 - Pinewood might be conflicted in its involvement with the budget as it also had an interest (not prohibited under the Collaboration Agreement) in providing its own London-based services to the industry. Welsh Government officials felt that a perception had arisen amongst other companies that Pinewood had an unfair competitive advantage in securing post-production work in Wales. They therefore considered that this had the potential to reduce the economic benefits to Wales.
- 19 By January 2017, Pinewood had been acquired by new owners, and informed the Welsh Government of its willingness to introduce a new arrangement for operating the studio. By this time:
- Pinewood had adopted a new international business model, focussing on the provision of studio facilities instead of investing directly in TV and film productions;
 - the height of the eaves at Pinewood Studio Wales (25 feet) had been identified as a limiting factor, as the site was unable to accommodate higher-budget film productions which required aerial panoramic perspectives; and
 - the anticipated demand for the studio had not materialised, resulting in it being run at a loss to Pinewood once the initial two-year rent-free period had ended.

- 20 Pinewood executives told us that the opening of a new film and TV production studio by Bad Wolf Studios (Wales) Ltd in Trident Park, Cardiff, in May 2017 had a detrimental impact on the occupancy of Pinewood Studio Wales. The number of enquiries they received for it had fallen as a consequence, although demand for Pinewood studios within the UK remains strong.
- 21 Bad Wolf has benefited from a £9 million funding package from the Welsh Government which is structured as an initial £4.5 million repayable loan that can be converted into non-repayable grant funding if certain milestones are met in relation to production spend in Wales. The Welsh Government will release the remaining £4.5 million as grant payments if additional production spend targets are met. In addition, the Welsh Government leases to Bad Wolf, on commercial terms, the Wolf Studios Wales facility in Cardiff Bay.
- 22 Welsh Government officials told us that demand for studio facilities will fluctuate as productions come and go but, in their view, demand for the Wentloog site had been affected by a change of focus after a change in ownership at Pinewood.
- 23 Welsh Government officials do not believe there has been a drop in enquiries for Pinewood since Wolf Studios Wales opened its doors. In the last 12 months, Wales Screen has conducted studio visits with major productions on ten occasions. Pinewood was not included on only two of these occasions and both were a result of producer choice. The Welsh Government considers that Wales Screen³ promotes all facilities in Wales equally, however that assertion is contested by Pinewood. To date, Wolf Studios Wales has only been home to Bad Wolf productions, whereas Pinewood has been used for productions from the BBC, Channel 4 and independent film companies.
- 24 In October 2017, the Cabinet Secretary for Economy and Infrastructure accepted his officials' advice to terminate both the Lease and the Collaboration Agreement with Pinewood, and to place the Media Investment Budget on hold.

3 See Appendix 3 for more details about Wales Screen.

- 25 On 1 November 2017, the Welsh Government entered into a new three-year 'management services agreement' with Pinewood Studios (Wales) Ltd. This new agreement contains two complementary parts; the sales and marketing of the studio and the studio operation and management services. The Media Investment Budget is now being managed by Welsh Government officials.
- 26 The annual net cost to the Welsh Government of the management services agreement is estimated to be £392,000 (plus an additional annual management fee to Pinewood, which has been redacted from this report on the grounds of commercial sensitivity⁴).
- 27 This net cost estimate assumes that the annual revenue forecast of £714,000 which was included in the submission to the Cabinet Secretary is realistic. However, that annual revenue forecast was supplied by Pinewood based on the pipeline of projects in March 2017 and before the opening of Bad Wolf Studios. Pinewood had added the caveat at the time that these revenues could be lower due to increased competition from Wolf Studios. Welsh Government officials told us that the reliability of the revenue forecast was tested and scrutinised by officials and also by independent property advisors.
- 28 Welsh Government officials recognise that these financial projections do not represent good value for money. However, in their view it was more financially advantageous to enter into a three-year agreement with Pinewood⁵ with the prospect of generating some commercial revenues, compared to the costs that the Welsh Government would have incurred by leaving the site empty whilst they searched for a new tenant.

4 See Paragraph 3.13, Exhibit 10 and Footnote 29 for further explanation of the reasons for this redaction

5 This agreement included a clause permitting either party to terminate with six months' notice, after the initial 12 months.

Part 1 – Establishment of the Welsh Government’s Collaboration Agreement with Pinewood in February 2014

Welsh Government Ministers entered into a Collaboration Agreement with Pinewood to promote TV and film production in Wales

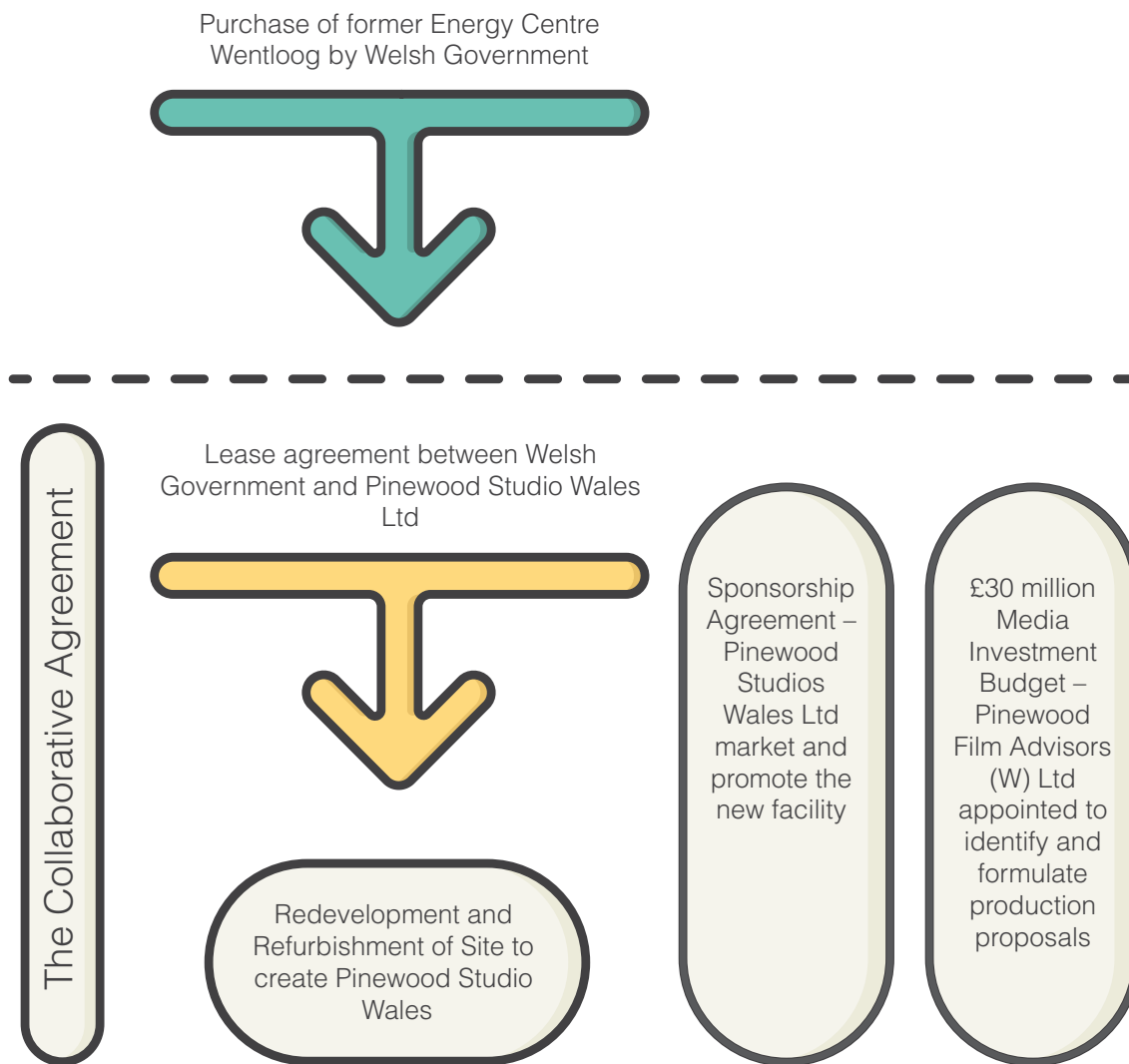
- 1.1 During 2013-14, Welsh Government officials held discussions with Pinewood executives about establishing a world-class studio facility in Wales. This would form part of Pinewood’s global network of film studios. To complement the studio, the Welsh Government also developed plans to create a £30 million investment budget to support film and TV productions in Wales. This would be operated by Pinewood Film Advisors (Wales) Ltd on behalf of the Welsh Government.
- 1.2 A keystone element of the proposal, distinct from the Collaboration Agreement itself, was the Welsh Government’s acquisition of the Energy Centre building at Wentloog. This was to be redeveloped by the Welsh Government and Pinewood as the studio facility. The studio would be run by Pinewood Studio (Wales) Ltd, another newly established subsidiary company of Pinewood.
- 1.3 The Welsh Government anticipated a rental income of £1.6 million from Pinewood Studio (Wales) Ltd for the studio facility over the first five years of the agreement.
- 1.4 Pinewood had already worked with the Isle of Man Government to introduce the Isle of Man Media Development Fund in 2012; this was a fund of £25 million to be used on film and TV productions. This fund built on a range of creative-sector initiatives introduced by the Isle of Man Government since 1995. Independent economic analysis of the Isle of Man’s support for TV and film productions, concluded that it had generated a direct local spend of £100 million and 2,140 full-time equivalent jobs since 1995.
- 1.5 Both the Scottish Government⁶ and the Northern Ireland Assembly⁷ were also expanding their dedicated studio facilities to cope with increasing demand from the film and TV industry.

⁶ Scottish Government website, [Creative Industries: Film and TV production in Scotland](#)

⁷ Northern Ireland invested in new sound stages in October 2012 to provide additional studio space at Titanic Studios, Belfast.

1.6 On 17 February 2014, the Welsh Government and Pinewood concluded their negotiations and Ministers entered into a 'Collaboration Agreement' with Pinewood Film Advisors (Wales) Ltd, as shown in **Exhibit 1**.

Exhibit 1: The key elements of the Collaboration Agreement



Source: compiled by the Wales Audit Office from information held by the Welsh Government.

- 1.7 According to projections, the Welsh Government could expect to see an estimated £90 million of film and television production expenditure in Wales over the next five years through this Collaboration Agreement. This spend would create or safeguard at least 1,950 full-time equivalent job years. These projections drew on an independent economic analysis undertaken in respect of the Isle of Man fund. Pinewood's internationally recognised brand name was seen as being central to the success of the proposal.
- 1.8 Welsh Government officials had undertaken financial due diligence on the financial forecasts provided for the activities to be undertaken by the two Pinewood subsidiaries; Pinewood Film Advisors (Wales) Ltd and Pinewood Studio (Wales) Ltd. The Welsh Government concluded that the financial risks of entering into the deal were low, based on the assumption that both businesses would be financially supported by Pinewood Shepperton Plc.
- 1.9 Officials also commissioned a media industry specialist to provide accountancy advice, and to conduct a desktop review of Pinewood's business plan. That review concluded that the potential weaknesses identified were individually, and in aggregate, insignificant compared to the upsides of increased UK studio capacity, the establishment of a regional film studio, job creation and economic benefit for Wales. However, the review did flag up the potential challenges of attracting film and TV productions to the Wentloog site, given there was already some four million square feet of potential studio space within the M25.
- 1.10 Officials in the Welsh Government's Creative Industries sector team also analysed the business case for the proposals, and concluded that it represented a sound investment. This conclusion was based on a detailed analysis of the business plan provided by Pinewood, and consideration of industry demand for a film and TV studio and access to an investment budget in Wales.

The Welsh Government purchased the former energy site in Wentloog to develop as a film and TV studio

- 1.11 As a prelude to the agreement and in order to be able to establish a film and TV studio, the Welsh Government needed to purchase a suitable site.
- 1.12 A search was undertaken by Welsh Government officials to identify suitable sites based on Pinewood's specific requirements. Pinewood shortlisted two sites and subsequently identified the former Energy Centre building at Wentloog as the better of the two shortlisted options. The building was being actively marketed by agents at a purchase guide price of £8.34 million (including VAT). It was known that there was market interest in the property on both a purchase and rental basis. Purchase of the site to include the freehold interest was considered by the Welsh Government to represent better value for money than a lease of the site⁸.
- 1.13 An independent valuation of the building established a market value of £6.54 million (including VAT). Officials therefore considered that the £6.3 million purchase price negotiated by the Welsh Government in the autumn of 2013 was a good deal. The owners indicated to the Welsh Government that they were prepared to conclude the sale if contracts could be exchanged within a month.
- 1.14 The condition of the building⁹ at the time was observed and reported by the independent valuers as follows:
 - 'the building appeared to be in a generally reasonable state of repair commensurate with its age and use. No urgent or significant defects or items of repair were noted which would be likely to give rise to substantial expenditure in the foreseeable future or which fall outside of the scope of the normal annual maintenance programme'.
- 1.15 In December 2013, the Minister for Education, Science and Transport approved proposals submitted by officials for the purchase of the premises by the Welsh Government for £6.3million¹⁰.

8 Welsh Government officials explained to us that leasehold interests are considered 'wasting assets', whose value would reduce over time.

9 For completeness, it can be noted that there is a large wind turbine also present within the Wentloog property which, at the time of acquisition by the Welsh Government, was subject to an existing lease to an energy supplier.

10 Together with associated professional fees of up to £30,000.

- 1.16 The submission to the Minister stated that under the Heads of Terms, the Welsh Government would invest £1.8 million (inclusive of VAT) on improving the building, matched by an £800,000 investment by Pinewood¹¹. The agreed physical works would be carried out by the Welsh Government, or alternatively by Pinewood under the supervision of the Welsh Government. Upon satisfactory completion of the works, the occupational lease would be granted to Pinewood.
- 1.17 Welsh Government officials advised the Minister that, although the Collaboration Agreement with Pinewood had not yet been signed, the purchase of the Energy Centre at Wentloog should nonetheless go ahead.
- 1.18 This presented a risk in that, if the Pinewood project did not progress, the Welsh Government neither had the skills nor the expertise internally to develop and manage an international studio facility. However, officials identified that these risks could be mitigated if needed via a range of actions. These included contracting out the management of the facility through an open-market procurement process.
- 1.19 The acquisition of the Wentloog site by the Welsh Government was completed on 7 February 2014. The precise extent of repairs and improvements needed for the building had not been agreed or finalised between the Welsh Government and Pinewood at the date of the purchase.
- 1.20 Shortly before Pinewood moved into the building, a number of water leaks became apparent, mainly in the vicinity of the rainwater gullies. The required roof repairs could have been restricted to these areas. However, in order to minimise operational and reputational risks Welsh Government officials opted to implement a more extensive scheme costing £979,000. This provided a coating for the entire roof and had the benefit of extending the life of the roof¹². In the view of Welsh Government officials, this would assist with the ongoing management of the property and would also add value should it seek to dispose of the property in the future.

¹¹ See paragraphs 3.10 and 3.11

¹² A 20-year manufacturer guarantee was provided

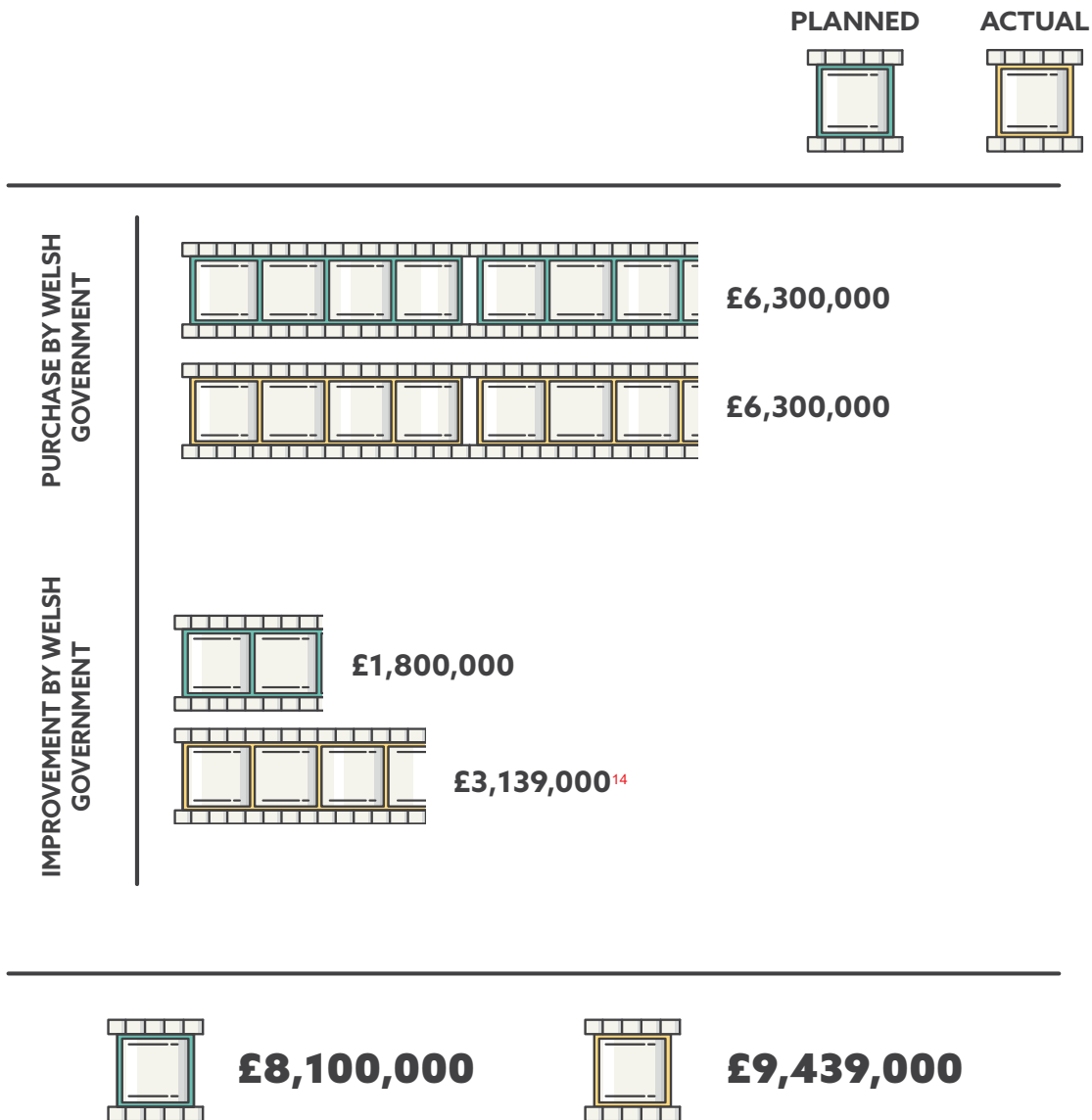
Exhibit 2: The Grade II Listed Building adjacent to Pinewood Studio Wales



Source: Wales Audit Office site visit April 2018

- 1.21 As part of the site purchase, the Welsh Government also acquired a derelict Grade II listed farmhouse located adjacent to the main building. In purchasing the farmhouse, the Welsh Government came under a statutory obligation to renovate the building at an estimated cost of £360,000 (including VAT). Welsh Government officials anticipated that, once renovated, the farmhouse could become a valuable asset that could be leased or sold, either with or separate to the main building.
- 1.22 During the lease negotiations, Welsh Government officials and Pinewood discussed whether the farmhouse should be renovated and included with the studio for ancillary-use purposes. It was eventually determined that Pinewood would only lease the industrial property. With no certain use for the farmhouse, the Welsh Government decided not to invest in the renovation works for the time being. Welsh Government officials told us that it may form part of a future project, or else be disposed of separately.

Exhibit 3: The costs incurred by the Welsh Government on the acquisition and renovation of the former Energy Centre at Wentloog¹³



Source: Welsh Government.

¹³ All figures include VAT where applicable. The Welsh Government elected to tax the building in order to recover VAT costs.

¹⁴ Composed of £1,800,000 planned improvements, £979,000 roof repairs and £360,000 office refurbishment.

The Welsh Government leased the Wentloog site to Pinewood Studio (Wales) Ltd, and agreed to contribute the majority of the funding required for its refurbishment

- 1.23 Welsh Government Ministers signed the Collaboration Agreement with Pinewood Shepperton Plc on 17 February 2014, a few days after completing the purchase of the Wentloog site. The agreement facilitated the leasing of the site to a newly-established subsidiary of Pinewood; Pinewood Studio (Wales) Ltd.
- 1.24 The lease between Welsh Government Ministers and Pinewood Studio (Wales) Ltd was not signed until 20 October 2016, although an Agreement for Lease was signed on 16 July 2014. Pinewood occupied the site and started production work from early 2015.
- 1.25 The terms agreed were for a 15-year, full repairing lease on standard letting and market terms from January 2015, with the first two years being rent-free. Under the terms of the lease, Pinewood Studio (Wales) Ltd had an option to break the lease during the fifth and eighth years of the term, upon the repayment of appropriate tenant incentives. The initial rent of £546,876 per annum was agreed to commence from 12 January 2017.
- 1.26 Over the first five-year term of the lease agreement (to January 2020), the Welsh Government expected to generate rental income of £1.6 million¹⁵ from Pinewood for the studio facility.

Pinewood Studio (Wales) Ltd was sponsored by the Welsh Government to market and promote the new film and TV studio at an annual cost of £525,600 (including VAT) over a five-year term

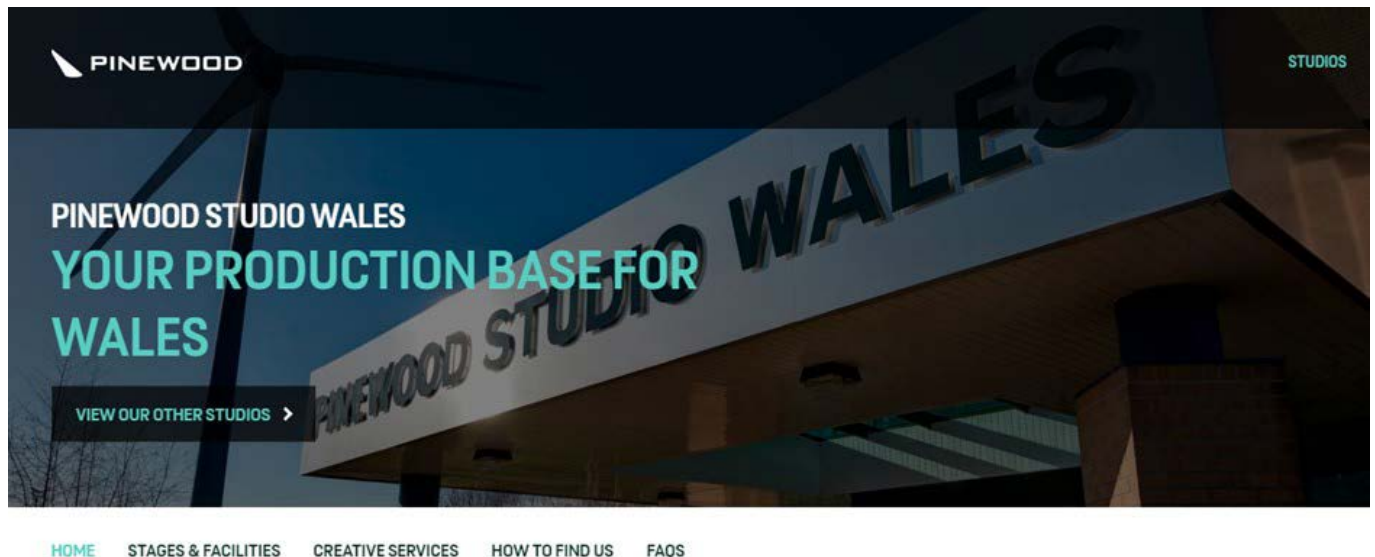
- 1.27 As part of the Collaboration Agreement signed on 17 February 2014, the Welsh Government also entered into a 'sponsorship agreement' with Pinewood Studio (Wales) Ltd at an annual cost of £438,000 for the five years from 1 March 2014 to 31 March 2019.
- 1.28 Shortly after the Collaboration Agreement was signed, Welsh Government officials recognised that VAT had been omitted from the original sponsorship agreement. The Minister's approval was therefore obtained to increase the annual sponsorship by £87,600 to £525,600. The total payable to Pinewood over the five-year sponsorship agreement would therefore be £2.63 million.

¹⁵ Being three years' rental income, following the initial two-year rent-free period.

- 1.29 The sponsorship agreement specified that the studio would be named 'Pinewood Studio Wales' and would be promoted and marketed internationally as a film and television studio, alongside other international Pinewood Group facilities¹⁶. This was expected to build on Wales' reputation as a great location in which to film and linking in to the services of the Wales Screen Commission.
- 1.30 The studio at Wentloog would be the first Pinewood-branded studio in the UK outside of south-east England. **Exhibit 4** shows how the studio is currently promoted through a dedicated website established by Pinewood.

¹⁶ Across Pinewood sales teams in London, New York and Los Angeles and at film festivals.

Exhibit 4: Home page for Pinewood Studio Wales



Source: Pinewood Studio Wales website, as at May 2018.

- 1.31 Under this agreement, Pinewood agreed not to offer branded studio facilities (other than any with its current partners or affiliates) in Scotland, Northern Ireland, Merseyside or Avon and Somerset, without the approval of the Welsh Government. The Welsh Government also agreed to sign up to a five-year exclusivity agreement not to build another studio in Wales without Pinewood's approval. This agreement placed certain restrictions on what Ministers would be able to do in the future with regard to other studios.
- 1.32 Welsh Government officials were aware that it was crucial they could justify the annual fee, given it was significantly more than the value of other sponsorship arrangements they had entered into. They were also aware that the fee should not constitute unlawful State Aid to Pinewood. Welsh Government officials satisfied themselves that the fee represented good value for money and was on market terms. They concluded that these arrangements would provide mitigation against the risk of any legal challenge.

The Welsh Government established a £30 million budget to invest in film and TV production, and appointed Pinewood Film Advisors (Wales) Ltd to identify projects suitable for investment

- 1.33 As part of the Collaboration Agreement, the Welsh Government committed to create a £30 million film and TV investment budget. This Media Investment Budget would be managed by Pinewood Film Advisors (Wales) Ltd on behalf of the Welsh Government. It would operate on a pilot basis, initially for five years, and be subject to an interim review after 18 months.
- 1.34 The Media Investment Budget would be used to finance the development, production and distribution of filmed entertainment projects or any other media projects submitted to the Welsh Government by Pinewood Film Advisors (Wales) Ltd. The Welsh Government expected to benefit from its collaboration with Pinewood because of its sector expertise, knowledge and networks, and experience of collaborating in a similar arrangement in the Isle of Man.
- 1.35 The Welsh Government intended to recoup its investments through repayments of loans and returns on equity, and for those income streams to be reinvested in further production projects. This had the potential to create a self-renewing or 'evergreen' fund. Officials anticipated that the Media Investment Budget would invest between £12 million and £15 million per year¹⁷.
- 1.36 Pinewood Film Advisors (Wales) Ltd did not receive funding from the Welsh Government for undertaking this management role. However, under the Collaboration Agreement it would be able to generate revenues from the businesses making productions funded from the Media Investment Budget, to include:
- Pinewood could negotiate production/arrangement fees with the production company, which should be included in the production budget and paid by the production company.
 - Pinewood could receive distribution fees and/or costs when the acquisition of UK distribution rights was included in the approval. These fees and costs would be receivable by Pinewood from the collected receipts from the distribution rights, with no recourse to the Welsh Government for payment.
 - Pinewood could also, at its discretion, invest its own funds into these productions.

¹⁷ Investments would be made between 1 April 2014 and 31 March 2019. All supported production and post-production activity would need to be completed by 31 March 2020.

- 1.37 The Media Investment Budget and Pinewood Studio Wales were officially launched at an event in Cardiff on 17 February 2014.
- 1.38 **Exhibit 5**, taken from Pinewood Studio Wales' website as at July 2017, summarises Pinewood's promotion of the Welsh Government's Media Investment Budget.

Exhibit 5: Pinewood's promotion of the Welsh Government's Media Investment Budget

Key considerations of the Welsh Government's Media Investment Budget:

- Production must be able to shoot 50% of principal photography in Wales;
- Pinewood Pictures and Wales Screen can provide information on shooting in Wales. For an overview, please go to www.wallesscreen.com;
- In addition, Pinewood's own studio facility in Cardiff is available for film and TV productions:
 - Including 2 sound-treated stages at 20,000 sq ft each and an additional 30,000 sq ft of shooting floor;
 - 70,000 sq ft of mixed use production space, including production accommodation and modern, flexible offices and amenities;
 - Close proximity to central Cardiff and a variety of **stunning locations**;
 - For more information please go to www.pinewoodstudiowales.com.

Previous projects include TAKE DOWN, DON'T KNOCK TWICE, and THEIR FINEST HOUR AND A HALF.

Source: Pinewood Studio Wales website as at July 2017.

- 1.39 There are seven types of investment that the Welsh Government is able to make into productions via the Media Investment Budget. Projects can use just one type of funding, or a combination of them. On occasion, the Welsh Government can opt to provide grant funding alongside the commercial investment funding. However, each type of investment attracts different timescales and risks, as shown in **Exhibit 6**. **Appendix 4** contains more details about each type of investment.

Exhibit 6: The seven types of investment that can be made via the Media Investment Budget

TYPE OF INVESTMENT	DESCRIPTION	TIMESCALE
Tax Credit	Cash advances against the tax credits the production is eligible for	Usually within 12 months of production being completed
Pre Sales	Cash advances against sales already made to distributors	Within six months of the final cut being approved
Gap	Commitment against unsold sales territories based on sales estimates	When sales begin, following sales screenings after the final cut is approved
Mezzanine	Funding based on the film receiving higher sales than estimated	Close to or following the production's release
Equity	Final investments repaid, requiring the production to sell well to distributors	After all other funding has been fully repaid
Repayable Business Finance	Discretionary financial support on a repayable or non-repayable basis	Pinewood advised on when funding can be recouped if repayable
Development Funding	Funding for the development stage of a project, repaid if the project enters production	Repaid on the first day of principal photography

 **LOW RISK**
  **MEDIUM RISK**
  **HIGH RISK**

Source: compiled by the Wales Audit Office from information held by the Welsh Government.

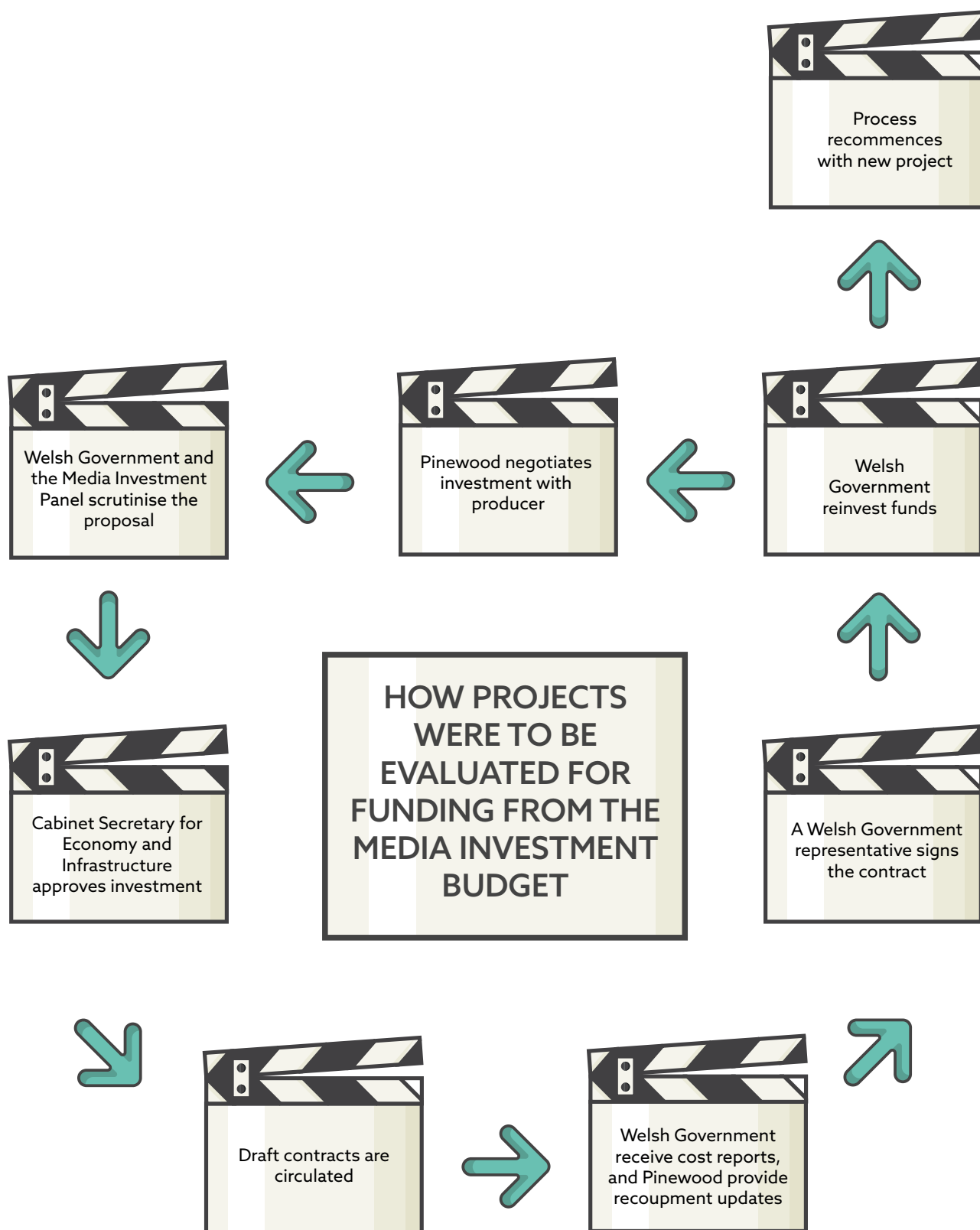
Part 2 – Operation of the Collaboration Agreement until October 2017

The Welsh Government established an independent Media Investment Panel to decide which projects put forward by Pinewood should be supported by the investment budget

- 2.1 The Welsh Government anticipated that its Media Investment Budget would normally only invest in projects costing over £1 million to produce. The Minister for Economy, Science and Transport approved the establishment of a private-sector-led Media Investment Panel which would provide the required expertise to scrutinise and approve these projects. The Media Investment Panel would be set up as a task and finish group for an initial period of 18 months, and would be chaired by an industry expert¹⁸.
- 2.2 The Media Investment Panel was established in April 2014 as a publicly appointed panel of sector experts.
- 2.3 Welsh Government officials would also undertake independent due diligence reviews of all proposed projects, and would be responsible for undertaking compliance reviews to ensure funding terms and conditions were being met. In particular:
 - at least 50% of production must be shot in Wales;
 - 35 to 40% of ‘below the line’ production budget must be spent on Welsh production expenditure; and
 - the Welsh Government would share in the commercial upside from film and TV productions.
- 2.4 **Exhibit 7** summarises how projects were to be evaluated for funding from the Media Investment Budget.

¹⁸ With appropriate arrangements being put in place to manage any actual or perceived conflicts of interest.

Exhibit 7: how projects were to be evaluated for funding from the Media Investment Budget



Source: compiled by the Wales Audit Office based on information held by the Welsh Government.

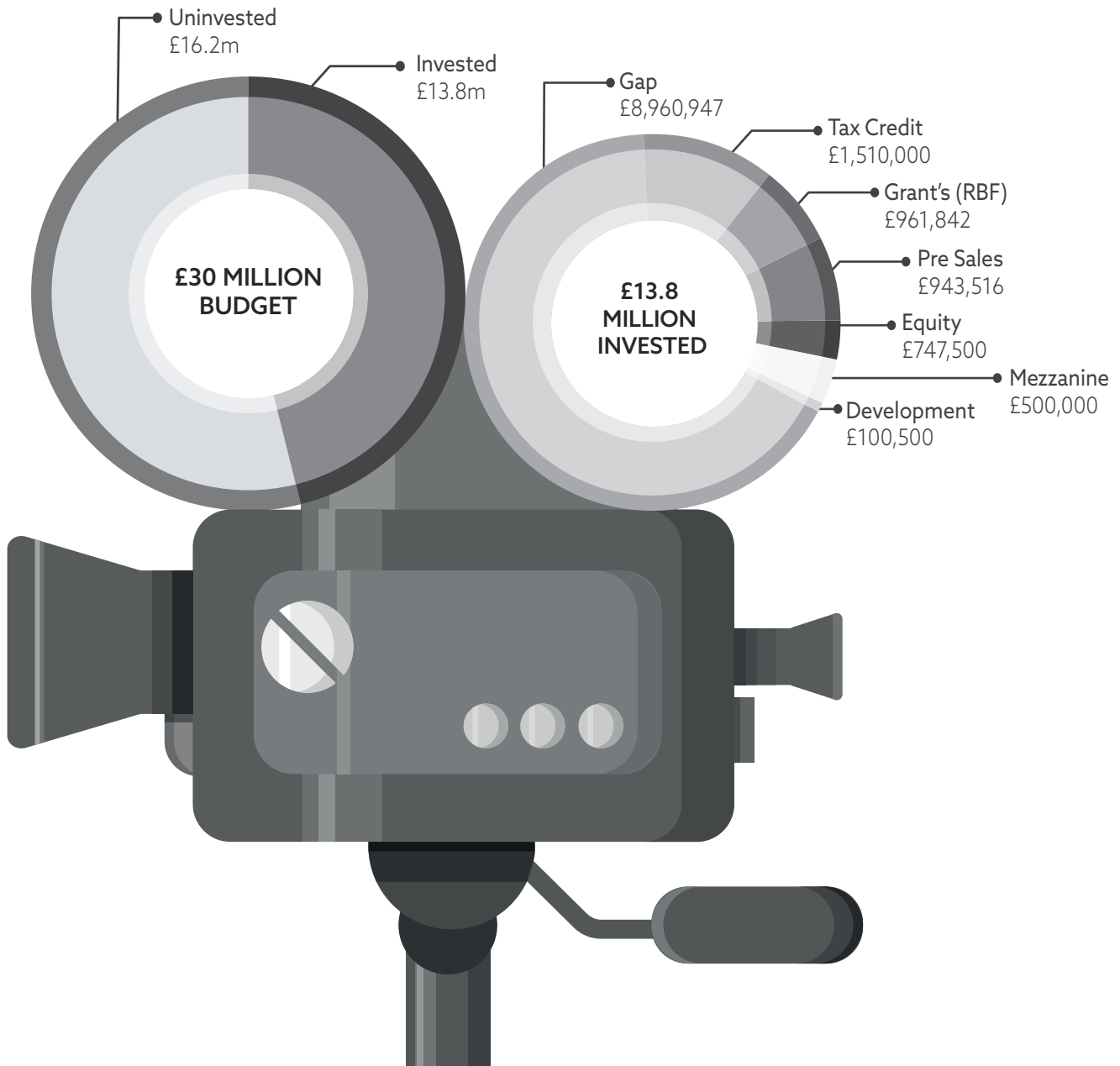
The Media Investment Budget's performance did not meet the panel's expectations

- 2.5 By summer 2016, members of the Media Investment Panel and Creative Industries Sector Panel had become dissatisfied with the performance of the Media Investment Budget. The Chair of the Creative Industries Sector Panel accordingly advised Welsh Government officials that the budget should be opened up and made non-exclusive to Pinewood.
- 2.6 Welsh Government officials wrote to the Cabinet Secretary for Economy and Infrastructure in August 2016, setting out the following concerns that they had about the budget's performance:
- a greater number of higher-risk investments being put forward by Pinewood, because productions could obtain lower-risk funding from other sources without the requirement to be filmed in Wales;
 - Pinewood's operating model meant it was reluctant to invest its own money in these higher-risk projects alongside the Welsh Government; and
 - Pinewood might be conflicted in its involvement with the budget as it also had an interest (not prohibited under the Collaboration Agreement) in providing its own London-based services to the industry. Welsh Government officials felt that a perception had arisen amongst other companies that Pinewood had an unfair competitive advantage in securing post-production work in Wales. They therefore considered that this had the potential to reduce the economic benefits to Wales.
- 2.7 On 2 November 2016, Welsh Government officials wrote to Pinewood to set out issues with the Media Investment Budget and the Collaboration Agreement. Two issues were of particular concern to them:
- **Compliance** – there was a perceived lack of transparency regarding the extent of wider Pinewood Group involvement in productions. This perceived lack of transparency had exacerbated concerns about the financial advantage Pinewood may have had over other companies through its exclusive access to the Media Investment Budget¹⁹.
 - **Contract Performance** – the original business plan had estimated an overall Welsh spend figure of £90 million, which represented a leverage ratio of 1:3 in terms of public to private funding. According to Welsh Government officials, at this time the actual ratio was 1:1, significantly reducing the potential for the Media Investment Budget to become self-funding.

¹⁹ The risk that this perception might be created was either not identified or considered immaterial by Welsh Government officials at the time of the February 2014 submission to the Minister that had recommended approval of the Collaboration Agreement, as the submission paper is silent on this point.

- 2.8 We questioned Pinewood executives about these concerns. Pinewood told us that they did not recognise the rationale for the Welsh Government's expressed concern about Pinewood's perceived reluctance to invest in projects alongside the Welsh Government, and stated that they had done so for nine projects. Pinewood noted that it was yet to recoup any of its investment in two of these projects. By investing in projects such as 'Show Dogs', Pinewood had enabled these projects to close financing while shooting in Wales. In the case of 'The Collection', Pinewood considers that the offer of funding from the Welsh Government alone would not have been sufficient to relocate the shoot away from Yorkshire. In Pinewood's view, their own investment in that project had tipped the funding balance to move the production to Wales.
- 2.9 Pinewood executives also assured us that they had addressed the Welsh Government's expressed concern about compliance by confirming to them that productions were entirely free to choose either to accept Pinewood's post-investment proposal to provide production services or else to make their own separate arrangements to use another company instead. As examples of this, Pinewood cited to us the producers of 'Journey's End', who had decided to use a post-production house independent of Pinewood and not based in Wales. Similarly, the producers of 'The Collection' had opted to use another non-Pinewood studio for their stage and backstage filming.
- 2.10 As regards the Welsh Government's concern about contract performance, Pinewood executives told us that their records reflect an approximate 1:6 funding to spend ratio on projected recoupment.
- 2.11 We have established that Pinewood Film Advisors (Wales) Ltd has generated a total of £1,180,421 in production/arrangement fees from productions funded by the Media Investment Budget. As noted above, any additional income generated by the company from the provision of post-production services has been derived from open competition, rather than the provision of taxpayer-funded support. We have therefore not included that revenue stream within the scope of our audit examination. We note that the published accounts of Pinewood Film Advisors (Wales) Ltd disclose a retained loss of £320,000 on the company's activities at the year ending 31 March 2017.
- 2.12 The latest available figures provided to us by the Welsh Government show that £13.8 million of the £30 million budget has been invested across 14 projects. **Exhibit 8** analyses the £13.8 million over the seven types of investment vehicle available to the Media Investment Budget.

Exhibit 8: investments made from the Media Investment Budget²⁰



Source: information held by the Welsh Government.

²⁰ This diagram includes all projects funded by the Media Investment Budget (to May 2018), including those sourced by Pinewood and those subsequently sourced under the Welsh Government's management. See Appendix 5 for further details.

2.13 Welsh Government figures show that a total of £4.3 million has been recouped so far, from five of the 14 projects supported:

- one project has recouped more than its original investment;
- four projects have recouped some of the original investment; and
- nine projects have not yet recouped any of the original investment.

These projects are in various stages of development. Some projects have not yet benefitted from international cinematic release or TV broadcast and funds will continue to be recouped through auxiliary sales.

2.14 [Appendix 5](#) shows further details of the productions supported and their recoupment.

Pinewood Studios Wales Ltd was unable to operate the studio as a going concern without the support of Pinewood Group Limited

2.15 Between November 2016 and October 2017, negotiations took place between Pinewood and the Welsh Government, focussing on:

- changes to the role of Pinewood in the Media Investment Budget; and
- Pinewood's management of Pinewood Studio Wales, which was not fully occupied and had become loss-making for Pinewood²¹.

From 25 June 2017, Welsh Government agreed that Pinewood's obligation to pay rent for the Wentloog facilities would be suspended, pending finalisation of the negotiations²².

2.16 During this period, there was a change in ownership and leadership at Pinewood²³. In discussions between Welsh Government officials and the new Pinewood executives, it became apparent that there was a shared desire to agree a new operating model for the studio.

21 Although by September of 2016 Pinewood had successfully staged six productions and licensed business space at the studio for 20 companies, the level of occupation by film-production companies had not reached the level originally expected.

22 As noted in paragraph 3.8, all unpaid rents were subsequently settled in full as part of the renegotiation of the agreement.

23 Pinewood Shepperton Plc was sold to Venus Grafton Sarl in October 2016.

- 2.17 In 2017, Pinewood management decided to end activities relating to fund management, investment advisory services to third party funds and investment of its own funds in film and television productions. This decision was taken as these activities did not represent Pinewood's core offerings, nor did they represent a significant proportion of its turnover.
- 2.18 As the Collaboration Agreement was contractually linked to the lease of the studio, the termination of the Collaboration Agreement allowed Pinewood to terminate the lease early.
- 2.19 We met with the Chairman and Acting Chief Executive of Pinewood, together with the company's Corporate Affairs Director on 16 April 2018. They told us that the opening in May 2017 of a new film and TV production studio by Bad Wolf in Trident Park, Cardiff, had in their view a detrimental impact on the occupancy of Pinewood Studio Wales, and that the number of enquiries they received had consequently fallen.
- 2.20 Bad Wolf Studios Ltd has benefited from a £9 million funding package from the Welsh Government. The funding is structured based on an initial repayable loan of £4.5 million, which can be converted into a grant as soon as performance milestones are achieved within a 10-year period. These milestones relate to both the profitability of the company and the amount of production spend that is generated within the Welsh economy as a result. The remaining balance of £4.5 million is payable as a grant, subject to achievement of additional production spend targets. In addition, the Welsh Government leases to Bad Wolf Studios Ltd, on commercial terms, the Wolf Studios Wales facility in Cardiff Bay.
- 2.21 Unlike Pinewood Studio Wales, which has a maximum eave height of 25 feet²⁴, Wolf Studios Wales is the only facility in Wales able to offer a stage space with an eave height of 57 feet. This eave height was referred to in a Welsh Government press release on 15 May 2017 which promoted Wolf Studios Wales as 'an attractive proposition for high end television productions and big budget feature films from around the world'.

²⁴ The maximum eave height of 25 feet is recognised by both Welsh Government and Pinewood to be a factor that can limit the suitability of the studio to certain types of productions.

- 2.22 Welsh Government officials told us that demand for studio facilities will fluctuate as productions come and go but that, in their view, demand for the Wentloog site was affected by a change of focus after the change in ownership at Pinewood. They do not believe there has been a drop in enquiries for Pinewood since Wolf Studios Wales opened its doors. In contrast, Pinewood executives told us that Pinewood's focus remains the selling of space at studio facilities, and that it is Pinewood's expertise in this field that the Welsh Government has sought to retain under the new Management Services Agreement (covered in [Part 3](#) of this report). Pinewood also told us that demand for other Pinewood studios in the UK remains strong.
- 2.23 According to Welsh Government officials Wales Screen has conducted ten studio visits with major productions in the last 12 months. Pinewood was not included on only two of these occasions and both were a result of producer choice. To date, Wolf Studios Wales has only been home to Bad Wolf productions, many of which required the higher maximum eave height, whereas Pinewood has had productions from the BBC, Channel 4 and independent film companies.
- 2.24 Welsh Government officials emphasised to us that Wales Screen continues to equally promote Pinewood Studios Wales, Wolf Studios Wales and other studios in Wales. In the Welsh Government's view, a high level of demand for the Pinewood studio facilities is likely to continue into the autumn. However, Pinewood executives told us that they believe that the opening of a competing studio has impacted on demand for space at the Wentloog site and that equal promotion by Wales Screen does not address this.

Part 3 – The revised management arrangements from November 2017

In October 2017, the Welsh Government terminated its Lease and Collaboration Agreements with Pinewood, and Pinewood ceased to manage the Media Investment Budget

- 3.1 In the light of the position described in Part 2 of this report, Welsh Government officials provided formal advice to the Cabinet Secretary for Economy and Transport on 29 September 2017 and requested his approval to:
 - terminate the Collaboration Agreement with Pinewood;
 - terminate the existing occupational lease agreement of the studio to Pinewood on 31 October 2017; and
 - put the Media Investment Budget on hold.
- 3.2 On the advice of the Creative Industries Sector Panel and Media Investment Panel, the Media Investment Budget subsequently came under the management of Welsh Government officials.
- 3.3 In the meantime, negotiations continued with Pinewood to introduce a new studio management agreement by the lease termination date of 31 October 2017.

In November 2017, the Welsh Government entered into a new three-year ‘management services agreement’ with Pinewood Studios Wales Ltd

- 3.4 Welsh Government officials took advice from independent experts on the drafting of a new operating model for Pinewood Studio Wales. Pinewood had committed to acting in good faith to negotiate a new deal that could be signed by the termination date of the Collaboration Agreement and lease.
- 3.5 A new ‘Management Services Agreement’ was put to the Cabinet Secretary for Economy and Infrastructure by his officials on 30 October 2017. It contains two complementary parts:
 - the sales and marketing of the studio; and
 - its operation and management.

- 3.6 Under the terms of the new agreement, Pinewood would continue to operate the studio on behalf of the Welsh Government. The Welsh Government could terminate the agreement on six months' notice at any time after the first anniversary of the agreement, which commenced on 1 November 2017. Pinewood would also continue to promote Wales as a centre of excellence for TV drama and film.
- 3.7 Under the agreement, the costs of running the facility, together with payment of a Pinewood management fee, would now be met in full by the Welsh Government. In return, all revenues received by Pinewood for promoting and licensing the studio would be retained by the Welsh Government. These would off-set the operational costs of the building. Any profits generated from the operation of the studio would rest with the Welsh Government.
- 3.8 All outstanding financial commitments such as unpaid rents would be settled in full as part of the termination arrangements.
- 3.9 The key elements associated with terminating the Collaboration Agreement and moving forward with a new Management Services Agreement as reflected in Ministerial Advice are summarised in [Exhibit 9](#).

Exhibit 9: key elements associated with terminating the Collaboration Agreement and moving forward with a new Management Services Agreement

The Welsh Government would:	Pinewood would:
Incur the annual costs of managing the property (including facilities management, rates and insurance)	Receive an annual management fee from the Welsh Government.
Acquire the value of all tenant's improvements to the Wentloog facilities.	Receive reimbursement by the Welsh Government of its production services costs (subject to an annual cap).
Retain all future revenues generated by the studio.	Receive a compensation payment from the Welsh Government for rental payments made during the renegotiation period.
Contract directly with licensed occupiers of the offices and production companies which hire the studio space.	

Source: information held by the Welsh Government.

3.10 The Ministerial Advice prepared by Welsh Government officials dealing with the termination of the existing contracts (Collaboration Agreement and Lease) stated that Pinewood had carried out works and investments in equipment at around £800,000. It went on to say that the termination agreement would contain a narrative that the benefit of any modifications to the building made by Pinewood (tenant's improvements) would remain in place and become the property of Welsh Government. However, Welsh Government officials have told us they do not have a schedule of the tenant's improvements that have been completed to date and that have now been acquired by the Welsh Government.

- 3.11 Pinewood executives told us that there were discussions prior to the original contracts around the contribution they would make to the studio. They stated that the Heads of Terms (which were subject to contract) provided that the Welsh Government would do the fit out works and that Pinewood would make a contribution of £800,000²⁵ or Pinewood would complete the fit out works and Welsh Government would contribute £1.8 million (including VAT) towards the cost. They went on to say that the Agreement to Lease makes no reference to the £800,000 but does specify the works the tenant is required to undertake and requires the Welsh Government to contribute £1.8 million.
- 3.12 The Cabinet Secretary for Economy and Infrastructure approved the termination of the existing contracts and the new management services agreement came into effect on 1 November 2017, for a period of three years.
- 3.13 Under the terms of the Management Services Agreement, there is a net annual cost to the Welsh Government, as shown in **Exhibit 10**. One of the cost components, the annual management fee payable to Pinewood, has been redacted from this report at the request of Pinewood²⁶. The net annual cost is therefore shown as £392,000, plus the annual management fee.

²⁵ Over the 15 year term of the lease.

²⁶ The Auditor General has accepted Pinewood's contention that placing this information in the public domain would be likely to cause substantial harm to the commercial interests of Pinewood by giving its customers, competitors and suppliers an unfair advantage in future price negotiations.

Exhibit 10: The annual net cost to the Welsh Government of operating the management services agreement²⁷

	£
Annual studio running costs	890,000
Reimbursement of Pinewood production costs	216,000
Less: Projected studio revenues	(714,000)
Net annual operating cost before management fee	392,000
Plus: Management fee payable to Pinewood	[redacted]
Net annual operating cost	[redacted]

3.14 The annual studio revenue forecast of £714,000 was supplied to Welsh Government officials by Pinewood, and was then included in the submission to the Cabinet Secretary. The net operating cost totals in Exhibit 10 assume that this figure is realistic. Welsh Government officials told us that the reliability of the forecasts were tested and scrutinised by officials and also by independent property advisors. However when the figure was provided, Pinewood added the caveat that revenues could be lower due to increased competition from Wolf Studios.

3.15 Welsh Government officials recognise that these financial projections do not represent good value for money. However, in their view it was better to enter into a three-year agreement with Pinewood with the prospect of generating some commercial revenues, when set against the costs of simply leaving the site empty whilst they searched for a new tenant.

²⁷ The figures in this exhibit are inclusive of VAT, where applicable. The recoverability of some VAT elements may slightly improve the overall out-turn, but this is unlikely to be material.

3.16 In a briefing to the Cabinet Secretary for Economy and Infrastructure on 29 October 2017, Welsh Government officials stated that if a new agreement with Pinewood was not entered into, then the Welsh Government would incur annual property holding costs of around £890,000 (including VAT), and could expect only around £124,000 of annual income from the letting of office space. If these estimates were accurate, then the likely net annual cost to the Welsh Government under that alternative scenario would have been £766,000.

Appendix 1 – Our audit approach and methods

Scope

The scope of this report is confined to our examination of the agreements entered into by the Welsh Government and Pinewood subsidiaries between 2014 and 2017. Specifically we have looked at:

- the acquisition of the former Energy Centre at Wentloog, Cardiff in February 2014;
- the Collaboration Agreement between the Welsh Government and Pinewood Film Advisors Wales Ltd dated 17 February 2014; and
- the Management Services Agreement between the Welsh Government and Pinewood Studio Wales Ltd on 1 November 2017.

We have also examined the governance arrangements in place for the Welsh Government's Media Investment Budget. However, we have not considered the value for money of the Media Investment Budget as a whole, reviewed any individual projects benefitting from the budget or examined the Welsh Government's arrangements for monitoring compliance with the terms and conditions of funding.

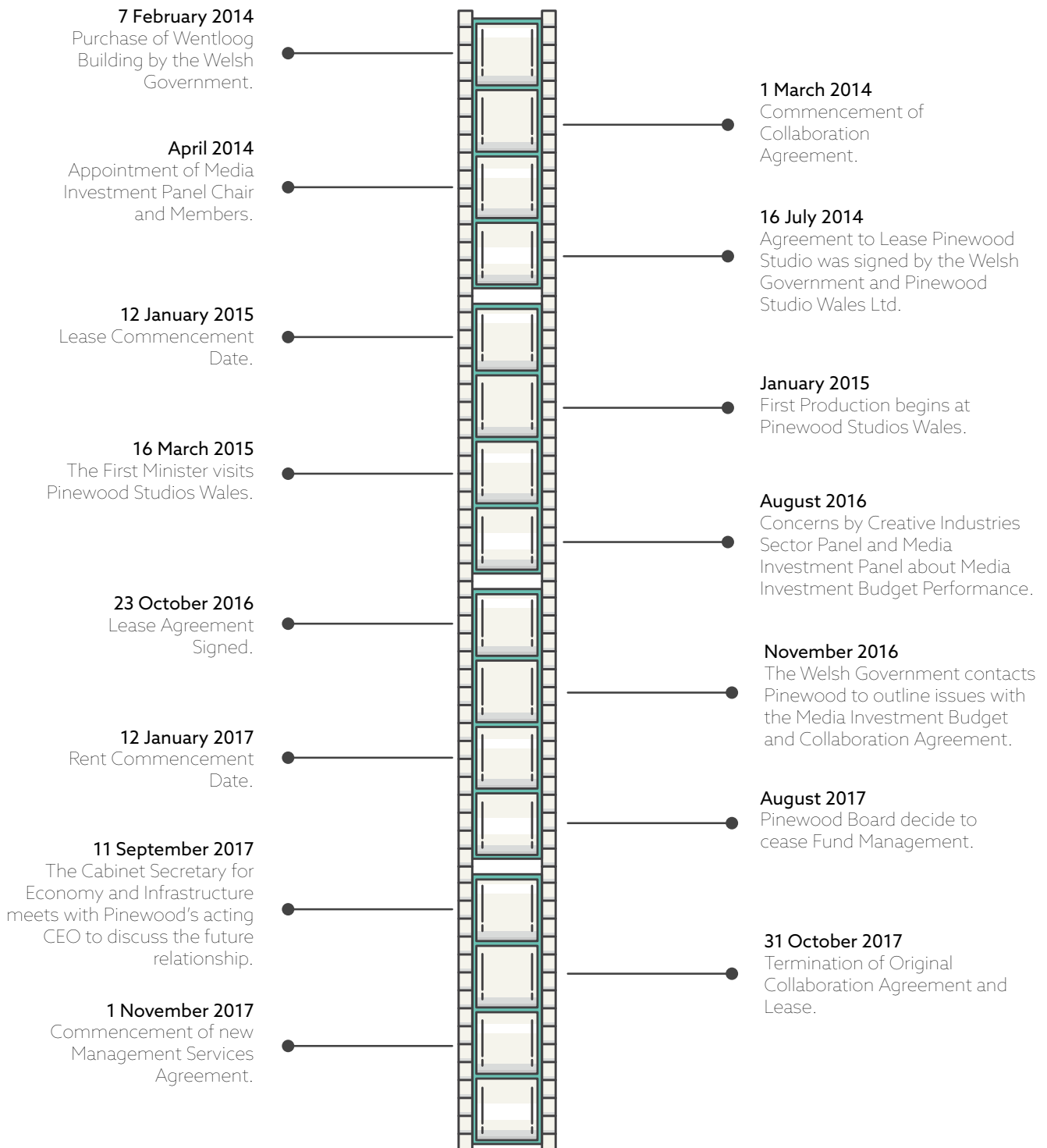
Our report is made on a 'facts only' basis, and we have not therefore drawn conclusions or made recommendations arising from our audit work.

Methods

In undertaking the review we:

- reviewed documentary evidence provided from the Welsh Government and made further enquiries of Welsh Government officials based on our review of the key documents;
- undertook a site visit to Pinewood Studio Wales and met with executives from Pinewood Group Limited; and
- prior to publication, we agreed the factual accuracy of our report with the Welsh Government and the named third parties.

Appendix 2 – Timeline of events



Appendix 3 – The Welsh Government’s overall approach to promoting Wales as a venue to produce high-impact film and TV productions

The Welsh Government uses several methods and organisations in order to encourage producers to choose Wales as a venue.

Financial and Strategic Support

The Welsh Government has given support to both Pinewood Studios and Wolf Studios for the establishment of studio space within Wales.

Creative industries in Wales are also able to access Welsh Government Repayable Business Finance (including the Wales Screen Fund) and the Wales Economic Growth Fund.

Media Investment Budget

£30 million of commercial funding for TV and film productions.

£13.8 million of funding has been awarded to date.

Wales Screen

A team based within the Welsh Government’s Creative Industries sector.

Wales Screen provides a free service to support film and TV productions through location scouting, logistical arrangements and assistance sourcing crew and facility companies.

Sky Vision Fund

The Welsh Government has invested £200,000 in conjunction with Sky Vision to fund new factual and entertainment programmes.

Development, pilot and top-up funding is available, the Welsh Government portion of which is non-repayable.

Funding is available for independent production companies based in Wales and UK-based companies producing shows in Wales.

Promotion of Wales by Pinewood

Originally, Pinewood were sponsored to promote Pinewood Studios Wales and Wales in general as a location for filming and post-production.

Under the revised agreement, Pinewood is paid to promote Pinewood Studios Wales.

The agreement details that promotion should be through film festivals, television markets and sales teams.

Appendix 4 – The seven types of investment that the Welsh Government can make in TV and film productions

Tax credit

Films with a budget under £20 million can claim 25% of UK expenditure as a tax credit. Films with a budget over £20 million can receive 25% of the first £20 million and 20% of any additional expenditure. Tax credit investments involve advancing funds to the production for the tax credit which will be received. These investments are therefore seen as the safest type of investment that can be made as the prospect of recoverability is high. The money is usually guaranteed to be returned in full within 12 months of production being completed.

Pre sales

Pre sales are made to distributors in advance of the film being made. Pre-sales investments are similar to tax-credit investments as they involve advancing cash against confirmed figures for sales already made. This means that the investments are almost always recouped in full within six months of the final cut being approved. There is therefore a high prospect of recoverability from the investments.

Gap funding

Gap funding is committed against unsold territories and based on sales estimates provided by the sales agent. Pinewood would assess the sales agent's estimates and produce a 'cover' figure, which would be based on a low number of sales with associated fees subtracted. This results in a safe figure which should be at least partially recouped unless the production was a flop and there was little or no take up of the film. The prospect of recoverability is therefore medium. Recoupment would occur when sales are made after the final cut is approved.

Mezzanine

Mezzanine funding is based on productions achieving higher sales than the low estimates used for gap finance. Higher sales could be due to the production having a well-known cast or a sales agent who has a reputation for delivering strong sales. As the investment is based on exceeding the safe figure, the prospect of recoverability is low and would involve a higher premium. Recoupment would begin after all of the above financing has been recouped, normally close to or following the production's release.

Equity

Equity funding is the highest-risk financing available under the Media Investment Budget, as equity investments are usually the last production finance recouped. The production needs to sell well and fully recoup its other investments for equity investors to receive a return. The prospect of recoverability is low, and will involve high premiums.

Business Finance

Repayable Business Finance is discretionary financial support to eligible businesses to fund capital investment and job-creation projects. Support is available to eligible film and TV productions at a negotiated level. The support must be below state-aid ceilings and must be the minimum required for the project to proceed. Funding for mobile projects, where the project could be undertaken in another country, is non-repayable and funding for non-mobile projects is 100% repayable. Although the level of risk for productions will be individually assessed, overall the prospect of recoverability is low.

Development funding

Development funding finances the development of productions, prior to commission. As part of the development deal, the Welsh Government are assigned 50% of development materials and copyright which would be re-assigned to the production on repayment of the funding. They are also given the option to provide full production funding, if they wish. The Welsh Government also receive a 50% premium on their investment, which is repaid on the first day of principal photography. The prospect of recoverability is low, due to the number of productions which never progress from development to commission.

Appendix 5 – Productions supported by the Media Investment Budget, 2014-2018

These tables include the individual loans investments, the funding recouped (banked) to 31 May 2018 and the balance of each project that has been supported by the Media Investment Budget.

These figures were provided by the Welsh Government in June 2018, and it should be noted that the projects are in various stages of development. Some projects have not yet benefitted from international cinematic release or TV broadcast, and funds will continue to be recouped through auxiliary sales.

Pinewood have also provided us with their own analysis, although there are some small timing differences in the recoupment values, the largest being in respect of The Collection, which they show as having recouped £192,631.

The Media Investment Budget was managed by Pinewood until September 2017, and has subsequently been managed by the Welsh Government.

Exhibit 11: projects funded by the Media Investment Budget under the management of Pinewood (February 2014 to September 2017)

Project	Investment Value (£)	Amount Recouped to May 2018 (£)	Net Gain/(Loss) to Date (£)
Take Down	3,144,000	959,824	(2,184,176)
Their Finest	2,000,000	2,049,985	49,985
The Collection	1,750,000 ²⁸	119,075	(1,630,925)
Show Dogs	1,565,789 ²⁹	0	(1,565,789)
Journey's End	850,000	630,860	(219,140)
Don't Knock Twice ³⁰	629,516	496,064	(133,452)
Minotaur	25,500	0	(25,500)
Lionel the First	25,000	0	(25,000)
Jack Staff	25,000	0	(25,000)
Total	10,014,805	4,255,808	(5,758,997)

²⁸ The investment value includes £600,000 of grant funding from the Media Investment Budget.

²⁹ The investment value includes £361,842 of grant funding from the Media Investment Budget.

³⁰ Don't Knock Twice also received £75,000 of grant funding under the Welsh Government's Business Finance scheme.

Exhibit 12: projects funded by the Media Investment Budget under the management of the Welsh Government (September 2017 onwards)

Project	Investment Value (£)	Amount Recouped to May 2018 (£)	Net Gain/(Loss) to Date (£)
Trampires ³¹	2,000,000	0	(2,000,000)
Eternal Beauty	1,050,000	0	(1,050,000)
Bang	350,000	0	(350,000)
Tiny Rebel	317,500	0	(317,500)
Goose Green	25,000	0	(25,000)
Total	3,742,500	0	(3,742,500)

Exhibit 13: overall Media Investment Budget Investments

	Investment Value (£)	Amount Recouped to May 2018 (£)	Net Gain/(Loss) to Date (£)
Total:	13,757,305	4,255,808	(9,501,497)

31 Trampires also received £52,572 of grant funding under the Welsh Government's Business Finance scheme.

Wales Audit Office

24 Cathedral Road

Cardiff CF11 9LJ

Tel: 029 2032 0500

Fax: 029 2032 0600

Textphone: 029 2032 0660

We welcome telephone calls in
Welsh and English.

E-mail: info@audit.wales

Website: www.audit.wales

Swyddfa Archwilio Cymru

24 Heol y Gadeirlan

Caerdydd CF11 9LJ

Ffôn: 029 2032 0500

Ffacs: 029 2032 0600

Ffôn Testun: 029 2032 0660

Rydym yn croesawu galwadau
ffôn yn Gymraeg a Saesneg.

E-bost: post@archwilio.cymru

Gwefan: www.archwilio.cymru

Document is Restricted

Yr Is-adran Polisi
Housing Policy



Llywodraeth Cymru
Welsh Government

Mr Huw Vaughan Thomas
Auditor General for Wales
Wales Audit Office

14 March 2018

Dear Huw

WALES AUDIT OFFICE REPORT: HOUSING ADAPTATIONS

Following my earlier letter to Nick Selway regarding the Housing Adaptations draft audit report, I am pleased to enclose our response to the recommendations which relate to the Welsh Government. It formally confirms our acceptance of the recommendations; provides an anticipated completion date for them; and reports on the progress made to date. This information is contained within Annex A attached to this letter.

We believe the report is a timely and useful source of evidence driving change within an essential aspect of our wider commitment towards integrating housing interventions as closely as possible with the NHS and social care. The Welsh Government recognises the essential role which aids and adaptations play in allowing elderly and disabled people to live independently. The delivery of these essential services involves a wide range of agencies right across Wales. Recent years have seen a number of changes to the funding and organisation of these services. In light of the very clear recommendations emerging from the Parliamentary Review of the NHS Ministers have however indicated they would like to see further changes and the report's recommendations highlight some of the key issues any service improvement will need to take into account.

We believe our long standing commitment to preventative investment in this area is very much in line with the principles of the Wellbeing of Future Generations Act. In line with the approach set out in Prosperity for All we also see the changes we are contemplating as cross-government in nature. The review which culminated in the ENABLE proposals was very much along these lines involving health and social care colleagues as well as

Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

representatives of social landlords and care and repair. We would expect to engage a similarly wide range of partner organisations in the work we are now beginning to pull together

We would be very pleased to deal with any queries you may have arising from our detailed response

Yours ever



John Howells
Director of Housing and Regeneration

cc Cabinet and Plenary Mailbox
The PAC Chair
WG CGU Mailbox
Nick Selwyn

Annex A

Recommendation One

There are many sources of funding and policies for adaptations, which results in disabled and older people receiving very different standards of service (paragraphs 1.5 to 1.9). To address these discrepancies **we recommend that the Welsh Government set standards for all adaptations to ensure disabled and older people receive the same standard of service irrespective of where they live, who their landlord is and whether they own their own home.**

Response: Accept

Completion Date: December 2019

As part of the ENABLE programme of work, Welsh Government has begun collecting and aggregating data to help understand how adaptations are currently delivered. Using this data we will work with delivery organisations to improve the service the aids and adaptations programme provides to citizens. During the next twelve months we will work with our partners across a range of tenures to identify those aspects of this work which could benefit most from agreed service standards as well as agreeing what those standards might be.

Recommendation Five

Delivery of adaptations can be delayed by a variety of factors (paragraphs 2.20 to 2.33). To improve timeliness in delivery **we recommend that:**

- **the Welsh Government reviews whether local authorities should continue to use the means test for Disabled Facilities Grants (DFGs);**
- **local authorities provide or use home improvement agency services to support disabled and older people to progress their DFG applications efficiently;**
- **delivery organisations work with planning authorities to fast track and streamline adaptations that require approvals;**
- **delivery organisations use Trusted Assessors to undertake less complex adaptation assessments; and**
- **the Welsh Government streamlines its approval processes for Physical Adaptation Grants (PAGs).**

Response: Accept

Completion Date: April 2019

We will review whether the means testing requirements for Disabled Facilities Grants should continue. It is perhaps worth noting in this regard that this matter was considered by

Ministers as part of the implementation of the ENABLE programme. However in light of the growing emphasis on joined up working in this area we see merit in considering this question again. We will also work with the sector to identify practical changes which would enable us to streamline the approval process for Physical Adaptation Grants.

Recommendation Nine

Having the right performance indicators and regularly reporting performance against these are important for public bodies to manage operational performance, identify areas of improvement and evaluating the positive impact of services. We found that the current range of performance indicator data is extremely limited and not sufficient to enable a full evaluation of performance (paragraphs 4.5 to 4.20). **To effectively manage performance and be able to judge the impact of adaptations, we recommend that the Welsh Government and delivery organisations:**

- **set appropriate measures to judge both the effectiveness and efficiency of the different systems for delivering adaptations and the impact on wellbeing and independence of those who receive adaptations;**
- **ensure delivery organisations report against their responsibilities in respect of the Equalities Act 2010;**
- **ensure performance information captures the work of all delivery organisations local authorities, housing associations and Care and Repair agencies; and**
- **annually publish performance for all delivery organisations to enable a whole systems view of delivery and impact to support improvement to be taken.**

Response: Accept

Completion Date: December 2019

Data collected under ENABLE over recent months has begun to provide us with a more comprehensive picture of the scale and nature of the investment being made in adaptations and how this varies from one area to the next. We are hoping to make early progress towards being able to collate the data now available including the publication of an annual snapshot of performance.

We recognise this recommendation sets out a rather more stringent challenge surrounding the need to develop a greater understanding of the impact achieved by these interventions. Delivery of this more far-reaching recommendation is likely to take place over a longer timescale. But our aim will be to say something about the success or otherwise of our 2018-19 investment by the end of 2019. We will also ensure our improvement work includes measures designed to remind organisations of their responsibilities in respect of the Equalities Act 2010

National Assembly for Wales' Public Accounts Committee - Inquiry into Housing Adaptations

1. The Welsh Local Government Association (WLGA) represents the 22 local authorities in Wales, the three national park authorities, and the three fire and rescue authorities.
2. The WLGA is a politically led cross-party organisation, with the leaders from all local authorities determining policy through the Executive Board and the wider WLGA Council. The WLGA also appoints senior members as Spokespersons and Deputy Spokespersons to provide a national lead on policy matters on behalf of local government.
3. The WLGA works closely with and is often advised by professional advisors and professional associations from local government, however, the WLGA is the representative body for local government and provides the collective, political voice of local government in Wales.
4. This is the WLGA's submission to the National Assembly for Wales' Public Accounts Committee's inquiry into housing adaptations. The submission is framed around the inquiry's individual terms of reference.
5. Overall, the WLGA welcomes the Auditor General for Wales' report on Housing Adaptations and its recommendations, which provide a useful framework for taking forward adaptations services at a local and national level. Local authorities, and others, will be able to audit their own local arrangements against the issues highlighted within the report and make improvements in line with the recommendations made.
 - **Part 1 of the report** looks at the different funding streams in place for adaptations. **The Auditor General concluded that the current system for delivering adaptations reinforces inequalities for some disabled and older people, and addressing need is complicated by the different sources of funding.**
6. Local authorities have sought to utilise the opportunities afforded by the Regulatory Reform Order (2002) and other legislation and guidance to develop policies and standards that reflect local conditions for each area.

7. However, recognising the complexities of the existing systems, and the differing arrangements relating to each of the funding sources, the WLGA and local authority representatives have been working with Welsh Government officials, colleagues from Community Housing Cymru (CHC), Housing Associations, Care and Repair Cymru and others over the last couple of years, to develop and implement the enhanced adaptations system “ENABLE – Support for Independent Living”.
8. The main features of the enhanced system are that it:-
 - Has a clear identity, operating under a single brand name “ENABLE – Support for Independent Living”;
 - Promotes consistently good services in all areas, but importantly, with flexibility to respond effectively where necessary; and
 - Increases awareness amongst the public, professionals and practitioners of the help available and how to access it.

There is a clear overlap between, for example, the delivery of consistently good services and increasing awareness of the help available and how to access it, and a number of the recommendations within the Auditor General’s report.

9. The report identifies that local authorities in Wales are maintaining funding levels for adaptations through both DFGs funded by General Capital and for local authority tenants funded by Housing Revenue Account expenditure, with a trend of increasing numbers of people being assisted across all routes.
10. The report recommends that Welsh Government sets standards for all adaptations. It could be argued that this could be seen as a further development of the ENABLE scheme and should be welcomed. However, any standards developed would need to be flexible enough to allow for local conditions to be taken into account, and the views of all stakeholders would need to be taken into account in developing standards, including the views of people who have benefited from adaptations, and those who may require adaptations in the future.
 - **Part 2 of the report** looks at the efficiency and effectiveness of the end-to-end process for providing adaptations, from publicising services, to application, assessment, approval and delivery. The Auditor General found that assessment processes are neither streamlined nor efficient and often contribute to delays. **The conclusion of Part 2 is that provision of adaptations to people with**

similar needs is inequitable because of inconsistencies in how delivery organisations provide services.

11. There is a welcome focus within the report's recommendations on the provision of good quality and accessible information for all those who may be interested in adaptations. Local authorities regularly review the information that they provide, and the promotion of the ENABLE scheme has provided the impetus for reviews in many areas. However, as the report points out there is room for improvement in some areas and that jointly-produced information can be more effective and comprehensive. The report recommendations provide a useful audit for delivery organisations to review their information on adaptations.
12. The development of a single, common application form for adaptations used by all delivery organisations within an area is worthy of exploration, however, the statutory requirements of the DFG processes may present some obstacles to achieving this simply. There may be merit in undertaking this exercise at an all-Wales level.
13. We welcome the review being undertaken by Welsh Government into the impact of the means test in respect of applications for DFGs. It is important that the review covers all aspects of this impact including value for money, contribution to any delay in the delivery of adaptations, and the effect that removing the means test would have on levels of demand for DFGs and funding availability, etc.
14. The report's recommendations in relation to accrediting and managing contractors involved in the delivery of adaptations are useful for local authorities and other delivery organisations to use when reviewing their existing arrangements. However, there are significant variances across Wales in the availability and capacity of contractors, and local arrangements will need to appropriately reflect this.
 - **Part 3 of the report** looks at the effectiveness of strategic and operational joint working between the various bodies with a stake in delivering adaptations across Wales. **The Auditor General found that public bodies are generally clear on the benefits of adaptations, but partnership working is ineffective to address need.**
15. While highlighting some good examples of joint working between organisations in relation to differing aspects of adaptations delivery and the provision of accessible housing, the report clearly identifies the challenge for organisations

in working together to take a strategic view of the use of resources available across all organisations in delivering adaptations, and to effectively predict future demand for housing adaptations.

16. Ideally, organisations should seek to build on existing opportunities and partnership structures for joint strategic work in this area. However, where these structures or forums do not exist, or have insufficient capacity, there may be a need to create new arrangements that bring together local authority functions with Health bodies, Housing Associations and Care and Repair agencies operating within an area.
17. These strategic arrangements should not exist in isolation, and effective links should be made to other groups and partnerships which would share a focus on the provision of appropriate housing, maintaining independence, promoting health and well-being, etc., for example Regional Partnership Boards, Local Housing Strategy Partnerships, etc. While housing organisations are not currently statutory members of Regional Partnership Boards, their contributions could be a valuable addition, including around ensuring an appropriate supply of purpose-built or adapted housing, contributing to investment decisions and priorities for the Integrated Care Fund, etc.
 - **Part 4, the final part of the report**, considers the robustness of the 68 delivery organisations' systems for overseeing and improving performance in delivering £60 million of annual expenditure on adaptations. Accountability and transparency in delivery of adaptations have long been poor. Despite the different sources of funding for housing adaptations, only performance in respect of local-authority Disabled Facilities Grants is publicly reported. **The Auditor General concluded that public bodies have a limited understanding of the longer-term wellbeing benefits of housing adaptations and there remains significant scope to reform the system to measure and improve equality and wellbeing.**
18. As highlighted within the report, currently, the only public reporting of performance in relation to the delivery of adaptations is in respect of the National Strategic Indicator which measures the average number of days taken by local authorities to deliver a DFG. Clearly, this indicator only relates to the delivery of DFGs and so provides no indication of the performance of delivery organisations around the majority of adaptations being delivered each year. In addition, by reporting on the average number of days taken to deliver a DFG, the current indicator does not differentiate between the scale and complexity of different types of adaptations.

19. Increasingly, local authorities have been seeking to provide adaptations outside the DFG framework, wherever possible, for example by introducing fast-track arrangements for the provision of stair lifts, walk-in showers, etc. The current performance reporting arrangements mean that the improvements in adaptations delivery brought about by these fast-track arrangements are not reflected in the publically available performance information.
20. Local authorities took an average of 225 days to deliver a DFG in 2016-17, compared to 241 days in 2015-16. The performance gap between the best and worst performing authorities, using this average figure, has narrowed substantially over the last 10 years or so and, as suggested by the report, the performance of the “best” authorities appears to have plateaued over recent years suggesting that there may be limited scope for further improvement within the context of the existing DFG arrangements.
21. Through the development of the “ENABLE – Support for independent living” scheme, data is now being collected from a wider range of delivery organisations irrespective of the source of delivery or funding with a view to building a more comprehensive picture of the adaptations delivered and their impact, including customer satisfaction feedback from those who receive assistance. The WLGA, and some local authority representatives have been part of a steering group contributing to the development and implementation of the ENABLE scheme, and are supportive of development of a performance and reporting framework which provides a comprehensive view across all delivery bodies of adaptations delivered and the impact on equality and well-being. However, in developing such a system, it should be recognised that there needs to be a realistic balance between the value of improved performance reporting and any additional burden in data collection and recording.

FOR FURTHER INFORMATION PLEASE CONTACT

Jim McKirdle, Housing Policy Officer

Jim.Mckirdle@wlgga.gov.uk

Welsh Local Government Association

Local Government House

Drake walk

Cardiff

CF10 4LG

Tel: 029 2046 8600

Agenda Item 4



Care & Repair Cymru

Gwella cartrefi, newid bywydau
Improving homes, changing lives

Public Accounts Committee
National Assembly for Wales
Cardiff Bay
Cardiff
CF99 1NA

Committee Inquiry : Auditor General for Wales Report on Housing Adaptations, February 2018

Short Paper submitted by Care & Repair Cymru: May 2018

Thank you for the invitation to the PAC meeting scheduled for 18th June, to give evidence in relation to the Auditor General findings on delivery of housing adaptations across Wales. You also requested that we submit a short paper giving our response to the findings, please find this below.

Introduction to Care & Repair

1. Care & Repair Cymru is a registered charity. We aim to ensure that all older people in Wales can live independently in warm, safe and accessible homes, with dignity, for as long as they want. We are specialists in developing and delivering housing solutions for older people that make this possible.
2. Our network of 13 local Care & Repair Agencies deliver trusted, practical, frontline services in the hearts of communities across the whole of Wales. Multi-disciplinary teams of caseworkers, tradespeople and qualified surveyors provide advice and support on housing adaptations, home repairs, improvements and energy efficiency. We help people access grants, charitable funds and unclaimed welfare benefit entitlements. All of this helps them undertake essential works to their homes, increases their disposable income, and helps improve their well-being and quality of life. The combination of person-centred casework and technical housing expertise makes our service unique.
3. Care & Repair Cymru, as the national body, advocates on behalf of older people living in poor, unsafe, inaccessible housing, as well as representing Care & Repair Agencies. We ensure consistency across Wales, monitoring and evaluating outcomes, and raise awareness of our services and of older people's needs. We develop and pilot innovative approaches and delivery models, helping to lever additional resources into frontline work. We reach across housing, health and social care to support integrated policy thinking and make the case for the effectiveness of strategic public/third sector partnerships and greater investment in services to support older people in housing need.

4. Last year, Care & Repair Agencies delivered £13 million's worth of physical alterations and adaptations to improve the health, safety and warmth of 28,500 homes. We provided and installed some 17,000 small adaptations through our Rapid Response Adaptations programme. Our Agencies helped older people claim more than £5m of unclaimed welfare benefits. Our work gives us a unique insight into the needs and lives of Wales's older people. We welcome the opportunity to contribute to this PAC inquiry.

The nature of demand

5. Care & Repair Cymru would draw the Committee's attention to the fact that 81% of older people live in mainstream, owner-occupied properties and 3% of older people in residential care homesⁱ. These statistics reflect our experience that the overwhelming majority of older people not only desire but are able to manage in their own homes with appropriate levels of support from their families, local communities and local services. That is not to say that residential care is not a vital and essential resource for those who need it but, if the social care needs of all our older people are to be met, non-residential care requires the highest strategic attention – so too, crucially, the quality of the home into which it is delivered.

Minimising demand - the role of housing

6. Housing has a direct influence over people's health and wellbeing, and the quality of older people's homes has a direct relationship to the need for social care. Our work, with over 30,000 older people across Wales every year, gives us a first-hand experience of the fundamental importance of the 'right home' in maintaining older people's independence, facilitating social lives, physical activity levels and mental wellbeing, and minimising social care needs and costs.
7. Older people spend proportionately more time at home and are especially vulnerable to the many, life-limiting health risks presented by Wales' comparatively old housing stock:
 - an estimated one in four older people's households are in fuel poverty, paying more for their energy costs, heating poorly insulated homes with inefficient heating systemsⁱⁱ - poorly heated homes are directly implicated in respiratory and circulatory conditions and excess winter deathsⁱⁱⁱ;
 - 29% of older people live in a house with a Category 1 hazard which presents significant risk to the health of the occupant - 13% of older people's homes present a risk of falling and 11% present a risk of excess cold^{iv}.
8. Home-based adaptations and 're-abling' housing solutions promote health, prevent hospital admission, facilitate hospital discharge and avoid residential care. For comparatively small sums, they also minimise the costs of social care, maximise the contribution of unpaid care and enable older people's highly prized independence:
 - the cost of falls to the NHS is estimated at £67m a year^v and the cost of a hip fracture, in terms NHS care alone, is nearly £29,000 in addition to ongoing social care - the installation of hand and grab rails to reduce the risk of falling can be less than £300;
 - the installation of a disabled toilet and wet-room at a cost of £10,000 is equivalent to 14 hours care per week to supervise washing^{vi};

- a £6,500 Disabled Facilities Grant allows an older person to continue living at home for four more years, saving over £100,000 in residential fees;
- for every £1 spent on Care & Repair's delivery of the Rapid Response Adaptations Programme, £7.50 is saved from health and social care budgets^{vii}.

Demographic change

9. Wales has the largest and fastest growing proportion of older people in the UK - the demographic profile is changing with important local variation in detail:
 - by 2039, one in four of the population will be over 65 - a 44% increase in the age group;
 - by 2030, the percentage of the population aged over 75 will increase from 9% to around 13%^{viii};
 - as older people live longer, more are likely to experience age-related neurological and sensory conditions. By 2025, there could be 50,000 older people aged 65 or over living with dementia;
 - the older population will be proportionately larger in rural areas where 54% are currently aged over 45 years compared to 48% in small towns and 42% in large towns^{ix};
 - there are clear differences between Wales' most and least deprived areas in terms of life expectancy (8 years) and 'healthy' life expectancies (18 years).

Care & Repair Cymru's key comments on the findings and recommendations of the Auditor General Report on Housing Adaptations.

10. Care & Repair Cymru welcomes the Auditor General's report. The system for housing adaptations has long been considered to be complex and in need of improvement. Since 2005, successive reviews have led to incremental improvements, but this report makes clear that further work is needed to:
 - improve information and access to services
 - reduce waiting times
 - introduce common service standards for different types/ size of adaptations
 - bring greater equality, especially in relation to services received by people living in different tenures of housing
 - improve how organisations report on quality, waiting times and outcomes for all types of adaptations
 - share and replicate good practice
11. Care & Repair Cymru is pleased to be part of the "Enhanced Adaptations Steering Group" convened by Welsh Government, which has been meeting for a few years to examine and improve all aspects of housing adaptations as described above. We are particularly pleased that the Group comprises a range of stakeholders, with representation from Care & Repair Cymru, Welsh Government, Royal College of Occupational Therapists, Older People's Commissioner, Housing Associations, Community Housing Cymru, Welsh Local Government Association and Local Authorities.
12. The Steering Group has identified similar areas of improvement to those set out by the Auditor General, and has made positive steps in many of the areas identified

above and in the Auditor General's report. Of significant relevance is the introduction of the "Enable" idea - a common way of defining and reporting on service standards, as well as introducing a new funding stream (Enable), which is delivered in collaboration between local authorities, Care & Repair, and housing associations. The key aim of Enable is to work in partnership locally to identify priorities, and deliver adaptations more flexibly.

13. There is much work to do but we are confident that the Steering Group provides a great opportunity to continue to take forward improvements in a progressive and collaborative way.

Findings of the WAO Report : Care & Repair Cymru's Response

- 14. Roughly 70 organisations deliver adaptations in Wales, every year collectively spending approximately £60 million and assisting over 32,000 people. The funding arrangements for adaptations is complex and has helped to create an inefficient delivery system. One of the consequences of this complexity is that people with similar needs often receive very different standards of service simply because of where they live and which public body provides the adaptation.**

We agree that funding arrangements are complex due to a mix of funding sources the main ones being Disabled Facilities Grants (DFGs), Care & Repair's Rapid Response Adaptations Programme (RRAP), Housing Revenue Accounts of Local Authorities, Welsh Government Physical Adaptations Grants, Housing Association own resources, Social Services local funding and regional Integrated Care Funds. We also agree that, in some areas, this has led to different standards of service, something it is important to rectify.

However, we also think that care needs to be exercised when exploring wholesale changes in funding options. Some of the differences in funding are linked to primary legislation. DFGs are mandatory grants available in all tenures but, in practice, social housing providers fund works for their own tenants, while DFGs are funded from local authority un-hypothecated general funding. This system ensures that large adaptation works for social housing tenants are funded by their landlords, which we would argue should continue be the case. In some parts of Wales, the current system has been shown to work, especially where a more flexible approach is taking to funding - particularly for small adaptations, rather than using the DFG process which is better suited to larger, more complex adaptations. Similarly, RRAP has been demonstrated to integrate working between Care & Repair, Health and Social Care, and preventing hospital admissions and delayed transfers of care.

So we while we agree that it is appropriate to examine the current funding regime, we are mindful that this should not overlook things that work well, existing good local practices and systems on which we could build. It could be argued that, if common service standards are agreed for different types and values of adaptations, then the funding complexities could be addressed by monitoring performance and holding all organisations to delivery against common standards.

- 15. The majority of public bodies with responsibility for adaptations – local authorities, housing associations and Care & Repair Agencies (‘delivery organisations’) – have seen demand for adaptations increase in recent years and expect this trend to continue. Census data highlights that a higher proportion of the Welsh population consider themselves to be in poor health than is the case in England. Welsh Government projections anticipate that the number of people in Wales who will experience mobility problems and difficulties undertaking daily domestic tasks will increase significantly in the next 20 years.**

Care & Repair Cymru agrees that significant growth in demand is inevitable due to the ageing population and larger numbers of people living longer, in their own homes but with age-related deteriorations in health and ability.

This underlines why it is so important to make lasting improvements to the system now. Care & Repair Cymru would also argue strongly that the ageing population and significant growth in demand means that funding of housing adaptations, and services such as Care & Repair should be protected, and indeed increased. While system improvements are without doubt needed, so too are adequate resources to deal with increasing demand. Such investment would be prudent and save public money in Health and Social Care, given the widely acknowledged preventative impact of adaptations and Care & Repair.

- 16. The speed and efficiency of the provision of adaptations can make the difference between disabled or older people staying in the comfort and security of their own homes or moving into specialist or residential care. However, assessment processes are neither streamlined nor efficient and often contribute to delays. The lack of co-ordination between delivery organisations, interruptions due to problems arising from the unavailability of staff or funding, and poor standards of communication characterise the experience of a small number of service users.**

Care & Repair Cymru believes that there is a wide variation in systems and processes used by all organisations who provide adaptations. While some will have conducted end-to-end process reviews (Systems Thinking) and improved service delivery considerably, this is not the case across all organisations. The key here is to assess and seek replication of good practice in relation to the most streamlined and integrated systems.

- 17. Most public bodies recognise how adaptations can reduce the risk of falls and other accidents in the home and prevent hospital admissions and speed up discharge. However, health professionals often find the different local-authority and housing-association systems for administering, approving and delivering adaptations difficult to navigate. Complex delivery arrangements reduce the opportunities for health bodies to make better use of adaptations.**

This is an increasingly important topic for public services in Wales. The need for stronger integrated working between Health, Social Care, Housing and the Third Sector is growing in importance, and we must get substantially better at this if we are to deliver successfully on prudent healthcare, early intervention and prevention, Sustainable Social Services and speeding up safe transfers of care from hospital

wards. Care & Repair Cymru has been working to ensure that Care & Repair services across Wales are widely understood by Health Services, and have recently presented at plenaries and good practice workshops of the Wales Audit

Office on quicker safe hospital discharges. At these events, we showcased the strong, integrated relationship between Bridgend Care & Repair and Abertawe Bro Morgannwg University Health Board, where Care & Repair staff are based in hospital wards and A&E, working side-by-side with health professionals on earlier planning so that adaptations and other works in patients' homes are undertaken without delay, enabling them to be discharged quickly to a safe, adapted home environment. This service includes access to both RRAP and the Integrated Care Fund (ICF).

Across Wales, we are trying to make the case to Regional Partnership Boards about the value of involving Care & Repair as a third sector partner in ICF but our experience is mixed at best in relation to whether our voice on these Boards is being heard. Care & Repair Cymru believes that, not only our voice, but the voice of third sector is weak on the RPBs and in relation to ICF schemes. Our Bridgend example shows the extent to which statutory services could benefit from closer, more genuine partnership working with the third sector and improve services for older people more widely.

- 18. Given the wide number of routes available to access adaptations, delivery organisations need to ensure they have robust systems to deal effectively and quickly with applications. However, many authorities and housing associations do not have application processes that consistently and effectively meet the needs of people. Accessible information in a range of appropriate formats, such as large fonts for visually impaired users or audio versions for people with hearing difficulties, is often unavailable.**

Our response to 16 above applies and is one of the areas recognised by the Enhanced Adaptations Steering Group (paragraph 11 above). The Group has produced common Wales-wide publicity leaflets, with reciprocal website links, on the services available and service expectations. We believe that this work can be built on, and additional emphasis should be given to accessible formats of this information.

- 19. Delivery organisations must balance carrying out building works quickly to meet the needs and wishes of the disabled or older person, and ensuring value for money in terms of cost and quality. Most local authorities, housing associations and Care & Repair agencies have established appropriate processes to oversee and manage performance of those carrying out building work, most usually through regular meetings and dialogue in respect of individual grants. However, few delivery organisations are working strategically with contractors to streamline and improve performance, and current arrangements for contracting builders have some shortcomings. In addition, delivery organisations do not always have effective arrangements to monitor, review and evaluate the performance of builders and contractors in delivering individual grants.**

The majority of Care & Repair Agencies have a locally adopted set of criteria and practices for managing lists of approved contractors, and how they work with them. Care & Repair Cymru has recently secured trust funding to develop a standardised “Care & Repair Contractors Charter”. This will define a clear set of quality criteria, along with robust vetting procedures, for those contractors who wish to be accepted onto our “Charter”. Once in place, the Charter will be actively managed so that only those contractors who continue to meet the Charter’s standards will remain on the list. Compliance checks will include customer feedback, technical officer oversight and other mechanisms, in addition to basic statutory requirements. The scheme will be publicised widely, with general advice and information provided for older people about how to recruit reliable contractors, and avoid being scammed or exploited by ‘cowboys’. Our ambitions for the “Charter” address every aspect of the WAO’s concerns in this regard and has the potential to provide a model of quality assured practice in this area.

- 20. Whilst public bodies are clear on the role of their housing-adaptation services in changing the home environment to enable or restore independent living, there are opportunities to better address needs and avoid and reduce demand and costs in health and social care services. Few delivery organisations have comprehensive and integrated Housing Renewal Policies that link decisions on investment with better use of existing adapted housing. Policies are often property focussed rather client focussed, and rarely make the strategic link to other organisations and the wider needs of disabled and older people.**

Care & Repair Cymru cannot comment specifically on Local Authority Housing Renewal Policies, other than to endorse the importance of these being client focussed, and consistent with the ambitions of early intervention, prevention, prudent healthcare and Sustainable Social Services. It would also seem appropriate for Renewal Policies (including housing adaptations) to reference and integrate with Regional Partnership Boards, and strategic objectives of the Integrated Care Fund. This would be a good way of strengthening the housing voice and influencing in the integration agenda in order to reduce hospital admissions, prevent the falls and ill health associated with poor housing, and speed up transfers of care to a safe, appropriate home environment.

- 21. Delivery organisations do not always take a ‘whole resources view of their adaptations work and consider the availability and use of all monies from all delivery organisations within an area. Only seven local authorities pool funds with Care & Repair and no pooling of funding takes place between local authorities and housing associations. A small number of local authorities have developed integrated approaches to housing adaptations drawing together grants, building surveyors and Occupational Therapists into single teams. However, too many organisations work in isolation focussing on their individual responsibilities, rather than working collaboratively to better address people’s housing and health needs.**

All Care & Repair Agencies have a good, longstanding relationships with their Local Authorities - in particular, Housing Renewal and Adaptation Teams, and

Occupational Therapists – and have been working in an integrated way with them for 25 years, on many different aspects of housing adaptations, including RRAP and DFGs.

The relationship focuses in particular on effective and appropriate RRAP referrals, trusted assessor status (enabling us to help quickly with less complex need), advocacy for older people through the complex DFG process and good targeting of need by integrated working. Some Care & Repair Agencies are an integral part of local authority Housing Renewal Policies.

The relationship with local authorities is crucial to our work for older people, and will continue to be a focus for Care & Repair in the future.

Our relationship with Health professionals is growing in importance, and many Agencies are building their connections with GPs, hospitals and community-based health staff (paragraph 17). Building our relationships more widely with Health and Regional Partnership Boards will be an important part of Care & Repair's strategic development and we are determined that, as a third sector charitable organisation bringing our own unique service and abilities to the table, we are a strong part of the public service integration agenda for older people.

22. Nevertheless, approximately three-quarters of people we surveyed who recently received housing adaptations have a positive experience with their housing adaptations. Just over 90% are satisfied with the time taken to deliver their adaptations, and the majority felt the work to their home allowed them to undertake everyday tasks, improving both their confidence and independence. Generally, owner-occupiers are more satisfied than those who rent from housing associations, but most disabled and older people we surveyed had little influence or choice in the adaptations made to their home.

Care & Repair is very proud of our track record in terms of the extent to which we deliver, the quality, the positive feedback and the impact of our work. Every year, we install over 17,000 RRAP adaptations for older homeowners. In 2016/17:

- the average waiting time was 8 days
- the average age of the client was 78
- 77% of RRAP adaptations prevented hospital admissions
- 23% helped people return home from hospital.
- 92% said that the RRAP adaptation had improved their quality of life
- 9% went on to receive the full Care & Repair home improvement casework and technical service.

23. Accountability and transparency in delivery of adaptations have long been poor. Despite the different sources of funding for housing adaptations, only performance in respect of local-authority Disabled Facilities Grants is publicly reported. However, by only reporting performance on Disabled Facilities Grants, the Welsh Government is currently only publishing data that covers 55% of all expenditure on adaptations and 14% of those disabled and older people who receive adaptations. The Welsh Government collates

some performance data from housing associations and Care & Repair Agencies but does not make this information available to the public.

Weaknesses in current oversight arrangements mean that effective scrutiny to understand the efficiency and impact of the ‘whole’ adaptation system is not possible. This makes it difficult to judge how well organisations are performing and the positive impact of adaptations on disabled and older people’s lives.

Care & Repair Cymru agrees with this statement. We would welcome more comprehensive reporting on adaptations across all funding sources and tenures, thereby enabling a better understanding of how the whole system works (for small, medium and large adaptations), how all organisations compare in terms of their performance and, from the clients’ perspective, any discrepancies between landlords and tenures.

24. The Welsh Government is seeking to address some of these gaps by introducing new systems to monitor and report performance in delivering housing adaptations (the ‘Enable’ review). Whilst this addresses some of the long-standing weaknesses in current arrangements, gaps remain. Monitoring continues to focus too much on the mechanics of delivering adaptations and not enough on impact, wellbeing and the wider benefits of each public body’s investment. Despite highlighting equality as a key policy objective, we found that few delivery organisations collect and evaluate a sufficient range of data to demonstrate and ensure fair access to services.

As referenced in paras. 10-13 above, Care & Repair Cymru is a member of the Steering Group and the “Enable” review. The Group has recognised from the outset that performance reporting needs to be more comprehensive on all housing tenures, types and size of adaptation, and has been working on this for the past 2 years. An important focus of this process has been to improve reporting on quality, customer satisfaction, and outcomes. Equality monitoring is a part of this, and the Group will be taking this aspect forward as part of a much more comprehensive performance reporting framework.

ⁱ 2011 ONS Census Data

ⁱⁱ <http://gov.wales/docs/caecd/research/2016/160711-production-estimated-levels-fuel-poverty-wales-2012-2016-en.pdf>

ⁱⁱⁱ <http://gov.wales/docs/caecd/research/2017/170404-fuel-poverty-data-linking-project-findings-report-1-en.pdf>

^{iv} <http://gov.wales/docs/statistics/2009/091130livingwales2008en.pdf>

<http://gov.wales/docs/statistics/2009/091215housing2008en.pdf>

^v The cost of poor housing in Wales – BRE/Shelter, 2011

^{vi} <https://www.moneyadvice.service.org.uk/en/articles/care-home-or-home-care#comparing-the-cost-of-care>

^{vii} http://www.careandrepair.org.uk/files/9914/9194/0579/Healthy_Homes_Healthy_Lives_-_Good_Practice_Guide.pdf

^{viii} <http://gov.wales/docs/statistics/2017/170505-future-trends-report-2017-en.pdf>

^{ix} <https://beta.gov.wales/sites/default/files/publications/2017-07/170714-review-interim-report-en.pdf>