

Agenda – Public Accounts Committee

Meeting Venue:

Committee Room 3 – Senedd

Meeting date: 16 September 2019

Meeting time: 13.30

For further information contact:

Fay Bowen

Committee Clerk

0300 200 6565

SeneddPAC@assembly.wales

(Private Pre-Meeting)

(13.30 – 14.30)

1 Introductions, apologies, substitutions and declarations of interest

(14.30)

2 Paper(s) to note

(14.30 – 15.00)

2.1 Natural Resources Wales: Letter from the Chief Executive, Natural Resources Wales (11 July 2019)

(Pages 1 – 10)

2.2 Radiology services – national summary report: Update from the Welsh Government (July 2019)

(Pages 11 – 20)

2.3 Scrutiny of Accounts 2017–18: Letter from the Permanent Secretary, Welsh Government (16 July 2019)

(Pages 21 – 25)

2.4 Financial Reporting Advisory Board Reports: 2017–18 & 2018–19

(Pages 26 – 85)

2.5 Community Safety in Wales: Update from the Welsh Government (June 2019)

(Pages 86 – 108)

2.6 Implementation of the NHS Finance (Wales) Act 2014: Letters from the Welsh Government (5 & 20 August 2019), Letter from Hywel Dda UHB (16 August 2019) and additional information from Aneurin Bevan UHB (29 August 2019)

(Pages 109 – 129)



2.7 Care experienced children and young people: Letter from the First Minister (5 August 2019)

(Pages 130 – 131)

2.8 Well-being of Future Generations (Wales) Act 2015: Letter from the Future Generations Commissioner (9 August 2019)

(Pages 132 – 133)

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

(15.00)

Items 4, 5 & 6

4 Welsh Government Financial Support for Business: Committee Correspondence

(15.00 – 15.20)

(Pages 134 – 144)

PAC(5)-21-19 PTN 13 – Letter from the Development Bank of Wales (31 July 2019)

PAC(5)-21-19 PTN 14 – Letter from the Welsh Government (31 July 2019)

PAC(5)-21-19 PTN 14a – The amount, type and purpose of Welsh Government financial support (whether direct or via Finance Wales or the Development Bank), that any of the companies named during the session (at RoP 289–291) had received prior to going into administration and confirmation of any outstanding debts (G M Jones, Cuddy group, Jistcourt, GRH Food Company)

PAC(5)-21-19 PTN 14b – Wales Life Sciences Fund, and the role of the Development Bank of Wales

5 Effectiveness of Local Planning Authorities in Wales: Auditor General for Wales' Report

(15.20–15.30)

(Pages 145 – 207)

Research Briefing

PAC(5)-21-19 Paper 1 – Auditor General for Wales' Report

6 Integrated Care Fund: Auditor General for Wales' Report

(15.30–15.45)

(Pages 208 – 275)

Research Briefing

PAC(5)–21–19 Paper 2 – Auditor General for Wales' Report

PAC(5)–21–19 Paper 3 – Welsh Government Response

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Nick Ramsay, AM
Chair of Public Accounts Committee

By email: SeneddPAC@Assembly.Wales

Dear Nick

Re: Progress in implementing the recommendations of the Grant Thornton review into timber sales

I am writing to update you on our progress in implementing the recommendations of the Grant Thornton review into timber sales.

As you will recall, we have set up a project to implement the recommendations and address the issues. This is managed by our Head of Procurement and overseen by a Project Board, with an additional layer of scrutiny, challenge and assurance provided by a Board oversight group that is chaired by myself and involves three other Board Members, one of whom is the chair of Audit and Risk Assurance Committee.

This group recently requested an independent validation exercise of the project to assure us that the project was delivering at pace and is on track to create the sea-change we want.

We commissioned Grant Thornton to undertake this exercise, because of their existing in-depth knowledge of this area of the business and the recommendations they made in February.

I am pleased to report that Grant Thornton have concluded that we have made good progress to date (a copy of their letter is attached). They also acknowledge, as do we, that there is still much to do and that full transformation will take time.

Since February when we published the review findings, we have:

- improved governance including a Board oversight group that is scrutinising and advising the change project

- developed new terms and conditions for timber sales contracts, which will be implemented in the September sale
- developed new internal sales processes to replace old legacy ones
- initiated a training programme for staff in these new processes, which is ongoing
- invested significant time in re-setting and improving our relationship with our timber customers
- We have also developed a new structure for the timber sales area, appointed a new Head of Commercial and Head of Land Stewardship, and are currently recruiting to the rest of the new structure, which will strengthen the team.

I fully understand the scale and complexity of what we are doing here. The change and improvement needed is significant and the cultural shift required cannot be underestimated. I am very conscious of this and remain committed to this challenge, but I can assure you that we are moving in the right direction.

I will update you again prior to our next evidence session on 9 December 2019.

Best wishes



Clare Pillman
Prif Weithredwr, Cyfoeth Naturiol Cymru
Chief Executive, Natural Resources Wales

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5 July 2019

Dear Miss Pillman

Natural Resources Wales (NRW) – Governance of Timber Sales

1 Introduction

- 1.1 Thank you for your instruction to undertake further work in this matter.
- 1.2 You have asked us to comment on the progress of the Timber Sales Governance Project (the Project) being undertaken by NRW in addressing the recommendations in the Grant Thornton report of 3 February 2019 (the Grant Thornton report).
- 1.3 This letter is confidential and has been prepared exclusively for NRW. Our duty of care is solely to NRW. It should not be used, reproduced or circulated to any other party in whole or in part, without our prior written consent.
- 1.4 You have confirmed that NRW has agreed the factual accuracy of this letter and schedule.

2 Scope and limitations

- 2.1 In accordance with the agreed scope, we have held discussions with a number of individuals within NRW who are involved in the Project and have considered supporting documentation. Our work is limited in a number of ways:

- 2.1.1. It is not a full consideration of the operation of the forestry function within NRW. In addition, the corporate governance arrangements within NRW are outside the scope of our work

2.1.2. We have, as agreed with NRW, discussed the Project with a number of the Project leads and key staff involved in the Project. We have not discussed our work with individuals outside of the Project team

2.1.3. This engagement does not constitute an audit in accordance with Auditing Standards. We have relied on the documents and information provided to us as being accurate and genuine. To the extent that any statements we have relied upon are not established as accurate, it may be necessary to review our conclusions. If further information is produced and brought to our attention after service of this letter, we reserve the right to revise our opinions as appropriate. We have not undertaken any further testing of detailed information such as contract documentation

2.1.4. It is too early for testing of new procedures and processes relating to the Project as many are not yet embedded and it is important that such an assessment is performed most likely in late 2019 and during 2020.

3 Consideration of the Project

3.1 We first comment on the structure of the Project and then consider the actions taken and planned.

Project structure

3.2 NRW has responded positively to the Grant Thornton report and has established a project team which appears to be well structured. In support of this conclusion we note:

3.2.1. There have been minuted weekly meetings of the Timber Sales Governance Project Board. This is chaired by NRW's Finance Director and you, as the Chief Executive, are an attendee alongside senior Project team members. We consider that this demonstrates importance placed on the Project

3.2.2. There have also been minuted monthly NRW Board Oversight Group meetings. There is some overlap of attendees with the Project Board, with additional attendees including NRW's Chair and the Chair of the Audit and Risk Assurance Committee (ARAC), plus another two NRW Board members

3.2.3. The work of the Project team has been allocated to a number of workstreams, with ownership clearly set out and actions and timelines noted

3.2.4. The Project has been supported by dedicated resource, including a number of individuals reallocated from their normal roles.

Actions taken and planned

3.3 While there have been completed actions to date, new actions have been identified. We conclude that overall the Project has made good progress. We consider it reasonable to expect the Project to take time given the serious nature of the issues identified in the Grant Thornton report. We also note that the Project team has had to address a number of issues including changes of staff in the business units, the impact of Organisational Design (OD) on the staffing structure and further governance issues identified by NRW since the Grant Thornton report.

3.4 We attach at **Schedule 1** a summary of actions taken to date and planned. This is based on information provided by NRW and verification of this information is not within the scope of this engagement. The schedule focusses on key actions and is not intended to be a comprehensive list. It shows the scale of change being made. We note:

3.4.1. Intranet pages are being developed to provide guidance and links to the latest versions of governance documents. This includes the Timber Sales Governance Standards Document which has been issued and sets out clear rules and expectations of ways of working (including links to central functions). It is anticipated there will be mandatory training for all staff to embed the new ways of working

3.4.2. A portal is to be launched to hold copies of all NRW commercial contracts

3.4.3. System improvements are being made including making changes to the Timber Marketing Package system (TMP) to ensure authorisation complies with Financial Scheme of Delegation limits and the use of Power BI to provide management information on timber sales

3.4.4. New authorisation procedures have been implemented including the use of manual processes for monitoring contracts nearing volume limits

3.4.5. Agreement of new terms and conditions. These have been discussed with the industry and are planned to be in place for the September e-sales

3.4.6. Legacy issues are being addressed including monitoring the completion of Long-term Timber contracts (LTCs) and seeking to exit Standing Sales Plus contracts (SS+)

3.4.7. Governance of ARAC is being improved with more robust scrutiny

3.4.8. Finance are developing bottom up budgets and improved income and expenditure accounts

3.4.9. Internal Audit has completed a number of reviews including a review of LTCs and the governance of e-sales. Further work is planned under the 2019/20 internal audit plan. We note that resourcing requirements are to be reviewed to ensure coverage of the risk areas identified by internal audit.

4 Summary

4.1 We note the pace and evidence of determination within NRW to address the issues identified in the Grant Thornton report. This requires fundamental change within NRW and is therefore challenging and will take time. We consider that progress to date has been good. It will be important to ensure that there is continued focus on this Project and on governance after the Project ends, including testing of the new procedures and processes.

4.2 There are a number of challenges and we recommend that Management ensure these are addressed as the Project progresses. These include:

4.2.1. Senior management need to ensure that this Project does not result in them being distracted from other areas of the business

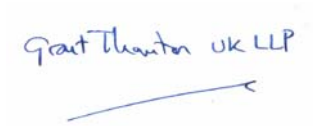
4.2.2. A risk of being focussed on addressing the issues noted in the Grant Thornton report, rather than establishing plans to achieve desired end outcomes

4.2.3. Risks given the change in structure under OD. These include level of resource and lack of clarity of roles and responsibilities. We note the importance to the Project's delivery of actions planned over the coming six months

4.2.4. Scope creep with further extensions of time. It will be important to ensure that there is a smooth transition from the Project to the embedding of the new systems in the "business as usual" functions

4.3 We thank you for the co-operation we have received from NRW in undertaking this further work.

Yours sincerely

A handwritten signature in blue ink that reads "Grant Thornton UK LLP". Below the signature is a horizontal line that ends in an arrowhead pointing to the right.

GRANT THORNTON UK LLP

Schedule One – Summary of actions taken to date and planned actions

(i) Contract governance

Area	Action taken	Planned actions
Policies and procedures	<p>Version three of the timber sales governance standards was issued on 1 May 2019. Version four of the document was issued on 1 July 2019. Version three sets out many policies and procedures including but not limited to best practices of working, premarket engagement to improve sales planning and clear responsibilities of roles of NRW staff.</p> <p>Timber sales qualification forms are to be completed by all customers before being allowed to bid.</p> <p>Improved communication within NRW on the wider issues highlighted in the initial Grant Thornton report and the resulting changes to policies and process, has ensured greater awareness of the increased governance requirements across the timber sales team and the wider organisation.</p> <p>Communications have improved with the timber trade to include: meetings with Confor and NRW senior staff; trade liaison meetings; consultation on changes; bi-monthly newsletters; face to face meetings with customers and improved response times. This has resulted in improved transparency and visibility of new processes and ways of working and is resulting in ensuring acceptance of the new approach, for example terms and conditions and pre-qualification.</p>	<p>Mandatory training of all staff is planned by the end of November 2019 to embed the new ways of working.</p> <p>Intranet pages are to be published, regular Timber Sales and Harvesting Managers meetings are continuing and guidance for staff and training on contract management is being developed.</p>
Contract terms	<p>NRW has undertaken a review of the contract terms and has liaised with the industry with the main aim of NRW having more control over contracts and being able to terminate poorly performing contracts. The timber sales governance standards version three requires that NRW's legal terms and conditions of contract cannot be amended and if specific contract clauses are needed these must be taken from a dedicated suite of clauses and not drafted at the contract manager's discretion.</p>	<p>The new terms will be issued in advance of the September e-sales. Consultation has taken place with both staff and trade and training sessions and further guidance is being developed to strengthen the contract management approach to all contracts.</p> <p>The contract suite of clauses is planned to be reviewed twice a year by the Head of Sales and should Harvest Contract Managers have a requirement to add a new contract clause, they must obtain the agreement of the Head of Sales before it can be added.</p>
Standing Sales Plus (SS+)	<p>As stated in the Grant Thornton report, no new SS+ contracts have been let. NRW has undertaken a detailed review to determine the status of each SS+ contracts.</p>	<p>NRW is negotiating an exit from the SS+ contracts.</p>

Timber marketing package (TMP)	A project plan has been devised with phases - TMP one to five. TMP phases one to three address the Grant Thornton report and four to five address the backlog of system issues and lower priority changes which would be desirable to be made.	TMP one to three is planned to be completed by the end of September 2019. This will include the implementation of an automated process to ensure authorisation is in accordance with the Financial Scheme of Delegation. TMP four to five is planned to be completed by the end of June 2020.
Long term contracts (LTCs)	Internal audit has completed a review of all LTCs. It was discovered that there are six LTCs and not the two stated to Grant Thornton.	Completion of existing LTCs is to be closely monitored. In due course NRW will determine the extent to which new LTCs should be entered into.
Contract monitoring	<p>An improved authorisation process has been implemented. This includes segregation of duties in monitoring of contract volumes with a manual authorisation process in place for contracts approaching volume and time thresholds. Contract authorisation limits are now on a cumulative basis rather than the value of the amendment alone.</p> <p>Monthly reports are being issued to contract managers to allow them to monitor contract progress more effectively.</p>	Increased use of automated authorisation process through the development of TMP. In addition, the use of Power BI to prepare reports for the team and senior management highlighting the profile of sales and key contract information. A portal is to be introduced to hold copies of all commercial contracts to improve visibility.
Evidencing decisions	Expectations are set out in the timber sales governance standards document.	Mandatory training will help embed the requirement to evidence decisions. Also, there is a pre-sales narrative which is required to be completed when setting up a sale event to evidence decisions made regarding the way in which each area will be offered for sale.

(ii) Finance

Area	Action taken	Planned actions
Budget	Work has been undertaken within the business to ensure that more detail-based budgets for restocking and civil works will be in operation by the place-based budget deadline of 12 July.	Initial detailed budgets will be reviewed and refined with the new budget managers and any areas of estimation replaced with fully costed detail-based budgets. This second iteration will be in place by September 2019, alongside detailed budgets for harvesting and marketing.
Timber income and expenditure account	Progress has been made in transferring the existing timber income and expenditure report to the new cost centre structure and adding place-based reports for each of the new operations areas. Narrative commentary has already been embedded into the reports.	Place based reports will be produced from July 2019 month end and will be issued to budget managers and the Land Stewardship and Commercial Business Boards. KPIs summarising key data from the income and expenditure report will be added to the monthly Executive Team financial management information report.
Lower level reporting	The scope for short term detailed reporting has been assessed and the capabilities of Power BI reviewed. An initial set of new reports has been introduced.	Coupe and contract level reporting will be linked to existing Power BI reports to cover income and costs recorded at contract level. Further work will continue of assessing the potential to allocate staff and other non-staff costs once the new operational structure is fully implemented.

(iii) Organisational governance

Area	Action taken	Planned actions
ARAC	An initial review of how ARAC carries out its business is resulting in strengthening focus on risk management, internal audit recommendations and the role of ARAC. There has been a new Chair of ARAC and membership changes.	ARAC plan to carry out an effectiveness review during July 2019. ARAC terms of reference are being reviewed as part of a wider governance review of the Board.
Role of internal audit	Additional internal audit reviews were carried out in timber areas during 2018/19. There has been a re-focus of Internal Audit on a more 'traditional' internal audit role and agreement of the 2019/20 audit plan.	Ongoing discussions are planned to ensure that critical areas and emerging risks are covered by the 2019/20 Internal Audit plan.

(iv) Other organisational aspects

Area	Action taken	Planned actions
Interaction of teams within forestry	Guidance has been issued about across department working and the new OD structures implemented on 1st July will ensure greater integration across previously dispersed teams.	Mandatory training of all staff is planned by the end of November 2019 to embed the new ways of working.
Interaction with legal	<p>The timber sales governance standards document version three states the need to commission all legal advice through the legal team. There is a gateway process for all legal advice which is controlled and monitored by the internal legal team. A commercial lawyer has been brought into the Project to add additional robustness and legal clarity in the short to medium term.</p> <p>Additional training on state aid and public law has taken place as part of a continuous training approach.</p>	The Commercial Governance role within Timber Sales, will work closely with the legal team to ensure compliance and visibility. This will be reinforced by the wider governance role under the Head of Commercial.
Interaction with procurement	The timber sales governance standards document version three states under the procurement heading that all teams are expected to work together to ensure consistent robust governance procedures and knowledge sharing. There is also the requirement for Head of Commercial to involve procurement where any part of the sales contract includes elements of procurement such as Buy Back and Retained Timber Element.	The new commercial function, formed as a result of OD includes: Timber Sales, Business Development and Procurement. This will ensure a more transparent and robust approach to all commercial activity across NRW. It will promote the involvement of the Procurement Manager and Business Development Manager in all new activities under the overall accountability of Head of Commercial.
People	All staff now have personal development plans in place.	Mandatory training for all staff is planned by the end of the year.
Whistleblowing/ complaints process	<p>The NRW Whistle blowing policy has been reviewed and compared against best practice and other organisations (public and private). Overall it was concluded that the policy is fit for purpose, but some amendments are required. The policy review was signed off by the Executive Team.</p> <p>A review is underway to examine the process by which internal concerns are addressed.</p>	<p>As a result of the review an anonymous telephone hotline was identified as an area for improvement. The policy to include the new hotline will be launched over the summer of 2019. This includes the publishing of a landing page on the intranet for staff to assist them in guiding concerns to the right place. Awareness of this will be highlighted at the compliance and governance training starting from September 2019.</p> <p>A proposal regarding the resourcing of the investigations has been approved by Executive Team. As a result, the majority of investigations will be undertaken internally by appropriate managers. This is being developed further with the Leadership Team. Work on the whistleblowing policy review will also be taken to ARAC and the Board.</p>



2nd Progress Report for the Welsh Assembly Public Accounts Committee

Wales Audit Office Report *Radiology Services in Wales (November 2018)*

Document Information:

Document Name:	2 nd Progress Report for Public Accounts Committee - Radiology Services in Wales	
Version:	0.3	
Date: June 2019	Version: 0.4	Page: 1 of 10

Issue Date:	6 th June 2019
Status:	Draft
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Document Authors:	Jane Fitzpatrick, Rob Orford

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Amended by	Version	Status	Date	Purpose of Change
	0.1	Draft	16.05.19	Initial draft (JEF)
	0.2	Draft	31.05.19	Amendments (RO)
	0.3	Draft	06.06.19	Status of plan update (RO)
	0.4	Final	24.06.2019	Signed-off

1 Introduction

The Wales Audit Office published a report on *Radiology Services in Wales* on 8th November 2018.

<https://www.audit.wales/publication/radiology-services-wales>

The report highlighted that rising demand, difficulties with recruitment and retention of staff, outdated and insufficient scanning equipment, along with IT weaknesses are putting Radiology Services in Wales under pressure.

Despite these pressures, the report found that waiting time targets for radiology examinations were currently being met and radiology services were generally well managed.

On 26th November 2018, the Auditor General briefed the Public Accounts Committee on the report and members noted the positive trajectory within this area and agreed not to undertake an inquiry at this stage, but seek regular written updates from Welsh Government, setting out the progress being made in delivering the National Implementation Plan for Imaging. However, if delays were experienced, the Committee stated that it would want to know about these and the reasons why and requested written progress updates on:-

- 4th March 2019
- 24th June 2019
- 7 October 2019

This paper provides an update at May 2019 on the progress that has been achieved in relation to the four Wales Audit Office recommendations, contained in the report on *Radiology Services in Wales (November 2018)*, to deliver the National Implementation Plan for Imaging.

2 Recommendations contained in the report on *Radiology Services in Wales* (November 2018)

The Wales Audit Office Report on *Radiology Services in Wales* published in November 2018, identified a number of key challenges faced by health boards that required action at both local and national level. Since the national challenges aligned to the actions set out in the *Welsh Government: Statement of Intent for Imaging (March 2018)*, the Wales Audit Office did not see value in repeating those actions in the form of recommendations in its report.

The following extract from the Report on *Radiology Services in Wales* highlights the four key recommendations from the Wales Audit Office.

<i>The National challenges facing radiology services across Wales are reflected in the Imaging Statement of Intent and appropriate action has been identified. However delivery against these actions is reliant on a timely imaging implementation plan being developed and acted upon.</i>	
Recommendation 1	<i>The Welsh Government, through the Imaging Taskforce, should ensure that the national implementation plan addresses each of the actions set out in the Imaging Statement of Intent and the key challenges highlighted in this report.</i>
Recommendation 2	<i>The national implementation plan should include clear implementation dates to deliver action in the short to medium term, with clearly identified accountabilities for delivery.</i>
Recommendation 3	<i>The Welsh Government should properly cost the implementation plan and ensure that the necessary resources are in place to support delivery.</i>
Recommendation 4	<i>The Welsh Government should ensure the necessary</i>

	<i>arrangements are put in place to monitor delivery of the national implementation plan.</i>
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3 Progress against recommendations

3.1 Recommendation 1 - *The Welsh Government, through the Imaging Taskforce, should ensure that the national implementation plan addresses each of the actions set out in the Imaging Statement of Intent and the key challenges highlighted in this report.*

Good progress has been made in developing a high level Imaging Implementation Plan to deliver the actions identified in the *Imaging Statement of Intent*.

Governance arrangements for the delivery of the Imaging Plan have been developed and are provided in Appendix 1.

The following four sub-groups have been established to lead on the actions identified against the eight priority areas included in the *Imaging Statement of Intent* and the key challenges highlighted in the Wales Audit Office Report on *Radiology Services in Wales*:-

- Workforce and Education
- Quality, Safety & User Experience
- Strategic Resource Planning
- Informatics, Information & Business Intelligence

Leads have been identified or recruited for three of these areas. The advert for a Quality, Safety & User Experience lead will be placed in June 2019.

The Strategic Resource Planning sub group has established projects and clinical/ project leads for the following service areas and work is currently being undertaken to develop sustainable service models for the future:-

- Multiparametric MRI – to support the NICE guideline; Prostate Cancer: diagnosis and management.
- Breast Radiology & MRI for High Risk Women – to support the further development of a symptomatic and screening Breast Radiology Service for Wales.
- Paediatric Radiology – development of the service model for a 24/7 service.
- PET-CT – development of a Strategic Outline Business case for PET-CT in Wales.

The sub group leads are currently working with a range of stakeholders to clarify and confirm the necessary actions required to deliver the agreed objectives.

The Strategic Programme Unit (NHS Health Collaborative) is working closely with Health Education & Improvement Wales, Welsh Health Specialist Services Committee and NHS Wales Executive Directors of Planning and other key stakeholders to support delivery of the plan.

3.2 Recommendation 2 - The national implementation plan should include clear implementation dates to deliver action in the short to medium term, with clearly identified accountabilities for delivery.

The formal leads, for each of the sub-groups are leading on the actions identified against the eight priority areas included in the *Imaging Statement of Intent* and the key challenges highlighted in the Wales Audit Office Report on *Radiology Services in Wales*.

A draft implementation plan has been produced by the Strategic Programme Unit and shared with Welsh Government and the programme SRO. The plan details target dates for delivery, resource allocation, accountable delivery groups, milestones, deliverables, benefits and outcomes for NHS Wales. Welsh

Government will now scrutinise the draft plan to ensure that it is fit-for-purpose, cost effective and addresses the recommendations within the WAO report and Imaging Statement of Intent.

3.3 Recommendation 3 – *The Welsh Government should properly cost the implementation plan and ensure that the necessary resources are in place to support delivery.*

The draft Imaging Implementation Plan identifies resources required to deliver the actions identified in Statement of Intent for Imaging.

A Draft Resource Management Strategy has been developed, that identified the additional resources required to support the programme of work.

Further work will be necessary to understand the investment that will be required to support the delivery of sustainable imaging service models into the future (e.g. Strategic Programme Business Cases and subsequent Outline Business Cases for PET-CT, or costs associated with re-procuring imaging informatics systems).

As an example of how this work will be supported, a Senior Programme Manager position has been identified for the Welsh Health Specialist Service Commission to lead the development of a Strategic Outline Business Case for the development of PET-CT in Wales. The programme manager will also develop the case to support the development of a 24/7 Paediatric Radiology service for NHS Wales.

Discussions are also ongoing in relation to the Single Cancer Pathway development, to identify the resources required to support the development of additional diagnostic imaging capacity across NHS Wales.

Prior to approval, national imaging programme costs will be scrutinised by Welsh Government to ensure that resource allocation is proportionate to the level of activity required to achieve the desired outcome.

3.4 Recommendation 4 – *The Welsh Government should ensure the necessary arrangements are put in place to monitor delivery of the national implementation plan.*

Appendix 1 provides details on the governance and accountability mechanism to deliver the actions identified in the *Imaging Statement of Intent* and the National Imaging Programme Strategy Board will be accountable for monitoring the delivery of the Strategic Imaging Implementation Plan and this is also supported by clear Terms of Reference, where appropriate.

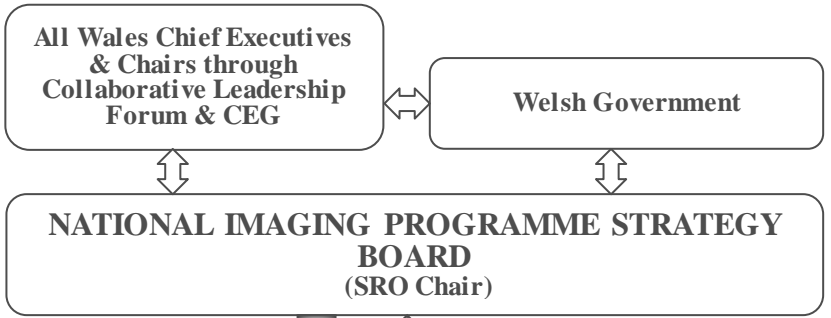
Appendix 1 also highlights the main role that stakeholders will undertake in the supporting the delivery of the Strategic Imaging Implementation Plan, which will focus on advising, enabling and delivering key objectives.

4 Conclusion

Since the report that was submitted in March 2019, good progress has been made against the key priority areas and the governance and accountability mechanisms that have been established will provide assurance in relation to the delivery of the Imaging Implementation Plan.

A draft imaging implementation plan has been shared and will be scrutinised by Welsh Government in the coming weeks to ensure that: it is aligned with the priorities described within the Recommendation within the WAO Report on Radiology Services, the Statement of Intent for Imaging and other overarching Welsh Government priorities (e.g. single cancer pathway); it has clear timelines, objectives, milestones and deliverables; it describes a robust governance framework for evaluating progress, decision making, risk management and providing assurance to Welsh Government and NHS Wales; and that there is a clear and rational link with the resources identified for each work-stream. Once the plan has been agreed by Welsh Government and shared with Welsh Audit Office we would seek agreement from Public Accounts Committee that recommendations have been completed.

Members of the Public Accounts Committee are asked to note the progress outlined in this report and will receive a further report on 7th October 2



Supported by the Strategic Programme Office



SUB-GROUPS
Programme and Project Mgt
Risks and Issues

- CVUHB
- CUHB
- TMUHB
- UHB
- BUHB
- IDUHB
- owys
- PHW
- Velin
- WAST

- National Clinical Imaging Reference Group (NCIRG)
- All Wales Cancer Network
- Welsh Scientific Advisory Committee (WSAC)
All Wales PET Advisory Group (Accountable to WSAC)
- Medical Imaging Sub-Committee
- Royal College of Radiologists & Society of Radiographers

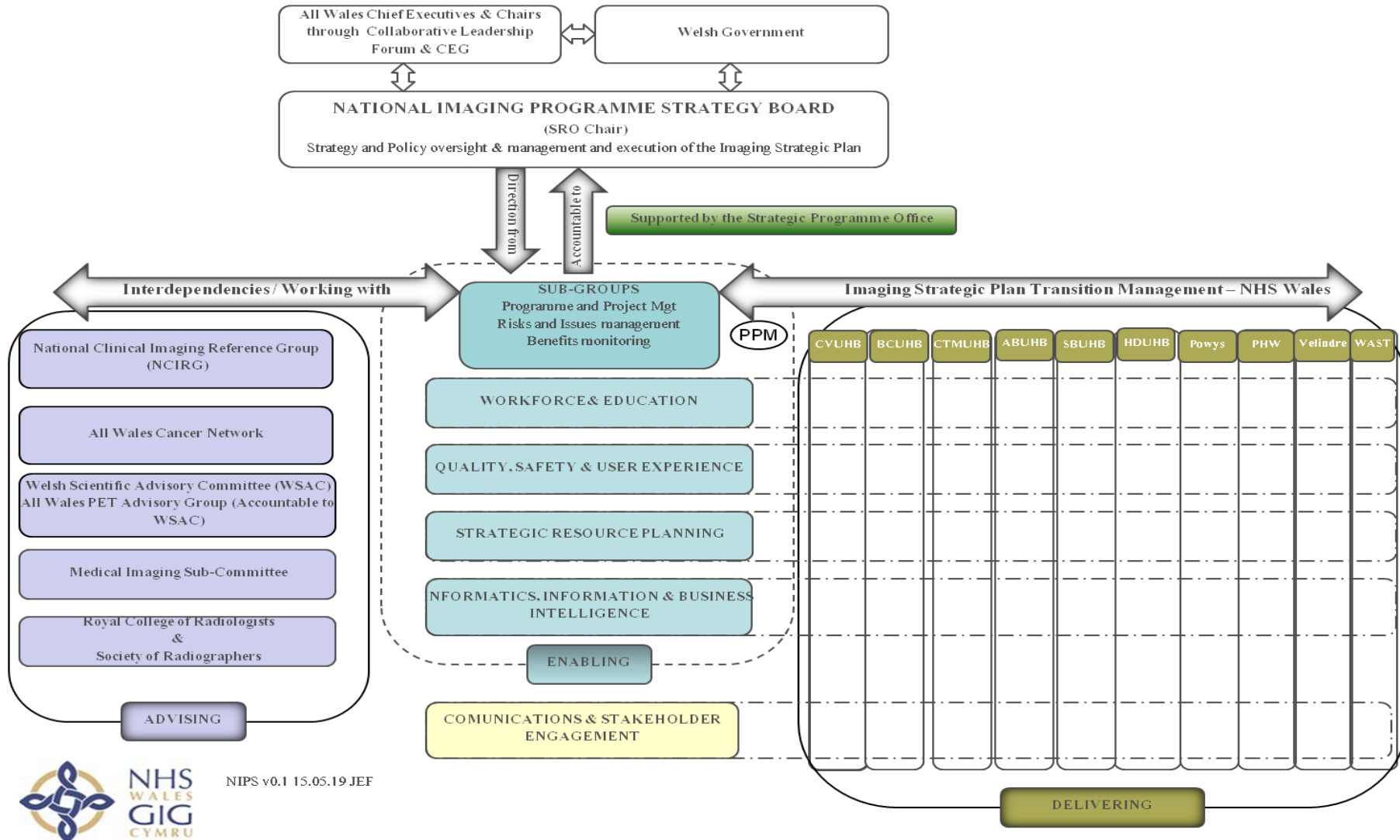
- WORKFORCE & EDUCATION
- QUALITY, SAFETY & USER EXPERIENCE
- STRATEGIC RESOURCE PLANNING
- INFORMATICS, INFORMATION & BUSINESS INTELLIGENCE
- ENABLING
- COMMUNICATIONS & STAKEHOLDER ENGAGEMENT

ADVISING

DELIVERING



Appendix 1 Proposed Governance Arrangements for the National Imaging Programme (0.1 Draft)



Pack Page 20



NHS
WALES
GIG
CYMRU

NIPS v0.1 15.05.19 JEF

Mr N Ramsay
Chair, Public Accounts Committee
National Assembly for Wales
Cardiff Bay
CF99 1NA

16 July 2019

Dear Mr Ramsay,

PAC SCRUTINY OF ACCOUNTS 2017-18

Further to my letter dated 30 April 2019 in connection with the above report, I agreed to provide further information on the following recommendations:

Recommendation 1

The Committee recommends that the Welsh Government takes the necessary measures to prevent any recurrence of officials refusing to provide information to the Public Accounts Committee (in confidence if need be) on the supposed grounds that they cannot legally do so (and in flagrant contravention of A4.12.11 of Managing Welsh Public Money.

As I said in my initial response, I entirely share the view of the Committee that the Welsh Government and its arms-length bodies should be as open and transparent as possible in their accounts and with the Committee itself. I am very aware of the specific responsibility upon myself as Principal Accounting Officer for the Welsh Government, and upon other appointed Accounting Officers, to assist the Committee in its work. I think that the arrangement which we arrived at in relation to details of guarantees given to companies included in the contingent liabilities note, by addressing concerns through a closed session, worked well. I hope that the Committee found it helpful and that we can continue with such arrangements in future where appropriate.

I also appreciate the concerns of the Committee about the need for as full a disclosure as possible in relation to severance payments. I will write to all the Welsh Government arms-length bodies to remind them that such agreements should not be matter of

course, and all endeavours should be made for disclosure; that where the use of such agreements is necessary on legal advice, that legal advice is obtained to ensure disclosures are made as far as possible; and that, as we did in relation to contingent liabilities, where there are obstacles to public disclosure that they can offer to the Committee a closed session to discuss such agreements, to enable the Committee to exercise its scrutiny role properly. I will be sending this letter shortly and I will provide the Committee with a copy of the letter.

Recommendation 28

The Committee recommends the Welsh Government explains fully how it will gain documented assurances for those matters previously reported through the 'calling in procedure'.

- a) For 2019/20 we have agreed with the First Minister transitional arrangements to provide assurance to him and the Permanent Secretary that the removal of the calling-in procedures with Arms-length bodies does not pose an unacceptable risk to the Welsh Government or the effective delivery of the Government's Programme. These are interim arrangements to provide the Welsh Government with baseline data by which it can assess the volume of issues where responsibility is being transferred and to be sighted on the approach each body is taking to the new arrangements.
- b) The intention of the transitional arrangements is to keep the Welsh Government informed of how the new process is working in practice, rather than the continuation of a mechanism for approval by the Welsh Government. The Welsh Government will still have the power to intervene in decisions where they have concerns.
- c) We have agreed with the First Minister that for this year we will put in place **Approval, Pre-notification** and **Notification** arrangements for decisions previously the subject of these calling-in arrangements. These are set out in Annex A to this letter.
- d) Accounting Officers in Public Bodies will be wholly accountable for the decisions requiring pre-notification and notification to the Welsh Government. Officials within the Welsh Government may give advice on issues it has been notified about, but it is ultimately for the Chief Executive to take the decision. The exception will be the decisions requiring approval, where the Welsh Government will be responsible and accountable for the decision.
- e) The Public Bodies Unit continues to engage with Public Leaders, Sponsors and other stakeholders e.g. Wales Audit Office, as we are refining our approach and will continue to do so during these transitional arrangements. The Public Bodies Unit will prepare a lessons learned report at the end of December 2019 so I may form a view on the efficiency and effectiveness of these new arrangements. I will



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share the report and my conclusions with the Committee.

I will provide a response on the other recommendations requiring actions nearer to the agreed dates.

Yours,


Shan Morgan
Ysgrifennydd Parhaol/ Permanent Secretary
Llywodraeth Cymru/ Welsh Government



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Public Bodies Calling-in Procedures – Approval, Pre-notification and Notification Assurance Arrangements

Table A Approvals

Decision	Approval
Appointment of Chief Executive	Additional Accounting Officer Minister
Term of Government Business Plan	Minister
Redundancy arrangements based on the Civil Service Compensation Scheme (bodies with Civil Service Pension)	Welsh Government Head of Pay and Remuneration who will seek advice of the Minister as appropriate.
<p>For Public Bodies classified as central Government organisations for accounting purposes:</p> <ul style="list-style-type: none"> a) Cash carry-over in year in excess of 4% of total annual gross budget b) Cash carry-over end of year in excess of 2% of total gross annual budget c) Establishing new subsidiary companies/joint ventures d) Any borrowing, lending, grants, guarantees, indemnities or investment related to public money e) Retention of receipts over and above set out in remit letter. <p>Any decision set out in legislation as requiring consent of Welsh Ministers e.g. GOWA Section 83; The Natural Resources Body for Wales (Establishment) Order 2012 etc</p>	Welsh Government Finance Director or Minister, as appropriate



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Table B Pre-notification Arrangements

CEOs should notify their sponsor of any proposed decisions falling under the following categories as and when they arise. These decisions should also form part of a 'stocktake' discussion at quarterly monitoring meetings:

Decision	Pre-notification Action	Further Advice
Novel, contentious or repercussive proposals in line with Managing Welsh Public Money, including special severance payments	Sponsor, in conjunction with the appropriate policy teams, to prepare advice to discuss with Public Bodies Unit who will seek written advice of the Corporate Governance Centre of Excellence	Minister, as appropriate
Policy or practice change that has wide financial implications	Sponsor to prepare advice to Head of Budgetary Control copied to Public Bodies Unit	Minister, as appropriate
Staff remuneration & terms and conditions	Sponsor to submit proposed pay remit to Head of Pay and Remuneration, Public Bodies Unit	Ministerial approval required for changes falling outside WG pay principles
Anything that might affect the future level of resources required	Sponsor to consider	Welsh Government Finance Director, as appropriate

Table C Notification Arrangements

During the transition period, CEOs should notify sponsors at their quarterly monitoring meetings of decisions they have made or are likely to make in the next quarter that would previously have been referred to the Welsh Government.



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Agenda Item 2.4

21st Report of the Financial Reporting Advisory Board

Report for the period
April 2017 to March 2018

HC 1844

SG/2019/2

21st Report of the Financial Reporting Advisory Board: April 2017 to March 2018

Presented to the House of Commons pursuant to Section 24(4) of the Government Resources and Accounts Act 2000

Laid before the Northern Ireland Assembly under Section 20(3) of the Government Resources and Accounts Act (Northern Ireland) 2001 by the Department of Finance

The report is laid before the Scottish Parliament and presented to the Audit and Finance Committees of the Scottish Parliament by agreement with the Scottish Ministers

The report is submitted to the Public Accounts Committee of the National Assembly for Wales by the Welsh Assembly Government

Ordered by the House of Commons to be printed on 24 January 2019



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Foreword

I would like to start by paying tribute to the members of the Board and the Treasury staff who support it. They are a high-quality group of people and have provided advice and support throughout the year across a range of complex issues. This has reinforced the importance of the FRAB in the scrutiny of Treasury proposals and accountability to Parliament for changes to the financial reporting framework. This year has seen considerable progress on adopting new accounting standards. Major updates on financial instruments and revenue have been successfully implemented, while work on the new leasing standard continues. This will require a major effort across the public sector to manage the impact of this substantial change, including aligning proposals across different sectors to ensure consistency and comparability.

The UK Government has a strong financial reporting system in place and is widely regarded as an international leader in this area. As I noted in my previous report, the financial statements are helpful documents to aid government decision-making and the wider management of the public finances. This remains a challenge for the Treasury, although I note the advances made in using the Whole of Government Accounts for this purpose and welcome the work of the Balance Sheet Review project.

There are challenges and opportunities ahead for the Board. The significant standard changes are now implemented or in progress so focus at the international level is shifting to the narrative reporting and how to explain the numbers. This is a key enabler to making the reports easier to understand for users and I look forward to working with the Treasury in the coming year on this and other areas of financial reporting policy.

Once again, I would like to thank the Treasury staff and the Board for their work.

Chapter 1

Introduction

Background to the Financial Reporting Advisory Board

- 1.1 The Financial Reporting Advisory Board (the Board) is an independent body fulfilling the statutory role as the 'group of persons who appear to the Treasury to be appropriate to advise on financial reporting principles and standards' for government, as required by the Government Resources and Accounts Act 2000.¹
- 1.2 The Board acts as an independent element in the process of setting accounting standards for government and exists to promote the highest possible standards in financial reporting by government. In doing so, the Board seeks to ensure that any adaptations of, or departures from, Generally Accepted Accounting Practice (GAAP) in the public sector context are justifiable and appropriate.
- 1.3 The Board's focus is on examining proposals for amending current, or implementing new, accounting policies in the accounting guidance for central government departments, executive agencies, non-departmental public bodies and trading funds, and for examining the proposals for accounting guidance for local authorities. The Board also advises HM Treasury on the implementation of accounting policies specific to Whole of Government Accounts (WGA).
- 1.4 Further information about the Board (including: membership, Terms of Reference, meeting minutes and papers) is available on the gov.uk website.²

Background of the FRAB report

- 1.5 In accordance with its Terms of Reference, the Board has a responsibility to prepare an annual report of its activities, including its views on the changes made to accounting guidance within the Board's remit.
- 1.6 The Board is required to send a copy of its report direct to the Public Accounts Committee and the Treasury Select Committee of the UK Parliament, to the Welsh Government, the Scottish Ministers and the Department of Finance (Northern Ireland).
- 1.7 HM Treasury, the Scottish Ministers, and the Department of Finance (Northern Ireland) formally lay the Board's report before (respectively) the

¹ <http://www.legislation.gov.uk/ukpga/2000/20/section/24>

² <https://www.gov.uk/government/policy-advisory-groups/financial-reporting-advisory-board-frab>

House of Commons, the Scottish Parliament, and the Northern Ireland Assembly. The Welsh Government submits the report to the Public Accounts Committee of the National Assembly for Wales.

1.8 This is the Board's 21st report.

Box 1.A: Representatives include the following organisations who are members or observers to the Board



Chapter 2

Financial Reporting Advisory Board membership during 2017-18

Chair: Ian Mackintosh, Independent member

Independent/ External members:

Anthony Appleton

Andrew Buchanan

Ron Hodges (until Mar 18)

Veronica Poole (until Mar 18)

Preparers/ Users:

Bob Branson (until Mar 18)

Gareth Caller

Ruth Elliot (until Feb 18)

David Hobbs (until Nov 17)

Joseph McLachlan

Bob Richards (from Nov 17)

Ian Webber

Auditors:

David Aldous

Karl Havers

Russel Frith (until Nov 17)

Fiona Kordiak (from Mar 18)

Relevant Authorities:

Andrew Baigent (until June 17)

Ian Bulmer (from Nov 17)

Gawain Evans

Joanne McBurney

Vicky Rock (until June 17)

Alison Scott (until Dec 17)

Christopher Young (from Nov 17)

Aileen Wright

Parliamentary Observer:

Craig Mackinlay MP

The following members have joined the Board post March 2018:

Richard Barker

Pam Beadman

Iain King

Andrea Pryde

Ian Ratcliffe

Stuart Stevenson

Sarah Sheen

Chapter 3

Summary of Board activities in 2017-18



Accounting Standards

- Overseeing the IFRS 9 *Financial Instruments* implementation plan
- Overseeing the IFRS 15 *Revenue from Contracts with Customers* implementation plan
- Providing advice to the Relevant Authorities on implementation of the new standards
- Scrutinising the IFRS 16 *Leases* implementation plan across the public sector



Public Sector Reporting Landscape

- Monitoring of key developments in the use of non-financial reporting
- Monitoring of the government's work to improve capability across the finance function
- Receiving updates on the Conceptual Framework and IFRIC
- Receiving international financial reporting updates
- Receiving updates on two recent Parliamentary Select Committee enquiries



Developments from HM Treasury

- Agreeing a change in the discount rate methodology for discounting general provisions with application from 2018-19
- Receiving updates on the public sector balance sheet review project and contingent liabilities approvals framework
- Making recommendations on the form and content of the Whole of Government Accounts 2015-16
- Agreeing both the 2017-18 and 2018-19 FReM



Other Relevant Authorities

- Approving relevant financial reporting guidance
- Recommending consistency across the public sector
- Advising on the treatment of the Apprenticeship Levy in financial statements
- Discussed the requirements for the annual account to the Scottish Parliament of Devolved Taxes



National Audit Office

- Receiving an NAO report on the 2016-17 accounts preparation cycle
- Noting the value of the NAO's perspective on the quality of financial reporting



Governance and Future Work

- Agreeing revised Terms of Reference
- Agreeing a forward agenda to ensure future developments are tracked
- Monitoring changes in the relevant national and international financial reporting environments
- Overseeing proposed changes due to the PACAC report recommendations

Chapter 4

Board activities in 2017-18

Introduction

- 4.1 This chapter describes the developments in financial reporting in the public sector, both new and continuing, which were considered by the Board during 2017-18. Papers and minutes from those meetings are available on the gov.uk website.¹
- 4.2 In addition to continuing work on known developments in financial reporting, the Board monitors international developments in accounting standards which may have implications for public sector financial reporting in the United Kingdom and in which the Board has an interest. These include consultation documents issued by the International Accounting Standards Board (IASB), the International Financial Reporting Standards (IFRS) Interpretations Committee (IFRIC) and the International Public Sector Accounting Standards Board (IPSASB).
- 4.3 This chapter also highlights the key work HM Treasury and other Relevant Authorities² have undertaken in their role as the financial reporting standard setters for central government and the rest of the public sector.
- 4.4 The Board's future work on accounting standards will include considering the public sector implications of new standards on leases and insurance contracts and active monitoring of the International Public Sector Accounting Standards (IPSAS).

Accounting Standards

- 4.5 Any changes to accounting standards undergo a comprehensive process from the first announcement by the IASB to the final adoption of the standard by the public sector. It is important that the effect on the financial statements of public sector bodies due to new accountancy standards is carefully considered. The Board plays a major part of this process, reviewing all stages of the implementation project including the potential need for specific public sector adaptations and interpretations, and making recommendations as to what format they should take.
- 4.6 Over the period of this report, the Board has overseen the final preparations for the introduction of 2 new accounting standards – IFRS 9 *Financial*

¹ <https://www.gov.uk/government/collections/hmt-financial-reporting-advisory-board-minutes>

² Relevant Authorities are set out in the Terms of Reference and consist of HM Treasury, Department of Health and Social Care, NHS Improvement, the Executive Committee of the Northern Ireland Assembly, Scottish Government, Welsh Government and CIPFA.

Instruments and IFRS 15 *Revenue from Contracts with Customers*³, and have been heavily involved in the on-going implementation process for IFRS 16 *Leases*.

IFRS 9 – Financial Instruments

- 4.7 The introduction of this new standard in the public sector from 1st April 2018 followed a 4-year implementation plan which the Board had close oversight of throughout. The Board provided expert opinion on the proposed application of the standard as well as ensuring the adaptations and interpretations of the standard for the public sector were appropriate and fit for purpose.
- 4.8 The Board focused on ensuring the application guidance was clearly written, to reduce opportunity for misinterpretation of the guidance, including clarity around possible exemptions of certain bodies from part of the 3-stage expected credit loss model. The detailed application guidance to support implementation was agreed by the Board before publication by HM Treasury in December 2017⁴.

IFRS 15 – Revenue from Contracts with Customers

- 4.9 IFRS 15 followed a similar implementation project plan and timetable to IFRS 9 and, was again, closely monitored by the Board. After some debate, the Board agreed the public sector interpretations and adaptations of IFRS 15, to ensure consistency of revenue recognition and improvement in the usefulness of the financial statements. Further details of the adaptations and interpretations to the standard can be found in the application guidance⁵.
- 4.10 The Board monitored the implementation process throughout the year, receiving regular updates from the Relevant Authorities. The Board paid significant attention to the content of the application guidance and made specific recommendations. These included suggesting that the guidance should emphasise the importance of applying materiality when considering relevant disclosures, to ensure that the extensive disclosure requirements of IFRS 15 would not be too burdensome to public sector bodies. After the Board's agreement, the final application guidance was issued in December 2017.

IFRS 16 – Leases

- 4.11 A key priority for the Board is to ensure that the IFRS 16 *Leases* standard is implemented appropriately. The standard is applicable for reporting periods beginning on or after 1 January 2019, so the implementation project will run further than the period covered by this report. Oversight of the

³ IFRS 9 and IFRS 15 will be adopted by the public sector on 1st April 2018

⁴

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/669332/IFRS_9_Financial_Instruments_-_public_sector_application_guidance_Decem....pdf

⁵

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/669334/IFRS_15_Application_Guidance.pdf

implementation project has taken a considerable amount of the Board's attention during the year.

- 4.12 The Board retained oversight of the implementation plan for IFRS 16, including receiving a summary of the decisions and initial conclusions of the HM Treasury technical working group. The Board noted the 3 areas where interpretations to IFRS 16 are being considered:
- all short-term leases should be exempt from applying IFRS 16
 - clarifying the definition of a contract where there is no enforceability in Crown-to-Crown agreements
 - mandating the choice of certain options available on transition
- 4.13 The Board discussed the implications of these potential interpretations, agreeing that it would be appropriate to mandate the exemption for short-term leases in the public sector to maintain consistency, as well as that the revised definition of a contract should be included as a legitimate public sector interpretation. The Board recommended that the Financial Reporting Manual (FRM) should not specify a monetary value for which assets would be determined as low value but that instead, HM Treasury could offer some guidance to assist preparers.
- 4.14 The Board scrutinised the responses from the initial impact assessment, undertaken across August and September 2017. Whilst the responses identified some 55,000 leases in central government and 75,000 in the public sector as a whole, the Board stated it believed this was an understatement of the number of leases across the whole of government and expected this number to increase as departments undertake more work on the implementation of IFRS 16.
- 4.15 The Board made several recommendations to improve and focus attention on the initial Exposure Draft before it was issued in the summer of 2018.
- 4.16 The potential misalignment on the recognition of leases between IFRS 16 and European System of Accounts 2010 (ESA 10) is the most significant since the adoption of IFRS, and will influence transition arrangements as well as accounting policy choices. The Board paid close attention to this issue and recognises the importance of maintaining the Clear Line of Sight principal where ever possible. The Board appreciated this potential misalignment would go against this principal of consistent reporting across budgets and National Accounts, and therefore received updates from the Office for National Statistics (ONS) and HM Treasury during the year on efforts to find a resolution. The ONS informed the Board that it will continue to assess this divergence, with a view to address the alignment challenge during 2018.
- 4.17 The Board highlighted to the Relevant Authorities the importance of the public sector implementing accounting standards in line with the IASB timetable, but also showed an understanding that the above misalignment issue was public sector specific. The Board has therefore requested to continue to receive regular updates on the above potential misalignment in the coming year, including an update on the action plan from the ONS and HM Treasury on how they intend to reach a conclusion. The Board requested

this action plan includes a timeframe which would specifically highlight any proposed delay in implementation.

- 4.18 The Board stressed to all Relevant Authorities the importance of a unified approach to adaptation across the public sector and provided challenge to those areas where divergences between central and local government accounting could arise. The Board encouraged the Relevant Authorities to work together closely to minimise the risk of divergence and requested that if any divergence was to be proposed, that the Relevant Authority would provide the Board with a strong argument of rationale to do so.
- 4.19 The Board will continue to consider further proposed adaptations for the public sector as a result of continuing consultations and working group discussions.

Public Sector Reporting Landscape

- 4.20 The breadth of expertise across the Board allows best practice in the private sector to inform application in the public sector. There have been a number of developments in the financial reporting landscape over the 2017-18 financial year and the Board places high importance in maintaining its awareness of them and the implications on the public sector reporting landscape. The Board actively continues to be involved in discussions about changes that are or could affect the way public sector financial reporting operates.

Non-financial reporting

- 4.21 Non-financial reporting regulations are important in the public sector. There are a number of different government documents that cover the requirements set by the Non-Financial Reporting Regulations. Some of these the Board has no oversight of, for example, Single Departmental Plans (SDPs) and Public Expenditure System guidance but others fall under the remit of the Board, for example the FReM.
- 4.22 There have been several developments during the year to enhance non-financial reporting in the public sector. The Board agreed the key elements of the Non-Financial Reporting Regulations⁶ and the Financial Reporting Council (FRC) Guidance on the Strategic Report⁷ that are reflected in the 2017-18 FReM to maintain alignment of public sector reporting with best practice in the private sector.

Capability across government

- 4.23 The Board noted the work underway to improve financial capability across government and that the Comptroller and Auditor General (C&AG) had raised some concerns about capability within the Government Finance Function.

⁶ Introduced for periods beginning on or after 1 January 2017, for entities with a Public Interest, with over 500 employees, as result of EU Directive (2014/95/EU)

⁷ <https://www.frc.org.uk/getattachment/fb05dd7b-c76c-424e-9daf-4293c9fa2d6a/Guidance-on-the-Strategic-Report-31-7-18.pdf>

- 4.24 The Board sought assurance from HM Treasury that it is providing ongoing assistance to departments on the introduction of IFRS 9 and IFRS 15, which had been identified as particular areas of concern. Support is being provided to improve the quality of financial reporting and guidance has been issued on the application of the new standards. There has been extensive departmental engagement through technical working groups, professional training and workshops.
- 4.25 HM Treasury also informed the Board of the programme of work the Government Finance Function is undertaking to actively build financial management capability across government, ensuring that the right resources with the necessary skills are allocated effectively. The recently created Technical Accounting Centre of Excellence, will form a key role in supporting departments and providing high quality advice and understanding of financial reporting across government. The Board welcomed these actions to address the areas of concern and will monitor how this develops in forthcoming periods.

Conceptual Framework

- 4.26 Before the revised Conceptual Framework was published by the IASB in March 2018, the Board received an update covering the main points that were revised.⁸
- 4.27 The Board is aware that this revised Conceptual Framework will have implications on public sector financial reporting in the future. Therefore, the Board will keep sight of updates and implications by including the Conceptual Framework on its forward agenda, so the Board is able to consider any proposed changes to public sector reporting guidance that may arise in the future.
- 4.28 The Board also discussed a review of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* in line with the new Conceptual Framework, IFRS 3 *Business Combinations* and its relevance to the public sector and the implementation of IFRS 15.

IFRIC update

- 4.29 During the year, the Board received updates on the outcomes of the meetings of the IFRS Interpretations Committee (IFRIC). These updates included the decisions finalised by the Committee, new IFRIC interpretations currently being reviewed by the European Financial Reporting Advisory Group (EFRAG) and other related matters (such as the Committee's work in progress).
- 4.30 The Board agreed the updates received were very helpful in assisting the Board with keeping abreast of changes occurring in the international financial reporting landscape, especially those that could impact the United Kingdom public sector financial reporting landscape. Due to the importance

8

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/718024/FRAB_132_07_Conceptual_Framework.pdf

the Board has placed on these updates, the Board added the IFRIC updates as a regular item on its forward agenda.

International update

- 4.31 The Board received updates on International Financial Reporting Standards, International Public Sector Accounting Standards (IPSAS) and European Public Sector Accounting Standards (EPSAS). HM Treasury informed the Board that Eurostat has been working with member states and other stakeholders in developing more concrete proposals for the EPSAS framework. The discussions at the EPSAS working group aligned with the IPSAS Board (IPSASB) work programme, featuring heritage assets, social benefits, and infrastructure assets.
- 4.32 In March 2018, the Chair of IPSASB, Ian Carruthers, presented the work of IPSASB and its future strategy to the Board. Ian also provided the Board with an overview of IPSASB and its work to set international accountancy standards for the public sector, including the processes IPSASB use for determining whether IPSAS should converge with IFRS, and procedures for dealing with differences with statistical standards. The Board was provided with an international comparison of compliance with IPSAS, along with data regarding global adoption of accrual based accounting in the public sector.
- 4.33 A forward look of IPSASB's proposed projects from 2019 onwards was highlighted to the Board, with future plans to include work on natural resources, differential reporting for smaller entities, an update of IPSAS on segmental reporting, and a limited review of the IPSAS Conceptual Framework. The Board is keen to ensure that the international financial reporting landscape remains on its forward agenda.

Parliamentary Select committee inquiries

- 4.34 The Board was advised of the two recent UK Parliamentary inquiries, one on the Estimates process and the other on the utility of departmental annual reports and accounts and management accounts.
- 4.35 The Board was informed that the Procedure Committee held an inquiry looking at the authorisation of government spending through the Supply Estimates process. The Board was updated on both the conclusions and recommendations made by the Committee, and the government response to the Procedure Committee report in December 2017. The Committee concluded that the current Estimates arrangements lack effectiveness because the number of allocated Parliamentary days for debate on the process do not focus on the Estimates themselves. The Committee recommended improvements to the format of the documentation to improve ease of use and understanding for both Parliamentarians and other users.
- 4.36 The Board also noted that the Public Administration and Constitutional Affairs Committee (PACAC) had produced a report following its review of departmental management accounts and financial reporting. The Board received a summary of the conclusions and recommendations made by The Committee which are as follows:

- Accruals accounting gives confidence in the annual reports and accounts currently prepared by central government entities.
 - The Committee was supportive of the steps taken to simplify and streamline the accounts.
 - The report recommended making resource accounts even more useful by including further analysis of expenditure, improving performance information and ensuring the performance report is fair and balanced, as well as suggesting a number of additional reporting requirements.
 - The Committee proposed that the Board itself should be open to wider membership such as representatives from users of the accounts, although recognised this may lead to some practical difficulties.
- 4.37 The Board agreed to consider the recommendation on Board membership and explored other elements of the Committee's recommendations in some depth. The Board questioned whether it was suitable for large volumes of additional information to be included in annual reports and accounts and questioned whether other vehicles to report information may be more suitable.
- 4.38 The government responded to the PACAC report in June 2018 which included committing to a review of the Annual Report and Accounts during the 2018-19 financial year. To assist with the review HM Treasury has set up an Advisory Board, and invited some members of the Board to join it. The Board will continue to monitor the findings from the review and changes to financial reporting as a result of the inquiry.

Developments from HM Treasury

- 4.39 The Board plays an important role as advisors to HM Treasury on financial reporting and its part in the new accountancy standards is covered above. HM Treasury, in its role as a Relevant Authority, provides the Board with regular updates in other areas of its work in financial reporting and management.

Financial Reporting Manual (FReM) 2017-18 and 2018-19

- 4.40 The FReM is HM Treasury's technical accounting guide to the preparation of financial statements. It provides guidance on the application of IFRS, adapted and interpreted for the public sector context.
- 4.41 The Board considered and agreed the updates to the 2017-18 FReM. The 2017-18 FReM and its illustrative statements for application were amended during the year to improve clarity, to make minor corrections and to reflect the introduction of non-financial reporting regulations. The Board provides a valuable review of the guidance as part of quality assurance and confirming the appropriateness of the guide.
- 4.42 The Board also agreed the changes to the 2018-19 FReM and illustrative statements, which included updates to reflect the introduction of IFRS 9 and IFRS 15.

- 4.43 The Board discussed the accounting treatment for the Apprenticeship Levy in the public sector. The Board agreed with HM Treasury's public sector interpretation that it is deemed a grant when paid and therefore covered under IAS 20 and recommended that guidance should be included in the FReM.
- 4.44 The Board noted that CIPFA and the Department of Health and Social Care, as other Relevant Authorities, agreed to follow the same accounting treatment for the Apprenticeship Levy as HM Treasury.

Discount rates

- 4.45 Discount rates are used in producing a balance sheet valuation of certain assets and liabilities. However, the discount rates issued by HM Treasury for general provisions had become negative, prompting a review of discount rates used for general provisions.
- 4.46 The Board agreed with HM Treasury's proposal to carry out an in-depth review into the discount rate methodology that was currently in operation. HM Treasury subsequently presented a paper to the Board on this review, which assessed the discount rate methodology used and whether it still met the requirements of accounting standards. The Board discussed the application of real and nominal rates and how this works in the private sector.
- 4.47 After evaluation of the findings of the review, the Board recommended that HM Treasury move to the application of using nominal discount rates when discounting general provisions and to introduce an additional discount rate for very long-term liabilities. The two advantages of this methodology change are that it avoids the issuance of negative rates (due to the low interest rate environment, historic real rates issued by HM Treasury have been negative) and aligns public sector accounting with best practice. HM Treasury accepted this recommendation and have advised the Board it intends to publish updated rates for use in discounting from 2018-19.

Balance Sheet Review and contingent liabilities

- 4.48 An important feature of the Board's oversight role is to keep up to date with some of the projects the Relevant Authorities are undertaking, which have an impact on financial reporting.
- 4.49 As such, the Board welcomed HM Treasury Balance Sheet Review Team's presentation on its work to analyse the public sector balance sheet and public sector Contingent Liabilities Approval Framework which set out the scope and objectives of the review. HM Treasury highlighted to the Board the high level of international interest, and that the review's objectives were to improve value for money and financial management of public sector assets and liabilities.
- 4.50 HM Treasury also presented details of the government Contingent Liabilities Approval Framework. HM Treasury set out the new control framework, explaining to the Board how it could help to both reduce risk and improve the Treasury's ability to monitor risk across government.

Whole of Government Accounts (WGA)

- 4.51 In its role to advise HM Treasury on the implementation of accounting standards in WGA, the Board receives regular notices on progress on the preparation of the account and issues arising.
- 4.52 The Board received an overview from HM Treasury of the 2015-16 WGA.⁹
- 4.53 The Board received an explanation from HM Treasury as to the reasons behind the changes in the value of assets and liabilities in the account. These changes were due to the change in discount rates which had significantly increased the value of provisions. The Board suggested to HM Treasury it should do more to explain the significant movements in pensions and provisions, including highlighting the underlying drivers and affected liabilities.

Other Relevant Authorities

- 4.54 In its advisory role, the Board requests updates from a number of the other Relevant Authorities. After receiving these updates, the Board provides its expert opinion and approval of some key financial reporting guidance.

Group Accounting Manual (GAM) 2018-19 (Department of Health and Social Care)

- 4.55 The Department of Health and Social Care's (DHSC) Group Accounting Manual meets the requirements of the FReM and provides technical guidance to DHSC group bodies.
- 4.56 As part of the annual cycle of review of financial reporting guidance in the public sector, the Board considered the first draft of the 2018-19 GAM presented by DHSC.
- 4.57 A sub-group of the Board was convened to review the draft GAM, which led to this document being agreed by the Board ahead of publication in April 2018.

CIPFA/ LASAAC 2018-19 Code

- 4.58 The Board considered and agreed the CIPFA/LASAAC Code of Practice on the Local Authority Accounting in the United Kingdom (the Code) for 2018/19 which included the updates in respect of IFRS 9 and IFRS 15 as well as other narrow scope amendments to IFRS as adopted by the Code and other clarifications. The Board noted that the Code follows the FReM and its' interpretations of IFRS 9 but had not mandated the IFRS 9 simplified approach to impairment. Due to this, the Board advised HM Treasury it may need to ask for additional information from the local government sector when preparing Whole of Government Accounts.
- 4.59 CIPFA advised the Board in an out of meeting paper that where possible, CIPFA/LASAAC's approach was to align with the FReM on IFRS 16 but there

⁹ HM Treasury published the WGA on 13 July 2017, <https://www.gov.uk/government/publications/whole-of-government-accounts-2015-to-2016>

was one potential ongoing difference in relation to IFRS 16 that was not relating to differing circumstances and a small difference in the transitional reporting area.

- 4.60 CIPFA also advised the Board of CIPFA/LASAAC's intention to consider a delay in implementing IFRS 16 across local government to 2020-21. The Board discussed the potential implications of this delay which could lead to inconsistencies across the public sector. The Board noted that any deviation from central government would cause a misalignment in WGA and a potential audit qualification, although the Board was mindful of the misalignment issues that central government are currently facing, relating to misalignment between the central government budgeting and accounting frameworks, and the potential impact this could have on the central government implementation date of IFRS 16 (as discussed in paragraphs 4.16 – 4.17 of this report). The Board agreed that any case for deviation between local government and central government should be rigorously analysed and tested. Following consideration of the Board's comments CIPFA/LASAAC agreed to consult on the same approach as the FReM for consideration of the effective date of adoption of the standard and keep abreast of any updates from central government on their proposed implementation date.
- 4.61 CIPFA also advised the Board of its forthcoming public consultation on IFRS 16 and outlined the proposals within it, including mandating short-term lease exemptions and its preference for the revaluation model when it comes to the subsequent valuation of the right-of-use asset, this relating primarily to material leases of property.
- 4.62 CIPFA provided the Board with regular updates to issues arising in local government financial reporting. In this regard, CIPFA informed the Board that local authorities would be closing their accounts at the end of May 2018 with the audit completed at the end of June. The Board considered that this would help with the timing of the WGA consolidation.

Devolved administrations

- 4.63 The Board discussed the Devolved Tax Account of the Scottish Government and the accounting treatment for it. The Board considered and approved the FReM text update applying the FReM principles for Trust accounts and equivalent disclosures to the annual account to be produced of the Devolved Taxes in Scotland.

National Audit Office (NAO)

- 4.64 The NAO scrutinises public spending, including the audit of financial statements of all central government departments, agencies and other public bodies, and then report the results of the audit to Parliament.
- 4.65 The NAO provided regular updates to the Board drawn from its work with public sector bodies. In particular, the NAO highlighted to the Board that the 2016-17 central government accounts preparation and audit cycle had seen more work concentrated into the latter stages of the timetable than in

previous years. Work by preparers and auditors appeared to have been greater and later than planned, even though this had been a period of relative stability in the financial reporting landscape. The NAO emphasised that a period of greater change in accounting requirements is ahead, which will lead to greater challenges for preparers and auditors. Earlier engagement between finance and audit teams, and better critical path management, will be needed to take pressure off the period immediately before the Parliamentary Recess when most accounts are laid.

- 4.66 The Board responded to the NAO by reiterating how valued both the NAO's perspective on the quality of financial reporting is, as well as the efforts of the NAO to support entities to improve their financial reporting.

Governance and future work

FRAB terms of reference

- 4.67 The Board reviewed its terms of reference and agreed to review board effectiveness every three years. Other minor updates to its terms of reference were also agreed.¹⁰

FRAB forward agenda

- 4.68 As highlighted by the Board throughout this report, the Board has an important role in maintaining its awareness of changes in the public sector reporting landscape, in both the national and international arena. The Board recognises that the public sector reporting landscape will continue to develop over the coming years and understands that it plays a pivotal role in ensuring public sector financial reporting quality is maintained. Therefore, the Board regularly considers the forward agenda for discussion in future Board meetings. A summary of those areas which the Board will be prioritising for next year is below.
- 4.69 The Board highlighted the importance of ensuring that the agenda tracks potential future changes as a result of the IFRIC work and other changes to financial reporting including the application of the revised Conceptual Framework which will come into effect in 2020.
- 4.70 The Board will continue to monitor the implementation of IFRS 9 and IFRS 15. The Board will also continue to be actively involved in the implementation of IFRS 16, including receiving updates from the Relevant Authorities and agreeing the detailed public sector application guidance.
- 4.71 The Board will receive updates on other new accounting standards, specifically IFRS 17 *Insurance Contracts* to ensure the Board has early input into the implementation plan, exposure draft and application guidance across the public sector.
- 4.72 The Board intends to carry out active monitoring of IPSAS exposure drafts and consider the impact on UK public sector reporting.

¹⁰ <https://www.gov.uk/government/publications/financial-reporting-advisory-board-terms-of-reference>

- 4.73 The Chair has invited a representative from the European Financial Reporting Advisory Group to present at a future Board meeting to ensure the Board is aware of developments in the international financial reporting environment.
- 4.74 The Board requested regular updates from HM Treasury on the response to the PACAC report on government accounts as the Board will need oversight of any proposed changes in financial reporting.
- 4.75 The Board will continue to review the technical guidance published by Relevant Authorities in their accounting Manuals and Codes.

Annex A

Board meeting and topic of discussion

Accounting standard or reporting issue	Board meeting and topic of discussion		
	June 2017	November 2017	March 2018
IFRS			
IFRS 9, <i>Financial instruments</i>	✓		
IFRS 15, <i>Revenue from Contracts with Customers</i>	✓		
IFRS 16, <i>Leases</i>	✓	✓	✓
Other issues			
<i>Discount rates</i>	✓	✓	
<i>Whole of Government Accounts (WGA)</i>	✓		
<i>Local government Update/ CIPFA/LASAAC Code</i>	✓	✓	✓
<i>FReM 2017-18 and 2018-19</i>		✓	
<i>FRAB Terms of Reference</i>			✓
<i>International Update</i>	✓		
<i>Conceptual Framework</i>			✓
<i>Balance sheet review and contingent liabilities</i>			✓
<i>IFRIC Update</i>			✓
<i>Health Manual</i>		✓	
<i>IPSAS Board Update</i>			✓
<i>Public sector financial reporting landscape</i>			✓

Accounting standard or reporting issue	Board meeting and topic of discussion		
	June 2017	November 2017	March 2018
<i>NAO Update</i>			✓
<i>Forward Work Programme</i>	✓	✓	✓
<i>Parliamentary hearings on accounts</i>	✓		
<i>FRAB Annual Report 2016-17</i>		✓	

Annex B

Board attendance and future meetings

Name	Jun 2017	Nov 2017	Mar 2018
Chair			
Ian Mackintosh	✓	✓	✓
Independent / external members			
Andrew Buchanan	✓	✓	✓
Anthony Appleton	✓	✓	✓
Ron Hodges (until Mar 18)	✓	✓	✓
Veronica Poole (until Mar 18)	✓		✓
Preparers / users			
Gareth Caller	✓	✓	✓
David Hobbs (until Nov 17)	✓	✓	N/A
Bob Richards (from Nov 17)	N/A	✓	✓
Bob Branson (until Mar 18)		✓	✓
Ruth Elliot (until Feb 18)	✓	✓	N/A
Ian Webber	✓	✓	✓
Joseph McLachlan	✓	✓	✓
Auditors			
David Aldous	✓	✓	✓
Russel Frith (until Nov 17)	✓	✓	N/A

Fiona Kordiak (from Mar 18)	N/A	N/A	
Karl Havers	N/A	✓	✓
Relevant authorities			
Aileen Wright	✓	✓	✓
Andrew Baigent (until June 17)	✓	N/A	N/A
Christopher Young (from Nov 17)	N/A	✓	
Alison Scott (until Dec 17)	✓	✓	N/A
Joanne McBurney	✓		✓
Gawain Evans	✓	✓	
Vicky Rock (until June 17)	✓	N/A	N/A
Ian Bulmer (from Nov 17)	N/A		✓
Parliamentary Observer			
Craig Mackinlay MP			

Future FRAB meetings

- 18 June 2018
- 22 November 2018
- 21 March 2019

All meetings take place at HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

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22nd Report of the Financial Reporting Advisory Board

**Report for the period
April 2018 to March 2019**

HC 2446

SG/2019/104

22nd Report of the Financial Reporting Advisory Board: April 2018 to March 2019

Presented to the House of Commons pursuant to Section 24(4) of the
Government Resources and Accounts Act 2000

Laid before the Northern Ireland Assembly under Section 20(3) of the
Government Resources and Accounts Act (Northern Ireland) 2001 by the
Department of Finance

The report is laid before the Scottish Parliament and presented to the
Audit and Finance Committees of the Scottish Parliament by agreement
with the Scottish Ministers

The report is submitted to the Public Accounts Committee of the National
Assembly for Wales by the Welsh Assembly Government

Ordered by the House of Commons to be printed on 11 July 2019

HC 2446

SG/2019/104



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Foreword

Foreword from Ian Mackintosh (Chair to May 2019)

This is my final Foreword as Chair as after three years I have retired. The Board's April meeting was my last. I have taken this decision to retire due to my move to Australia and it is no longer practical for me to continue as Chair of the Board.

We have achieved many things during my term as Chair. In particular, we have dealt with the introduction of a number of important IFRS standards including IFRS 9 *Financial Instruments*, IFRS 15 *Revenue from Contracts with Customers* and IFRS 16 *Leases*. We also resolved a difficult situation in relation to discount rates, and one which has seen a move to the application of nominal rates in the discounting of general provisions in the public sector. These issues have been challenging and the Board has played a critical role in providing advice to the Relevant Authorities in their application in the public sector.

We are moving to closer working with Local Government and CIPFA/LASAAC. This will lead to better consideration and resolution of Local Government issues and greater alignment with central government reporting and the rest of the public sector.

I have been impressed by the work done and presented to the Board on using financial statements for better financial management and balance sheet management, particularly in respect of HM Treasury's project on the Balance Sheet Review and Contingent Liabilities approval framework. These will lead to greater efficiencies in the running of government finances and are world leading initiatives. I am confident that the UK remains an exemplar in public sector financial reporting and management.

The staff of HM Treasury who work with, and assist me, have continued to impress. They are helpful and cooperative and have fine knowledge of the issues the Board consider and provide advice on.

The Board is a large, diverse, and an interesting group of people. They have worked wonderfully together over the last three years and it has been a pleasure to be Chair of the Board. Their skills and expertise are impressive and have brought critical challenge and discussion to the issues we have faced. New members to the Board this year have brought invaluable skills and expertise. I have no doubt that the Board have contributed to significant improvements in the quality of financial reporting in the UK public sector. I am sure that they will work in the same manner with the new Chair.

I would like to thank HM Treasury for giving me the honour and pleasure of being Chair of the Financial Reporting Advisory Board. I am sad that circumstances have

forced me to retire from the position. It has been challenging, stimulating and, sometimes, fun. I wish the new Chair and the Board all the best in the future.

Ian Mackintosh

Foreword from Lynn Pamment (Chair from May 2019)

I am honoured to have been appointed as the Chair of FRAB from May 2019. My first task is to thank Ian Mackintosh for all the work he has undertaken as the Chair of FRAB over the past three years. He has led the Board capably through an extremely busy phase with the implementation of major new standards into public sector reporting in the UK. His skill and expertise will be missed by the Board and, on behalf of the Board I offer thanks and best wishes for his move back to Australia.

The forward work programme of the Board continues to be busy. Our programme will include post implementation reviews of IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers* and we will continue to monitor and challenge the implementation of IFRS16 *Leases* and IFRS 17 *Insurance Contracts*. We will continue to monitor closely the developments in the wider reporting landscape, including the work of IFRS IC, IASB, IPSASB and the FRC, and will work with HM Treasury and the other relevant authorities in considering the impact of these developments on the UK public sector reporting requirements.

HM Treasury has undertaken an extensive review of the quality of financial reporting during 2019. A review of the FReM is now being undertaken as a result of this work and I look forward to working with the Board to challenge HM Treasury as it seeks to make improvements to the government financial reporting landscape.

A key aspect of the work of the Board in the forthcoming year will be continuing to monitor the implementation of the government financial reporting review resulting from HM Treasury's response to the PACAC report on government financial reporting. The Board is supportive of plans to improve the usability of government financial reporting and I look forward to engaging with a wide range of stakeholders on this important work.

From my limited work with the Board and the relevant authorities so far, I have been extremely impressed with their skills, expertise and commitment to excellence in financial reporting. I am looking forward to leading the work of the Board in 2019 and beyond.

Lynn Pamment

Chapter 1

Introduction

Role of the Financial Reporting Advisory Board

- 1.1 The Financial Reporting Advisory Board (the Board) is an independent body fulfilling the statutory role as the 'group of persons who appear to the Treasury to be appropriate to advise on financial reporting principles and standards' for government, as required by the Government Resources and Accounts Act 2000.¹
- 1.2 The Board acts as an independent element in the process of setting accounting standards for government and exists to promote the highest possible standards in financial reporting by government. In doing so, the Board seeks to ensure that any adaptations of, or departures from, Generally Accepted Accounting Practice (GAAP) in the public sector context are justifiable and appropriate.
- 1.3 The Board's focus is on examining proposals for amending current, or implementing new, accounting policies in the accounting guidance for central government departments, executive agencies, non-departmental public bodies and trading funds, and for examining the proposals for accounting guidance for local authorities. The Board also advises HM Treasury on the implementation of accounting policies specific to Whole of Government Accounts (WGA).
- 1.4 Further information about the Board (including: membership, Terms of Reference, meeting minutes and papers) is available on the gov.uk website.²

Background of the FRAB report

- 1.5 In accordance with its Terms of Reference, the Board has a responsibility to prepare an annual report of its activities, including its views on the changes made to accounting guidance within the Board's remit.
- 1.6 The Board is required to send a copy of its report direct to the Public Accounts Committee and the Treasury Select Committee of the UK Parliament, to the Welsh Government, the Scottish Ministers and Northern Ireland Executive.
- 1.7 HM Treasury, the Scottish Ministers, and the Northern Ireland Executive formally lay the Board's report before (respectively) the House of Commons, the Scottish Parliament, and the Northern Ireland Assembly. The Welsh

¹ <http://www.legislation.gov.uk/ukpga/2000/20/section/24>

² <https://www.gov.uk/government/policy-advisory-groups/financial-reporting-advisory-board-frab>

Government submits the report to the Public Accounts Committee of the National Assembly for Wales.

1.8 This is the Board's 22nd report.

Box 1.A: Representatives include the following organisations who are members or observers to the Board



Department
of Health &
Social Care



National Audit Office



The Scottish
Government
Riaghaltas na h-Alba



HM Treasury



Department of
Finance

An Roinn
Airgeadais

www.finance-ni.gov.uk



Llywodraeth Cymru
Welsh Government



HOUSE OF
COMMONS



The Chartered Institute of
Public Finance & Accountancy



Ministry of Housing,
Communities &
Local Government

Chapter 2

Financial Reporting Advisory Board membership during 2018-19

Chair: Ian Mackintosh, Independent member

Independent/ External members:

Anthony Appleton
Andrew Buchanan

Richard Barker (from June 18)
Andrea Pryde (from June 18)

Preparers/ Users:

Pam Beadman (from June 18)
Iain King (from June 18)
Bob Richards

Gareth Caller
Joseph McLachlan
Ian Webber

Auditors:

David Aldous
Fiona Kordiak

Karl Havers

Relevant Authorities:

Ian Bulmer (until June 18)
Ian Ratcliffe (from June 18)
Sarah Sheen (from June 18)
Stuart Stevenson (from June 18)

Gawain Evans
Vicky Rock (from Nov 18)
Aileen Wright
Christopher Young

Parliamentary Observer:

Craig Mackinlay MP

Larry Honeysett

The following members have joined the Board post March 2019:

Lynn Pamment

Chapter 3

Summary of Board activities in 2018-19

The Board's activities to promote the highest possible standards in financial reporting by government in 2018-19 are summarised below.



Accounting Standards

Continuing to oversee the implementation of IFRS 9 and IFRS 15

Scrutinising the IFRS 16 *Leases* implementation plan and proposed adaptations across the public sector

Agreeing to a one year deferral for the implementation of IFRS 16 across the public sector to April 2020

Supporting a consistent public sector approach to the implementation of IFRS 16

Analysing the implications of the new Standard, IFRS 17 *Insurance contracts*



Public Sector Reporting Landscape

Receiving updates from IFRS IC, EFRAG, the FRC and IASB

Analysing the implications on public sector financial reporting of the updates received

Discussing the impact on the endorsement process of new accounting standards post Brexit

Agreeing no changes are needed to public sector accounting guidance following the IASB's annual improvement cycle updates



Developments from HM Treasury

Advising on the discount rate project and agreeing the new discount rate methodology for discounting general provisions, with application from 2018-19

Discussing the outcome of the Government financial reporting review

Making recommendations on the form and content of the Whole of Government Accounts 2016-17

Agreeing both the 2018-19 and 2019-20 FReM



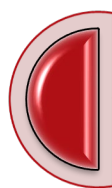
Other Relevant Authorities

Approving relevant financial reporting guidance

Monitoring and advising on the importance of consistency across the public sector

Following the CIPFA/LASAAC strategic and forward look plan

Agreeing the governance arrangements of the Relevant Authority Working Group and noting the updates received from the first meeting



National Audit Office

Appraising feedback received from the NAO on the 2017-18 accounts preparation cycle

Understanding the usefulness of the NAO's first report summarising the results of auditors' reporting on audits of local public bodies

Recognising the value of the role the NAO plays in the quality and improvement of financial reporting



Governance and Future Work

Agreeing a forward agenda to ensure future developments are tracked

Overseeing and advising on the implementation and post implementation plans for IFRS 9, IFRS 15, IFRS 16 and IFRS 17

Monitoring changes in the relevant national and international financial reporting environments

Overseeing proposed changes due to the government financial reporting review and strategy for further developments in financial reporting

Chapter 4

Board activities in 2018-19

Introduction

- 4.1 This chapter describes the developments in financial reporting in the public sector, both new and continuing, which were considered by the Board during 2018-19. Papers and minutes from those meetings are available on the gov.uk website.¹
- 4.2 In addition to continuing work on developments in financial reporting, the Board monitors international developments in accounting standards which may have implications for public sector financial reporting in the United Kingdom and in which the Board has an interest. These include consultation documents issued by the International Accounting Standards Board (IASB), the International Financial Reporting Standards Interpretations Committee (IFRS IC) and the International Public Sector Accounting Standards Board (IPSASB).
- 4.3 This chapter also highlights the key work HM Treasury and other Relevant Authorities² have undertaken in their role as the financial reporting standard setters for central government and the rest of the public sector.
- 4.4 Finally, the chapter sets out the Board's future work on accounting standards, including considering the public sector implications of new standards on insurance contracts and active monitoring of the International Public Sector Accounting Standards (IPSAS).

Accounting standards

- 4.5 Any changes to accounting standards undergo a comprehensive process from the first announcement by the IASB to the final adoption of the standard by the public sector in the UK. It is important that the effect on the financial statements of public sector bodies due to new accountancy standards is carefully considered. The Board plays a major part of this process, reviewing all stages of the implementation project including the potential need for specific public sector adaptations and interpretations, and making recommendations as to what format they should take.
- 4.6 Over the period of this report, the Board has played a pivotal role in the ongoing implementation process for IFRS 16 *Leases* and have had discussions over the implementation plans for IFRS 17 *Insurance Contracts*. The Board will

¹ <https://www.gov.uk/government/collections/hmt-financial-reporting-advisory-board-minutes>

² Relevant Authorities are set out in the Terms of Reference and consist of HM Treasury, Department of Health and Social Care, NHS Improvement, the Northern Ireland Executive, Scottish Government, Welsh Government and CIPFA.

also closely monitor the post implementation review of IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers* which will commence in the next financial year.

IFRS 9, *Financial Instruments* and IFRS 15, *Revenue from Contracts with Customers*

- 4.7 IFRS 9 and IFRS 15 both had an implementation date in the Public Sector of 1st April 2018. Both of these Standards have gone through a four year implementation programme overseen by the Board. The Board has worked with the Relevant Authorities to ensure any adaptations were necessary, robust and fit for purpose.
- 4.8 The implementation of the new standards should not be under estimated and progress was closely monitored and challenged. Reporting entities had a considerable amount of work to do to meet the new requirements of IFRS 9 and IFRS 15, both in terms of scale and complexity. Throughout implementation, it has been important to stress the need for early engagement with reporting entities and to use this as a lesson to plan early for the implementation of IFRS 16.
- 4.9 An initial post implementation review of IFRS 9 and 15 in central government is planned in summer 2019 and the Board looks on with interest to see the results and lessons learnt from the review.

IFRS 16, *Leases*

- 4.10 A key priority for the Board has been the ongoing monitoring and evaluation of the application of IFRS 16 *Leases* and ensuring it is implemented appropriately. The important concepts, for example, Clear Line of Sight and consistency across the public sector, have been a crucial focus of this work.
- 4.11 IFRS 16 *Leases* is applicable for reporting periods beginning on or after 1 January 2019. Due to issues, which will be covered below, and after much deliberation, the Board agreed to defer its introduction across the public sector for a period of one year.
- 4.12 Alongside the decision to defer the implementation, the Board was keenly involved in the proposals of the public sector adaptations and interpretations and ensuring they were both fit for purpose and relevant.
- 4.13 The Board carefully considered the proposed adaptations and interpretations to IFRS 16 put forward by the Relevant Authorities and provided significant challenge and assessment. These areas covered many aspects of the standard;including:
- the definition of a contract and its expansion to include intra-government arrangements
 - multiple adaptations in relation to the measurement and recognition of peppercorn leases
 - the withdrawal of various transition options

- the election not to apply the requirements of the standard to short-term leases an interpretation on the use of HM Treasury discount rates
- 4.14 Some of these adaptations and interpretations have been more straight forward. However, some areas have led the Board to assess more extensive additional analysis undertaken by the Relevant Authorities, such as the subsequent measurement of right of use assets and leases with nil consideration, an issue rarely prevalent in the private sector, before any agreement on treatment could be provided.
- 4.15 The Relevant Authorities including, HM Treasury, DHSC and CIPFA/LASAAC, worked closely together to minimise differences between their respective financial reporting guidance proposals. Nevertheless, some differences remained and the Board sought to encourage their resolution, working throughout the year to provide expert help and challenge to ensure alignment within the public sector. This was a primary focus of the Board's time, and resulted in a final set of adaptations and interpretations for the public sector being agreed at the April 2019 meeting.
- 4.16 Following extensive analysis and engagement with the Relevant Authorities, the Board agreed to defer implementation of IFRS 16 for one year to April 2020. The Board agreed the risk of misalignment between the public spending framework and financial reporting has created a unique circumstance affecting the public sector. The decision to do so was not taken lightly and representatives of CIPFA/LASAAC and the DHSC also agreed to defer implementation for local government and the health sector, to ensure consistency across the public sector.
- 4.17 A significant factor that led to the agreement to defer implementation is the importance of maintaining full alignment between different elements of the public sector spending frameworks, that being, between budgeting and financial reporting. This principle of Clear Line of Sight has been under pressure due to the divergence created with the introduction of the new standard and the existing treatment of leases in the national accounts, reflected in budgets. The nature and time to develop the public sector adaptations needed, has left the public sector with less time for preparation. The Office for National Statistics (ONS) also highlighted the difficulties it faced in agreeing the methodology for the treatment of historic leases and obtaining sufficiently high quality data.
- 4.18 The Board challenged both the ONS and HM Treasury rigorously on their proposed work plan to address the alignment issue and sought regular updates on progress. It was essential to ensure that budgeting guidance was issued with sufficient time for departments to implement it. It was reassuring to receive confirmation from HM Treasury in April that progress had been made on the agreement of the budgeting treatment.
- 4.19 Notwithstanding the extensive work already done to plan for the introduction of IFRS 16, a significant risk remained that there would be a need for entities to maintain dual reporting leading to an unnecessary pull on resources. The Board were acutely aware of this impractical implication and fully supported the Relevant Authorities drive to agree a way forward that did not result in any additional reporting burden.

- 4.20 Whilst the deferral of IFRS 16 until 1 April 2020 was agreed it became apparent that a blanket approach was not appropriate. The Board was also asked to consider whether, in a very limited set of requirements organisations would have to meet, entities could adopt IFRS 16 from 1 April 2019 in line with the private sector. The argument for this was made due to the identification of two central government departments with significant Companies Act compliant arm's length bodies which must adopt IFRS16 from 2019. As a result, failure to implement the standard at group level would lead to a material misstatement in their accounts and fail to provide the expected level of accountability to users of those accounts. CIPFA/LASAAC also advised the Board it has received an early adoption request from a local government organisation for similar reasons to the above.
- 4.21 The Board discussed at length the merits and challenges of allowing early adoption, including whether allowing early adoption could undermine the arguments made for deferral for the rest of the public sector. The Board also sought assurance that any early adopting entities would provide supplementary disclosures for Whole of Government Account purposes, and that sufficient adjustments could be made to feed into a central adjustment for the ONS. On receiving this assurance, the Board was sufficiently satisfied this proposal was in the best interests of public sector accountability. Therefore, the Board agreed that in these very limited circumstances, early adoption would be permitted. The Board will continue to monitor the implementation and impact of early adoption over the coming year.

IFRS 17, *Insurance Contracts*

- 4.22 Although IFRS 17 *Insurance contracts* was issued in May 2017 and is not yet effective, the International Accounting Standards Board (IASB) is currently consulting on targeted amendments to IFRS 17, including a proposed deferral of the effective date. However, the Board is mindful of the importance of ensuring a long implementation plan, as has been the case with other recently implemented financial standards. The Board has therefore discussed the potential impact of IFRS 17, on public sector reporting, and has requested regular updates from the Relevant Authorities on their respective implementation plans for IFRS 17.
- 4.23 The uncertainty of the implementation date and amendments to the standard have been a concern as has the impact this uncertainty could have on public sector implementation. The implications of the standard go beyond the typical identification of insurance and significant consideration must also be given to the potential impact this standard could have on contracts and other financial instruments. It will be up to the Relevant Authorities to ensure consistency across the public sector is maintained.
- 4.24 Early planning for the implementation of IFRS 17 is essential and the Board will continue in its role in monitoring and evaluating the Relevant Authorities work plan and proposals. Indeed, it is reassuring that these plans are already underway nevertheless, organisations should already be actively considering the implications of the standard on their business.
- 4.25 The Board will continue to keep a close eye on the outcomes of the IASB consultation on the standard, and the implications of Brexit on the adoption

of any new standards going forward, which is discussed in point 4.33. The Board requested IFRS 17 to remain on its forward plan.

Public sector reporting landscape

4.26 The breadth of expertise across the Board allows best practice in the private sector to inform application in the public sector. There have been a number of developments in the financial reporting landscape over the 2018-19 financial year and the Board places high importance in maintaining its awareness of them and the implications on the public sector reporting landscape. The Board actively continues to be involved in discussions about changes that are, or could, affect the way public sector financial reporting operates.

IFRS IC update

4.27 During the year, the Board considered various updates on the outcomes of the meetings of the International Financial Reporting Standards Interpretations Committee (IFRS IC) and is grateful that a member of the Committee is also a member of the Board. These updates included an overview of the ongoing work of IFRS IC in respect of recently adopted standards, such as some recently made decisions in respect of IFRS 15 and discussions on the IFRS 9 expected credit loss. The Board recognises the importance of keeping aware of the development and monitored other areas in respect of IFRS 16 and the implications for corporate entities and deferred tax.

4.28 The Board assessed the potential impact on the public sector financial reporting landscape of these updates, and agreed that for now, there did not seem to be a need to amend any previously agreed adaptations or interpretations. However, the Board is mindful of the importance of continuing to be aware of the discussions had by IFRS IC, as future decisions could impact the public sector interpretation and adaptation of accounting standards.

4.29 The Board appreciated the regular updates from IFRS IC and agreed the updates received were very helpful in assisting the Board in keeping up to date with changes occurring in the international financial reporting landscape.

EFRAG update

4.30 The Board kept abreast of updates from the European Financial Reporting Advisory Group (EFRAG) and was very grateful to welcome the Chair and CEO of EFRAG, Andrew Watchman at the November 2018 meeting. EFRAG is an advisory body to the EU, and has the aim of pulling together a European wide view of accounting standards to allow for a consistent application of IFRS. The Board was very appreciative of the insights provided by Andrew, a summary of which are below.

4.31 Andrew presented developments within EFRAG and highlighted the role EFRAG played in the development of IFRS and gave a brief summary to the Board of the continuing discussions around IFRS 9, IFRS 15 and IFRS 16. The

Board discussed the potential implications of any decisions made by EFRAG in relation to these standards.

- 4.32 Andrew also updated the Board on a discussion paper that EFRAG would be publishing for consultation around research and development and non-exchange transactions.
- 4.33 The Board agreed these updates had provided an opportunity for the Board to consider the implication of a deferral of IFRS 17 and on the adoption process of this standard. The UK may have to endorse this standard independently on exit of the UK from the EU and it would be the first standard to be done so under onshoring arrangements.

FRC update

- 4.34 The Board includes a member as a representative from the Financial Reporting Council (FRC) and the Board is very appreciative of the additional insight into financial reporting developments this gives. The update by the Board member considered decisions that have been made previously, and the impact this would have on the future work and structure of the FRC.
- 4.35 The Board discussed the updates given, including the outcomes of the independent review of the Financial Reporting Council³ and the practicalities of the new process for endorsement of accounting standards in the UK, and the implications this could have on financial reporting.
- 4.36 These regular updates play a useful role to help ensure the Board retains insight of the on-going changes to the FRC whilst it remains, and its proposed successor entity, the Audit, Reporting and Governance Authority.

IASB's update

- 4.37 The Relevant Authorities are standard setters for public sector financial reporting and it is a helpful exercise to reflect and hear from other standard setters. In this way, the Board was pleased to receive a presentation from IFRS Foundation staff about the IASB, as a standard setter in the private sector, on their work plan and current areas of focus.
- 4.38 It was an insightful exercise to assess how particular items on the IASB's agenda could impact financial reporting in the public sector, for example, post implementation reviews of different standards and the rationale and timescale for doing so. This provided an excellent opportunity to examine and compare post implementation practice in the public sector and prompt further consideration to identify objectives and how best to achieve them.

IASB's annual improvement cycle

- 4.39 The Board discussed the narrow scope amendments the IASB has issued as part of their annual improvements process. The Board recognised that the majority of these were currently under consideration for adoption by the European Union and at the time of discussion had not yet been endorsed.

³ <https://www.gov.uk/government/publications/financial-reporting-council-review-2018>

- 4.40 The Board followed the amendments closely and reminded the Relevant Authorities that all entities should ensure they are compliant. However, the Board agreed with HM Treasury that currently, there was no need for any adaptations to the FReM to reflect these proposed amendments.

Developments from HM Treasury

- 4.41 The Board has a statutory responsibility to act as an advisor to HM Treasury on financial reporting, and the Board's part in the new accountancy standards is covered above. HM Treasury, in its role as a Relevant Authority, provides the Board with regular updates in other areas of its work in financial reporting and management.

Financial Reporting Manual (FReM) 2018-19 and 2019-20

- 4.42 The FReM is HM Treasury's technical accounting guide for the preparation of financial statements. It provides guidance on the application of IFRS, as adapted and interpreted for the public sector context. The Board provides a valuable review of the guidance as part of the quality assurance process and confirming the appropriateness of the guide.
- 4.43 It is the Board's duty to review the manuals and ensure they maintain a high quality of content. To do so, the Board dedicates considerable time to consider any proposed amendments to the 2018-19 FReM, the 2019-20 FReM and the accompanying illustrative statements.
- 4.44 The Board reviewed HM Treasury's proposed amendments and gave further challenge on those relating to the General Data Protection Regulation (GDPR), the Conceptual Framework, IFRS 9 and IFRS 15. The Board proposed some revised wording in relation to GDPR and the Conceptual Framework, to ensure the amendments were clear and easy to understand.
- 4.45 The Board requested HM Treasury revisit the proposed amendment relating to IFRS 9 to ensure the adaptation was being applied correctly and would maintain consistency across the FReM and suggested making an adaptation to IAS 32 rather than IFRS 9 as a way to achieve this. The Board also requested HM Treasury provide greater clarity in the wording of the proposed adaptation to IFRS 15, so the adaptation would be unambiguous.
- 4.46 Once the Board was satisfied each of their recommendations to changes in the manuals had been sufficiently reflected, the Board signed off the 2018-19 FReM, the 2019-20 FReM and the accompanying illustrative statements.
- 4.47 The Board reiterated its stance on the overriding principle of maintaining consistency between the GAM, the Code and the FReM wherever possible and requested the references to the Conceptual Framework to be consistent across the three documents.
- 4.48 Following an extensive review of the quality of financial reporting by HM Treasury in 2019, a review of the FReM will be launched in the 2019-20 financial year. The Board will play an important role in ensuring any amendments to the FReM are appropriate and relevant to the government

financial reporting landscape and welcome the opportunity to participate in the improvements to financial reporting.

Discount rates

- 4.49 The application of discount rates for general provisions has been an ongoing area of attention by the Board. The Board commissioned an in-depth review into the discount rate methodology, and HM Treasury updated the Board on the outcomes of this review.
- 4.50 Proposals were considered by the Board on the aspects of HM Treasury's project on discount rates for general provisions including:
- how to inflate cash flows, and whether the nature of cash flows mean an index rate should be used.
 - the appropriateness of having a mandated rate, but allowing for bespoke discount rates if more appropriate
 - whether the application of nominal rates rather than real rates⁴ would be an accounting policy or estimate change
- 4.51 The outcome of the review was welcomed, but the Board sought to consider the extent of evidence presented and breadth of research to support the option analysis of methodological change in general provisions discount rate application. As a result, more inquiry was undertaken prior to supporting a decision to move from the application of real rates to nominal discount rates. The decision was supported as it was evidenced that the application of nominal rates would ensure negative rates were no longer issued, would ensure better alignment with private sector practices, and would allow greater flexibility to appropriately inflate provision cash flows.
- 4.52 The Board challenged HM Treasury on the appropriateness of their intended implementation date of December 2018 for the new discount rate for general provisions. Reassurance was given that departments had been made aware as early as December 2017 about the review and it was a norm for the discount rate to be issued in December. The Board was satisfied that sufficient advanced notice had been given and that there was no undue effect on preparers for the 2018-19 Supplementary Estimates preparation process.
- 4.53 The Board agreed to mandating the use of OBR / CPI forecasts but accepted there may be situations where a bespoke inflation assumption is more appropriate. The Board advised HM Treasury that clear requirements should be issued to ensure any bespoke rate is independent and objective with evidence that would satisfy auditor requirements.
- 4.54 The Board advised HM Treasury that the application of nominal rates would likely be a change in estimate rather than accounting policy.
- 4.55 HM Treasury welcomed the role of the Board, as well as that of the NAO and departments in supporting the general provisions discount rate project.

⁴ Nominal rates are measure in cash terms, whereas real rates are inflation-adjusted

The new discount rate guidance was published in December 2018 in line with the timescale agreed with the Board.

Government financial reporting review

- 4.56 An important feature of the Board's oversight role is to keep up to date with projects the Relevant Authorities are undertaking, in respect of improving the quality of financial reporting.
- 4.57 The 2017-18 FRAB report referred to the Public Administration and Constitutional Affairs Committee (PACAC) report produced following its review of departmental management accounts and financial reporting. HM Treasury had previously advised the Board of the intention to perform a review into government financial reporting as part of the government's response to this report.
- 4.58 PACAC made a number of recommendations to improve the quality of financial reporting and the Board agrees with the spirit of these recommendations and is fully committed to continually improving the quality of management information and financial reporting.
- 4.59 The Board welcomed HM Treasury's review into government financial reporting, and was pleased to contribute to the review with some Board members being part of the Advisory Board created as part of the governance arrangements. The Board was very interested in the involvement of the public sector as a whole in this review, and was advised by HM Treasury that whilst the review primarily focused on financial reporting in central government, HM Treasury had been actively seeking stakeholder engagement from across the public sector. The Board was pleased to note this engagement process had included CIPFA/LASAAC.
- 4.60 The Board also agreed proposals to use the 2017-18 annual reports and accounts to assess the changes since Simplifying and streamlining was implemented three years previously. Changes would have become embedded and would provide good historical data for appraisal.
- 4.61 The Board has an ongoing commitment to promote greater public engagement and readability of annual reports and accounts. It is keen to highlight the opportunity for the actions from this review to continue to improve the consistency in financial reporting across the public sector and seeks to encourage the Relevant Authorities' active engagement in the review of the FReM to this effect.
- 4.62 The Board has welcomed HM Treasury's commitment to publish a map of the financial reporting landscape, to enable users to understand how different central government financial documents link together. It is important for HM Treasury to set an agenda on how reporting can be improved on a continuous basis, rather than periodic reviews every four or five years, as has been the case, for example, with Simplifying and streamlining, and the Government financial reporting review.
- 4.63 The review into government financial reporting will lead to changes in the coming year. We are supportive of HM Treasury's plans to improve the

usability of government financial reporting and the Board will lend its expertise where it can.

Whole of Government Accounts (WGA)

- 4.64 In its role to advise HM Treasury on the implementation of accounting standards in WGA, the Board receives regular notices on progress on the preparation of the accounts and issues arising. Enabling transparency and accountability of public sector financial reporting is of great importance, and the Board supports the role the WGA plays in this. WGA is a very comprehensive document which takes extensive resource to produce.
- 4.65 The Board received an overview from HM Treasury of the 2016-17 WGA.⁵ This was a challenging and interactive session with an opportunity to discuss the detail of disclosures within WGA and the future of the product.
- 4.66 Further to feedback the Board gave after the presentation of the 2015-16 WGA, the Board was pleased to note HM Treasury had placed particular emphasis on “telling the story” with significant areas, for example provisions, being highlighted to show how they had been changed and managed in the 2016-17 WGA.
- 4.67 The Board welcomed the news that there have been significant improvements in the WGA internal preparation and data collection processes but that significant challenges remain on the horizon, including the introduction of major new financial reporting standards. The Board commended HM Treasury for the continuing improvement in the WGA and look forward to being advised of further improvements planned in the next financial year.
- 4.68 Key highlights included that income and expenditure have remained largely stable for 2016-17 and also that an audit qualification remains in respect of the valuation of Local Authority Highways Infrastructure assets. Some of the challenges around disaggregation of expenditure were discussed, as well as the use of Public Expenditure Statistical Analysis (PESA) data as a way of providing further transparency of information.
- 4.69 The Board strongly supports the importance of WGA for understanding the financial position across the public sector, and the resultant benefit of greater transparency. For example, using WGA, the Board was able to challenge HM Treasury on the movement in valuation of the liabilities from the 2015-16 to the 2016-17 WGA due to changes in the discount rate.
- 4.70 The Board also discussed how future events could impact on WGA. The conversations focused on the likely future impact of the adoption of IFRS 16, as a significant number of leases would be coming onto the balance sheet, and the impact of Brexit on disclosures in the accounts.

⁵ HM Treasury published the WGA on 28 June 2018

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/720178/WGA_2016-17_web.pdf

Other Relevant Authorities

- 4.71 In its advisory role, the Board requests updates from the other Relevant Authorities. After receiving these updates, the Board provides its expert opinion and approval of some key financial reporting guidance.

Group Accounting Manual (GAM) 2019-20 (Department of Health and Social Care)

- 4.72 The Department of Health and Social Care's (DHSC) Group Accounting Manual (GAM) meets the requirements of the FReM and provides technical guidance to DHSC group bodies.
- 4.73 As part of the annual review cycle of financial reporting guidance in the public sector, the Board considered the first draft of the 2019-20 GAM presented by DHSC. This included a summary of the changes that has been made to the GAM, the majority of which seeking to allow greater consistency between the FReM and the GAM.
- 4.74 The Board discussed the implication of the agreed one year deferral of IFRS 16 on the GAM. The Board agreed with the DHSC that references to IFRS 16 would be removed from the GAM, but recommended that DHSC continue to engage with preparers on IFRS 16. The Board encouraged DHSC to share draft requirements and guidance on the implementation of IFRS 16 as early as possible, to allow the sector to be ready for implementation in 2020.
- 4.75 After some further challenge from Board members, and some minor amendments to reflect additional updates made to the FReM, the GAM was approved by the Board for publication.

CIPFA/ LASAAC 2019-20 Code

- 4.76 The Board noted that the CIPFA/LASAAAC IFRS 16 consultation paper had been issued in May and reflected the comments made by the Board in previous meetings on closer alignment with the FReM. CIPFA highlighted the practical implications further IFRS 16 amendments could have on local authorities.
- 4.77 The Board considered and agreed the CIPFA/LASAAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code) for 2019-20 which had been updated to reflect some minor amendments.
- 4.78 The Board also discussed the proposed amendments to the Code in respect of IFRS 16 but acknowledged these would not be reflected in the 2019-20 version of the Code due to the agreed one year deferral of IFRS 16.
- 4.79 The Board assessed proposed adaptations that would have caused a divergence between the FReM and the Code. For example, CIPFA/LASAAAC was intending to use a different method for subsequent measurements of right-of-use assets and was intending to have different transitional arrangements.
- 4.80 The Board expressed concern over the implications this could have for the WGA, and whether this could lead to a potential audit qualification. The Board recommended that CIPFA/LASAAAC work with HM Treasury on aligning this treatment and CIPFA/LASAAAC also agreed to reword their definition of a peppercorn lease to align with the FReM.

- 4.81 The Board was pleased to note that this advice was taken on board by both HM Treasury and CIPFA/LASAAC who worked together to propose a joined up solution for the subsequent measurements of right-of-use assets, which was approved by the Board.

CIPFA/ LASAAC forward plan

- 4.82 CIPFA also provided the Board with regular updates on any issues arising, or relevant information on local government financial reporting.
- 4.83 CIPFA/LASAAC gave the Board an overview of its' strategic plan, including the intention to review the contents in the Code over the next few years. The Board advised that HM Treasury and CIPFA/LASAAC should ensure the reviews of their respective financial manuals / codes, considers changes proposed by the other Relevant Authority.
- 4.84 The Board very much appreciates CIPFA providing these regular updates, and the opportunity for the Board to advise over financial reporting in local government.

Relevant Authority working group

- 4.85 The Relevant Authorities have created a forum to enhance and greater align their respective work plans across the public sector financial reporting landscape. The group will work together closely to ensure that potential misalignments between frameworks are addressed and resolved promptly by the Relevant Authorities, although it will refer proposals to the Board.
- 4.86 The Board welcomed the creation of this working group, and the focus on enhancing consistency across the public sector. Although the Board does not have a direct governance role, it will have sight of the minutes and keep updated on discussions and proposals. The Board decided to review the effectiveness of this governance arrangement in 12 months' time.

National Audit Office (NAO)

- 4.87 The NAO scrutinises public spending, including the audit of financial statements of all central government departments, agencies and other public bodies, and then reports the results of audits to Parliament. The NAO also maintains the Code of Audit Practice and supporting guidance applicable to auditors of local public bodies in England. A representative of the NAO is a welcome member of the Board and regularly provides feedback on the Office's audit findings and issues arising through the year.
- 4.88 The Board was pleased to note highlights reported by the NAO from the audits of the 2017-18 accounts, including:
- the achievement of preparers of central government and other public bodies' annual accounts, and of audit teams, in ensuring most accounts were finalised, audited and laid in Parliament before the summer recess
 - the publication of the consolidated annual report and accounts for the academy schools sector in England

- the achievement of the local government sector in England in bringing forward the timetable for publishing their accounts by two months.
- no increase in the number of qualifications of the true and fair opinion across the public sector

4.89 However, the NAO reminded the Board that challenges remain on the audit completion timetable. Some central government accounts are still finalised too close to the end of the audit and reporting period, which creates significant challenges for preparers of accounts and auditors. The NAO advised the Board that it is working closely with departments and the Relevant Authorities to continually improve collaborative efforts to project manage the accounts end of year accounts production and audit process and will keep the Board updated on progress.

4.90 The NAO also highlighted the publication of its first report summarising the results of auditor's reporting on audits of local public bodies across the local government and health sectors in England. While this showed, at the time of the report, that there had not been any qualifications of the true and fair opinion across the sector it also highlighted that the number of qualifications of auditors' conclusions on local bodies' arrangements to secure economy, efficiency and effectiveness in the use of their resources was increasing.

4.91 The Board recognised the value of both the NAO's perspective on the quality of financial reporting, as well as the efforts of the NAO to support entities to improve their financial reporting. The Board looks forward to seeing further developments in the coming years.

Governance and future work

Governance

4.92 Ian Mackintosh announced in the 2018-19 financial year that he would be retiring as Chair of the Board. His retirement from the role is due to personal reasons and his leadership will be missed. Ian's last meeting as Chair of the Board was the 4th April 2019. A recruitment process to appoint his successor was initiated with a high quality of candidates being considered. The Head of the Government Finance Function has appointed Lynn Pamment who will take up the role from the June 2019 meeting. This appointment was agreed by the Comptroller and Auditor General.

4.93 The Board has agreed to review its terms of reference as part of the Government financial reporting review that has been undertaken by HM Treasury. This will include setting the strategic direction of the Board going forward and how the role of the Board should be developed further to include financial and non-financial reporting in annual reports and accounts more broadly.

The Board's forward agenda

4.94 The Board's attention this year has been focused on the complex nature of the financial reporting standards and the drive to ensure a consistent application

across the public sector, as a whole. This has had many challenges and is by no means complete. Significant work is still to be done and the Board will remain very active in seeing it through providing support to the resolution of remaining issues.

- 4.95 As highlighted throughout this report, the Board has an important role in maintaining its awareness of changes in the public sector reporting landscape, which will continue to develop over the coming years. The Board plays a pivotal role in ensuring financial reporting quality and consistency is maintained across the public sector. Therefore, the Board regularly considers the forward agenda for discussion at future Board meetings. A summary of those areas which the Board will be prioritising in the future is below.
- 4.96 The Board will oversee any proposed changes in government financial reporting that occur as a result of HM Treasury's response to the PACAC report on government financial reporting. The Board will also look to review its terms of reference, as set out by HM Treasury, in the response to the PACAC recommendations, including recognition that the scope of the Board may need to be amended to ensure that good quality financial and non-financial reporting is a more prominent part of the Board's remit.
- 4.97 The Board will continue to be actively involved in the implementation of IFRS 16 *Leases*, ensuring any further proposed adaptations and interpretations are fit for the public sector, and that this standard remains on the agenda until successfully implemented.
- 4.98 The Board will review the outcome of the post implementation review into IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers* and will discuss the lessons learned that can be used for the implementation of any new standards.
- 4.99 The Board will receive updates on other new accounting standards, specifically IFRS 17 *Insurance Contracts* to ensure the Board has early input into the implementation plan, exposure draft and application guidance across the public sector.
- 4.100 The Board highlighted the importance of ensuring that the agenda tracks potential future changes as a result of the findings of IFRS IC, IPSASB exposure drafts, and other changes to financial reporting including the application of the revised Conceptual Framework which will come into effect in 2020.
- 4.101 The Board will continue to review the technical guidance published by Relevant Authorities in their accounting Manuals and Codes.

Annex A

Board meeting and topic of discussion

Accounting standard or reporting issue	Board meeting and topic of discussion		
	June 2018	November 2018	April 2019 ¹
IFRS			
IFRS 16, <i>Leases</i>	✓	✓	✓
IFRS 17, <i>Insurance Contracts</i>		✓	✓
Other issues			
<i>Discount rates</i>	✓	✓	
<i>Whole of Government Accounts (WGA)</i>	✓		
<i>Local government Update/ CIPFA/LASAAC Code</i>	✓	✓	✓
<i>FReM 2018-19 and 2019-20</i>		✓	
<i>Health Manual (GAM)</i>		✓	
<i>Government Financial Reporting Review</i>	✓	✓	✓
<i>NAO Update</i>	✓	✓	✓
<i>Relevant Authority Working Group</i>			✓
<i>International Update (EFRAG)</i>		✓	
<i>IFRS IC Update</i>		✓	✓
<i>FRC Update</i>			✓
<i>IASB Update</i>			✓

¹ The March 2019 meeting was delayed until 4th April 2019. Therefore, the April 2019 meeting forms part of the 2018-19 Board Report.

Accounting standard or reporting issue	Board meeting and topic of discussion		
	June 2018	November 2018	April 2019 ¹
<i>Annual Improvement cycle and Narrow Scope Amendments</i>	✓		✓
<i>FRAB Annual Report 2017-18</i>	✓	✓	
<i>FRAB Annual Report 2018-19</i>			✓
<i>Forward Work Programme</i>	✓	✓	

Annex B

Board attendance and future meetings

Name	Jun 2018	Nov 2018	Apr 2019
Chair			
Ian Mackintosh (to Apr 2019)	✓	✓	✓
Independent / external members			
Anthony Appleton (to Apr 2022)		✓	✓
Richard Barker (to Jun 2021)	✓	✓	
Andrew Buchanan (to Aug 2020)		✓	
Andrea Pryde (to Jun 2021)	✓	✓	✓
Preparers / users			
Pam Beadman (to Jun 2021)	✓	✓	✓
Gareth Caller (to Feb 2021)	✓	✓	✓
Iain King (to Jun 2021)	✓	✓	✓
Joseph McLachlan (to Nov 2019)	✓	✓	✓
Bob Richards (to Nov 2020)		✓	✓
Ian Webber (to Feb 2021)	✓	✓	✓
Auditors			
David Aldous (to Jun 2020)	✓	✓	✓
Karl Havers (to Nov 2021)	✓	✓	✓
Fiona Kordiak (to Mar 2021)	✓	✓	✓

Relevant authorities¹			
Gawain Evans (to Feb 2020)	✓	✓	✓
Ian Ratcliffe (to Jun 2021)		✓	✓
Ian Bulmer (until Jun 2018)	✓	N/A	N/A
Vicky Rock (from Nov 2018, until Feb 2021)	N/A	✓	✓
Sarah Sheen (to Jun 2021)	✓	✓	
Gareth Davies (on behalf of Sarah Sheen)	N/A	N/A	✓
Stuart Stevenson (to Jun 2021)	✓	✓	✓
Aileen Wright (to Jan 2021)	✓		✓
Christopher Young (to Nov 2020)	✓	✓	
Parliamentary Observer			
Craig Mackinlay MP	✓		
Larry Honeysett	✓	✓	✓

Future FRAB meetings

- 13 June 2019
- 21 November 2019

These meetings will take place at HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

¹ Relevant Authority tenure is on-going, renewable every 3 years

Annex C

Glossary of acronyms

CIPFA/LASAAC	The Chartered Institute of Public Finance & Accountancy / Local Authority (Scotland) Accounts Advisory Committee
DHSC	Department of Health and Social Care
EFRAG	European Financial Reporting Advisory Group
FRAB	Financial Reporting Advisory Board
FRC	Financial Reporting Council
FRem	Financial Reporting Manual
GAAP	Generally Accepted Accounting Practice
GAM	Group Accounting Manual (NHS)
GDPR	General Data Protection Regulation
IASB	International Accounting Standards Board
IFRS IC	International Financial Reporting Standards Interpretations Committee
IFRS	International Financial Reporting Standards
IPSAS	International Public Sector Accounting Standards
IPSASB	International Public Sector Accounting Standards Board
NAO	National Audit Office
ONS	Office for National Statistics
PACAC	Public Administration and Constitutional Affairs Committee
PESA	Public Expenditure Statistical Analysis
The Code	Code of Practice on Local Authority Accounting in the United Kingdom
WGA	Whole of Government Accounts

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Agenda Item 2.5



Llywodraeth Cymru
Welsh Government

Report to the Public Accounts Committee

Safer Communities Programme Update

June 2019

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ONE

Summary

In 2016 the Wales Audit Office published a report into Community Safety in Wales. The report concluded that complex responsibilities make it difficult for public bodies to co-ordinate a strategic approach to community safety, which weakens collective leadership and accountability, and undermines the potential to help people stay safe.

We agree with the fundamental conclusion of the then Auditor General, however we would emphasise the point that community safety in Wales is a complex area for many reasons. These issues are addressed briefly below and in further detail in the main chapters of this report and include (but are not limited to):

(i) The complexity of delivering non-devolved functions in a devolved landscape. This is something which impacts across all levels, politically and operationally.

Policing in Wales is devolved to the four Police & Crime Commissioners (PCCs) , who, along with the four Chief Constables, have a close and productive working relationship with Welsh Government Ministers and officials. The Policing Board for Wales ensures dialogue between Welsh Government and the PCCs and Chief Constables on a quarterly basis – the February meeting earlier this year was Chaired by the First Minister and also attended by the Deputy Minister and Chief Whip (who will alternate the Chair between them going forward).

We work very closely with UK Government departments as criminal justice policy is developed to ensure the maximum alignment with devolved services in Wales. For example, we have recently responded to a Home Office consultation on a new legal duty to support a multi-agency approach to preventing and tackling serious violence. We questioned whether their preferred option (option one in the consultation document¹ - to legislate to place a new duty on specific organisations to have due regard to the prevention and tackling of serious violence) would have the legislative competence to place a duty on devolved service providers in Wales. This is just one example of many that illustrates how we work with UK Government departments to ensure so far as possible their policies and legislation are appropriate for the Welsh landscape.

(ii) The complexity and number of groups and organisations at regional and local level poses a significant challenge in terms of strategic and joined up leadership and alignment.

There are productive and collaborative meetings that cut across the devolved and non-devolved landscape held at national and regional level. For example, the All Wales Criminal Justice Board has representation from organisations including the Prison Service, Courts Services, PCCs, Chief Constables, Third Sector in Wales, local government in Wales and Welsh Government. This strategic all Wales Board

¹ <https://www.gov.uk/government/consultations/serious-violence-new-legal-duty-to-support-multi-agency-action>

provides direction and sets work priorities for the Integrated Offender Management (IOM) Cymru Board at a regional level². However, below the regional level the local landscape of organisations and groups is crowded, complex and often not joined up or aligned with the same people from the same organisations attending multiple meetings on similar or related themes. The “message” or ambition is not always clear or consistent across the various groups and may not best serve the national and regional priorities and objectives.

We have completed a piece of work that has identified the most significant national and regional groups. The Safer Community Programme’s local government manager is now meeting regularly with local authorities and other local groups and organisations (i.e. local SOC boards) to understand and where appropriate help these groups to better align with the national and regional structure. We recognise that this element of work of the programme will take time to achieve although there has already been some good progress, for example in Gwent all local organisations now operate under the umbrella of Safer Gwent³ which allows them to take a more joined up and holistic approach to the commissioning of services.

In addition, the Minister for Housing and Local Government has asked the Working Group on Local Government to present emerging work on mapping partnerships at the September meeting of the Working Group. The aim of this work is to look to reduce complexity in the governance of public services, local government and other public service partners, including Public Service Boards (PSBs) and Regional Partnership Boards (RPBs).

(iii) Data – at the moment a multitude of organisations are collecting data but it is not always consistent and used appropriately. And organisations are often not sharing it for use on a multi-agency basis.

Multi-agency data sharing and analysis is required to underpin effective community safety partnership working and this remains a major weakness across Wales. Significant barriers, such as lack of resources, a risk-averse data culture and ineffective personal information sharing protocol arrangements continue to hinder early intervention and prevention work on a multi-agency basis. Although good practice does exist in Wales, for example, the Newport SOC Board which, in February⁴, was praised for its multi-agency partnership approach in dealing with serious and organised crime at a local level, these instances are isolated.

A working group has is now developing a comprehensive business case for multi-partner investment in the necessary analytical resources and digital ‘data sharing’ technologies to support better strategic and tactical decision-making, service planning and commissioning.

² <https://www.iomcymru.org.uk>

³ <http://www.gwent.pcc.police.uk/engagement/partnerships/safer-gwent/>

⁴ <https://www.newport.gov.uk/en/Council-Democracy/News/articles/2019/February-2019/Praise-for-partnership-project-tackling-Serious-and-Organised-Crime.aspx>

(iv) Resources, in terms of money and frontline staffing.

It is clear from our partnership discussions with local government and other partners including (but not limited to) third sector organisations and safeguarding service providers, that there is a collective will to work with us to deliver this programme and respond to the threat of serious and organised crime at local, regional and national levels. However, a common theme is that after a long period of austerity there is a general lack of capacity and capability to move from a reactive to a proactive position of delivery. The numbers of organisations' frontline staff have been seriously depleted which has severely hampered the delivery agenda, with a significant impact of community safety functions and programmes. The Safer Communities Programme Board's Vice-Chair (Reg Kilpatrick, Director, Local Government Division, Welsh Government) has been very clear that the outlook for public finances remains very challenging and it is unlikely that there will be any additional funding or resources available to support the programme, other than the dedicated full time programme resource already provided by Welsh Government and jointly funded local government delivery manager. Partners will need to continue to spot opportunities to work smarter and together so as to align their community safety activities within "business as usual".

In some areas – such as North Wales and Pembrokeshire – ambitious work is under way to develop appropriate intelligence products to support and stimulate more effective partnership working. North Wales is also actively reviewing its partnership 'landscape' with a view to rationalising and simplifying structures, remove duplication and achieve better alignment around tackling vulnerability and criminal exploitation of communities and individuals (e.g. county lines, modern slavery, child sexual exploitation).

(v) Related policy areas are not consistently aligned across UK, Welsh and local government.

Misalignment of policy aims, objectives and implementation across the various partners is a significant issue. A key piece of work in this respect is the development of a Serious Violence Framework for Wales, commissioned jointly by the four PCCs and co-developed with the Home Office Violence & Vulnerability Unit and supported by Welsh Government.

The framework, to be launched in July, will provide an effective toolkit and guidance to underpin local partnership working – hand-in-hand with the ongoing work to develop locally appropriate intelligence around serious & organised crime, gangs and serious violence.

TWO

The Safer Communities Programme

In response to the WAO's 2016 report, the Welsh Government undertook a detailed review of community safety in Wales which concluded with the publication of the *Working Together for Safer Communities* report⁵ in December 2017. This report included 11 recommendations to improve community safety working in Wales.

The review also established a new shared vision for community safety in Wales in which:

1. Every community is strong, safe and confident in a manner that provides equality of opportunity and social justice, resilience and sustainability for all;
2. The shared responsibility of government, public and third sector agencies is to work together with the communities they serve and the private sector to address activity or behaviour that is unlawful, anti-social, harmful to individuals and society and to the environment;
3. Sharing knowledge and ensuring early intervention with prompt, positive action tackles local issues and addresses vulnerabilities.

It set out that this vision will be achieved through collaborative and integrated multi-agency activity that is:

- Evidence-based and intelligence-led;
- Supported by appropriate skills & knowledge;
- Sustainably resourced and locally appropriate;
- Engaging and involving citizens;
- Preventative and intervening as early as possible;
- Focused on long-term improvements and benefits.

These are the **key principles** that, together with 11 priority commitments designed to support the realisation of this shared vision for community safety partnership working in Wales, now form the Welsh Government's Safer Communities Programme (2018-2020).

The programme is being taken forward under the direction of a multi-agency programme board, chaired by Jane Hutt AM, Deputy Minister & Chief Whip.

Membership of the programme board includes representatives of:

- Welsh Government;
- Home Office;
- Ministry of Justice;
- Welsh Police & Crime Commissioners and Chief Constables (Policing in Wales Group);
- the Welsh Local Government Association (WLGA);
- Society of Local Authority Chief Executives (SOLACE);

⁵ <https://gov.wales/sites/default/files/publications/2019-03/working-together-for-safer-communities.pdf>

- Her Majesty’s Prison & Probation Service (HMPPS);
- Youth Justice Board (YJB) Cymru;
- Welsh Fire & Rescue Services Chief Officers;
- Public Health Wales (PHW);
- Community Justice Cymru (CJC); and
- Welsh Local Health Boards (LHBs).

The programme delivery plan is based around workstreams for each of the six key principles in order to best deliver the 11 priority commitments within the programme, which include:

- working with the Commission on Justice in Wales to identify options for the development of a distinct Welsh justice system;
- establishing a dialogue with the Home Office over the appropriateness of the original Crime & Disorder Act as it applies to Wales;
- developing a more clearly defined strategic leadership role for Welsh Government in community safety partnership working;
- establishing a community safety partnership policy & practice function within Welsh Government;
- developing new Welsh guidance for community safety partnership working;
- considering how to establish a Wales Community Safety Network and online resources library;
- exploring opportunities for joint thematic inspection around the ‘reducing reoffending’ theme;
- considering how to improve community safety funding programmes to achieve longer term approaches, giving greater flexibility and focus on community safety outcomes;
- improving data sharing, data development and analysis arrangements for community safety partnership working.

The remaining two commitments have been temporarily deferred until the publication of the ‘Commission on Justice in Wales’⁶ report is published later this year as they have a direct bearing on the future relationship of the UK & Welsh Governments and further devolution of justice policy to Wales, including consideration of whether the Crime & Disorder Act 1998⁷ (as amended) remains fit for purpose for delivery in Wales.

A Senior Responsible Officer (SRO) from the programme board has been appointed to lead each of the six workstreams. The board has agreed that the delivery plan will utilise dispersed leadership methodology to ensure it involves all key stakeholders, is collaborative and integrated in its approach, and places an emphasis on sustainable action that is preventative or intervening as early as possible.

Programme implementation will also initially focus on Serious & Organised Crime (SOC) and associated ‘county lines’ activity and serious violence, as these were agreed to be the most pressing priorities for all partners and areas within Wales.

⁶ <https://gov.wales/commission-justice-wales>

⁷ <https://www.legislation.gov.uk/ukpga/1998/37/contents>

THREE

Progress to Date

The Oversight Group which led the review of community safety in Wales became the Safer Communities Programme Board in early 2018. This retention of membership and expertise has provided continuity and consistent leadership.

Since moving from review to implementation and delivery stage in mid 2018, the group has:

- Embedded a “public health” approach⁸ at the heart of our programme, in keeping with the Public Health Wales partnership agreement with policing and criminal justice agencies across Wales, ensuring the recognition of ACEs and trauma-informed practice within community safety partnership working⁹;
- Continued work to better align specific aspects of community safety working in Welsh Government including; substance misuse, VAWDASV, community cohesion and youth justice, safeguarding, housing and health (for example, by taking a joined up policy approach for development of the justice blueprints);
- Established a workstream to consider options and develop a case to overcome the various identified barriers and issues to partnership data sharing, data development and analysis – a paper has been prepared for the next meeting of the AWCJB and the next steps will be to develop a detailed business case for additional analytical support;
- Established a workstream to develop a community safety network for Wales, which will include an online portal, training and reference programmes and materials and guidance documents, by the end of this year;
- Refocused The Wales Association of Community Safety Officers (WACSO) group so that it is more strategically focused and driven. WACSO is arranging an all-Wales community safety two day conference which will be opened and closed by the PCCs in Wales and will feature plenary and workshop sessions on matters including exploitation, serious crime, and data sharing. The event is to be held at the Coldra Court Hotel, Newport¹⁰ and will sound-test the approach and methodology we have developed so far for the community safety network for Wales;

⁸ By definition, public health aims to provide the **maximum benefit for the largest number of people** by exposing a broad segment of a population to **prevention measures** and to reduce and prevent violence at a **population-level** and seek to improve the **health and safety of all individuals** by addressing **underlying risk factors** that increase the likelihood that an individual will become a victim or a perpetrator of violence.

⁹ *Public health, policing and criminal justice organisations in Wales are leading transformational change which is addressing the root causes of criminal behaviour, taking an ACE-informed and public health approach and enabling police to take preventative measures when dealing with vulnerable people to keep them out of the criminal justice system, breaking the generational cycle of crime and improving lives.*

¹⁰ <https://www.eventbrite.com/e/building-safer-communities-tickets-62045592036>

- Started work with local authorities, police forces and SOC groups to refresh community safety at regional and local level and ensure alignment, synergy and join up. Local problem profiles for each of the 22 local authorities are in development and will be considered further at the next meeting of the Safer Communities Programme Board in September to, for example, be able to take a national picture of local activity in order to further consider matters such as alignment, duplication, commonality and resources.

Each SRO was invited to provide a project update for this report and where applicable these are included as annexes to this report. In addition, a brief summary of specific progress against each of these work-streams is as follows (as extracted from a recent programme board report):

I. Evidence-based and intelligence-led – SRO: Dafydd Llywelyn, Dyfed Powys PCC

- A multi-agency workstream group is exploring opportunities for improving information sharing arrangements, analytical and research capacity across community safety, policing and criminal justice and to seek better alignment of data & analysis systems and processes. The group has completed a ‘stocktake’ to understand the issues, barriers and potential solutions to improved data sharing and analytical capacity.
- Utilising the initial data gathered via the stocktake, the group is now supporting the All Wales Criminal Justice Board (AWCJB) and Integrated Offender Management Board Cymru (IOM) to develop a business case for additional ‘partnership’ analytical capacity – either nationally, regionally or both – and to develop appropriate data/analysis tasking and commissioning mechanisms within community safety, policing and criminal justice.
- Workstream group members are looking at improving the alignment between current programmes to establish multi-agency data sharing platforms (data observatories/repositories) and systems (bridging, data-mining & cleansing, machine learning, etc.).
- Group members are also involved in the development of specific Information Sharing Protocols (ISPs) (under the “Wales Accord on the Sharing of Personal Information” (WASPI) umbrella) and regional/local multi-agency data-sharing arrangements to support the development of effective multi-agency needs assessments, or problem profiles, focused on county lines and other forms of criminal exploitation. These will help inform local partnership working.

II. Supported by appropriate skills & knowledge – SRO: Chris Davies, Chief Officer, Mid & West Wales Fire & Rescue Service

- This workstream is split into three areas (in priority order): development of an all Wales community safety network; an all Wales on-line training database; and development of Wales-specific community safety guidance.
- Work has progressed well and has already refreshed and refocused WACSO to be the focal point for the development of the three work areas (see above)

bullet) and a two day conference will be held on 1 & 2 July (as detailed on page 7) to disseminate and launch this work. By September we want to see significant progress and a road map of how we will deliver the three priorities.

- The working group has pulled together a whole host of existing community safety guidance and reference material and the next step will be to consider this further on a multi agency basis and look to remove (the existing) duplication and complexity. The guidance document(s) will be considered and developed by the end of the year and will include an update of existing material to reflect the Welsh legislative landscape (for example The Well-being of Future Generations (Wales) Act 2015).

III. Sustainably resourced and locally appropriate – SRO: Naomi Alleyne, Director, WLGA

- The programme is working with the 22 local authorities in Wales to support the Wales-wide 'refresh' of local community safety partnership working and sharing of effective practice and learning across Wales.
- This work has three specific areas: supporting local partnership working; alignment to the priorities of local partnerships within the regional and national picture; and resourcing. The position is variable across authorities but it is imperative that local partnerships understand and define what their local problems are – ie where are the vulnerabilities and where is early intervention and prevention required, which will enable the development of the local problem profile work (as previously referenced).

IV. Engaging and involving citizens – SRO: Bernie Bowen-Thomson, Chair of Community Justice Cymru

- This workstream is developing and testing an approach to involve service user/citizen voice in informing and participating in the development of services for women in the criminal justice system. This includes the delivery of engagement events for women to discuss their experiences (including what prevented positive progression, what helped them/would have helped them); and case studies relating to women with lived experiences of the criminal justice system. This work will feed into the development of the female offending blueprint. Additional benefits arising from this tangible opportunity is the potential for the development of an engagement methodology that can inform guidance to partners and agencies seeking citizen/user voice strategy in a wider context: providing principles, guidance and examples to inform any toolkit developments.
- Two events (in North & South Wales) were held in March to update Community Justice Cymru's 2015 manifesto¹¹. The manifesto details how third sector organisation will engage and deliver for citizens and seek to influence (UK & Welsh) Government thinking (ie the female offending blueprint development). This work identified opportunities and a willingness from the third sector to engage in the criminal justice arena, which will be included within the updated manifesto for the first time as a specific policy area.
- The development of a Young Persons Vision Statement is continuing, in

¹¹ https://www.wcva.org.uk/media/2436889/cjc_manifesto_-_final_2015_eng.pdf

conjunction with YJB Cymru, and this will be completed in the autumn.

V. Preventative and intervening as early as possible – SROs: Janine Roderick, Public Health Wales programme lead and Julian Williams, Chief Constable for Gwent

- This workstream is seeking to build on the established Public Health Wales partnership with policing and criminal justice across Wales, managed via the All Wales Criminal Justice Board by extending the partnership agreement to include local government, fire & rescue services, Welsh Ambulance Service Trust and Community Justice Cymru. This will promote the use of the ‘public health approach’ – embedded in the partnership agreement – across community safety, policing and criminal justice partnership working and allow AWCJB to truly reflect a ‘whole system approach’ to policing and justice in Wales.
- The PHW workstream SRO is supporting the programme board to develop a ‘quality assurance’ approach to the ongoing work and activity of the other 5 complementary workstreams based on the four-step model now defined as the ‘public health approach’ – 1) define and monitor the problem; 2) identify risk and protective factors; 3) develop and test prevention; 4) implementation.
- The PHW workstream SRO is supporting the programme board in the development of a robust research/evidence base¹² for community safety, policing and criminal justice policy and practice (closely linked to first and second workstreams) including joint working to establish an all-Wales violence surveillance system and a Wales Violence Reduction Unit.
- The Chief Constable SRO is overseeing discussions between the devolved and non-devolved inspectorates and audit regimes to pilot ‘joint thematic inspection’ approaches from November 2019 onwards, initially focused on safeguarding in the context of partnership working to address criminal exploitation, but looking to the broader ‘reducing reoffending’ theme.

VI. Focused on long-term improvements and benefits – SRO: Reg Kilpatrick, Director of Local Government and Public Services, Welsh Government

- Cross-government dialogue between both officials and Ministers from Welsh and UK Government Departments (Home Office and Ministry of Justice) to improve delivery across the devolved/non devolved landscape are continuing, with focus around the development of distinct justice delivery blueprints for young people and women, the reform of the Welsh Probation Service and the ongoing engagement through the Policing Board for Wales.
- Inter-departmental dialogue between relevant Welsh Government officials on key community safety, policing and criminal justice themes are being established with a focus on structures (e.g. CSPs, PSBs, APBs, RPBs, Safeguarding Boards, etc.) and local/regional footprints, with exploration of opportunities for greater collaboration between local authority areas.

(See page 20 for more detailed narrative).

¹² <https://www.rsph.org.uk/our-work/resources/early-action-together-learning-network/about-the-programme.html>

FOUR

Next Steps

The implementation of the programme is being maintained and we expect further progress to be made by the time of the next update report requested by the Public Accounts Committee in November.

The programme is on track to conclude its work by the spring 2020, before the end of this period of Government, where we expect that delivery will move from a “task and finish” approach, such is the work of the Safer Communities Programme, to an approach that is embedded in “business as usual”, with the continuation of community safety delivery within the existing funding and resource envelope that is available.

We will look to explore options of sustainability in order to derive a “business as usual” approach over the coming months, including how local government and other stakeholders/ groups can work smarter and within the structures of the finite resources available, for example, through better multi-agency working and better sharing of data and analytical information and for example, by ensuring the AWCJB has strategic oversight and responsibility.

We are aware many challenges have been discussed within this report which have a direct and indirect impact on our ability to deliver this programme. However, we benefit in Wales from a “can do” attitude from all our delivery partners and the willingness of all to improve services for the citizens of Wales.

We have said all along that this is a multi-agency programme and there is the collaborative requisite to continue to implement this programme of work on a multi-agency, dispersed leadership basis, with each SRO accountable for delivery of their own workstream area. We will continue to prioritise early intervention and prevention techniques (to look to divert people away from the criminal justice process in the first place, through our policies and initiatives) as we implement this programme, against a backdrop of finite and diminishing resources and the challenges posed by the unknowns associated with BREXIT for example.

We will provide a further written report as requested by the end of November. Should the Committee wish to discuss the contents of this report in more detail, then we would be content to provide a verbal update, further to our previous verbal update last November, at a convenient date.

Annex A

SRO Update: Evidence-Based & Intelligence-Led, Dafydd Llywelyn

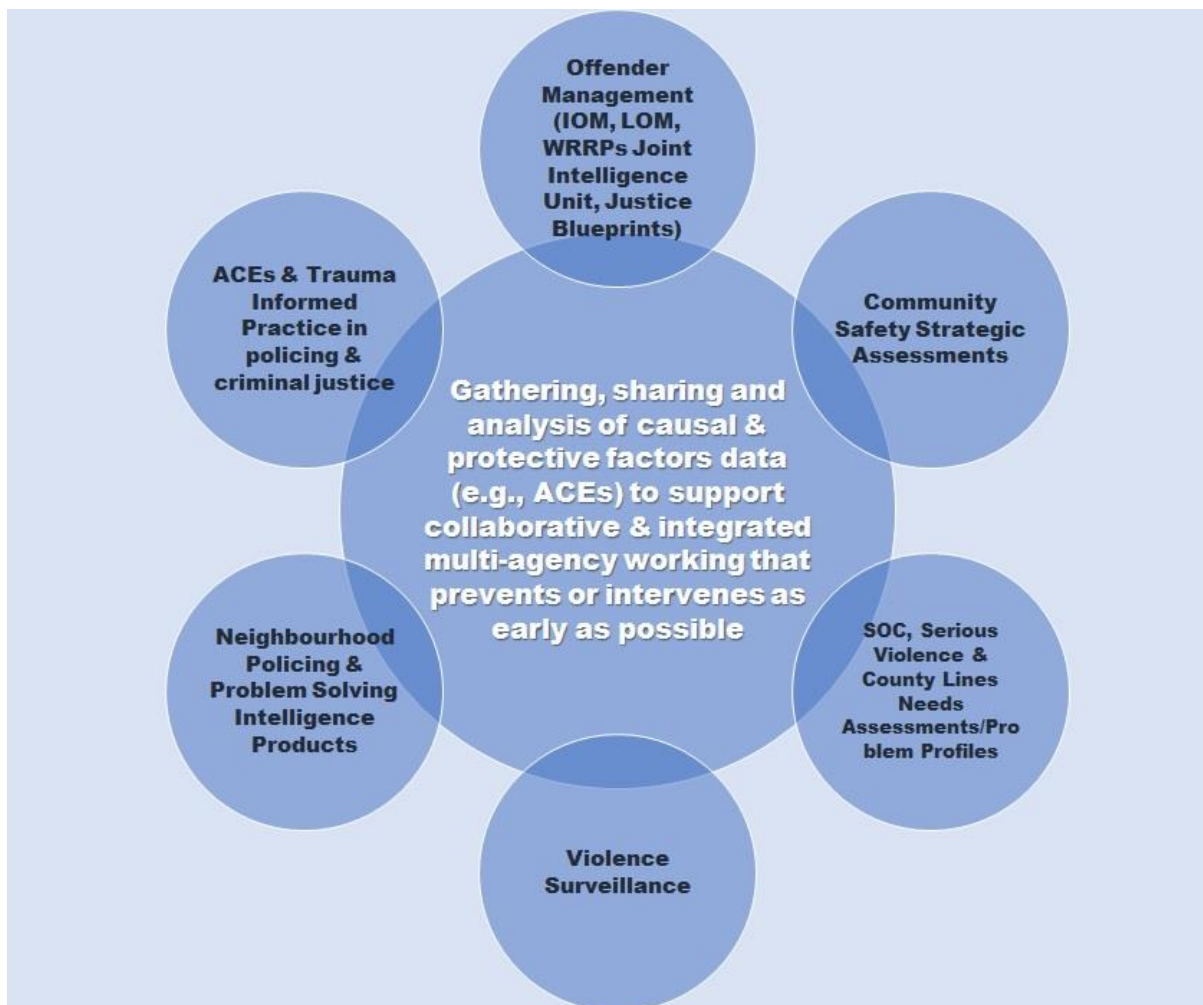
The Working Together for Safer Communities Review concluded in 2017 that the multi-agency data sharing and analysis required to underpin effective community safety partnership working remains a major weakness across Wales and that significant barriers such as lack of resources, risk-averse data culture and ineffective personal information sharing protocol arrangements continue to prevent responsible authorities from adequately meeting their statutory requirements under the Crime & Disorder Act 1998 (as amended).

The Safer Communities Programme Board is therefore committed to working towards addressing these issues to support partners in achieving the shared vision for 'evidence-based and intelligence-led' partnership working to address community safety issues. A working group of key stakeholders from all relevant sectors was established in November and quickly identified a number of key strategic programmes that are struggling to overcome barriers to data sharing and effective analysis including:

- Integrated Offender Management (IOM) arrangements across Wales;
- Wales Reducing Reoffending Pathways programmes and development of the 'justice delivery' blueprints for women and young people who offend;
- Public Health Wales' violence surveillance reporting and work to embed the Early Action Together Police & Partners ACEs programme approach;
- Partnership understanding and involvement in needs assessments/problem profiles and multi-agency plans to address Serious & Organised Crime, serious violence and county lines type activity.

These issues and barriers have been repeatedly discussed at the IOM Cymru Board, the All Wales Criminal Justice Board (AWCJB) and other related national forums and, at the request of AWCJB, the working group completed a rapid 'stocktake' survey of all key community safety partners across Wales with the intention of informing the development of a 'business case' for investment in additional 'partnership' analysts and technical solutions to support improved information sharing.

The working group is now developing a comprehensive business case for multi-partner investment in the necessary analytical resources and supporting digital 'data sharing' technologies to support better strategic and tactical decision-making and service planning and commissioning, recognising the significant overlap of the agendas illustrated below.



The business case being developed will also seek to address current systematic inefficiencies by not only boosting the analytical capacity across partner agencies and partnership working, but also by ensuring a more holistic, or ‘whole system’, approach to the commissioning of analytical products and the tasking of both the proposed and existing analytical resources.

The aim is to finalise this business case for submission to the IOM Cymru Board and the AWCJB July meetings, with a further update to the Safer Communities Programme Board meeting in September. Other key aspects under active consideration by the data & analysis working group, which meets again in late June, include:

- Promoting a culture of data sharing across all partner agencies;
- Encouraging greater use of personal data sharing protocols by all partner agencies;
- Encouraging greater use and alignment of digital technologies (e.g., data bridging, data repository and data mining/machine learning) by all partner agencies;
- Stimulating more effective and meaningful data development (e.g., making what’s important measurable rather than what’s measurable important) among all partner agencies.

Annex B

SRO Update: Supported by Appropriate Skills & Knowledge – Chris Davies

As part of the implementation of the Welsh Government Safer Communities Programme a project team has been established under the Supported by Appropriate Skills and Knowledge workstream with the aim of:

- establishing a Safer Communities Network.
- establishing an online community safety library and resources database; and
- development of skills and knowledge training programmes and Welsh guidance.

The Project Team consists of members from the Fire & Rescue Service, Police, WAST, Youth Justice Board, Home Office, HMPPS, Community Justice, WACSO, Public Health and WG, to deliver the above aims with the purpose of the group being to discuss and agree content of guidance/resource/training material applicable and relevant for a Welsh community safety landscape, how this material will be amended (if applicable) and structured for its intended target audience and the most appropriate platform for dissemination.

Progress to date

In order to ensure focus and momentum the Project Team has agreed the following objectives, which are extracts from the delivery plan for the Project Team:

Establish a new and inclusive national community safety network for Wales, drawing on the Scottish model and building on the foundations established over many years by WACSO, which will support future Welsh community safety policy and practice development and help to build the appropriate skills and knowledge required to implement the new vision.

5. National Community Safety Network for Wales (NCSNW)
Research existing models (eg Scottish website)
Spec requirements of Welsh model
Options for hosting/design/cost analysis - produce paper
Draft website "on paper" produced
Paper to Safer Communities Board to agree
Website/web-area design & build
Third party links/material added to site
Library/resources database/training prog material & guidance added to site (see workstreams above)
Testing
Go Live

Establish an online community safety library & resources database for Wales. Hosting guidance, toolkits, online learning, effective practice, case studies, research and evaluation, together with re-establishing a specific Welsh programme of community safety Learning and Development (L&D), incorporating the various themes of partnership problem solving, intelligence

led business process, analysis, project management and evaluation, commissioning and community engagement.

3. Online community safety library & resources database
Identify and catalogue archive HO material
Scope & research other/3rd party community safety relevant material/links to websites
Meeting schedule for consultation & engagement purposes
Task & Finish Group - identify gaps & develop outline material
Wider (email) stakeholder engagement to "sound test" work of the task & finish group
Analysis of stakeholder engagement & material further developed/refined/completed
Progress paper to Safer Communities Board
Completion: material to dovetail into NCSNW workstream

Develop new Wales-specific guidance that builds on the sustainable development principle and the Hallmarks of Effective Partnership and outlines how community safety partners and partnerships can deliver more effectively and efficiently.

4. Development of skills & Knowledge training prog & development of Welsh guidance
Scope & research existing training programmes, e-learning material & guidance
Meeting schedule for consultation & engagement purposes
Task & Finish Group - identify gaps & develop outline material
Wider (email) stakeholder engagement to "sound test" work of the task & finish group
Analysis of stakeholder engagement & material further developed/refined/completed
Progress paper to Safer Communities Board
Completion: material to dovetail into NCSNW workstream

Deliverables

WACSO has been commissioned to develop and deliver on the 1st and 2nd July 2019 a key conference for the Appropriate Skills & Knowledge workstream of the Safer Communities Programme.

The aim of the conference is to support the above programme’s objectives of refreshing and reinvigorating community safety partnership working across Wales, but with a particular emphasis on building the ‘appropriate skills & knowledge’ needed to underpin effective multi-agency working.

A key theme running across the 2 days will therefore be how best to take forward the Safer Communities Programme commitments to:

- develop a proactive network for practitioners, policy makers and academics/researchers;
- to establish an online resource for community safety practice, policy and research in Wales; and
- to work toward the development of specific Welsh guidance that supports community safety partnership working.

It is intended this online resource would be the main 'go to' place for all those involved in community safety wanting a single point of access for information ranging from serious organised crime, arson through to tractor theft.

The online portal will aim to sign post existing information and not generate duplication. If any gaps in information are identified then new information would be created and thus signposted. Additionally, the site will also host the latest learning and development material, however, it will be essential that a gatekeeping process is established in order to validate the accuracy and currency of any of the information uploaded. It is planned to facilitate interactive discussion on these topics across the 2 day conference (1 & 2 July) via plenary, workshops and use of technology.

Additionally, considerable work is already being progressed to achieve better alignment of the multitude of existing L&D/effective practice programmes (e.g. ACEs Hub, Early Action Together Learning Network, WAO Good Practice Exchange, WLGA Good Practice Wales, College of Policing What Works, WCCSJ, WISERD, FGC Live Labs etc).

Project Risks

The need to engage and consult with all relevant stakeholders on the requirements and potential models for the appropriate skills and knowledge network and digital products & resources and L&D products.

Scope the existing curriculum and online content (e.g. Crime Reduction Website, ACEs Hub etc.) for transferable or refreshable content and resources.

Identification of key forums (e.g., social scientists, analysts, participation leads, service improvement leads, peer networks, professional networks) to work with in taking forward this workstream.

That WACSO have the ability and capability to ensure a sustainable model is created and the daily management via the WACSO network resilient and effective.

Funding

Whilst every intention is being made to absorb the start up costs for the Appropriate Skills and Knowledge workstream from within the existing Project Team, via each organisations re-prioritising their work. It must be recognised in order for the on line resource/ database to be developed there may be a need for WG support to pump prime and support future on-going costs for the management of the on line portal.

Greater clarity will be provided as this work stream progresses.

Annex C

SRO Update: Sustainably Resourced & Locally Appropriate, Naomi Alleyne

The Working Together for Safer Communities Review concluded in 2017 that there was significant evidence of negative impacts on community safety resources and delivery structures attributed to public sector austerity, although there has been an element of mitigation with increased Welsh Government funding available for specific workstreams together with some degree of protection of community safety partnership funding available from Welsh PCCs. Structural and resourcing conflicts and confusion posed by an array of both regional and local operational and strategic partnership 'footprints' also impact, along with the growing divergence between Welsh and UK Government policy and practice that leaves non-devolved community safety partners caught in the middle and less than clear about implementing non-devolved policy within a devolved landscape and context.

In response, Welsh Government, the Welsh Local Government Association (WLGA) and Policing in Wales agreed to jointly fund a dedicated resource to directly support the refresh and reinvigoration of local community safety partnership working across the 22 local authority areas – embedding the six key principles of the shared vision – and work to better align local, regional and national community safety, policing and criminal justice structures and programmes. A support offer letter was circulated to all key stakeholders in October 2018.

Eighteen of the 22 local authority community safety leads have now met with the local government Safer Communities Programme manager to discuss the level and nature of support needed, together with issues and barriers facing those responsible for the local co-ordination of community safety partnership working. Meetings with the remaining four authorities have been arranged. Based on the engagement to date it is clear that all areas of Wales share a commitment to, and enthusiasm for effective partnership working around a wide range of community safety themes – and all localities recognise the current threat and harms posed by serious & organised crime, illicit drug supply and gang-related serious violence.

However, all local authorities report significant resourcing barriers that would enable them to: support the co-ordination of partnership working within a complex and confusing partnership landscape (CSPs, APBs, PSBs, RPBs, RSBs, etc.); develop urgently needed intelligence products and needs assessments around key issues; provide effective responses to identified vulnerabilities and risks (e.g., youth services and mental health support for young people and vulnerable adults at risk of involvement in 'county lines' type activity).

In some areas – such as North Wales and Pembrokeshire – ambitious work is under way to develop appropriate intelligence products to support and stimulate more effective partnership working, but this is largely reliant on police analysts who are having to defer core duties to accommodate this priority activity as a 'one-off'. North Wales is also actively reviewing its partnership 'landscape' with a view to rationalising and simplifying structures, remove duplication and achieve better alignment around tackling vulnerability and criminal exploitation of communities and individuals (e.g. county lines, modern slavery, child sexual exploitation).

Gwent is also looking at partnership rationalisation and closer collaboration within a regional footprint. Newport – through the establishment of a joint ‘intelligence hub’ with Gwent Police and the investment of Home Office ‘pathfinder’ funding to tackle serious & organised crime – has been able to pilot new approaches to building community resilience, prevention and early intervention work with children and young people as well as more effective criminal investigation, prosecution and disruption tactics.

The ability of the local government Safer Communities Programme Manager to link across all areas of Wales, liaise with regional and national structures and programmes and draw on effective and emerging practice when providing localised support for community safety partnership working has now temporarily filled a gap left by the disappearance of the former joint UK and Welsh Government ‘Home Office Crime Team (Wales) in 2010.

A key piece of work in this respect is the development of a Serious Violence Framework for Wales, commissioned jointly by the four PCCs and co-developed with the Home Office Violence & Vulnerability Unit. The framework, expected to be launched in July, will provide an effective toolkit and guidance to underpin local partnership working – hand-in-hand with the ongoing work to develop locally appropriate intelligence around serious & organised crime, gangs and serious violence.

At a strategic level, discussions are under way to facilitate closer collaboration between policing and local government across Wales, to address the complexities and confusion posed by the current strategic partnerships landscape and to consider the community safety partnership working and co-ordination resourcing issues identified.

Annex D

SRO Update: Preventing & Intervening As Early As Possible; Joint Thematic Inspections, Julian Williams

Devolved and non-devolved inspectorate bodies are siloed and presently sit separately from each other. There's a clear case for a more joined up approach in Wales and an Inspectorate Group (IG) consisting of a range of partners across devolved and non-devolved agencies has been created. Although an ambitious task, the IG has focused on three areas namely:

- The scope of the inspection
- Theme identification – Child Sexual exploitation and Missing Children
- Governance – review of current partnership arrangements

The IG is adapting the English JTAI model and converting it into an all Wales version, namely the Joint Inspections of Child Protection Arrangements (JICPA). The identified themes (CSE & missing children) is being scoped further prior to the pilot inspections. One aspiration is that longevity and resilience can be built into the methodology so the model could be further developed and adopted for future adult inspections too. This would then facilitate and underpin the alignment of the model with the justice blueprints. The joint thematic inspection has a clear focus around reducing reoffending, and takes a 'whole systems approach' to support the aforementioned blueprints.

Currently, the IGs direction of travel is focusing on examining case studies of children at the point of entry into the system. This will then be further explored via a deep dive into cases totalling ten children. As a result the group will be able to map the child's journey from the point of referral to entry into child protection arrangements.

A pilot inspection is planned for November 2019 with a further 5 expected to occur April 2020 onwards. A reference group has also been established and will conduct a post inspection review between after first and before the second round of inspections to provide feedback on effectiveness, good practice and lessons learned.

Next steps

The IG are to confirm the pilot inspection themes. It is also of note that the inspection themes may be subject to change dependant on where the focus is at the relevant time.

Our focus of achieving a programme of joint thematic inspection around the reducing reoffending requirement (particularly linked to the new justice deliver 'whole systems approach' blueprints) will be considered once the joint thematic inspection approach involving both devolved and non-devolved inspectorates has been initially trialled and evaluated.

Annex E

SRO Update: Focused on Long Term Improvements & Benefits – Reg Kilpatrick

This workstream is about ensuring relations between WG & UK Government at official and Ministerial level are effective and maximise the delivery of devolved and non devolved services to users in Wales.

Welsh Government already has a good working relationship with key UK Government departments, including the Home Office (HO), and Ministry of Justice (MoJ). We take a holistic approach to working with these UK Government departments to help identify and overcome any challenges to effective delivery of non devolved services in the devolved landscape. That is, the delivery of non devolved policing and crime and justice policies in a devolved setting including health, education, wellbeing/safeguarding and housing.

We have already worked closely with HMPPS to jointly develop a framework to support positive change for those at risk of offending in Wales. The purpose of the Framework is to improve services for those at risk of entering or those already in the criminal justice system. The Framework will also promote continued collaboration in order to further reduce the number of offenders entering the criminal justice system, support offenders not to re-offend and to keep communities safe.

In addition, in response to Welsh Government's consultation response and further engagement, HMPPS has agreed with our view that most offender management services should be returned to the public sector for an integrated whole-system delivery approach in Wales¹³ (Community Rehabilitation Companies (CRCs¹⁴) will remain in the private sector environment until 2021). We note that the UK Government has since announced that this approach will also apply to England from 2021¹⁵.

We have worked closely with HO and Office of the Police & Crime Commissioners for Wales (OPCC) to ensure that the SOC launch event for Wales, held on 9 May at the Celtic Manor, Newport, focused on the Welsh devolved landscape and included themes and information directly relevant to Wales (for example the work of the Newport SOC Board which has taken a fully integrated multi-agency approach to reduce serious crime in the Newport area). The event included contributions from the Gwent PCC and Chief Constable and a presentation from the Newport SOC Board setting out how the model could be replicated across Wales.

We are also working closely with HO and OPCC colleagues to develop a Serious Violence Strategy event for Wales on 18 July in Cardiff.

We will continue to work closely with UK Government departments to seek to ensure that UK Government policy is reflective of the Welsh devolved landscape and the

¹³ https://consult.justice.gov.uk/hm-prisons-and-probation/strengthening-probation-building-confidence/supporting_documents/strengtheningprobationbuildingconfidence.pdf

¹⁴ <http://walescrc.co.uk/>

¹⁵ <https://www.bbc.co.uk/news/uk-48288433>

impact that non-devolved service provision will have on the devolved landscape. For example, we have recently responded to a Home Office consultation on a new legal duty to support a multi-agency approach to preventing and tackling serious violence. We questioned whether their preferred option (option one in the consultation document¹⁶ - to legislate to place a new duty on specific organisations to have due regard to the prevention and tackling of serious violence) would have the legislative competence to place a duty on devolved service providers in Wales. This is just one example of many to illustrate how we work with UK Government departments to ensure that policies and legislation are appropriate for the Welsh landscape.

With regards to the complexities of non-devolved service provision (such as policing and probation services) delivering services in a devolved landscape, one area we have developed strong relationships is with PCCs and Chief Constables in Wales. These already operate effectively in a devolved manner by developing and delivering joined-up services for Wales through various delivery mechanisms (e.g. the All Wales Serious Violence Group). We have established a Policing Board for Wales and this presents the opportunity for regular direct access between Welsh Ministers and the PCCs and Chief Constables, facilitating constructive engagement on an all-Wales basis.

Welsh Government is also a member of the AWCJB¹⁷ which is another opportunity to ensure alignment and read-across between devolved and non-devolved partner agencies. This Board has made a positive contribution and engagement across the devolved and non-devolved landscape.

Internally, we are also looking to ensure alignment across Welsh Government departments and portfolio areas that have an interest in the delivery of devolved services in non-devolved settings in Wales such as prisons. These include violence against women, domestic abuse and sexual violence (VAWDSV), safeguarding, Adverse Childhood Experience (ACE) and substance misuse (this list is not exhaustive),

The Deputy Minister & Chief Whip announced the blueprints and associated implementation plans for youth justice and female offending in Wales in an oral statement in Plenary on 21 May¹⁸. These blueprints had been drawn-up in partnership with UK Government, HM Prison & Probation Service and the Youth Justice Board. The Youth Justice Blueprints and Female Offending Blueprints set out Wales' key aspirations and guiding principles for women and young people in, or at risk of entering, the criminal justice. Both blueprints focus on: early intervention and prevention; how support is provided to divert people away from crime in the first place; and a holistic and rehabilitative approach to those who slip through the net. Both blueprints are intentionally ambitious and set out a number of recommendations, many of which will have an impact for our devolved services within various ministerial portfolios (health, social services, education, and housing).

¹⁶ <https://www.gov.uk/government/consultations/serious-violence-new-legal-duty-to-support-multi-agency-action>

¹⁷ The All Wales Criminal Justice Board brings together relevant Welsh Government departments and partners to develop policy and strategy aimed at reducing reoffending and crime across Wales

¹⁸ <http://record.assembly.wales/Plenary/5806#A51254>

We are now working with partners, including HM Prison & Probation Service and Youth Justice Board Cymru to deliver upon our implementation plans.

We have contributed, at Ministerial and official level, to the work of the Commission on Justice in Wales¹⁹ (also referred to as The Thomas Commission) and have provided written and oral evidence to the Commission. The Commission is due to report its' findings this October.

¹⁹ <https://gov.wales/commission-justice-wales>

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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

Public Accounts Committee
National Assembly for Wales
Cardiff CF99 1NA
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Our Ref: AG/SOT

5 August 2019

Dear Mr Ramsay

Further to my attendance at the PAC evidence session on the 15 July 2019, I agreed to:

- Provide details of the appointment of the Turnaround Director at BCUHB from the recent external recruitment exercise
- Provide a description together with examples of what has been funded as part of the Transformation Fund

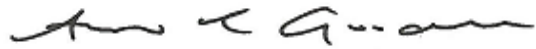
Turnaround Director

In recognition of the need to strengthen the turnaround approach the Health Board has taken steps to improve its turnaround capability by securing consultancy services from an external Recovery Director. This will be for a 9 month period and is aimed to enable it to achieve greater levels of improvement in financial delivery and support the longer term efficiency plan. The Recovery Director is required to deliver an immediate and significant impact on the health board's run rate over the next two months and structure and support is being put in place to support him.

The Recovery Director appointed is Phillip Burns a turnaround and transformation specialist with over 20 years' healthcare experience. Over the last 7 years he has been associated with of designed/ delivered saving plans in the NHS in excess of £200 million. He has previously worked in NHS Foundation Trusts including Kings' College Hospitals at which he established and delivered a £72 million cost improvement programme. The programme spanned the organisation including transactional and transformational schemes.

The Transformation Fund projects can be found at Annex A.

Yours sincerely

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

Dr Andrew Goodall CBE

Transformation Fund

Here is a summary of the models that have been approved so far through the Transformation Fund.

The aim of the fund is to improve health and social care services by scaling up models that are successful, and replacing less successful or outdated ones.

As a result people should see an improvement in their local services.

Summary of the projects

1. The *Cwmtawe* Cluster Whole System Approach

West Glamorgan Regional Partnership Board

The *Cwmtawe cluster whole system approach* sets out a transformed model of a cluster led integrated health and social care system for their area. The cluster network is made up of Swansea Council for Voluntary Services, GP practices and integrated health & social care team managers and covers Clydach, Morriston, and Llansamlet.

The cluster has developed a three-year plan to improve health and well-being. Three of the five GP practices within the cluster have now formally merged.

The project aims to:

- Improve the wellbeing of people of all ages. There is a focus on facilitating self-care and building community resilience. There will also be a focus on the earliest years, young carers and mental wellbeing.
- Co-ordinate services to maximise wellbeing, independence and care closer to home. This would include Cluster Networks having control to design, co-ordinate and implement services in partnership with the community that meet patient and carer needs. There will be a focus on older people to integrate services, try out new models of care closer to home, and reducing unscheduled admissions to hospital.

2. Seven cluster roll-out of the Whole System Approach

West Glamorgan Regional Partnership Board

Building on the work in *Cwmtawe*, The *whole system approach* rolls out to the remaining seven area clusters. The project sets out an ambition to significantly increase the scale and pace at which clusters become the vehicle to achieve a much greater focus on self-care and prevention, the integration of health and social care systems at the local level, and the delivery of care closer to home - within a managed programme environment.

This will accelerate learning on facilitating community resilience, strengthening self-care and the utilisation of existing community assets. It will accelerate cross organisational multi agency working. There will also be a positive effect on the overall clinical service pathways for a range of chronic conditions such as diabetes, heart failure, COPD, and a new approach to the way in which services are accessed and delivered, wherever possible at a local community level.

The project aims to:

- Improve wellbeing across the age spectrum. There will be a key focus on facilitating self-care and building community resilience. There will also be a focus on targeted population groups dependent on the cluster demographics.
- Co-ordinate services to maximise wellbeing, independence and care closer to home. This will include the clusters having control to design, co-ordinate and implement services in partnership with the community that effectively meet patient and carer need. There will be a particular focus on older people in relation to integrated services trying out new models of care closer to home and reducing unscheduled admissions.

3. Our Neighbourhood Approach

West Glamorgan Regional Partnership Board

The third project in West Glamorgan, *Our Neighbourhood Approach* will focus on making services work as a single system, by ensuring that staff from across all agencies are engaged in shaping and implementing changes. There will be a focus on building assets within communities and empower people to provide support to members of their own community rather than rely on statutory services alone.

The project aims to:

- Enable individuals to live longer, happier lives and take more control of their own health and wellbeing. This will include supporting others in their local areas by developing partnerships with a wide range of organisations and people from the public, private, third sector and communities to deliver support to people.
- Provide health and care through people that act as one team and work for organisations operating as one team.

4. Me, My Home, My Community

Cardiff and Vale of Glamorgan Regional Partnership Board

Me, My Home, My Community aims for seamless working in Cardiff and the Vale of Glamorgan. This project is a progressive approach to improving population health through a joined up system of community, third and independent sector partners, primary and community services. All partners will work together to support individual, family and community resilience. This should improve people's health and well-being, by reducing the need for secondary services and combatting the health consequences of loneliness, isolation and disconnection.

The project aims to;

- Change the way organisations work together in hospitals. For example local authorities will work with the NHS to provide increased daily contact on the wards. *Get Me Home Plus* will see people being assessed in their own home after being discharged from hospital, rather than being assessed before being discharged. This will give a better understanding of the support and adaptations needed in their home, and it will allow people to return home more quickly after a stay in hospital. Wrap-around care at home will be provided by healthcare professionals, social services carers, and social workers.

- Develop a well-being website to link services across the community and allow health and social care professionals to securely share information about patients.
- Develop and recommend community based care – for example community gardening projects, walking groups ‘men’s sheds’, and ‘talking cafés’.
- Develop a well-being workforce. In addition to social prescribers and existing well-being officers, reception staff will be trained to provide information and connect people to volunteer carers in the community.
- Identify people who are at risk and actively support them to remain as independent as possible. This involves creating better connections between hospitals, GPs, and pharmacists to ensure everyone is informed of individual patients’ needs when they are discharged from hospital, and patients have one point of contact.
- Implement multi disciplinary teams, led by a GP, to develop and review services.

5. Implementing a Seamless System of Health Care & Wellbeing

Gwent Regional Partnership Board

Gwent’s Implementing a Seamless System of Health Care & Wellbeing has two parts: the first is an early intervention, prevention and improved population wellbeing system with new integrated services. This is specifically around Integrated Wellbeing Networks, and Primary Care Transformation. The second, creating integrated models of health and social care, focusing on the service redesign of existing service models, in Children and Adult Mental Health Services and hospital discharge.

The project aims to:

- Establish a 24/7 hospital discharge scheme, which will mean that people are able to get home faster, with the right package of care in place.
- Redraw the landscape across Child and Adolescent Mental Health Services to deliver improved access to better services, closer to home.
- Implement a place based model of care in Caerphilly as an initial pilot, which will mean that people can access a range of new services within their community rather than being reliant on GP services alone.

6. Together for Mental Health in North Wales

North Wales Regional Partnership Board

The first of four approved projects in North Wales, Together for Mental Health in North Wales aims to promote the mental wellbeing of people in the area and to ensure that those with mental health problems and mental illness get the support they need when they need it.

The project aims to:

- Have an effective framework in each county for identifying people who are most vulnerable and take a multi-agency approach to prevent crisis occurring.
- Develop a multi-agency crisis care pathway that will provide prudent (right time, right response, right place) care and support that meets the needs of the person.
- Underpin the multi-agency approach to crisis care by training front line staff from all organisations on roles and responsibilities to improve practice and the experience for people in crisis, as well as to avoid escalation.
- Integral to the recovery pathway for people, the project will align with plans for developing supported housing in North Wales and key services which are currently not available.

7. Seamless Services for People with Learning Disabilities

North Wales Regional Partnership Board

The *seamless services for people with learning disabilities* model aims to help people with learning disabilities live more independently and get the care they need to closer to home through better integrating health, social care and the third sector.

The project aims to:

- Develop better integration of health and social services with less duplication of record systems so people only have to 'say it once'.
- Develop the workforce to create better awareness of disability issues among the wider public sector workforce. This approach should reduce the demand for specialist learning disability services in future.
- Use assistive technology to help people with learning disabilities become more independent.
- Implement community and culture change by increasing the number of people with learning disabilities employed in paid work, access to training, and volunteering opportunities, with more effective regional approaches for social prescribing.

8. Integrated Early Intervention and Intensive Support for Children and Young People

North Wales Regional Partnership Board

This project sees opportunities in further developing its services to provide integrated seamless approaches to early help, and more timely and responsive assessment and support to bring about better outcomes to children and young people.

Through a whole system approach that focuses on the family, this project will transform integrated early intervention and support, in an integrated manner, to provides the right support and approach to build family resilience.

The project aims to:

- Help prevent problems from escalating through timely integrated support - including new approaches to early help and accessing therapeutic support.
- Establish multi-functional 'assessment and support' teams that provide responsive and intensive support that seeks to build individual and family resilience and facilitate effective de-escalation of complex/escalating/crisis situations,
- Achieve better outcomes for children and young people whilst reducing the need for costly, long term statutory intervention.

9. Community Services Transformation

North Wales Regional Partnership Board

The vision for the Community Services Transformation is that its community-based services will enable early help and support for people to be provided within their own home. Through this approach the outcomes for individuals will be improved and demand for hospital admissions and care provision will reduce over time. The project expects that over the next few years it will have reduced the need for hospital based care, and treatment will have shifted to health, wellbeing and prevention.

The project aims to provide:

- Well co-ordinated services designed around 'what matters', ensuring equality of access and services provided in the language people choose
- Help to navigate the health and social care system, as well as accessing a range of other services that would improve their well-being.
- Access to a range of preventative services, community support, advice and information.
- Access to a range of community support, care and therapeutic interventions.
- Assistance in dealing with crisis, end of life and on-going health conditions.

10. A Healthier West Wales

West Wales Regional Partnership Board

The West Wales Care Partnership brings together partners from local government, the NHS, third and independent sectors with users and carers. The aim is to transform care and support services by encouraging integration, innovation and service change.

The project aims to:

- Develop a wellness approach for people and staff, working across the whole health and care system, to improve people's health, working together to focus on well-being.
- Put safety and quality first, and ensure as a minimum that services do no harm, so that people can live safely within their communities. Any changes to hospital services and the way care and treatment is delivered to the population will be carefully managed in a phased way, which prioritises safety and quality.

- Support people to live independently, where they can manage their health and well-being, focused around their own homes and localities. This includes speeding up recovery after treatment and care, and supporting self-management of long-term conditions. Working with key partners and staff to help build resilience and support people to live well within their own communities.
- Continuously engage to personalise and tailor health and care services to the needs and preferences of both people and localities, with a focus on supporting people to manage their own care and outcomes.
- Work with partners and staff across the whole health and care system to develop integrated services, where social, primary and secondary care are not seen in isolation but work together to provide services. They will be seamless and improve the experience for people by providing less complex, better coordinated care.
- Invest in staff and explore innovative workforce solutions to recruit, train and retain the best workforce for mid and west Wales.

11. Delivering a Healthy, Caring Powys

Powys Regional Partnership Board

Delivering a healthy, caring Powys will support the scale up of new models of seamless health and social care in North Powys.

The project will deliver a significant change in the way services are provided and promotes wellbeing, early help and support, utilising social and green prescribing opportunities and encouraging people to take greater responsibility for their wellbeing and plan for their future health needs.

The project aims to:

- Enable citizens, staff and partners to be actively involved in the delivery of the new integrated model and support a new approach to delivery in North Powys.
- Achieve wider connectivity across Mid Wales to improve equity of service to a rural population through integrated health and care pathways across counties.
- Multi-agency wrap around services with focus on prevention and risk stratification tools to reduce emergency admissions.
 - Increase uptake of prevention services to reduce smoking, achieve greater participation in physical activities, undertake targeted risk assessments for people with cardiovascular disease and minimise the impact of clinical risk factors (improving adherence to medicines).
 - Enable more people to live independently and remain at home safely through technology enabled independence and care; and more integrated working to prevent needs from escalating and immediate intervention at time of crisis.

12. Cwm Taf – Stay Well in Your Community (part 1)

Cwm Taf Morgannwg Regional Partnership Board
Pack Page 116

Cwm Taf Morgannwg Regional Partnership Board is developing a whole system population health and social care model which responds to the voice of the individual through three layers:

- Wellbeing;
- Integrated community care, closer to home; and
- Acute health and social care and tertiary health services

It will focus on scaling up and linking pilots which have already delivered proven benefits across Cwm Taf. These are:

- Risk stratification and segmentation – the current pilot links and analyses primary and secondary care data to segment the cluster population into distinct groups based on their collective characteristics.
- Cluster focused multi-disciplinary teams – a ‘virtual ward’ approach has been piloted in Cynon Cluster. A multi-disciplinary approach is to providing support to reduce demand on general practice both in and out of hours and in Emergency Departments.
- Stay Well@Home – in response to growing pressures in Emergency Departments and the challenge of patient flow, integrated multidisciplinary teams have been introduced in Prince Charles and Royal Glamorgan Emergency Departments, Acute Medical Unit and Clinical Decision Unit departments.
- Detecting cancer early – in line with the Health Board’s Early Cancer Diagnosis Programme, a Rapid Diagnostic Clinic has been piloted across Cwm Taf since July 2017.

As the model continues to develop and test at scale a new system of seamless services, formal evaluation and dissemination will allow projects to be implemented at pace across other regions. This will empower staff at Cluster and Locality level to transform the way they work and the services they provide.

Bridgend – Accelerating the Pace of Change for Our Integrated Services *(part 2)*

Cwm Taf Morgannwg Regional Partnership Board

Bridgend County Borough Council and Abertawe Bro Morgannwg University Health Board (now part of Cwm Taf Morgannwg Health Board) in partnership with Bridgend Association of Voluntary Services has developed integrated and joint models and approaches for community services for adults. This is based on pre-emptive early interventions, to ensure that people receive timely responses that are proportionate to their needs, and that promote people’s independence, voice and choice.

The project aims to:

- Have seven day access to community health and social care services – “Every day is Tuesday”, delivering extended alternative service options to hospital and long term care.

- Have a primary and community care multidisciplinary team approach, delivering a one team approach around people, coordinating primary care and community services cluster responses.
- Develop and deliver resilient coordinated communities; with key organisations, their partners and the communities that they serve developing benefits, by working collaboratively to apply preventative approaches that enhance the wellbeing of the population of Bridgend.

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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/HR/SOT

20 August 2019

Dear Mr Ramsay

NHS Finance (Wales) Act 2014 – Agency Staffing

Thank you for your letter of 23 July 2019. Please find at Annex A, our response to the questions on agency staffing with NHS Wales that were not reached on 15 July.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Andrew Goodall'.

Dr Andrew Goodall CBE

Agency staffing

Question 1 and 2 – Data collection

Since we introduced the Circular in November 2017, all organisations are now reporting regularly to their Boards on their expenditure and any breaches of the controls and the reasons for any breaches. The main challenge with collecting all Wales data is ensuring that all organisations collect and categorise information in a consistent way using robust definitions and data collection systems to enable all Wales benchmarking and reporting.

We introduced a refined data collection protocol in June 2019 based on experience from the initial phases of this work and aim to produce a more robust analysis for the next financial year. The refined data collection system is designed to collect data on deployment of both agency and substantive NHS staff working additional hours.

Question 3 – Vacancies

NHS organisations in Wales identify their workforce plans and requirements through the IMTP process and this includes an analysis of where there are recruitment challenges and the strategies for addressing them. This may include recruitment to vacant posts through substantive recruitment, but also will include organisational redesign and development to maximise the deployment to multi disciplinary working or to shift the balance of care closer to the patients home, in line with Healthier Wales. Current data on vacancies is based on those posts which have been advertised for substantive recruitment and so does not provide a full picture of the dynamic staffing needs of the NHS in Wales. The development of the new Workforce Strategy for Health and Social Care will provide a more strategic approach to meeting the workforce needs of the NHS in Wales and more robust data to underpin its delivery.

Question 4 – How are we addressing recruitment and retention and what are the barriers

The NHS workforce has increased in each of the previous 6 years, from a total of 72,001.7 WTE in 2012 to 79,054.4 in 2018, an increase of 9.8%. All major staff groups have grown over the same period, with notable increases in medical and dental staff (10.5%) and nursing, midwifery and health visiting staff (5.6%).

Nonetheless there remains a demand for temporary staffing capacity and we have introduced a number of measures across Wales to address recruitment and retention into the NHS workforce in Wales. These aim to minimise gaps in the substantive workforce through approaches aimed at recruitment into the substantive workforce, more effective deployment of existing staff and developing the strategic landscape to provide long term solutions to the workforce challenges.

Healthier Wales sets out our plans to focus on both the health and wellbeing of the workforce to enhance recruitment and retention but also the development of a more coherent workforce strategy to provide for the future needs of the NHS in Wales. We have also established Health Education and Improvement Wales to align the workforce strategy and planning and development of the workforce more closely with the needs of the NHS in

Wales and to meet our aspirations for strong multidisciplinary working to deliver care closer to home.

We have had some notable success through our **Train:Work:Live** programme which aims to recruit into the substantive workforce, through the promotion of NHS Wales careers and highlighting the benefits of training, working and living in Wales. The campaign includes a number of elements including a digital and social media campaign supported by attendance at high profile profession led exhibitions and conferences.

As part of the government commitment to attract more doctors to Wales and in support of the national and international marketing campaign, GP specialty training has been incentivised through two schemes. The targeted scheme offers £20,000 to GP trainees taking up training posts in North West Wales, North Wales Central, North East Wales, Ceredigion, Pembrokeshire and Powys, with a commitment to work in Wales for one year, post completion of training. Historically these areas had a trend of low fill rates and specifically fill rates of less than 75% over a 5 year period. The universal scheme offers a one off payment for all GP trainees, to cover the cost of one sitting of their final examinations. Both incentive schemes have been extended for a further year, covering the 2019 intake. The campaign was extended to include core psychiatry training which was experiencing a downward trend in filling training places. In 2017, an incentive scheme for core psychiatry trainees was introduced, to cover one sitting of the MRCPsych membership examinations and has been extended for a further year, covering the 2019 intake.

These actions have had a positive impact on speciality training fill rates. For GP training, from a recruitment target of 136 places, in 2017 - 144 places were filled; in 2018 - 134 places were filled and this year - 131 places have been filled after only the first of three recruitment rounds. HEIW also report positive interest from doctors applying through the round 1 re-advert recruitment window, with an increase in applications received. For psychiatry core training, in 2018, 11 of the 14 places were filled which is an increase on the previous year where only 6 of the 18 places were filled. This year, following round 1 re-advert of recruitment, 100% (21 of the 21) of the posts have been filled.

The campaign, as well as targeting doctors, has also included a nursing phase and was recently extended to promote pre-registration pharmacy training, with a focus on primary care and multi-disciplinary working in GP practices. We are about to work with stakeholders to review Train:Work:Live to ensure that we build on its successes and identify areas where we could do more to boost the impact of this programme.

Alongside the recruitment campaign, we have increased investment in Training and Education for the fifth consecutive year funding to support health professional education and training in Wales has increased. £114m will be invested in 2019/20, an increase of £7m available in 2018/19 to support a range of education and training programmes for healthcare professionals in Wales. This is a record level of funding and will support the highest ever number of training opportunities in Wales.

This package of support will maintain investment in training places for nurses, health visitors, midwives, physiotherapists, occupational health workers, paramedics, radiographers and speech and language therapists. The establishment of Health Education and Improvement Wales provides greater opportunities to consider both current and future workforce challenges and how education and training can support the changes required to address these challenges. Greater emphasis on multi-professional teams may require fundamental changes to the way education and training programmes are identified,

commissioned and delivered in the future and HEIW, working with key partners will provide leadership in this area.

These measures have been having an impact on recruitment and the number of individuals within the NHS workforce is at a historic high level. However, the demand for NHS services continue to rise so creating additional demand for substantive recruitment to the workforce and this is made more difficult by a competitive international market for highly trained and skilled health service workers.

Question 5 – Why hasn't expenditure fallen in all Health Boards

We introduced a standardised control framework across Wales to address some of the generic issue affecting deployment of agency staff and overall this has resulted in a reduction on medical agency expenditure. However, there are significant local factors which affect demand for and delivery of services within different NHS organisations which are reflected in the expenditure profiles for the different organisations. Some of the Health Boards had historically high locum expenditure compared to their total pay bill and so they had greater opportunity to deliver savings, whilst others who had traditionally lower expenditure have increased slightly towards the national norm.

There will always be a need for temporary staffing capacity within organisations to cover unpredictable circumstances such as sickness absence or staff turnover and the impact of these events will fluctuate in time. Also organisations may decide to draw on some temporary staffing capacity to provide flexibility during periods of organisational change or during preparation local service redesign. In addition, factors outside the control of NHS organisation and Welsh Government such as the impact of tax and pension arrangements introduced by the UK Government can have an impact on substantive NHS staff willingness to undertake additional duties and so increase the need for locums supplied by external agencies.

So we would not necessarily expect spend to follow a smooth downward trend, the critical issue is ensuring that any change in expenditure has been clearly scrutinised, the reasons for the deployment is clearly understood and action is in placed to minimise deployment of temporary staffing capacity where this is practical.

Question 6 – Increase in temporary nursing expenditure and impact of the Nurse Staffing (Wales) Act

There has been increased expenditure of some £14m between 17-18 and 18-19 as a result of an increase in the number of nursing staff being deployed. The reasons for increased deployment are likely to be multifactorial and some of the increase is likely to be a result of the significant increase in demand on NHS Wales services during last winter (following record levels of activity in Emergency Departments during the Winter months compared to the previous year).

It is also likely that some of the increase is due to the introduction of the first full year of the requirements of the Nurse Staffing Levels (Wales) Act, which in addition to placing specific requirements on nurse staffing in medical and surgical wards, has also heightened awareness for the need of appropriate staffing levels across all services. The recruitment and retention measures which are in place should enable the NHS to make appointments into the workforce to meet the demand for substantive nursing capacity staff which is not just as a result of the seasonal factors. Whilst the demand and overall level of spending has

increased, we are achieving improved value for money as 96% of the deployment is provided through the All Wales Framework Contract.

Question 7 – leadership in the system

The NHS Wales Strategic Workforce Deployment Steering Group has been established to provide leadership across the NHS to coordinate and deliver action on the next phase of the work on agency and locum deployment. This Group of senior leaders from across the NHS in Wales will support the development and delivery of a work programme aimed at the most effective deployment of the workforce, through finding more effective ways of delivering priorities, building capacity, sharing best practice and developing 'Once for Wales' solutions as appropriate. The initial focus will be to prioritise and accelerate the programme of work addressing the fundamental underpinning causes of agency and locum expenditure across the NHS in Wales.

Membership of the group includes senior representatives from Welsh Government, health unions and NHS Wales including Directors of Workforce & OD, Directors of Nursing and Medical Directors. The first meeting was held on 13 August 2019 where the discussion focussed on prioritising actions to deliver greatest impact to tackle some of the issues underpinning agency and locum spend which will form the key elements of the next phase of action across Wales. As a result we are developing a programme plan to ensure that resources, technology and staffing capacity are in place to deliver this work effectively.



GIG
CYMRU
NHS
WALES

Bwrdd Iechyd Prifysgol
Hywel Dda
University Health Board

Ein cyf/Our ref: CEO.1359
Gofynnwch am/Please ask for: Corporate Information Officer
Rhif Ffôn /Telephone: 01267 239892
Dyddiad/Date: 16 August 2019

Swyddfeydd Corfforaethol, Adeilad Ystwyth
Hafan Derwen, Parc Dewi Sant, Heol Ffynnon Job
Caerfyrddin, Sir Gaerfyrddin, SA31 3BB

Corporate Offices, Ystwyth Building
Hafan Derwen, St Davids Park, Job's Well Road,
Carmarthen, Carmarthenshire, SA31 3BB

Nick Ramsay AM
Chair
Public Accounts Committee
National Assembly for Wales

E-mail to- SeneddPAC@Assembly.Wales

Dear Chair

Re: Public Accounts Committee 8 July 2019

I regret that I was unable to attend the Public Accounts Committee on 8 July 2019, and look forward to an opportunity to attend the Committee again in the future. I have viewed the proceedings with interest, and I wanted to take the opportunity to write to the Committee to respond to the remaining questions, which were not fully addressed on the day.

The questions which remained unanswered are addressed below:

The Director of Finance agreed to send details of the total expenditure on overtime for permanent staff in contrast to the reduction of costs on agency staff.

Overtime costs were £4.4m in 2018/19 and £4.2m in 2017/18; the increase is predominately in relation to Registered Nursing staff. However, there was also an increase over the same period in Registered Nursing agency costs as the Health Board has used such staff in order to maintain safe services across our sites. Medical and Dental staff are not paid 'overtime'; this cohort would instead be paid for additional sessions. It is not practically possible to separately identify the cost of additional sessions for additional time versus other reasons for payments of additional sessions, such as additional responsibility.

Over this period, however, there has been a reduction in Medical Agency expenditure, primarily driven by the introduction of the price caps following the Welsh Health Circular (WHC/2017/042) issued in October 2017. The average monthly expenditure on Medical Agency between April 2017 and October 2017 was £0.9m; the average monthly expenditure between November 2017 and March 2018 was £0.5m and for 2018/19 £0.4m.

Swyddfeydd Corfforaethol, Adeilad Ystwyth,
Hafan Derwen, Parc Dewi Sant, Heol Ffynnon Job,
Caerfyrddin, Sir Gaerfyrddin, SA31 3BB

Corporate Offices, Ystwyth Building,
Hafan Derwen, St Davids Park, Job's Well Road,
Carmarthen, Carmarthenshire, SA31 3BB

Cadeirydd Dros Dro / Interim Chair
Mrs Judith Hardisty

Prif Weithredwr/Chief Executive
Mr Steve Moore

You have reported that you spent £18.9 million last year hiring agency staff to cover vacancies – 92% of your total agency spend. Do you know how many vacant medical and nursing posts were covered by agency staff last year, and the grades or specialities of these posts?

Unfortunately, it is not possible to identify how many posts have been used to cover vacancies across the Health Board.

In the first instance, the use of agency staff may not be to just cover vacancies; but it can be to support the delivery of additional activity in planned care to reduce waiting times, or to backfill medical staff who are required to undertake other training, development or other duties.

Likewise, vacancies are not only covered through agency spend, the service considers alternative options before committing to premium agency costs as follows:

- the vacancy is not covered if the service can operate with fewer staff on a short term basis;
- the vacancy is sometimes covered by existing medical staff doing additional sessions to their core sessions;
- the vacancy is covered by part time staff doing extra up to 37.5 hours;
- the vacancy is covered by staff doing overtime

How many nursing and medical posts are currently vacant?

As at 30 June 2019, the Health Board had 193.62 vacancies in Medical and Dental staff; and 428.48 vacancies in Nursing and Midwifery staff.

How much money would your Health Board save if you were able to employ permanent staff to fill these vacant posts?

Not all vacancies will be filled with premium cost staff; some vacancies are not covered at all because resource is deployed to the greatest area of need and some may be covered at plain time bank rate.

Taking Nursing and Midwifery, and Medical and Dental in turn:

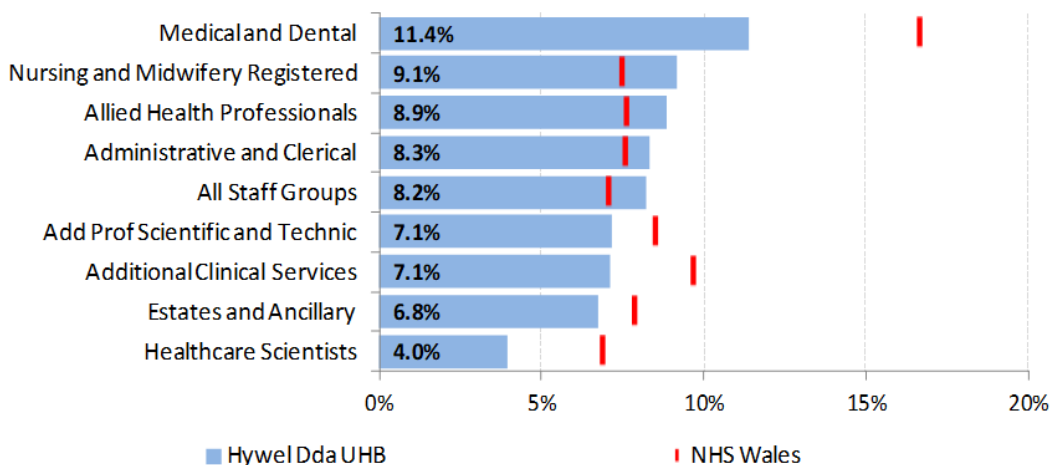
- Nursing and Midwifery: the Agency premium cost in June 2019 was approximately £4.7m, however the level of funded unfilled vacancies offset the potential impact by £4m, meaning that the in-month cost pressure was £0.6m. The premium in 2018/19 has been estimated to be £4.8m.
- Medical and Dental: due to the data limitations, the best approximation would be the 2018/19 premium estimate of £1-2m.

Could you describe any particular barriers that your Health Board faces when recruiting new doctors and nurses? Do you understand how your rates of recruitment and retention compare with other Health Boards in Wales?

The Health Board faces significant challenges in recruiting staff. The challenges we face are as a result of our rurality, the lack of applicants, the intensity of on-call rotas in our relatively small hospital sites, and the fact that the Health Board is not a large teaching organisation.

The graph below illustrates the turnover rate for a 12 month period to January 2019 by staff group.

12 month Turnover rate for Hywel Dda UHB (Mar-19) and NHS Wales (Jan-19)



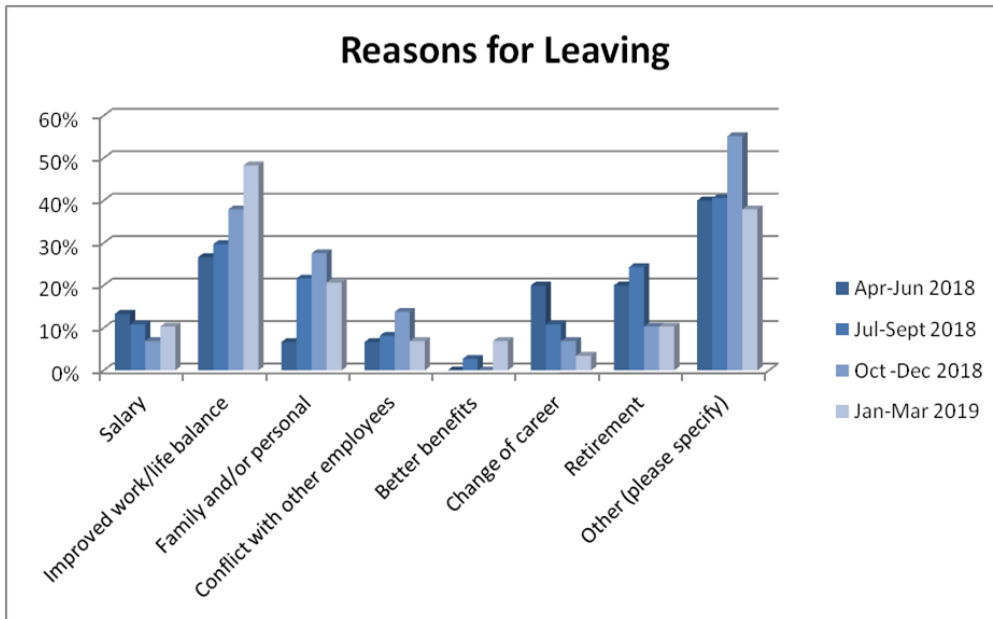
The percentage of total number of leavers from organisations in a 12 month period by staff group, excluding doctors and dentists in training. This is calculated as the headcount leaving the organisation within a 12 month period/average total headcount employed.

Turnover for NHS Wales only includes people who have left NHS Wales. Therefore, staff movement between organisations within Wales is excluded. In some cases NHS Wales' turnover will be lower than all organisations for this reason.

The turnover for staff groups in Hywel Dda is higher than NHS Wales for the Nursing and Midwifery Registered, Allied Health Professionals and Administrative and Clerical staff groups. Nursing and Midwifery Registered is 9.1% compared with NHS Wales 7.5%. Allied Health Professionals is 8.9% compared with NHS Wales 7.6%. Turnover for all staff groups is 8.2%; NHS Wales is 7.1%.

The Health Board is not aware of All-Wales statistics in relation to recruitment. As at the end of June 2019, the Health Board were actively recruiting 388.5 WTE across all staff groups. This does not include the vacancies that are currently going through the recruitment approval process.

The Health Board undertake exit interviews wherever possible, allowing an opportunity for both managers and the organisation to gain valuable insight into any key issues to support improvement and development of our patient services and employee experience. The graph below illustrates the reasons for leaving:



I am grateful for the opportunity to respond to you following the Committee meeting.

Should you have any further queries on the information included, I would be delighted to provide further detail.

Yours sincerely

Steve Moore
Chief Executive

Public Accounts Committee

Implementation of the NHS Finance (Wales) Act 2014

Additional information from Aneurin Bevan University Health Board

On behalf of Ms Judith Paget, Ms Martine Price & Mr Glyn Jones we are pleased to respond as follows:

- **You spent £16.2 million last year hiring agency staff to cover for vacancies. This is 77% of your total agency spend. Do you know how many vacant medical and nursing posts were covered by agency staff last year, and the grades or specialities of these posts?**

In 2018/19, each week an average of 65 vacant nursing posts were covered by agency staff, these were covered at a band 5 level. In addition, on average 31 vacant medical posts were covered by agency staff each week, 17 of these posts were training grades and 14 of these posts were senior medical grades, including consultants.

- **Could you describe any particular barriers that your Health Board faces when recruiting new doctors and nurses? Do you understand how your rates of recruitment and retention compare with other Health Boards in Wales?**

The most significant barrier to recruiting new doctors and nurses to the Health Board is the national skills shortages across a number of professions and specialities. Most notably there is a recognised national shortage of registered nurses across the NHS. In addition, there are difficulties in recruiting junior doctors particularly in obstetrics and gynaecology, paediatrics and trauma and orthopaedics due to skills shortages. The Health Board has particular difficulty in attracting substantive and temporary workforce to Nevill Hall Hospital largely as a result of its rural location and a recent increase in the number of

retirements has also contributed to increasing vacancies. These barriers are mitigated by a range of positive actions including national and overseas recruitment campaigns and designing new multi-disciplinary roles to support medical and nursing gaps, such as the appointment of Physician Associates.

Our recruitment and retention rate is measured through staff turnover.

The most recent all Wales workforce information shows that for the period of June 2018–June 2019, our turnover rates for medical and nursing staff compared favourably with NHS Wales. Our medical staff turnover for this period was 6.3% which was the lowest in Wales compared to other Health Boards. Nursing turnover for the same period was 8.9%, the second lowest rate in Wales compared to other Health Boards.

29 August 2019

Agenda Item 2.7

Ein cyf/Our ref: MA-P/FM/2542/19

Lynne Neagle, AC/AM
Chair of Children, Young People and Education Committee
National Assembly for Wales
Cardiff Bay
Cardiff
CF99 1NA

SeneddCYPE@assembly.wales

5 August 2019

Dear Lynne,

Improving outcomes for children

I write in reply to your letter of 21 June.

Let me be clear at the outset: too many children are taken away from their families in Wales and that position has worsened inexorably, year after year, since the early 1990s. That is not a personal or idiosyncratic view of mine, it is the view of successive Presidents of the Family Court division.

In 2016 the then President, Sir James Munby concluded that the system faced a 'clear and imminent crisis', with no clear strategy through which that crisis could be addressed. I am not prepared for us to be without a strategy in Wales. Moreover, Sir James concluded that the inexorable rise in the number and proportion of children drawn into public care was associated with local authority behaviour which, he said, "must be playing a significant role" in the rise of cases brought before the Family Courts. He concluded that the wide variation in the scale of the increases in rates between local authorities justified a focus on the discharge of their responsibilities.

These views have been echoed by Sir James' successor, Sir Andrew McFarlane. His conclusion is exactly the one I have drawn myself, and which underpins my determination that we should take action to address this injustice here in Wales. Sir Andrew says:

'We have reached a stage where the threshold for obtaining a public law court order is noticeably low, whereas the threshold for a family being able to access specialist support services in the community is conversely very high'.

This, then, is a children's rights issue - the right to be supported to live with your own family, rather than to be removed from it.

Nor should we accept that nothing can be done to move the system in that direction. Near the start of this decade, Neath Port Talbot took a higher proportion of children into public care than any other local authority in Wales or England. Today, after concerted action, the pattern has been reversed. They reduced their rates of children looked after by a third between 2013 and 2018. Other local authorities, such as Newport, have succeeded over the long haul in providing a service which has bucked the trend which has otherwise run so strongly in Wales and England.

I recognise that shifting to prevention will be challenging for some. To help the process, last year we provided an additional £9m recurrent funding to support preventative activity and this year we have provided regional partnership boards with an extra £15 million for children looked after and prevention of the need for care. There are other funds available that local authorities could be applying for, such as Invest to Save and the Transformation Fund. Authorities can learn from each other's good practice. Welsh Government officials captured some of this work in the appreciative inquiry carried out as part of the Ministerial Advisory Group prevention workstream.

In my leadership manifesto I made only one single proposal for new targets in Welsh public services - and that was in pursuit of the already-established Welsh Government ambition to stabilise and then reduce the proportion of children in Wales removed from their families, placed out of county and placed out of country. I did so because five years, and more, of exhortation, advice, specialist reports, funding of professional leadership and other actions had failed to have the impact we need to see. The purpose of targets is never to undermine child safety but to concentrate the minds of local authorities on the common task. I welcome the agreement of 18 of our 22 local authorities to plans which will now help to make a practical difference. It is concerning that some of those authorities yet to agree plans are amongst those with the greatest need to take action and, in a minority of cases, they appear more interested in diverting debate away from their own responsibilities than in engaging with the fundamentally important issues at stake.

I look forward to the continuing support of your committee in the ambition I know we share of pursuing the best interests of children and their families in Wales.

Best Wishes

A handwritten signature in black ink that reads "Mark". The letters are cursive and slightly slanted to the right.

MARK DRAKEFORD

Agenda Item 2.8



By email

09/08/2019

Re: Involvement in the first Future Generations Report

Dear Nick,

Producing a Future Generations Report is one of my duties in the Well-being of Future Generations Act. It must provide advice on improvements public bodies should make in order to set and meet well-being objectives which are the commitments they chose to make to improve the economy, society, environment and culture of their area. My report will also include information on the progress to date and on what should happen in the future. The Report will be published in May 2020.

This will be the first Future Generations report and will include the following main chapters: 'considering where we are and should go culturally (5 Ways of working and 7 core areas); where we are and should go in achieving the well-being goals (including objectives and steps); a particular consideration of our areas of focus (transport, planning, housing, ACEs, skills, alternative models for the health system, decarbonisation, budgeting and procurement); recommendations and ideas.

Using the five ways of working we intend to follow the involvement principle and in addition to our national conversation '[Our Future Wales](#)' and our online stories forum, '[The People's Platform](#)', I would like to give you an opportunity to help shape the content of my report and my recommendations. I also want to flag in the report, the resources which would be most useful to public bodies and would welcome suggestions as to reports, documentations and recommendations your committee would like to point out.

I would be grateful if you could send us any information or comments you would like me to consider by the 1st of November 2019. I am interested in particular in concerns, observations, opportunities or recommendations you think are most important, as well as a list of issues you think are of greatest importance to current generations and then to future generations to see if they differ.

I look forward to hearing the views of your committee.

If you wanted to talk in person, we could seek to organise a meeting with my colleagues who will also be visiting Ty Hywel's cafeteria in the autumn with Positif Politics and further information will be sent to you about this opportunity. We would welcome the opportunity to meet with you and your colleagues.

My office will also contact every Assembly Member separately to ask for their personal opinions and we are also preparing tailored 'Assembly Members briefing packs' that provide further information on my work to date and the priorities for the year ahead. You will receive this separately and individually. It will also include some examples of how the Act is being delivered in your area.

If you have any further questions, please don't hesitate to get in touch.

Regards,



Sophie Howe
Future Generations Commissioner for Wales

Agenda Item 4



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

31st July 2019

Dear Nick,

Thank you for inviting the Development Bank of Wales to give evidence to the Public Accounts Committee inquiry into Welsh Government Financial Support for Business. At the session I undertook to write with further detail about the numbers of housing units built as a result of our support.

I am pleased to be able to confirm that to date, 868 units have or are in the process of being constructed as a result of Development Bank of Wales support. The breakdown is as follows:

Wales Property Fund	398 units
Wales Property Fund 2	360 units
Wales Stalled Sites Fund	110 units
Total	868 units

Development Bank of Wales Plc

Unit J, Yale Business Village, Ellice Way, Wrexham LL13 7YL
info@developmentbank.wales | developmentbank.wales



Development Bank of Wales Plc is the holding company of a Group that trades as Development Bank of Wales. The Group is made up of a number of subsidiaries which are registered with names including the initials DBW. Development Bank of Wales Plc is a development finance company wholly owned by the Welsh Ministers and it is neither authorised nor regulated by the Prudential Regulation Authority (PRA) or the Financial Conduct Authority (FCA). The Development Bank of Wales has three subsidiaries which are authorised and regulated by the FCA. Please note that neither the Development Bank of Wales Plc nor any of its subsidiaries are banking institutions or operate as such. This means that none of the group entities are able to accept deposits from the public. A complete legal structure chart for Development Bank of Wales Plc can be found at www.developmentbank.wales: Development Bank of Wales Plc - Registered in England and Wales under number 4055414 at Unit J, Yale Business Village, Ellice Way, Wrexham LL13 7YL.

I trust this information is useful to the committee and if I can be of any further assistance please let me know.

Yours sincerely,



Giles Thorley
Chief Executive

**Grwp yr Economi, Sgiliau a Chyfoeth Naturiol
Economy, Skills and Natural Resources Group**

Cyfarwyddwr Cyffredinol - Director General



**Llywodraeth Cymru
Welsh Government**

Nick Ramsay AM
Chair
Public Accounts Committee

2 September 2019

Dear Chair

I am responding to your letter of 08 July in which you requested further information following the Committee session on 24 June.

I will address each point in turn.

- *In addition to the Chief Executive, do any other Development Bank of Wales Senior Executives have other paid Directorships and if so, what process has been followed in seeking approval for these Directorships. Please could you provide details, if appropriate, of specific examples?*

In addition to the Chief Executive, there is one other Development Bank of Wales (DBW) Senior Executive who has a paid Directorship. David Staziker, DBW's Finance Director, receives an annual payment of £6,000 for the work he does as a Non-Executive Director at Pobl Group. This appointment was approved by DBW's Chief Executive and by the Welsh Government towards the end of 2017, and the payments came into effect in July 2018. This role will be disclosed in the DBW's Annual Report & Financial Statements for the year ended 31 March 2019.

Other members of the Senior Management also hold directorships, but these are unpaid.

In light of the Office of National Statistics no longer publishing a subnational breakdown of monthly redundancy figures, confirmation of whether the Welsh Government keeps a log on levels of redundancy (not unemployment which a separate data set) in Wales and whether levels have increased over the past 12 months.

The Welsh Government does not keep a log on levels of redundancy in Wales.

- *Confirmation of the last time the Welsh Government, at ministerial level, engaged with Ford Motor Company's US-based global management before the announcement to close the Bridgend Factory was made on 6 June 2019*

Whilst the First Minister, the Minister for Economy and Transport and senior officials had extensive contact with senior staff, empowered by Ford's global leadership, from Ford of Europe and Ford of Britain prior to the announcement, the last direct engagement with US management prior to the announcement on 06 June, was in June 2018 during the previous First Minister's visit to Washington.

- *The amount, type and purpose of Welsh Government financial support (whether direct or via Finance Wales or the Development Bank), that any of the companies named during the session (at RoP 289-291) had received prior to going into administration and confirmation of any outstanding debts (G M Jones, Cuddy group, Jistcourt, GRH Food Company).*

Details provided at **Annex 1**.

- *The Welsh Government's understanding on the structural arrangements for the Dawnus Group including whether the company in its entirety has gone into administration or whether it continues to operate its international companies, other Dawnus-related companies or companies that have re-emerged. Furthermore, clarification of why the Welsh Government considered it appropriate to advance loan funding to a company with overseas operations, which is within a large group of companies, if not all parts of that operation have been affected by the financial difficulties.*

The Welsh Government's understanding of the structural arrangements for UK-registered Dawnus-related companies is as follows:

- Dawnus Group Limited is the ultimate holding company for all businesses within the Dawnus Group and is the immediate parent of Dawnus Construction Holdings Limited, Dawnus Developments Limited and Dawnus International Limited.
- Dawnus Construction Holdings Limited is the immediate parent of Dawnus Southern Limited and Ashridge Construction Limited.
- Dawnus Developments Limited is the immediate parent of Churchfield Homes Limited, Construction Recyclate Management Limited (ceased trading at the end of 2017); Medrus Plant Hire Limited; Dawnus Limited; Quantum Geotechnical Services Limited; Dyffryn Court Management Limited and Legsun Limited.
- Dawnus International Limited is the immediate parent of Dawnus Sierra Leone Limited.

Each of these UK-registered Dawnus-related companies is in administration.

Although Dawnus International Limited is a UK-registered company, it is the immediate parent of the following companies, registered locally in Africa and established solely to obtain local permits for Dawnus to be able to operate in each country respectively: Dawnus Mauritius (the immediate parent of Dawnus Senegal), Dawnus Tanzania, Dawnus Guinea and Dawnus Liberia.

Whilst these businesses are technically still active, they are non-trading. They were not placed into administration with other businesses in the Dawnus Group as they are outside of the UK legal jurisdiction. Officials understand these companies are (and remain) dormant, as all international contracts were delivered through Dawnus International.

In March 2018, the Welsh Government provided a £3.5m commercial facility to Dawnus Group Limited as part of an overall £7m package, provided between the Welsh Government and the business' bank, in addition to shareholder contribution and funding support from a specialist property development funding firm. The Welsh Government facility was provided on commercial terms and secured on assets within the business. The loan supported the business cash flow position. The loan also safeguarded the in-excess of 700 jobs employed across the group with 430 of those based in Wales, with the vast majority of the balance based in the United Kingdom.

The loan was predicated on a credible turnaround plan for the business, validated by both external and internal due diligence. Assets were carved out of the business bank's existing security portfolio and provided to the Welsh Government as security for its investment on a 'pari passu' arrangement. Given the Welsh Government mirrored the investment, security and risk appetite of the business' commercial lender, taking into consideration the credible turn-around plan, and safeguarding of in excess of 700 jobs, it was considered appropriate to recommend advance loan funding to the business.

• *Any dialogue there was between Welsh Government departments in relation to Dawnus' viability in the context of its involvement in other Welsh Government funded projects, notably the 21st Century schools programme in the context of projects in Powys.*

Welsh Government officials were first informed of the Dawnus Groups intention to place its businesses into administration following a board meeting held on the 13 March 2019. When officials became aware of the intention to place the Dawnus Group of businesses into administration, appropriate notification was provided across relevant government departments.

In relation to the school projects underway in Powys County Council under the 21st century capital schools programme, only one of these three projects had commenced, with two others still in the planning phase. The project that was partially completed - a 360 pupil English Medium school in Powys - had been awarded to the business in 2017.

Public sector bodies / local authorities have their own discrete compliance and due diligence scrutiny procedures for assessing risk when procuring services.

In relation to your final point, requesting additional information on the Wales Life Sciences Fund, and the role of the Development Bank of Wales, please find the information attached at **Annex 2**.

Please do not hesitate to contact me should you require any further information.

Yours sincerely



Andrew Slade
Director General
Economy, Skills and Natural Resources

The amount, type and purpose of Welsh Government financial support (whether direct or via Finance Wales or the Development Bank), that any of the companies named during the session (at RoP 289-291) had received prior to going into administration and confirmation of any outstanding debts (G M Jones, Cuddy group, Jistcourt, GRH Food Company).

Company Name	Welsh Government FW/DBW	Year	Type of support	Purpose of support	Amount of Support Paid	Amount of Debt Outstanding
GM Jones	Welsh Government	2015-16 2016-17 2017-18	Wales Economic Growth Fund	To relocate the business to larger premises.	£130,000 £213,300 <u>£56,700</u> £400,000	£400,000
	DBW		Working capital whilst grant monies received	Bridge of Welsh Government grant monies to enable new premises for the client to be built	£270,000	Nil
Cuddy Group (Cuddy Re-cycling Ltd)	Welsh Government	2015-16 2016-17	Wales Economic Growth Fund	To establish a new re-cycling Plant.	£12,775 <u>£122,032</u> £134,807	£134,807

Cuddy Group (Cuddy Demolition & Dismantling)		2008-09	Discretionary Funding Scheme	Workforce Development Programme	£750	-
		2010-11 2011-12	ReAct	Employability & Skills	£520 £1,040 £1,560	-
		2013-14	Young Recruits programme	Employability & Skills	£2,550	-
Jistcourt South Wales Limited	DBW		Wales Business Fund	Working capital to support existing work and future contracts	£250,000	£232,000
GRH Food Company	Welsh Government	2015-16	Wales Economic Growth Fund	Installation of intelligent cheese cutting system.	£139,309	£139,309
		2015-16	Business Growth Support Grant	Business Development	£10,738	-
		2010-11	Agri Food Development Fund	Agri-Food SME Business Development	£4,025	-

			(Scheme closed)			
		2014-15	Discretionary Funding Scheme	Workforce Development Programme	£950	-
		2018-19	Overseas Business Development Fund	Export Development	£400	-
		2010-11 2011-12 2013-14 2014-15	Processing & Marketing Grants Scheme (Scheme closed)	To improve competitiveness of the agricultural sector by adding value to agricultural products.	£62,751 £134,638 £54,000 <u>£49,400</u> £300,789	£238,038
		2018-19	Food Business Investment	Relocation of manufacturing premises.	£1,558,674	£1,558,674

**The Welsh Government actively seeks recovery of all debts owing and the amounts disclosed in the table are at different stages of the insolvency and recovery process.*

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Archwilydd Cyffredinol Cymru
Auditor General for Wales

The Effectiveness of Local Planning Authorities in Wales



WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU



This report has been prepared for presentation to the National Assembly under the Government of Wales Act 2006 and the Public Audit (Wales) Act 2004

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Mae'r ddogfen hon hefyd ar gael yn Gymraeg.

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Summary report

- 1 The planning system controls the use of land and what is built on it, and is enforced by planning authorities, which are responsible for deciding whether a proposed development should be allowed to go ahead by granting or refusing planning permission. Planning applications must be decided in line with the Local Development Plan¹ unless there is a very good reason not to do so. Planning therefore ensures that the right development happens in the right place at the right time.
- 2 The local planning authority plays the critical role in identifying what development is needed and where; what areas need to be protected or enhanced; and in assessing whether a proposed development is suitable. There are 25 local planning authorities in Wales: the 22 unitary authorities and the three National Park Authorities. Local planning authorities have three key roles: Planning Policy, Development Control and Building Control – [Exhibit 1](#).

Exhibit 1 – the role of local planning authorities

The local planning authority plays a key role in supporting and managing development that benefits everyone living in and visiting Wales

Local Planning Authority Services

Planning Policy

the Local Development Plan sets out local planning policies and identifies how land is used, determining what will be built where. Adopted local plans provide the framework for development across Wales and are developed and managed by the local planning authority.

Development Control

most new buildings or major changes to existing buildings or to the local environment need consent before they go ahead, and it is the local planning authority that decides on the majority of planning applications.

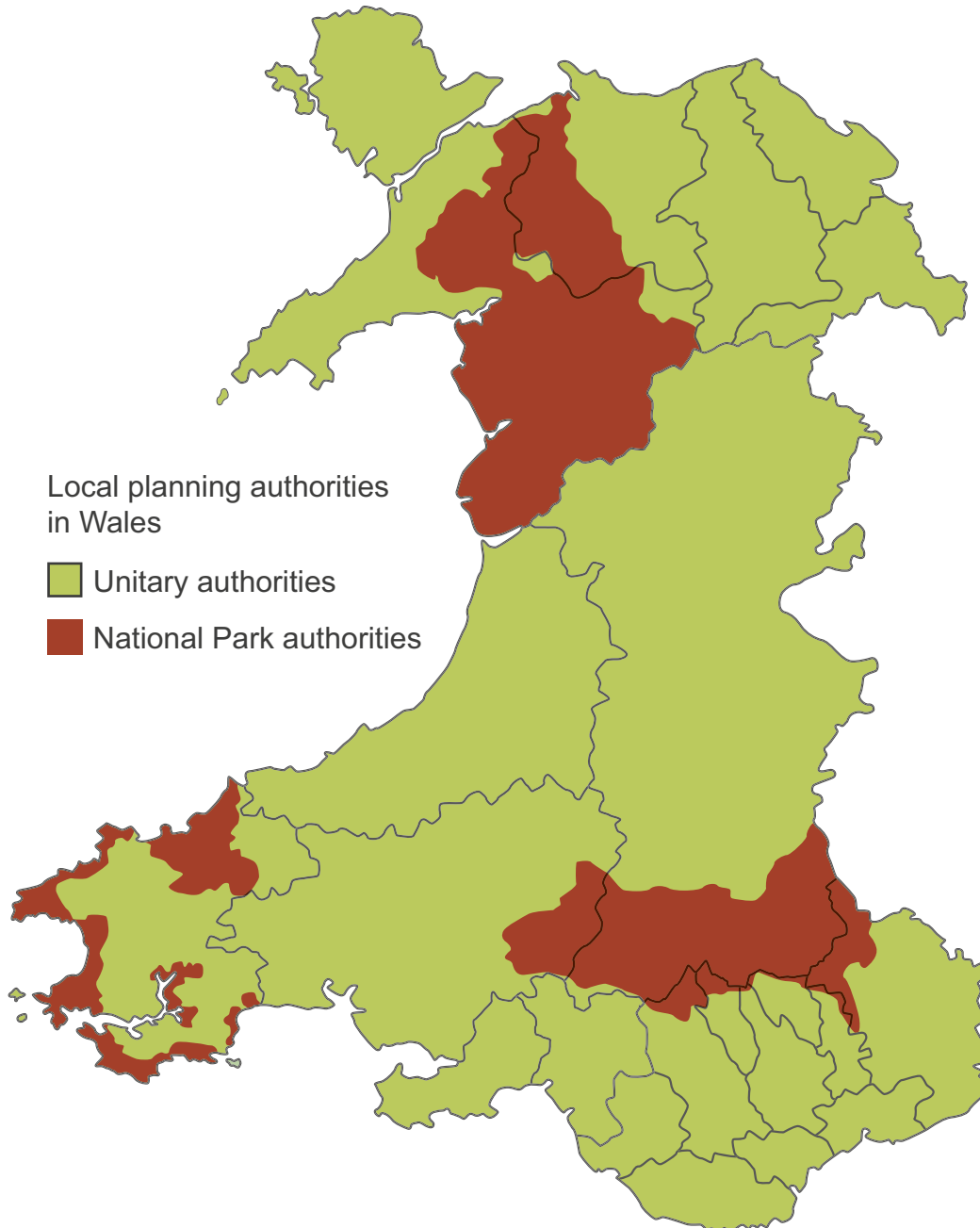
Building Control

building regulations are the minimum standards for design, construction and alterations to virtually every building in Wales. Building control oversees much of this work but these services are not provided by National Park Authorities.

Source: Wales Audit Office

¹ Adopted Local Development Plan sets out local planning policies and identifies how land is used, determining what will be built where. Adopted local plans provide the framework for development across Wales.

Exhibit 2 – The 25 Local Planning Authorities in Wales



Source: Wales Audit Office

- 3 Local planning authorities make a major contribution to supporting the development of new homes, conserving natural assets, creating employment opportunities, enforcing high design standards and improving local infrastructure. The decisions taken by local planning authorities therefore directly impact on all of us, our wellbeing and our quality of life.
- 4 The National Assembly for Wales adopted a new **Planning (Wales) Act** (the 'Act') in 2015 which seeks to ensure the planning system is 'fair, resilient and enables development' against five key objectives:
 - a a modernised framework for the delivery of planning services – the Act introduces powers to allow planning applications to be made directly to Welsh ministers in limited circumstances;
 - b strengthening the plan led approach – the Act introduces a legal basis for the preparation of a national framework and strategic development plans;
 - c improving resilience – allows Welsh ministers to direct local planning authorities to work together and to merge;
 - d improving the development management system – the Act introduces statutory pre-application procedures for defined categories of application; and
 - e enabling effective enforcement and appeals – secure prompt, meaningful action against breaches of planning control and increase the transparency and efficiency of the appeal system.
- 5 Our report considers the progress of local planning authorities in delivering their new responsibilities and the extent to which they are acting in accordance with the sustainable development principle contained within the Wellbeing of Future Generations (Wales) Act 2015. We also consider how efficient and effective the 'local planning system' is, focussing on their performance, income and expenditure to determine how resilient services are. Finally, we also look at decision making and stakeholder engagement. Our review methods are set out in **Appendix 1**.

Our findings

- 6 The planning system has experienced substantial reform in recent years, culminating in the Planning (Wales) Act 2015 and a revised [Planning Policy Wales](#)². The driver for these changes has been the Welsh Government's aim to help planners respond to the changing circumstances in which land use regulation is operating, and to address longstanding concerns about the efficiency of the complex planning system – including tackling delays to plan-making and decision-making and increasing transparency. But land use planning is complex, and there are inherent tensions in the system. Decisions on land use and development are made with reference to plans of up to 15 to 20 years' duration, updated every five years or so, but these can quickly become out of step with the reality of rapid economic and social change.
- 7 Citizens we surveyed and spoke to told us that they do not believe that their planning authorities are ambitious enough to help deliver the improvements needed in their community. People we spoke to are frustrated by planners focussing too much on individual applications and not enough on encouraging and supporting the creation of a more vibrant and sustainable community. As well as wanting to see local planning authorities upping their game and becoming more innovative, citizens are concerned that they are not effectively engaged or involved in discussions on the priorities for development in their area, nor in decision making on local applications. Some citizens noted that developers have the resources to 'play the system', and overall the system is disproportionately delivering greater benefits for developers than communities.
- 8 The negative perception of citizens is not helped by the poor-quality information often provided by local planning authorities to help explain what they are doing, where and when. Repeatedly, our survey respondents told us they considered information to be inaccessible and not useful. Over half of those responding to our survey stated that it is not easy to access information on planning, and 70% stated that local planning authorities are not good at engaging with stakeholders about

2 [Planning Policy Wales](#) sets out the land use planning policies of the Welsh Government. The current version, published in December 2018, is intended to 'help to ensure that the planning decisions taken in Wales, no matter how big, or how small, are going to improve the lives of both our current and future generations. It will support changing the way we live and work, and the buildings and environment of Wales, today, building a better environment to accommodate current and future needs'.

planning proposals and their potential implications. Overall, many citizens we surveyed see local planning as a system which results in things happening in communities which they are unable to influence or control. There is a growing disconnect between what people want from their planning authority and what their planning authority is delivering.

- 9 Despite the new legislation and heightened expectation on the contribution planning can make to delivering the aspirations of the Wellbeing of Future Generations Act, local planning authorities have seen a significant reduction in capacity and struggle to deliver their statutory responsibilities. Our analysis shows that all planning services – policy, development and building control – have, since 2008-09, seen significant cuts in expenditure with budgets having fallen by 50% in real terms, considering inflation. Net expenditure has fallen from £45 million in 2008-09 to £22.8 million in 2017-18. The biggest cut has been to development control budgets where spend has reduced by 59%.
- 10 With less money to fund services, planning officer capacity is stretched and skills are decreasing in key areas of work. The number of trainees entering planning has fallen in recent years which raises concerns over the long-term sustainability of services. Despite these reductions in funding, authorities continue to subsidise services because the charges made by local planning authorities for administering and approving planning applications and building works does not reflect the cost of providing these services.
- 11 In the last four years the number of planning applications made to local planning authorities has remained stable at around 24,000 per annum, but fewer planning applications are being processed on time. Also, the length of time taken to investigate complaints about development varies widely across Wales. The best performing planning authorities deal with enforcement issues very quickly, often within a week. The worst performers can take over a year. On average it takes authorities over 37 weeks to investigate and deal with an enforcement case.

- 12 Planning committees take responsibility for determining larger applications that are not delegated to officers. Decisions are based on officer recommendations that committee members need to consider in arriving at their decision. The proportion of decisions made by members against officer advice remains high, with just under 9% of recommendations overturned in 2017-18. Where an authority has refused a planning application then the applicant has the right to appeal the decision. We found that just over 37% of appeals made by planning applicants are upheld, with the original authority decision being overturned.
- 13 It is not surprising to encounter concerns from all sides about planning decisions. In many cases there will be losers who suffer adverse effects, and it is often difficult for planning committees, even with hindsight, to judge if the 'right' decision has been made. Some of the factors that need to be considered are inevitably subjective; planning will always be more than a simple tick-box exercise, often demanding both judgement and imagination. An effective local planning authority will therefore need to have a clear vision of how they will work in the medium-to-long-term to improve their communities. Having a clear vision of the future possibilities can inspire and motivate people to want the best.
- 14 We found that most local planning authorities have not clearly defined how their planning services contribute to the wellbeing of people and communities. Our review concludes that planning services are key to helping to deliver the aspirations of the Wellbeing of Future Generations Act but currently, due to the complexity of the planning system, reducing capacity and variable decision making, authorities have some way to go make the step change needed.
- 15 Based on the findings of this audit, the Auditor General has concluded that **Planning Authorities are not resilient enough to deliver long-term improvements because of their limited capacity and the challenge of managing a complex system.**

Recommendations

Our recommendations are set out in the table below.

Recommendations	
R1	<p>Part 1 of the report sets out the complexities of the planning system showing how challenging it is for local planning authorities to effectively engage with and involve stakeholders in choices and decisions. To improve involvement with stakeholders and ownership of decisions we recommend that:</p> <ul style="list-style-type: none">• local planning authorities:<ul style="list-style-type: none">– test current engagement and involvement practices and consider the full range of other options available to ensure involvement activities are fit for purpose;– use ‘Place Plans’ as a vehicle to engage and involve communities and citizens in planning choices and decision making; and– improve transparency and accountability by holding planning meetings at appropriate times, rotating meetings to take place in areas which are subject to proposed development, webcasting meetings and providing opportunities for stakeholders to address committee meetings.• Welsh Government:<ul style="list-style-type: none">– review the Development Management Procedure Order 2012 and update the engagement and involvement standards for local planning authorities.
R2	<p>Part 2 of the report highlights that local planning authorities have been subject to significant reductions in funding and struggle to deliver their statutory responsibilities. To improve resilience, we recommend that local planning authorities:</p> <ul style="list-style-type: none">• review their building control fee regimes to ensure the levels set, better reflect the actual cost of providing these services and make the service self-funding; and• improve capacity by working regionally to:<ul style="list-style-type: none">– integrate services to address specialism gaps;– develop joint supplementary planning guidance; and– develop future local development plans regionally and in partnership with other local planning authorities.

Recommendations

R3 **Part 2** of the report highlights that the cost of development control services is not reflected in the charges set for these services and progress in developing regional responses to strengthen resilience has been slow. We recommend that the Welsh Government:

- reviews development control fees to ensure the levels set, better reflect the actual cost of providing these services; and
- consider how to use the powers in the Planning (Wales) Act to support and improve local planning authority capacity and resilience.

R4 **Part 3** of the report summarises the effectiveness and impact of local planning authorities decision making and how well they are performing against national measures. We recommend that local planning authorities improve the effectiveness of planning committees by:

- reviewing their scheme of delegation to ensure planning committees are focussed on the most important strategic issues relevant to their authority;
- revising reporting templates to ensure they are clear and unambiguous to help guide decision making and reduce the level of officer recommendations overturned; and
- enforcing the local planning authorities' standards of conduct for meetings.

R5 **Part 4** of the report identifies the central role of planning to delivering the ambitions of the Wellbeing of Future Generations Act. We recommend that local planning authorities:

- set a clear ambitious vision that shows how planning contributes to improving wellbeing;
- provide planning committee members with regular and appropriate wellbeing training and support to help deliver their wider responsibilities;
- set appropriate measures for their administration of the planning system and the impact of their planning decisions on wellbeing; and
- annually publish these performance measures to judge planning authorities impact on wellbeing.

We have also published a **summary report** and an **open data set** that summarises our analysis of performance data and some of our survey findings.

Part 1

Planning authorities find it challenging to balance competing demands because of the complexities of the planning system



- 1.1 In this section of the report we outline the complexities of the planning system. We consider the national planning policy framework and how this is implemented at a local level setting out the different responsibilities of local planning authorities, and the challenges of engaging with and involving citizens and stakeholders more effectively. Finally, we outline one of the strongest messages from our review – that planning authorities need to be more ambitious and visionary.

Local planning authorities must work within an intricate and multi-layered planning framework

- 1.2 Planning Policy Wales defines the planning system as responsible for managing the ‘development and use of land in the public interest, prioritising long term collective benefit, contributing to improving the economic, social, environmental and cultural wellbeing of Wales’. A well-functioning planning system is fundamental for sustainable development and achieving sustainable places. However, the planning system is very complex because it is based on an interconnected system of national, regional and local plans, policies, priorities and decision making to govern the use of land.
- 1.3 **Exhibit 3** outlines the key aspects of this interconnected and complex system (the fuller detail is set out in **Appendix 2**). In summary the Planning Framework in Wales covers:
- a **National** – at a national level, legislation is drafted by the Welsh Government, and scrutinised and adopted by the National Assembly for Wales. The most recent planning legislation is the Planning (Wales) Act 2015. Planning Policy Wales make the link between legislation³ and the priorities of the Welsh Government. Planning Policy Wales - supplemented by technical advice notes, circulars and ministerial letters - sets the policy for local planning authorities to comply with.
 - b **Regional** – Strategic Development Plans are recent introductions and allow for local planning authorities to develop regional plans that cover several local authority areas. Progress in developing regional plans has, to date, been slow.

3 The other key pieces of legislation are the Town and Country Planning Act 1990 and the Planning and Compulsory Purchase Act 2004. These were introduced by the UK Government.

- c **Local** – below the new regional framework sit Local Development Plans. These set the context for future priorities and development control activity in a local planning authority’s area. Local Development Plans are supported by Development Control policies, supplementary planning guidance and sub-area local plans, often referred to as ‘Place Plans’. Taken together, these provide the local policy framework for deciding on planning applications.

Exhibit 3 – the planning framework in Wales

Planning in Wales is complex because it is based on an interconnected system of national, regional and local plans, policies, priorities and decision making



Source: Wales Audit Office

- 1.4 Navigating a potential development or application through these different layers can be complicated. Identifying what plans govern the development, which guidance applies and where authority should be sought from is not easy because decision making rests with many organisations and each of these has different layers of responsibility. Local planning authorities must work within this planning policy framework, complying with the guidance and directives set by the Welsh Government.

Managing competing influences and expectations when setting land use priorities and deciding upon applications can be difficult for planning authorities

- 1.5 The multi-layered and complex nature of this system increasingly impacts upon local planning authorities in several important ways. Adopting a Local Development Plan can be a costly process. In 2015 Welsh Government estimated the costs of producing a Local Development Plan was between £1.1 and £2.2 million⁴. Adopting a plan can be time-consuming. For instance, one planning policy manager told us that his authority had to complete 872 separate actions over the various development agreement stages to get the Local Development Plan approved⁵. Consequently, it is not unusual for the adoption of a plan to take many years⁶.
- 1.6 The process of adopting a development plan, and by extension establishing the policies and decision-making arrangements to oversee development control activity, can also be contentious. Because planning policy decides on what type of development is permitted to happen, where and when, it generates criticism and competing views. In setting local policies, planning authorities need to balance conflicting pressures from applicants, communities, interest groups, businesses, lobby groups and residents. They also must consider the needs of current and future generations.

4 See summary of research evidence **Welsh Assembly research for the Planning Act (Wales) Bill 2015**.

5 See an example of Local Development Plan stages of the preparation process in Cardiff **Local Development Plan production process**.

6 For instance, Wrexham County Borough Council first Local Development Plan was withdrawn at examination in 2012 and the Council submitted the second draft deposit Plan for public consultation in April 2018.

- 1.7 In addition, developers want consistent, timely and professional development control services that reduce delays and proactively support their activity. An effective development control service is critical for them as they often borrow significant sums of money to fund developments, and therefore want local planning authorities to resolve issues quickly and conclusively to reduce their potential losses and increase profits. Also, the tensions brought about by multiple owners of land, the various interests in development and the pressures on local planning authorities to open-up new opportunities for development can be considerable. The value of land that has received planning permission can increase enormously and therefore the pressures on local planning authorities to grant planning permission are considerable.
- 1.8 In an era of growing demand for development land, there are often questions over the influence of developers, especially those with large resources, who are perceived as seeking to influence planning decisions. The development industry is well organised and expert, as are an increasing number of conservation and interest groups who are becoming ever more skilful and persuasive in getting their point across. And, whilst the public understand the importance of, and need for, new developments, they also value conservation and protection of the natural environment.
- 1.9 Consequently, it is not unusual to see communities and lobby groups opposing new housing or largescale infrastructure projects. This is borne out by the findings of our surveys. **Exhibit 4** summarises the different priorities for planning committee members, planning officers and the public. Whilst there is some correlation between each group of respondents, citizens gave greater preference to conservation and protection than new development.

Exhibit 4 – the main development priorities for senior planning officers, committee members and citizens

There are differences between local planning authorities and the public on future priorities

Heads of planning 5 main priorities	Planning committee member 5 main priorities	Members of the public 5 main priorities
1 Increasing the availability of housing	1 Improving infrastructure - road, rail, cycling, broadband, energy	1 Improving infrastructure - road, rail, cycling, broadband, energy
2 Creating new and safeguarding existing jobs	2 Increasing the availability of housing	2 Conserving and protecting the natural environment
3 Regenerating and improving existing towns and villages	3 Regenerating and improving existing towns and villages	3 Creating new and safeguarding existing jobs
4 Improving infrastructure - road, rail, cycling, broadband, energy	4 Conserving and protecting the natural environment	4 Protecting and conserving our existing homes, villages and communities
5 Conserving and protecting the natural environment	5 Creating new and safeguarding existing jobs	5 Improving education provision

Source: Wales Audit Office, Planning committee, senior planning officer, and citizens survey, January 2019.

- 1.10 Our fieldwork and surveys highlight a growing public perception of the continuing shift in the balance of influence (and power) between planners and developers. The influence of developers is partly fuelled by local planning authorities needing to support delivery of the national targets (such as the Welsh Governments 20,000 affordable homes⁷ between May 2016 and May 2021) and by the potential of planning to generate economic growth, create new jobs and protect existing ones.
- 1.11 Senior planning officers and planning committee members told us about the pressure on them not to impose too many restrictions on developers. We found there is also a perception of developers ‘buying’ planning permission through Section 106 agreements⁸ and paying the Community Infrastructure Levy⁹. This is not new and is a symptom of the supposed influence of professional lobbying and powerful interests. Comments in our public survey confirm this: ‘In my experience developers generally get their way and money talks, that’s not to say the process is corrupt merely that developers usually have the resources to badger the authority into approving their schemes sometimes in the face of under resourced local opposition.’

7 www.assembly.wales/en/bus-home/pages/rop.aspx?meetingid=4000&assembly=5&c=Record%20of%20Proceedings#C433962

8 A local planning authority and a developer may enter into a legal agreement to provide infrastructure and services on or off the development site where this is not possible through planning conditions. This agreement, also known as a Section 106 agreement, is a delivery mechanism for the matters that are necessary to make a development acceptable in planning terms. Planning agreements have become increasingly important to the provision of public services including highways, recreational facilities, education, health and affordable housing.

9 The Community Infrastructure Levy is a planning charge, introduced by the Planning Act 2008 in England and Wales to help deliver infrastructure to support the development of an area. Development may be liable for a charge under the Community Infrastructure Levy if the local planning authority has chosen to set a charge in its area. Most new development which creates net additional floor space of 100 square metres or more, or create a new dwelling, is potentially liable for the levy. Currently only three local planning authorities are using the Community Infrastructure Levy.

Stakeholders value planning services but are concerned that authorities are not good at engaging with and involving them, and that they lack ambition

- 1.12 To ensure fairness, it is important that local planning authorities communicate how and why planning decisions are taken, and how the public can get involved in the process. But we found that the wider public are often less aware of where to access information and how the 'system' works. This is partly a reflection of the complexity of the planning policy and development control processes. But it is also a reflection of how well local planning authorities communicate, inform and involve the public.
- 1.13 Planning authorities are increasingly aware of the need to strengthen engagement and involvement, especially in the work of planning committees. Positively, twenty-three authorities provide online information on planning applications (only Blaenau Gwent and Isle of Anglesey do not) and 22 have an officer on duty to provide advice to applicants (Bridgend, Ceredigion and Gwynedd are the exceptions)¹⁰.
- 1.14 We found that planning authorities are also encouraging public speaking and webcasting of planning committee meetings. However, whilst 24 of the 25 planning committees allow members of the public to address the committee (only Merthyr Tydfil County Borough Council does not), only 11 of the 25 planning committees webcast meetings¹¹. Public access to many planning committee meetings is also still limited to those who are free to attend during the day and few hold meetings in the locations where the planning applications relate. This can result in limited public attendance and interest in the work of local planning authorities.
- 1.15 For instance, one citizen responding to our survey noted that 'public confidence in the local planning authority is severely undermined by a lack of transparency and consultation. There is next to no community involvement in future planning and the matter is becoming increasingly politicised'. Another concluded that 'whatever the planning department is doing it is not resulting in making my town a more beautiful or happier place. I've never known a time when my local community seems more polarised, more insular and more ill at ease with itself, and the way that our living spaces are designed is not soothing things'.

¹⁰ <https://gov.wales/sites/default/files/publications/2018-12/planning-performance-framework-table-oct-2017-sep-2018.xlsx>

¹¹ <https://gov.wales/sites/default/files/publications/2018-12/planning-performance-framework-table-oct-2017-sep-2018.xlsx>

- 1.16 Understandably, those who use planning and development control services have a better understanding of how the system works. But even here our findings highlight concerns over engagement and involvement. Both citizens and organisations we surveyed and interviewed, who regularly use planning services, commented on local planning authorities' difficulties in engaging with stakeholders about planning proposals and their potential implications. Communication is often based on traditional approaches such as adverts in the local press, letter drops and appending notices to lampposts, which are often proscribed in guidance¹². These are not necessarily in step with how many citizens and stakeholders consume information in the digital and smartphone age.
- 1.17 Over half of citizens responding to our survey noted dissatisfaction with their local planning authority when dealing with comments they submitted as part of the development plan adoption, and a third were unhappy with how authorities dealt with their comments on other planning applications that impacted on their local environment, community or home. For example, one respondent to our public survey noted that 'by their nature, planners are not good communicators. Most older people don't own computers, so they can't check on how planning applications that affect them are progressing... Planners need to upskill their communications efforts.' Similarly, another noted that 'I knocked on 27 houses and not one householder was aware of the candidate areas, aware of the proposed change of use or aware they could object'. We acknowledge the challenge local planning authorities face in communicating with and involving citizens. There is no one right way of doing this and local planning authorities need to consider the full range of involvement options that are available to them.

¹² The Development Management Procedure Order 2012 sets out the minimum engagement requirement that a local planning authority must undertake.

- 1.18 Planning Policy Wales introduces the concept of Place Plans as a key element to determine land use, conservation and development at very local levels. In Wales, Place Plans differ from England where their equivalent - Neighbourhood Plans – are material considerations and form part of the wider Local Plan framework. Place Plans are slowly being introduced with good examples in existence in Brecon¹³, Mold¹⁴ and Snowdonia¹⁵. Good quality guidance has been developed for Place Planning by the Brecon Beacons National Park Authority¹⁶ on how to involve stakeholders to both develop the plans and agree future priorities. There is good evidence of how this has been effectively used in completing their first two Place Plans in Crickhowell and Hay-on-Wye, with good progress also being made on emerging Place Plans in Brecon and Talgarth.
- 1.19 Despite local planning authorities needing to balance competing demands and influences, our fieldwork and surveys found some consistent messages on where planning choices and decisions should rest. Importantly, citizens and bodies who regularly work within the planning system recognise the need for planning to maintain a local focus, and this is best delivered by local planning authorities.
- 1.20 Whilst local accountability is valued, our survey findings also show that there is support for the Welsh Government rather than local planning authorities and the UK Government to have a greater influence and control over larger nationally significant development projects. This approach is consistent with the 2015 Act which introduces a new consenting process for developments of national significance¹⁷.
- 1.21 Despite wanting to see planning decisions taken primarily at the lowest possible level of government, feedback also consistently shows that users and beneficiaries of the planning system do not believe that local planning authorities are ambitious enough to help deliver the improvements needed in their community. Citizens are frustrated by planners focussing too much on individual applications and not enough on encouraging and supporting the creation of a more vibrant and sustainable community – **Exhibit 5**.

13 See **Brecon Place Plans**

14 See **Mold Town Plan**

15 See **Snowdon Partnership Place Plan**

16 See **beacons-npa.gov.uk/strategy-and-policy/place-plans**

17 Developments of National Significance are usually large-scale developments relating to energy, transport, water, or waste which Welsh ministers decide upon.

Exhibit 5 – citizen feedback on the ‘vision’ and ‘ambition’ of local planning authorities

Citizens recognise the important contribution planning can make to their wellbeing but are concerned that local planning authorities lack vision and ambition.

The current planning system is structurally flawed and ‘transactional’ in approach, it needs to be more creative, innovative and dynamic in its approach and more organic. If we have any chance of planning for future generations and wellbeing of Wales, make sure that WFG principles become reality.

Planning should be more than just using lots of words to talk about land use. There is an opportunity here to inspire people to improve their environment, incentivise good design, and promote examples of good schemes. The planning system in Wales is driven by a fear of failure rather than a shared vision of what the future could look like.

Clearer and stronger vision needed... Fortune favours the brave.

I think planning in particular doesn’t consider the long-term infrastructure implications of its planning decisions - with major large housing developments being agreed without clear, well thought through plans for roads, schools etc in the area. Traffic and parking in the city is already a huge issue and it seems like planning decisions are made in isolation.

... planners just focus on the technocratic elements of land use planning, not how the place will look and feel like in the long term. Design and spatial technology, social media, and virtual reality is not used to show people what is possible.

Source: Wales Audit Office, Public survey 2018-19.

1.22 Survey comments show that citizens want to see local planning authorities upping their game and becoming more bold, ambitious and visionary. However, our review shows that local planning authorities do not have the capacity to meet these growing aspirations and in the proceeding section of this report we outline some of these difficulties.

Part 2

Insufficient capacity and reducing resources are eroding planning authorities' resilience



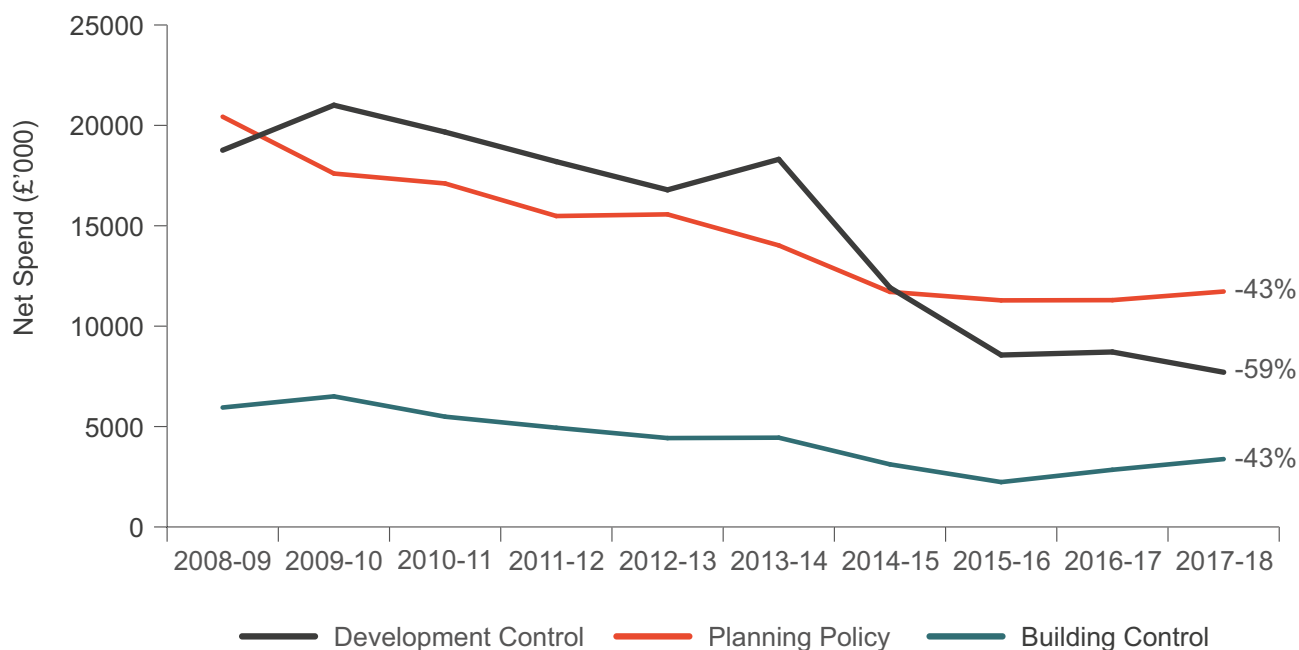
2.1 In this section of the report we assess the resilience of planning services, looking at changes in funding, income and expenditure. We examine the reduction in budgets over the last decade and the impact of these changes on staff numbers and roles. We also consider how authorities are responding to this challenge to ensure they have enough capacity to deliver their statutory responsibilities. Finally, we consider how they are collaborating and working together to strengthen their resilience.

Planning authorities have seen a significant reduction in resources

2.2 Local planning authority expenditure has reduced significantly in the last decade. In real terms, net expenditure has fallen by 50% from £45 million in 2008-09 to £22.8 million in 2017-18 – **Exhibit 6**. The largest reduction has been in development control where funding has reduced by 59%.

Exhibit 6 – net expenditure by local authorities on planning services in real terms in Wales between 2008-09 and 2017-18.

There has been a significant reduction in expenditure on planning in the last decade



Source: Revenue outturn (RO) data, StatsWales. Analysis by Wales Audit Office using 2009 deflators.

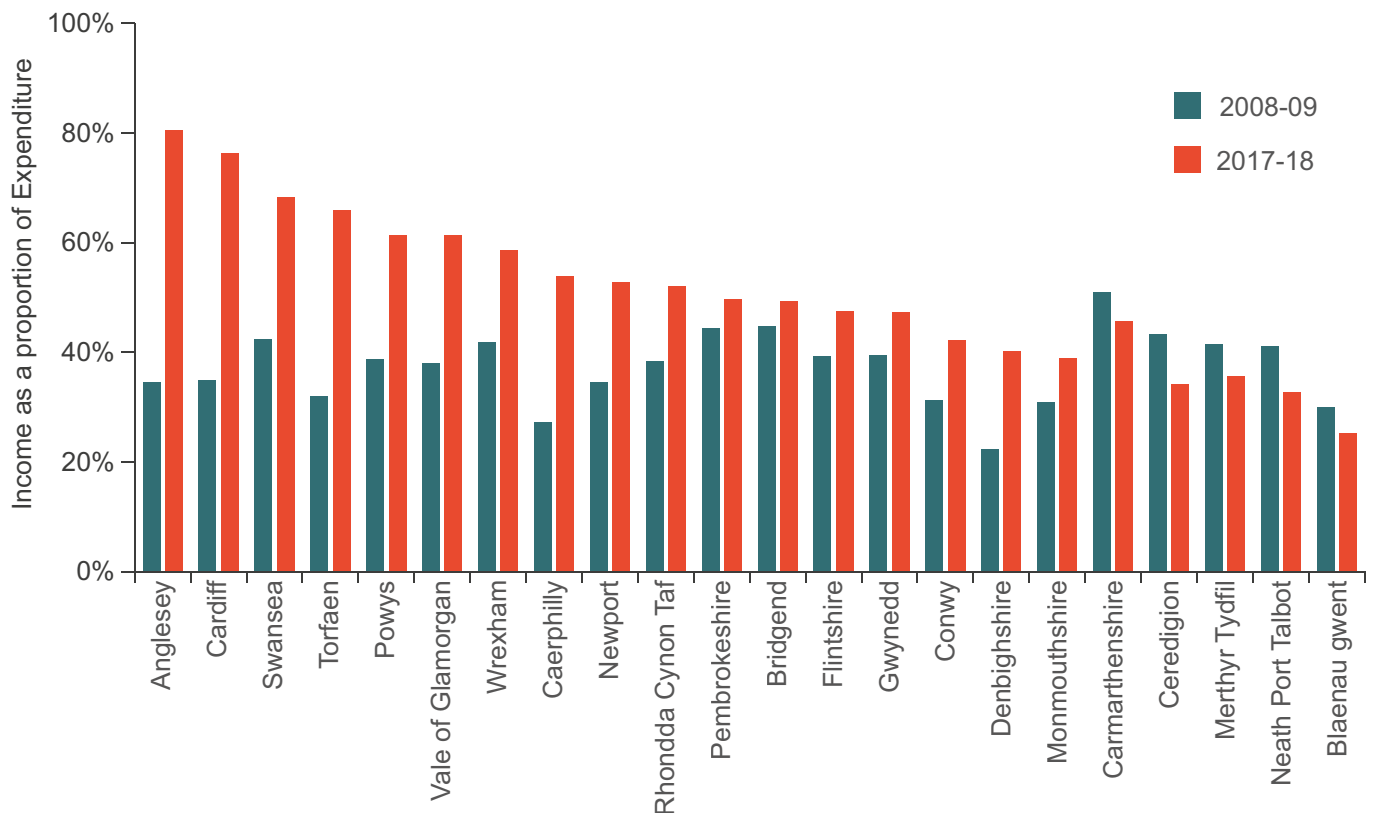
2.3 The Regulatory Impact Assessment (RIA) considered by the National Assembly for Wales when scrutinising the Act, outlined that the estimated total additional cost over the first five years of delivering the entire the Act would be around £6.1 million. This cost would be offset by total savings of £7.9 million, leaving a net balance of savings of £1.8 million. The RIA concluded that implementing the Act would result in a £0.5 million increase in Welsh Government expenditure, just over £1 million increase in expenditure by the 25 local planning authorities, and savings of just over £3.5 million for the development industry and others¹⁸. Our analysis shows that since 2014-15, local planning authorities have seen their net expenditure reduce by £3.9 million, not increase by £0.9 million.

There are opportunities to increase income and reduce subsidisation of planning services

2.4 Given the need for local authorities to reduce their net expenditure in line with cuts in central funding, many authorities are reviewing services to ensure that, where appropriate, they are making the most of opportunities to maximise income. Whilst all local planning authorities continue to require subsidy, between 2008-09 and 2017-18, 17 of the 22 authorities had an improving subsidy position with the level of expenditure on planning services falling and the level of income now covering a greater proportion of cost – [Exhibit 7](#).

Exhibit 7 – income as a proportion of expenditure for all planning services by local authority in 2008-09 and 2017-18

Most local authority planning services have an improving subsidy position



Source: Revenue outturn (RO) data, StatsWales. Analysis by Wales Audit Office¹⁹.

2.5 There are two main areas of activity where local planning authorities charge for the services they provide – development control and building control. Welsh Government sets the development control fees. These are the same for all Welsh planning authorities and the last revision to fees was in 2015²⁰.

19 There is no national data published for the three National Park Authorities.

20 Town and Country Planning Fees for Applications, Deemed Applications and Site Visits (Wales) Regulations 2015 www.legislation.gov.uk/wsi/2015/1522/contents/made

- 2.6 Our analysis shows that in 2017-18, real terms income as a proportion of expenditure has significantly increased for development control work and now accounts for 70% of the total cost of these services. However, whilst income is increasing, there is a wide variation in performance. Two local authorities – Isle of Anglesey and Cardiff – collect more income from development control activity than it costs to provide this service. The remaining 20 authorities are all operating with varying levels of subsidy, ranging from 6.7% to 65.7% of the cost of the service (see [Appendix 3](#)).
- 2.7 Unlike development control, fees for building control services are set by each local authority. Our examination of income and expenditure shows that whilst income now covers 68% of the cost of building control services, this has remained static in recent years and no authority is recovering the full cost of their building control service. Subsidisation ranges from 0.2% to 76.2% of the services cost (see [Appendix 4](#) for our detailed analysis).
- 2.8 Subsidising services is often driven by a desire to maximise take-up and to support delivery of the wider strategic priorities. Building control services are also in competition with the private sector and consequently need to ensure services are competitively priced. However, authorities also need to consider their operating environment and identify how they can reduce the level of subsidy they provide to services to improve financial sustainability and strengthen resilience.
- 2.9 Using public data gathered from authority websites, we set out in [Exhibit 8](#) the array of charges for the cost of building control services for the erection of a single dwelling²¹. The range in price between the cheapest and most expensive building control charge varies significantly. Even when considering local factors and the possible differences in provision and quality of service, the scale and range of costs is very broad.

21 Most authorities have on-line fee schemes and provide detailed guidance to support applicants. However, not every authority publishes a fee scheme for their building control services. Our analysis is based on information collated from 12 local authority websites.

Exhibit 8 – example of local authority building regulation charges in 2018-19

There is a wide variation in how much Building Control services charge for the same activity.

Item	Lowest charge	Highest charge	Differential
New Full Plans - Plan fee for single dwelling (A)	£140.74	£241.20	+71.4%
New Full Plans – Inspection for single dwelling (B)	£225.72	£532.00	+135.7%
New Building Notice fee for single dwelling (C)	£383.04	£785.22	+105.0%
Composite charge for A, B and C for single dwelling	£732.00	£1,098.00	+50.0%
Regularisation ²² charge for single dwelling	£510.72	£948.75	+85.8%

Source: Wales Audit Office analysis of on-line Building Control Fee schemes.

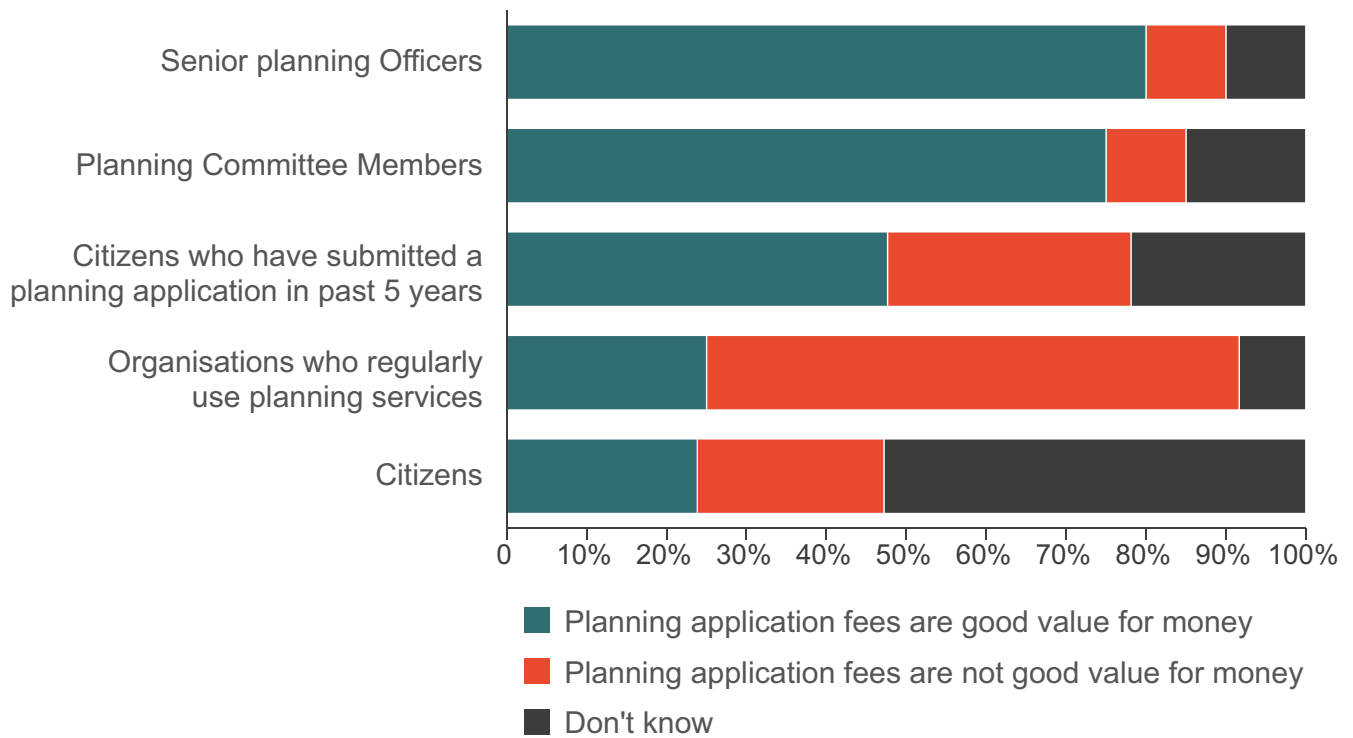
2.10 At the end of 2017-18, the combined deficit on development and building control income to expenditure stood at £11.1 million. The findings in [Exhibit 7](#), and our more detailed analysis set out in [Appendices 3 and 4](#) highlight that there is scope for Welsh Government and local authorities to review current fee schemes to ensure they better reflect the cost of providing these services, and we have made recommendations to this effect²³. However, increasing fees needs to be balanced with ensuring that any rise is reflected by a better-quality service. This is especially salient as the findings of our survey work highlight that many who use planning services do not feel that current fees represent good ‘Value for Money’ – [Exhibit 9](#).

22 Building Control services can be provided in advance of work or applied retrospectively after work has taken place. Work approved after it has been completed is called ‘Regularisation’.

23 If all local planning authorities and Welsh Government enact our recommendation in full, the potential savings will be in the region of £11.1 million. If the Welsh Government increases Development Control charges to cover cost, then this will result in £7.7 million savings. If all local authorities address their Building Control deficit it will result in £3.4 million savings.

Exhibit 9 – survey findings on whether local authority planning fees represent 'Value for Money'

There is a difference of opinion between those who administer and use planning services on whether fees represent good 'Value for Money'



Source: Wales Audit Office, Planning committee, senior planning officer, stakeholder and citizens surveys, January 2019.

Capacity is stretched, and planning authorities are struggling to deliver key functions, but there has been limited progress on improving resilience

- 2.11 An authority's workforce is one of its greatest assets and a significant proportion of expenditure is on staffing. However, in the current period of prolonged austerity, authorities are often balancing budgets by reducing staff. The findings of our surveys with senior planning officers, planning committee members and organisations who regularly use planning services all note that in the last decade there has been a significant reduction in staff. As a result, local planning authorities struggle to deliver their responsibilities, are having to manage capacity from week to week, and are just about coping. In addition, over time the more experienced planning staff are retiring and not being replaced which is leading to a deficit in skills, experience and 'know how'.
- 2.12 Whilst authorities have sought to protect and retain skills and capacity in key areas, most notably planning policy, there have been significant reductions in others. There is also a high degree of consistency on where gaps in resources are most acutely felt – design specialists, data analysts, research officers, infrastructure specialists and trainee planning officers (see [Appendix 5](#) for the detailed survey results). This trend reflects the desire of authorities to protect front-line staff and service delivery as much as possible, but the reduction in the number of trainees is concerning. Representative bodies, academic institutions and local authorities we interviewed all highlighted that investment in planning trainees has fallen, and several fear that 'planning' is no longer considered an attractive career.
- 2.13 Research by the Royal Town Planning Institute (RTPI)²⁴ also highlights that chief planning officers no longer have a prominent or strategic position within local authorities, and the perceived value and influence of the profession continues to reduce. Corporate management teams provide leadership, vision and priority setting for areas setting the strategic direction and investment decisions of local authorities. The implications of corporate decisions on new investment, infrastructure, development activity, local services and policy delivery are significant, and an effective and influential chief planning officer can play a critical role in delivering these and wider policy goals. However, the RTPI found that the most senior planning officer is usually third tier and 60% manage a range of other services. Despite its importance, planning services have less resources, prominence and influence.

24 www.rtpi.org.uk/media/3164426/chiefplanningofficers.pdf

2.14 Our analysis also suggests that local planning authorities are only coping because the number of planning applications they are dealing with has remained stable with no significant increase in numbers – **Exhibit 10**.

Exhibit 10 – number of planning applications decided on: total for Wales and range across the 25 local planning authorities

The number of planning applications decided on has remained broadly stable but there is a wide variation in the range of applications individual planning authorities deal with.

Year	Wales total	Lowest number	Highest number
2014-15	24,203	308	2,596
2015-16	25,247	362	3,053
2016-17	25,008	326	2,819
2017-18	24,098	307	2,636

Source: Welsh Government, gov.wales/planning-services-performance-reports

2.15 Stakeholders also noted issues about the skills of planners, in particular the skills needed to negotiate complex agreements. Planning officers and planning committee members we spoke to noted that the lack of capacity is discouraging them from taking too many risks because of the fear of the cost of losing appeals against planning decisions. The reduction in resources also means that local planning authorities are often not able to compete with the level of legal expertise deployed by developers when pursuing appeals.

- 2.16 The nature of planning as a profession is also changing and it's no longer just about land use. As noted in Section 1, planning makes an important contribution to the wellbeing of future generations agenda and there are greater expectations of wider and more effective stakeholder, citizen and community involvement, not just engagement. The evidence from our review highlights that with less resource, growing expectations and reducing capacity, local planning authorities alone cannot respond to the demand placed on them. A collaborative and integrated approach working with others and doing things differently is required. However, despite senior officers and members of planning committee responding to our survey highlighting that they are collaborating and integrating services to reduce costs and build capacity, we found only limited evidence of this taking place. Rather, most planning authorities are trying to do everything but with less resources.
- 2.17 Our review identified some positive approaches to improving efficiency and performance and reduce cost. For example, Newport City Council's registration process and pre-application advice and guidance service is helping the authority to better manage applications and free up capacity. Ceredigion County Council has a single 'Development Team', integrating planning policy with development and building control services to find the most efficient and convenient way of delivering planning services for citizens. The development team approach also helps developers and architects through the planning and building regulation process. A development team ethos can give certainty as to the level of service that can be expected and give guidance and advice on the information required prior to and during the planning and building regulatory process. However, only three local planning authorities advertise this service on their website and reference it in planning guidance.
- 2.18 The Local Plan process in England is similar to Wales, and there are some good examples of how authorities have sought to develop their resilience by working collaboratively. For example, Plymouth City Council, South Hams District Council and West Devon Borough Council have developed, and recently adopted, the Plymouth and South West Devon Joint Local Plan. Working with the Dartmoor National Park Authority and the South West Peninsula City Deal has also enabled the three local authorities to realise savings of over £1.5 million and employ three trainee planning officers. Similar approaches have been developed between the county and borough councils in Suffolk which has resulted in estimated net savings of £2.2 million and reduction in supplementary planning guidance from 52 guides to 12.

- 2.19 To date, only Isle of Anglesey County Council and Gwynedd County Council have developed a joint Local Development Plan and have a joint planning policy team, although this does not cover or include Snowdonia National Park Authority who elected not to work with them. Despite Welsh Government ministers having the powers to mandate collaboration and merge local planning authorities, and/or require the production of joint Local Development Plans under the Act, these powers have yet to be used.
- 2.20 Citizens we surveyed acknowledge the challenges authorities face and many felt that planners try to do their best with the resources they have. However, the weight of our evidence shows that reducing staff numbers, the loss of experience, less training and trainees and a less prominent role for planning in strategic decision-making structures, raises some real concerns over the future resilience of the service. Indeed, many survey respondents felt that the level of expertise in planning authorities has eroded in recent years and the service is neither 'fit for the future' or able to deliver what is needed. This raises some important questions about how sustainable planning services are, and whether they can play the role expected by many in shaping the future of Wales.

Part 3

Timeliness and quality of decision making varies widely and performance on managing applications is poor



- 3.1 In this section of the report we summarise the effectiveness and impact of local planning authority's decision making and how well they are performing against national measures.

The focus and quality of planning committees' decision making varies widely and the level of officer recommendations overturned remains high

- 3.2 Whilst local planning authorities have established clear governance arrangements and policies for managing planning services, we found that there are significant opportunities to improve the effectiveness of committees. Our viewing of a sample of planning committees found that the quality and administration of meetings contrasts widely. The size of planning committees also varies with four having more than 20 members. This can make meetings hard to manage. Whilst some meetings are well chaired with clear and effective management of business, others focus too much on parochial and minor issues that should have been delegated to officers.
- 3.3 We also witnessed some local authority planning officers being subjected to inappropriate behaviour and pressure by planning committee members. Frequently, senior planning and legal officers need to intervene to ensure the planning committee remains on point and understands the limits and extent of their responsibilities to avoid poor decision making. Despite this, it is also not uncommon for decisions to be deferred or delayed, often for long periods of time.
- 3.4 Whilst the majority of planning committee members and senior officers responding to our surveys believe their planning committee understands its role and responsibilities and receive appropriate and clear recommendations, a third noted that from their experience they felt their committee is ineffective. Just over a fifth of planning committee members and senior officers who responded to our surveys acknowledged weaknesses in ICT systems and felt their support systems for planning committees are not as efficient and effective as they should be. Several also noted concerns with the quality of committee reports often being too detailed and written in jargon. Organisations we surveyed and interviewed, who regularly use planning services, similarly flagged concerns with decision making and the effectiveness of planning committees.

- 3.5 Planning applications for minor development, those that have no significant impact on the public interest, or those which do not attract objections, are generally decided by officers under delegated powers. In 2013-14, less than 0.25% of planning applications considered by the 25 local planning authorities were decided on by planning committees with the remainder delegated to officers. By 2017-18, applications considered by planning committees had risen to 7% of all decisions²⁵. The total number of committee decisions taken in 2017-18 ranged from 13 in the Brecon Beacons National Park Authority to 282 in Wrexham County Borough Council.
- 3.6 However, the proportion of officer recommendations overturned remains high. In 2017-18 the percentage of planning committee member-made decisions against officer advice stood at 8.6% with performance ranging from no officer decisions being overturned in several local planning authorities to one authority – Ceredigion County Council – recording over 60% of officer recommendations being overturned (**Exhibit 11**). Overturning and making decisions contrary to officer advice results in planning committee members moving away from their adopted policies, and potentially undermines the integrity of the plan-led system.

25 See figure 27 on page 40: gov.wales/sites/default/files/publications/2018-12/planning-services-annual-performance-report-2017-to-2018.pdf

Exhibit 11 – percentage of member-made decisions against officer advice – Wales average and range across the 25 local planning authorities

There is a wide range of performance by planning committees in deciding on the advice of officers when determining planning applications.

Year	Wales average	Lowest %	Highest %
2014-15	10.5%	0%	81.8%
2015-16	7.1%	0%	39.5%
2016-17	10.9%	0%	59.2%
2017-18	8.6%	0%	60.7%

Source: Welsh Government, gov.wales/planning-services-performance-reports

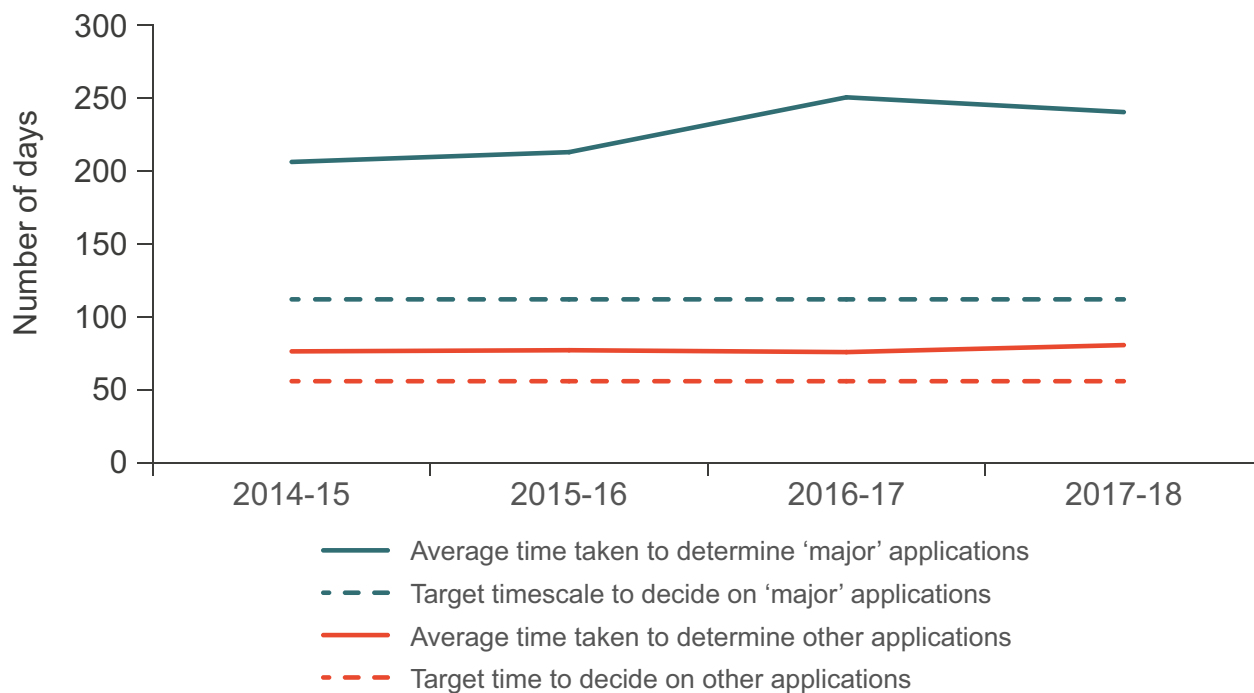
Performance in determining planning applications is poor

3.7 Our analysis of national data shows that whilst demand and numbers of planning applications remains stable, local planning authority capacity is stretched, and authorities will not be able to cope with a surge in demand, particularly for major planning applications. For example, whilst the time taken to decide all planning applications is stable, for major ones the time taken is getting longer and is significantly below the statutory targets for speed of decisions²⁶. In 2017-18, only 20% of major planning decisions were ‘on time’ and within the statutory timescale – **Exhibit 12**. This is important because the larger major planning applications are those that can make the biggest and most immediate impact on communities’ wellbeing, and poor planning performance can influence investment decisions where developers have a choice of where to build.

26 Planning applications should be determined in 8 weeks. Major planning applications, where there is an Environmental Impact Assessment, are given 16 weeks because they are more complex and usually require a greater level of consultation and negotiation. ‘Large scale major developments’ is defined as a development of 200 or more houses, or 10,000 square metres or more floor space, or where the site area is 2 hectares and above. A ‘Small scale major development’ are those of between 10 and 199 houses, or between 1,000 and 9,999 square metres floorspace or where the site area is between 1 and 2 hectares.

Exhibit 12 – the average time taken to decide on planning applications by local planning authorities between 2014-15 and 2017-18

The average time taken to decide on applications is increasing for major applications and well above the Welsh Government’s targets.



Source: Welsh Government, gov.wales/planning-services-performance-reports

- 3.8 Almost any decision made by a local planning authority is subject to a right of appeal in the event of refusal of planning permission, the taking of enforcement action, imposition of an onerous or improper condition on a granted planning permission, or the failure of the planning authority to determine the application within a timely period ('non-determination').
- 3.9 **Exhibit 13** summarises the range of performance across the 25 local planning authorities against the Welsh average. Just under two-thirds of appeals are dismissed, with the poorest performance in Monmouthshire where 64.3% of appeals were upheld. Welsh Government has compared the number of planning decisions where permission was refused contrary to officer advice, with the overall success rate at appeal. Whilst there are some local planning authorities which buck the trend (such as Powys County Council), typically local planning authorities that refuse consent contrary to officer advice have lower levels of appeals dismissed²⁷.

²⁷ gov.wales/planning-services-annual-performance-report-2017-2018

Exhibit 13 – percentage of appeals dismissed – Wales average and range across the 25 local planning authorities

There is a wide range of performance by local planning authorities successfully dismissing an appeal against its planning decision.

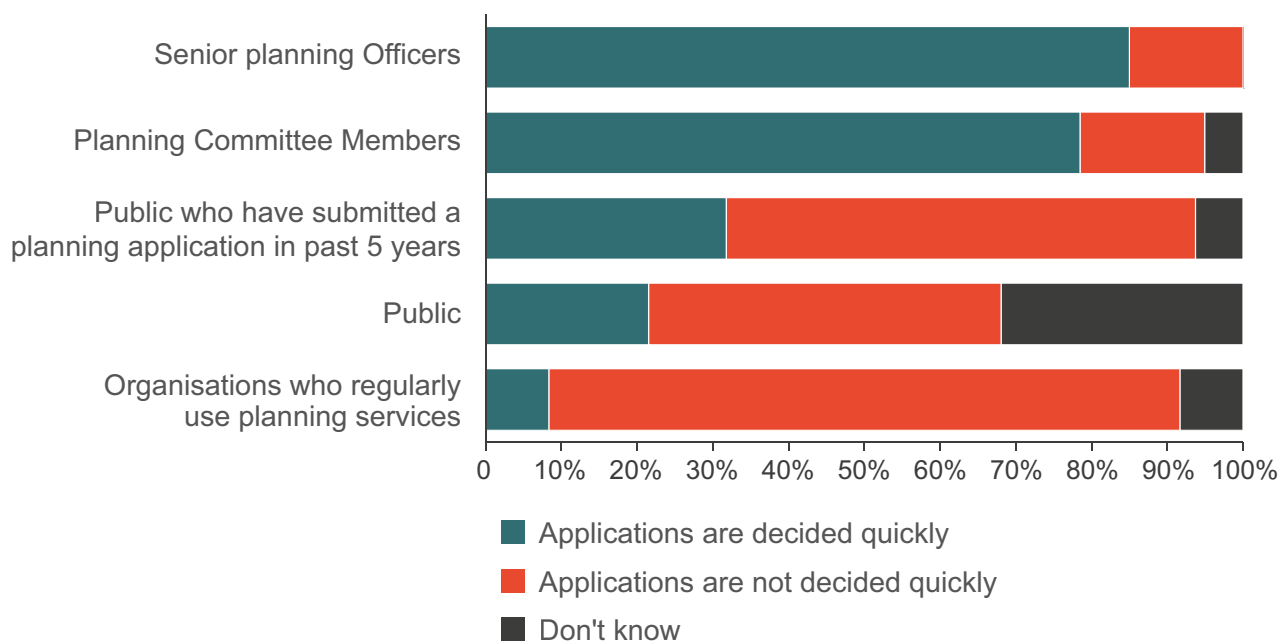
Year	Wales average	Authority with the lowest % dismissed	Authority with the highest % dismissed
2013-14	65.3%	47.6%	100%
2014-15	65.6%	46.2%	83.3%
2015-16	66.5%	6.0%	90.5%
2016-17	60.9%	40.0%	83.3%
2017-18	62.6%	35.7%	100.0%

Source: Welsh Government, gov.wales/planning-services-performance-reports

- 3.10 Taking enforcement action quickly, decisively and fairly is a key aspect of preventing poor development and deterring wrongdoing. Our analysis of data published by the Welsh Government shows that whilst the time taken to carry out enforcement investigations has remained static, the range of performance across Wales is widely variable, and positive action following investigation is poor. In 2017-18, the average time taken to investigate enforcement cases was 78.8 days. However, performance ranged from 4.3 days in the best authority to 468 days in the poorest performer. The average time to take positive enforcement action following investigation was 184.6 days. The best performer followed up on enforcement action within 8 days whilst the worse authority took 468 days.
- 3.11 There is also a significant difference of opinion between those who use the planning system and those who administer it, on speed and effectiveness of decision making – [Exhibit 14](#).

Exhibit 14 – survey findings on how quickly the local planning authority decides on planning applications

There is a difference of opinion between those who administer and use planning services on how quickly planning authorities make decisions on applications



Source: Wales Audit Office, Planning committee, senior planning officer, stakeholder and citizens surveys, January 2019.

3.12 Local planning authority staff we interviewed see national measures as too blunt and overly focused on speed and outputs, rather than on quality outcomes. Most Local Development Plans and Annual Monitoring Reports²⁸ report a high number of performance indicators, and local planning authorities report numerous other indicators in various plans, workplans, and strategies. For example, Newport has 83 Local Development Plan performance indicators, 22 local planning policy indicators and 20 national planning indicators. And because performance reporting remains focussed on judging how well planning authorities manage applications, demonstrating the impact on wellbeing can be difficult. Consequently, local planning authorities need to do more to ensure they make the case for planning.

28 Annual Monitoring Reports (AMR) provide the basis for monitoring the implementation and effectiveness of the Local Development Plan and determine whether any revisions to the plan are necessary. The AMR assesses the extent to which the Local Development Plan objectives are being achieved and whether the Plan's policies are functioning effectively. It also identifies any necessary actions.

Part 4

Further work is required to deliver the wellbeing aspects of the Planning (Wales) Act and Planning Policy Wales



- 4.1 The Planning (Wales) Act 2015 introduces a statutory purpose for the planning system and importantly requires local planning authorities to exercise their functions in accordance with the principles of sustainable development as defined in the Wellbeing of Future Generations Act. This is reinforced in Planning Policy Wales and the contribution of planning to improving people's wellbeing is clearly set out in the most recent update in December 2018²⁹. Officers, members and stakeholders we spoke to see the shift in focus of Planning Policy Wales to align with the future generations agenda as a positive step and a more effective way of presenting planning policy.
- 4.2 The planning system provides the legislative and policy framework to manage the use and development of land and can therefore contribute positively to the achievement of the seven national wellbeing goals. Planning is a key lever for economic growth and wellbeing and allows for a medium-to-long term consideration of the supply and demand for land to support new development. The planning system is also key to making conservation a reality as it plays an important role in protecting and enhancing the natural environment.
- 4.3 Planning Policy Wales also states that public bodies (including local planning authorities) need to consider and demonstrate how they are using the five ways of working to underpin their work because a 'plan-led approach is the most effective way to secure sustainable development through the planning system'. It also makes clear that it is for each decision-making body to consider, and demonstrate, how they can deliver these ambitions.
- 4.4 The quality of the planning process starts with the setting of objectives for the planning service. Objectives must be driven by identifying communities' land use needs and then serving them, and should integrate both development objectives, as contained in a Local Development Plan, with wider corporate objectives. Published guidance, setting and monitoring of service standards, pre-application discussions and effective communication can improve the quality of the process, if they are well managed.

29 gov.wales/sites/default/files/publications/2019-02/planning-policy-wales-edition-10.pdf

- 4.5 We found that most local planning authorities have not clearly defined how their planning services contribute to the wellbeing of people and communities and our findings highlight that further work is required to realise these aspirations. For instance, we found that local planning authorities' vision for the future is often unclear and not integrated with other key plans. Few Public Services Boards make the link between wellbeing and planning. For example, only four Wellbeing Assessments cross reference and integrate data with their Local Development Plan. Few adopted Local Development Plans share or have a similar vision statement that reflects the Wellbeing Plan of the local authority.
- 4.6 Likewise, our review of a sample of annual monitoring reports³⁰ finds that whilst the reports present a reasonable understanding of environmental impacts from planning policies, in general, economic, social, and cultural wellbeing is not as well considered. The results of engagement and involvement in the planning process are consistently weaker areas in annual monitoring reports. As a result, local planning authorities struggle to demonstrate the wider impact of their policies systematically and consistently across Wales.
- 4.7 Whilst planning and wellbeing of future generations acts are the key drivers for future land use and development in Wales, their introduction placed huge demands on local planning authorities. It is fair to say that there has been a 'lukewarm' reception from local planning authority staff and planning committee members we engaged with to the Wellbeing of Future Generations Act. Senior planning officers note the challenges of implementing the two pieces of legislation at the same time which placed additional demand, overburdening a service that struggles with capacity.
- 4.8 Given the recent legislative changes we found many local planning authorities are reviewing governance arrangements to ensure both their decision making and support arrangements reflect the expectations of the Planning (Wales) Act and are better aligned to with their wider wellbeing responsibilities. For instance, the quality, accessibility and coverage of member training on planning issues is increasingly aligned with the implications of the Wellbeing of Future Generations Act. We also identified some good examples of how planning committees consider wellbeing issues; most notably in the three national park authorities, Newport City Council and Flintshire County Council.

30 Annual monitoring reports assess if policies are achieving their objectives, and if sustainable development is being delivered.

- 4.9 The positive impact of planning can be demonstrated and felt in several ways. Given the limitations of the national performance reporting framework which judges inputs, outputs and timeliness, it is important that local planning authorities focus on and demonstrate how their work contributes to delivery of wellbeing outcomes. We identified some good examples of local planning authorities who demonstrate a better understanding of the wider impact of their decisions. For instance, the work of Swansea City Council to identify and quantify economic wellbeing measures, and the environmental wellbeing measures adopted by Flintshire County Council.
- 4.10 There are also some national tools available to quantify the wider benefit and impact of planning decisions. The RTPI Cymru has published a toolkit³¹ which measures the value generated by planning. The RTPI tool concludes that because of granting planning permission and enabling the completion of development in 2016-17, land values increased by more than £2.2 billion and just over £125 million of developer contributions were secured to improve local infrastructure and amenities. However, we found that to date only three local authorities have introduced Community Infrastructure Levy schemes – Caerphilly, Merthyr Tydfil and Rhondda Cynon Taf County Borough Councils – and the amount raised in 2017-18 was relatively small, less than £0.5 million. Nonetheless, quantifying the financial value of planning using the RTPI approach locally can help to demonstrate the impact and benefit of good planning decisions.
- 4.11 Research shows that designing good quality buildings and green spaces is good for health, can enhance wellbeing and helps to lay the foundation for more vibrant and inclusive communities³². From our review we found that design guidance is often quite limited and does not encourage innovation or experimentation. Only five planning authorities have published local design guidance online and planning committee reports we reviewed did not consistently refer to local design standards, despite some helpful national design guidance³³. Good guidance we reviewed include Rhondda Cynon Taf County Borough Council³⁴ and Pembrokeshire Coast and Snowdonia National Park Authorities. Outside of Wales, we also found good quality design guidance in Sheffield³⁵, Dartmoor National Park Authority³⁶, and the Isles of Scilly³⁷.

31 See [RTPI the-value-of-planning-in-wales](#)

32 City Health Check: How design can save lives and money, RIBA, 2017; and Design Matters: Promoting Good Design Through the Planning System, RIBA, 2019.

33 See [Technical Advice Note 12-Design 2016](#)

34 See [RCT Design Guidance and Information](#)

35 See [Sheffield design guidance](#)

36 See [Dartmoor Design Guide](#)

37 See [Isles of Scilly Design Guide](#)

- 4.12 Picturing the outcome of planning decisions can also be a good way to judge and demonstrate the positive impact of decisions. Newport City Council and Snowdonia National Park Authority undertake annual planning committee tours to view new developments to judge the impact of their decisions and to help identify what works well and what could be improved in design, layout and integration with existing buildings, landscape and infrastructure.
- 4.13 The outcome of planning decisions on citizens and how development contributes to improving and enhancing their wellbeing is perhaps the best measure of how well planning authorities are responding to the Future Generations agenda. Our survey shows that whilst most heads of planning and planning committee members think the local planning authority permits only good quality developments, less than a third of citizens (29%) think the same, and just over a fifth (22%) that their local planning authority can develop and support what their community needs in the future.
- 4.14 This contrasts with the work of some English planning authorities who recognise that their planning services are a means by which they can work with the private sector to generate income and create opportunities for citizens. For example, Newcastle City Council has prioritised the creation of a more sustainable city leveraging over £1 billion investment through its partnership with Legal and General at the Helix site, and its Accelerated Development Zones is allowing the Council to regenerate the city centre and tackle poverty.
- 4.15 The conclusions of our citizens survey highlight the key challenge facing local planning authorities – on the one hand they must balance managing the flow of planning applications, and the day-to-day work of development and building control services, with setting a more ambitious and longer-term vision that enhances and improves wellbeing for their communities. Our review has highlighted that planning services are key to helping to deliver the aspirations of the future generations agenda, but at this time due to the complexity of the planning system, reducing capacity and variable decision making, it has some way to go make the step change needed.

Appendices

Appendix 1 – study methodology

Appendix 2 – the planning framework in Wales

Appendix 3 – net cost of local authority
development control services
in 2017-18

Appendix 4 – net cost of local authority
building control services in
2017-18

Appendix 5 – survey findings



Appendix 1 – study methodology

Review of literature

We have reviewed a wide range of documents and media, including Welsh Government policy and guidance documents; local authority plans and strategies; and other relevant research and guidance from government, local authorities, the Royal Town Planning Institute, and research bodies.

Data and statistical analysis

We have collated and analysed a wide range of performance indicator returns and budget data available online at the Office for National Statistics, StatsWales and planning service performance reports published by the Welsh Government.

National fieldwork

We interviewed representatives from the Future Generations Commissioners (FGC) Office, the Welsh Government Planning Directorate, Planning Officers Society for Wales (POSW), the Director for the Royal Town Planning Institute (RTPI) for Wales, the Royal Institute for Chartered Surveyors and the Welsh Local Government Association. We also discussed our survey and emerging findings with FGC Office, Welsh Government, POSW and Community Housing Cymru Development Forum.

Local fieldwork

We visited eight local authority planning authorities in 2018-19. The authorities selected represented a mix of city, urban, rural and valleys authorities. These were Bridgend County Borough Council, Ceredigion County Council, Gwynedd Council, Newport City Council and Torfaen County Borough Council. We also undertook fieldwork with Brecon Beacons, Pembrokeshire Coast and Snowdonia National Park Authorities. During the visits, we interviewed a range of local planning authority staff and Members. We also visited Newcastle City Council for contrast and to learn how they deliver wellbeing through their planning services.

Surveys

We undertook a range of online surveys with chief planning officers, planning committee members and professional bodies who regularly use planning services.

We also held a series of public engagement events to hear about planning issues from members of the public at the Royal Welsh Show and the National Eisteddfod and supplemented this direct engagement work with an online public survey. We received 627 completed surveys and responses from residents living in every local planning authority area.

Appendix 2 – the planning framework in Wales

National Planning Policy

Planning Policy Wales

Planning Policy Wales (PPW) provides the land use planning policy for Wales. The primary objective of PPW is to ensure that the planning system contributes towards the delivery of sustainable development and improves the social, economic, environmental and cultural wellbeing of Wales. PPW is supplemented by 21 topic based Technical Advice Notes (TANs) which provide detailed planning advice and must be considered by local planning authorities when preparing development plans. TANs are supplemented by procedural guidance in circulars and policy clarification letters. Over the last five years Welsh Government has annually produced one circular and one policy clarification letter every month.

National Development Framework

The National Development Framework sets out how the planning system at a national, regional and local level can assist in delivering these requirements through Strategic Development Plans and Local Development Plans. The consultation on the first draft of the new National Development Framework is due for completion in the summer of 2019. The NDF will set out a 20-year land use framework for the whole of Wales and will direct the development plans that sit below it – Strategic Development Plans and Local Development Plans. It will also support decisions on large scale infrastructure projects through the Developments of National Significance process.

Regional Planning Policy

Strategic Planning Areas and Strategic Development Plans

The Act includes powers for Welsh ministers to identify ‘strategic planning areas’ that are larger than individual local planning authorities and for ‘strategic planning panels’ to be established for these areas. These panels will comprise elected members from the constituent local planning authorities. A panel, if established for an area, will then produce a Strategic Development Plan that will form part of the formal development plan for that area. A Strategic Development Plan will cover cross-boundary issues such as housing and transport. Strategic Development Plans and regional development planning is still in its infancy with south-east Wales being the furthest advanced in progressing towards a regional Strategic Development Plan.

Local Planning Policy

Local Development Plans

Every local planning authority has a statutory duty to prepare a Local Development Plan in line with Planning Policy Wales. They must prepare a local plan which sets planning policies in their area. These are very important when deciding planning applications. Once the local planning authority has prepared the Local Development Plan, there is an examination by an independent planning inspector to consider the 'soundness' of the plan, with hearings held in public. Community engagement is vital to the plan making process. Local planning authorities publish a Delivery Agreement at the start of the process setting out the key stages and when people can get involved. Planning applications must be decided in accordance with the adopted Local Development Plan unless material considerations indicate otherwise. There are 24 Local Development Plans at various stages. Gwynedd and Anglesey have a joint Development Plan and two authorities are in the process of adopting their plan.

Development management

The local planning authority is also responsible for deciding whether a proposed development should be allowed to go ahead. This is called planning permission. Most new buildings, major alterations to existing buildings and significant changes to the use of a building or piece of land need this permission. These services are called Development Management. Most minor and uncontroversial planning applications are dealt with by local planning authority officers under delegated decision-making powers. Larger and more controversial developments are often decided by planning committee, informed by officers' recommendations. Larger development proposals of more than local importance are 'called in' to be decided by the Welsh Government instead of the local planning authority. In some circumstances the UK Government can also call in development proposals as well. Charges are set nationally by Welsh Government. However, local planning authorities can also charge for pre-submission advice and the cost of this service is left to local discretion.

Local Planning Policy (cont.)

Building control

The 22 local authorities provide building control services to check that building works comply with the building regulations. This is an important service that to ensure the health and safety of persons in and about a building. The regulations also promote energy efficiency in buildings and contribute to meeting the needs of disabled people. Building control services are also responsible for dealing with dangerous structures, contraventions and demolition sites. Most building work requires building regulation approval. This includes new buildings, loft-conversions, extensions and alterations. Since 1985 local authority building control services have been in competition with 'Approved Inspectors' who operate on a profit-making basis and work nationally across authority boundaries. Building control charges are set by each local authority who must adopt a scheme of fees. The range and complexity of fees varies widely. National park authorities do not provide building control services.

Planning enforcement

Planning enforcement deals with breaches of planning controls, including where building work requiring planning permission is undertaken without such permission, where conditions attached to a planning condition are not complied with, or where the use of a building or site is changed without planning permission. Their core duties of planning enforcement are:

- investigating allegations and enquiries;
- writing to complaints and offenders;
- negotiating remedial action;
- liaising with other council departments to ensure consistency of approach;
- making recommendations as to the expediency of taking enforcement action;
- checking compliance with enforcement notices and prosecuting for non-compliance; and
- appearing as a local planning authority witness in a magistrates' court.

Source: Wales Audit Office

Appendix 3 – net cost of local authority development control services in 2017-18

Local authority	Expenditure (£'000)	Income (£'000)	Net cost £'000 (negative sum means surplus)	Proportion of subsidy (higher positive % is better)
Isle of Anglesey	767	812	-45	5.9%
Gwynedd	1,097	528	569	-51.9%
Conwy	884	503	381	-43.1%
Denbighshire	952	457	495	-52.0%
Flintshire	1,177	905	273	-23.1%
Wrexham	687	583	104	-15.1%
Powys	1,702	1,372	330	-19.4%
Ceredigion	793	375	418	-52.7%
Pembrokeshire	1,105	648	457	-41.4%
Carmarthenshire	2,272	1,150	1,122	-49.4%
Swansea	2,897	2,370	527	-18.2%
Neath Port Talbot	1,277	438	839	-65.7%
Bridgend	659	464	195	-29.6%
Vale of Glamorgan	1,311	864	447	-34.1%
Rhondda Cynon Taf	1,682	936	746	-44.4%
Merthyr Tydfil	409	263	146	-35.7%
Caerphilly	987	653	334	-33.8%
Blaenau Gwent	683	240	444	-64.9%
Torfaen	629	587	42	-6.7%
Monmouthshire	1,079	430	649	-60.1%
Newport	936	600	336	-35.9%
Cardiff	1,209	2,312	-1,102	91.2%

Source: Revenue outturn (RO) data, StatsWales. Analysis by Wales Audit Office

Appendix 4 – net cost of local authority building control services in 2017-18

Local authority	Expenditure (£'000)	Income (£'000)	Net cost £'000 (negative sum means surplus)	Proportion of subsidy (higher positive % is better)
Isle of Anglesey	455	454	1	-0.2%
Gwynedd	642	403	239	-37.2%
Conwy	332	173	159	-47.9%
Denbighshire	328	165	163	-49.7%
Flintshire	524	238	286	-54.6%
Wrexham	392	347	45	-11.5%
Powys	673	622	51	-7.6%
Ceredigion	437	229	208	-47.6%
Pembrokeshire	463	333	130	-28.1%
Carmarthenshire	751	456	295	-39.3%
Swansea	626	516	110	-17.6%
Neath Port Talbot	630	298	332	-52.7%
Bridgend	326	238	88	-27.0%
Vale of Glamorgan	494	468	26	-5.3%
Rhondda Cynon Taf	490	292	198	-40.4%
Merthyr Tydfil	218	141	77	-35.3%
Caerphilly	297	187	110	-37.0%
Blaenau Gwent	441	105	336	-76.2%
Torfaen	245	185	60	-24.5%
Monmouthshire	543	388	155	-28.5%
Newport	345	201	144	-41.7%
Cardiff	843	678	165	-19.6%

Source: Revenue outturn (RO) data, StatsWales. Analysis by Wales Audit Office

Appendix 5 – survey findings

Exhibit 14 – planning committee members’ views on whether their planning authority makes enough resources available for the following:

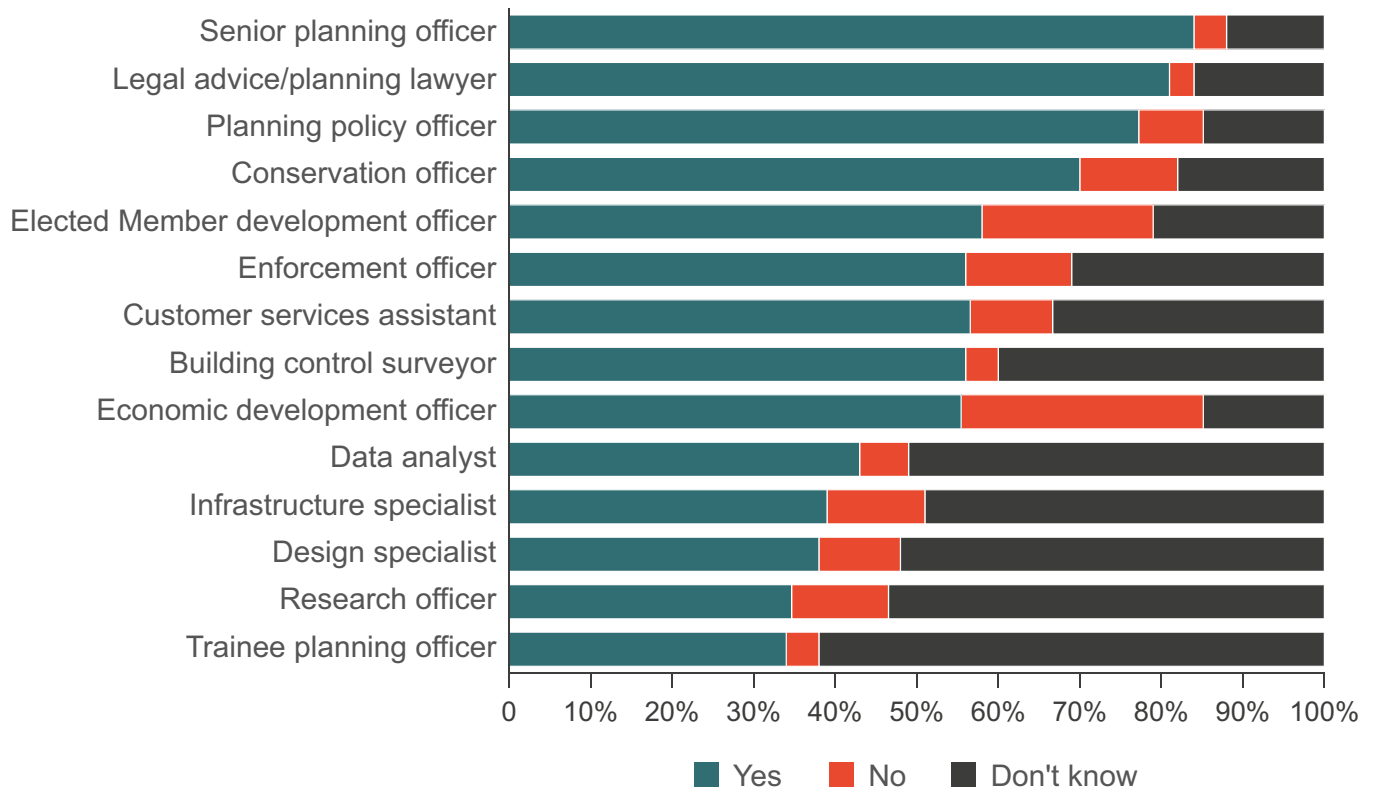
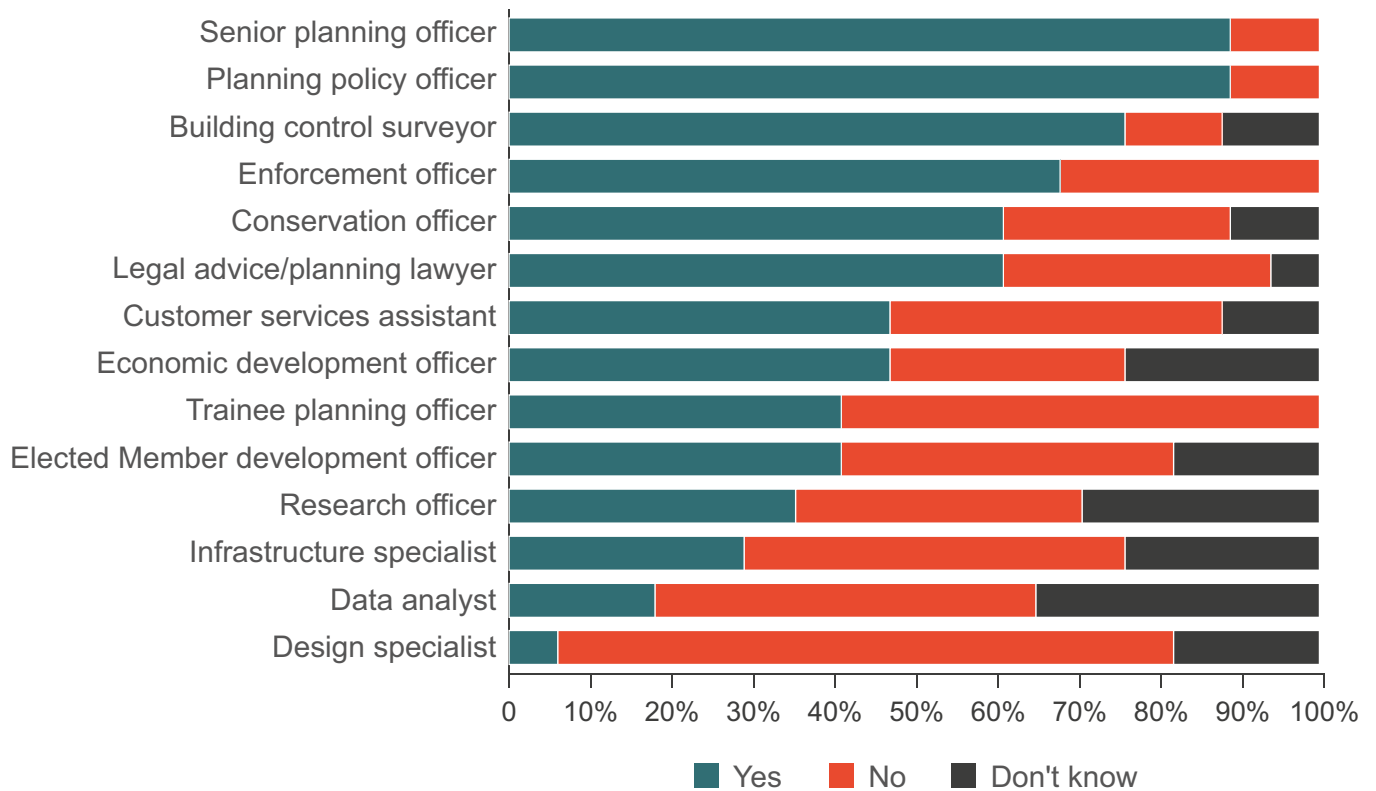


Exhibit 15 – senior planning officers views on whether their planning authority makes enough resources available for the following:



Source: Wales Audit Office Surveys, January 2019.

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Agenda Item 6

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

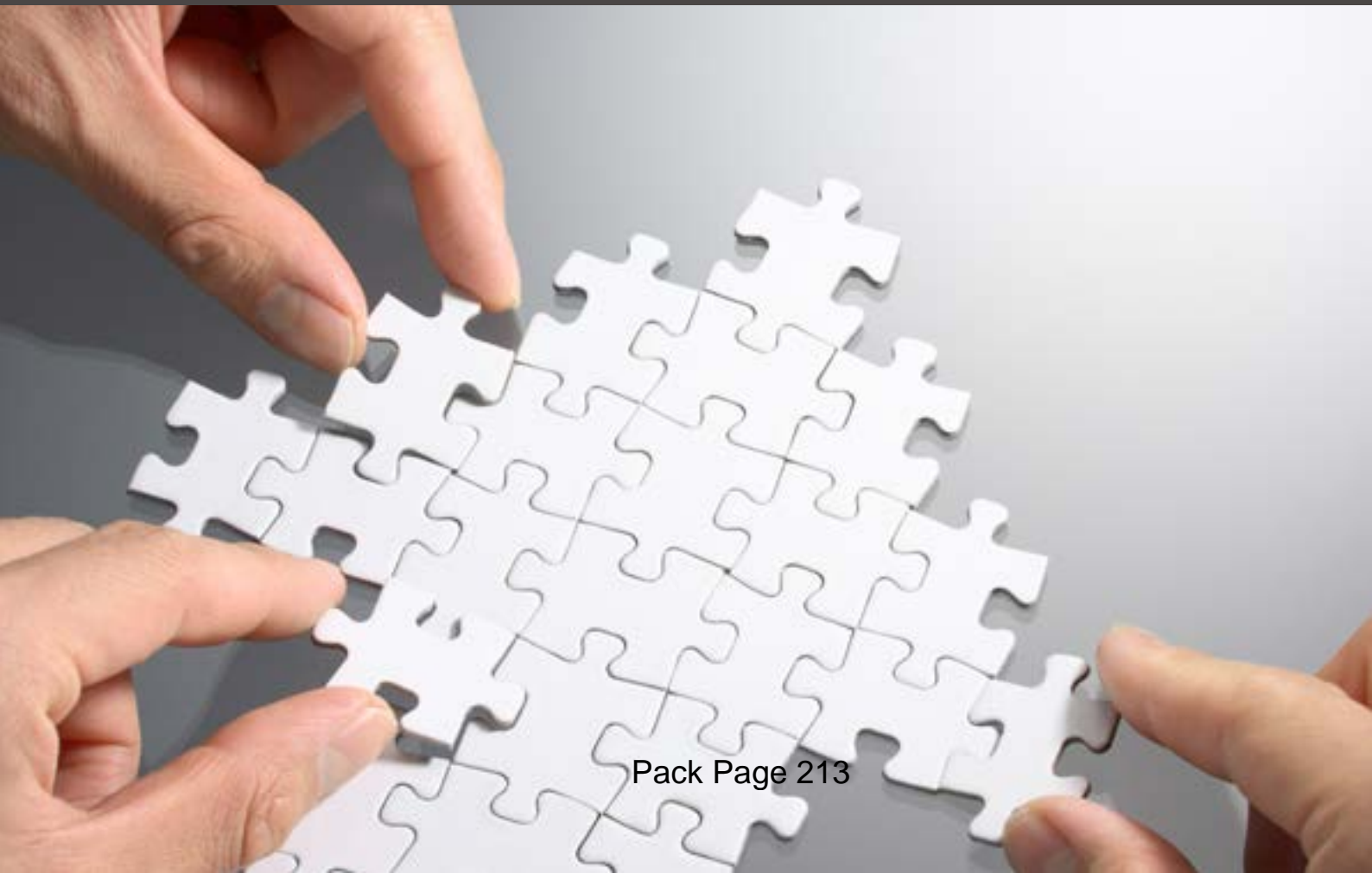
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Archwilydd Cyffredinol Cymru
Auditor General for Wales

Integrated Care Fund



WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU



This report has been prepared for presentation to the National Assembly under the Government of Wales Acts 1998 and 2006, and the Public Audit (Wales) Act 2004.

The Wales Audit Office study team comprised Anne Beegan, Allison Rees, David Wilson, Fflur Jones, Matthew Brushett, Nathan Couch and Philippa Fido under the direction of Matthew Mortlock.

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Mae'r ddogfen hon hefyd ar gael yn Gymraeg.

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Summary report

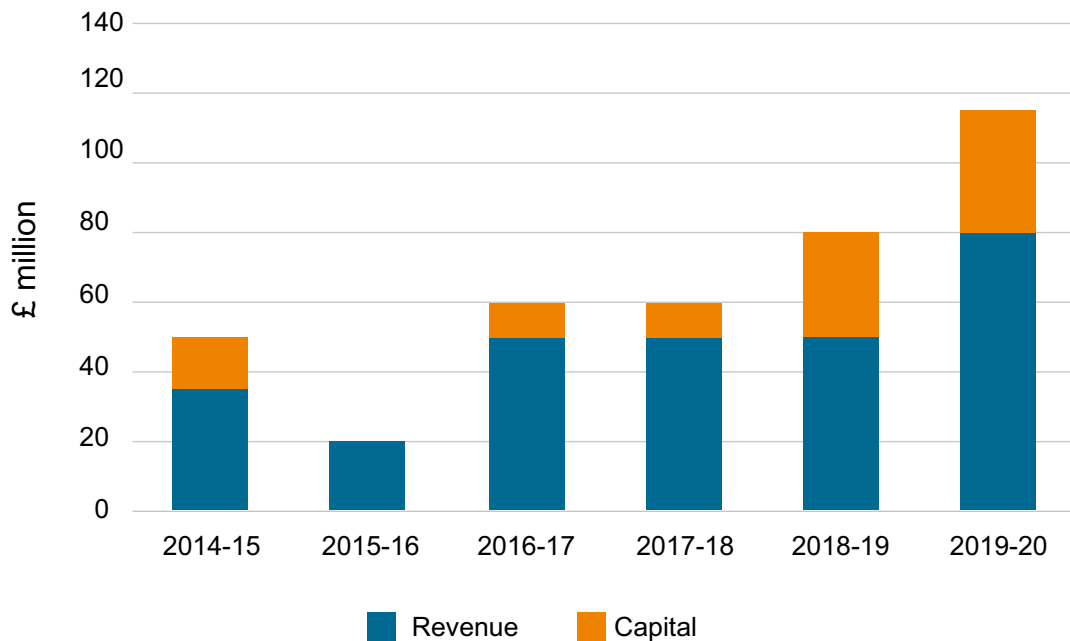
Summary

- 1 The Integrated Care Fund (the fund) is allocated by the Welsh Government across Wales. The aim of the fund is to drive and enable integrated working between social services, health, housing and the third sector and independent providers to develop sustainable services.
- 2 The Welsh Government first established the fund on a one-year basis for 2014-15 (as the Intermediate Care Fund¹). At that time, the Welsh Government focused the fund on supporting older people and helping to avoid unnecessary hospital admissions, or inappropriate admission to residential care. It also focused on preventing delayed discharges from hospital and reducing the rates of delayed transfers of care.
- 3 After some continued funding in 2015-16, the Welsh Government extended the scope of the fund for 2016-17 to include:
 - a children and adults with complex needs;
 - b children and adults with learning disabilities; and
 - c the Integrated Autism Service ([Exhibit 2](#)).
- 4 In 2017-18, the Welsh Government extended the scope of the fund again to include carers (of all ages), and the Welsh Community Care Information System² ([Exhibit 2](#)).
- 5 Since the inception of the fund, the Welsh Government has made a total of £270 million available up to March 2019. Except for 2015-16, there have been both capital and revenue-based allocations each year ([Exhibit 1](#)). For 2019-20, the Welsh Government has increased the capital allocation to £35 million. The revenue allocation has increased to £80 million, resulting in a total fund allocation of £115 million.

1 In 2017, the Welsh Government changed the name to the Integrated Care Fund to better reflect its aim of driving integrated working.

2 As part of our wider programme of work, we are taking forward a separate examination of the implementation of the system.

Exhibit 1: total funds available between April 2014 and March 2020



Note: Revenue funding supports spending on staffing and administrative expenses. Capital funding supports purchasing and improving assets, including land, buildings, equipment and vehicles.

Source: Wales Audit Office analysis of Welsh Government guidance.

6 The Welsh Government distributes the fund across Wales to the seven Regional Partnership Boards (RPBs)³ based on a range of funding principles⁴. The RPBs, aligned geographically with the seven health boards (Appendix 2), are responsible for overseeing and managing the use of the fund in their area. The health boards receive the funds and act as the banker on behalf of the respective RPB. Appendix 3 provides a breakdown of how the Welsh Government has allocated the fund across the RPBs in the period from April 2014 to March 2019.

3 The **Social Services and Well-being (Wales) Act 2014** established RPBs in 2016. RPBs are responsible for ensuring that partner organisations work effectively together to identify needs within the regions' population (a population assessment). They are also responsible for developing and managing an area plan to address those needs.

4 The Welsh Government allocates the fund across the different strands of the programme, some of which is held centrally for the national initiatives. Funding focused on older people is allocated based on the 'Townsend' formula which is also used for the wider allocation of NHS Wales resources to health boards. Funding focused on children, and adults with learning disabilities, is based on a prescribing formula. Although a priority group, there is no discrete funding for carers.

- 7 The fund can support new initiatives (or projects), as well as the extension of existing initiatives to a broader area. The Welsh Government's intention is that successful initiatives are sustained but mainstreamed into organisations' core business and supported by other funding streams.
- 8 RPBs must use the fund in line with Welsh Government guidance. The RPBs approve revenue projects. They then submit an annual Revenue Investment Plan to the Welsh Government setting out how the fund will be used. The RPBs submit proposals for the use of capital funds to the Welsh Government for approval. The RPBs must demonstrate how the proposed projects complement key policies/legislation, including the Social Services and Well-being (Wales) Act 2014 and the Well-being of Future Generations (Wales) Act 2015.
- 9 **Exhibit 2** sets out some examples of funded projects. **Appendix 4** provides further information about the number and scale of projects supported across Wales between April 2014 and March 2019.

Exhibit 2: examples of funded projects



(Older People)

'The Bay' Reablement Unit – (Cardiff and Vale RPB)

'The Bay' is a six-bed unit providing a bridge between hospital discharge and home for those who require additional time in a supportive environment to maximise their independence.



(Older People)

'Stay Well @ Home' – (Cwm Taf RPB)

'Stay Well @ Home' is a range of services developed to help keep people well and independent at home and prevent admission to hospital. Services include the Community Integrated Assessment Service, the Community Ward, Community Intra Venous Therapy and Reablement.



(Children with complex needs)

Multi Agency Placement Support Service (MAPSS) – (Western Bay RPB)

The regional MAPSS helps looked-after children with, or at risk of, mental illness and/or emotional and/or behavioural difficulties, by providing specialist placement support.



(Children with complex needs)

Egwyf Fer (Short Breaks) – (North Wales RPB)

This initiative developed and enhanced the provision of Short Breaks for disabled children with complex needs and/or learning disabilities. This initiative offers a variety of short-break options to meet the needs of children, young people, and their families following multiagency assessments.



(Learning disabilities)

The Social Zone Café – (West Wales RPB)

‘Caffi Man Cwrdd’ or ‘The Social Zone Café’ is a supported employment café which provides work experience, training and employment opportunities in catering, food and customer service for people with learning disabilities in Pembrokeshire.



(Learning disabilities)

Return to Home – (Powys RPB)

The Return to Home project supports people with learning disabilities to lead meaningful and valued lives within their own communities. The project has supported the development of assessment processes to support people to relocate back to Powys and has included the construction of a six-bed unit in Welshpool.



(Carer)

Supporting life alongside caring – (Greater Gwent RPB)

To help support life alongside caring and respite, the partnership has developed a Small Grants Scheme for carers. The aim is to support carers in different aspects of their caring role. The Carers Trust runs the scheme on behalf of the region. The scheme is open and accessible to all carers over the age of 16.

Integrated Autism Service – (all RPBs)



(IAS)

The Integrated Autism Service is part of the Welsh Government's commitment set out in its refreshed Autistic Spectrum Disorder Action Plan to improve services for individuals identified as autistic, and their families and carers. Rolled out across the regions over the three-year period 2016-17 to 2018-19, the service provides adult diagnostic assessment, support and advice.

Welsh Community Care Information System – (all RPBs)



(WCCIS)

The Welsh Community Care Information System is a computer system designed to help health and social care professionals work together to provide care closer to people's homes. The system is being rolled out across Wales over a three-year period starting from 2017-18.

Source: Wales Audit Office analysis of RPB monitoring returns to the Welsh Government.

- 10 On behalf of the Auditor General for Wales, we have examined whether the fund is being used effectively to deliver sustainable services that achieve better outcomes for service users. We have focused on whether the Welsh Government is effectively managing the fund to deliver against its intentions, as well as understanding whether RPBs are demonstrating effective use of the fund. We also considered whether the projects supported by the fund are making a clear difference at a local level.
- 11 **Appendix 1** sets out our audit methods, which included a survey of RPB members and leads of projects supported by the fund. **Appendix 5** provides more detail about responses to our surveys. We provided feedback about regional arrangements to each of the RPBs in autumn 2018. We also provided feedback on our emerging findings to the Welsh Government. We note in the main body of this report where the Welsh Government has already acted to address the issues we identified.
- 12 In 2015, we published a report⁵ on the independence of older people. In that report, we made a recommendation to local authorities, health bodies, third-sector partners and the Welsh Government in relation to the fund. **Appendix 6** sets out our assessment of progress against that recommendation.

5 Auditor General for Wales, **Supporting the Independence of Older People: Are Councils Doing Enough?** October 2015.

- 13 Overall, we have concluded that **the fund has had a positive impact, supporting improved partnership working and better integrated health and social care services. However, aspects of the way the fund has been managed at national, regional and project levels have limited its potential to date. There is little evidence of successful projects yet being mainstreamed and funded as part of public bodies' core service delivery.**
- 14 **The fund has helped to bring organisations together to plan and provide services.** Partnerships between health and social care bodies have been around for some time but integrated working prior to the fund was limited. The fund has provided an impetus for partners to develop integrated services and to move to joint funding arrangements in the context of wider policy and legislation. The feedback we received from RPB members and project leads reflected generally positive views in this regard.
- 15 **Aspects of the way funding has been allocated by the Welsh Government and used by regional partners have limited the potential of the fund to date.** The changing and expanding scope of the fund has created challenges for RPBs. Despite attempts by the Welsh Government to provide early information, the late issuing of guidance and notification of allocations has previously created difficulties for regional planning with knock-on impacts on the approval of capital bids and the subsequent allocation of funds. In addition, the annual nature of the fund in its early years has also led to a short-term approach, rather than promoting strategic planning of longer-term changes. The Welsh Government is taking steps to address the annual nature of the fund and issued the 2019-20 guidance in a timelier way.
- 16 RPBs can find it difficult to balance local population needs with the Welsh Government's indicative allocations for target groups. Other short-term funding streams from the Welsh Government focusing on the same target groups, but with differing criteria, also make it difficult for RPBs to take a combined approach. The RPBs use their allocations in different ways, not all of which have supported a regional focus. The Welsh Government has re-emphasised its desire for regional approaches in the 2019-20 guidance and as part of its scrutiny of investment plans. Other variations include the approach to funding central co-ordination, third-sector involvement and the approach to agreeing projects, with limited sharing and learning of the approaches used across Wales.

- 17 **Governance arrangements for the fund need to be further developed to strengthen central oversight and ensure greater consistency across the regions.** The Welsh Government has established governance arrangements for the fund. However, we found that through its project board, and in general terms, the Welsh Government could do more to consider how its own actions impact on regional partners and integrate funding streams. The Welsh Government's staffing capacity to support regular and timely oversight of the fund has also been limited. The Welsh Government has already made some changes to respond to these issues.
- 18 At a regional level, RPBs frequently delegate responsibility for the fund to an RPB sub-group. Each of the RPBs has in place a memorandum of understanding setting out their agreed decision-making process. However, our work has identified that there is very little scrutiny of the decisions made by the RPBs by health boards and local authorities, with a general lack of awareness across those organisations about how the fund is being used. At a project level, the rigour of project management varies between regions and organisations, and few projects involve service users at the outset.
- 19 **Despite positive examples, the overall impact of the fund in improving outcomes for service users remains unclear, with little evidence of successful projects yet being mainstreamed.** RPBs identify a range of positive case studies but the Welsh Government's central monitoring arrangements do not yet provide a basis on which to assess the fund's overall impact. RPBs undertake quarterly monitoring of projects but the information gathered has tended to focus on the outputs from the funding rather than outcomes for service users. The Welsh Government and the RPBs recognise the need to strengthen outcome reporting and the Welsh Government intends to commission some wider evaluation work having decided to postpone a previously announced evaluation given the plans for our own work. In addition, the Welsh Government intends to publish an annual report on the use of the fund in 2018-19 by September 2019.
- 20 There is little evidence that successful projects have been mainstreamed and funded as part of public bodies' core service delivery. RPBs have found it difficult to convince partner organisations to invest in projects, not helped by a lack of project evaluations but also in the context of wider funding pressures. The Welsh Government recognises the challenges that RPBs face in mainstreaming but has not previously provided any detailed guidance. The guidance for 2019-20 does now include a clear expectation that revenue investment plans include exit strategies for each project. However, further practical support would be helpful, building on an existing annual shared learning event.

Recommendations

- 21 Our recommendations are intended to help support the Welsh Government and the RPBs improve the arrangements for managing the fund. However, they may also be relevant to other Welsh Government funding streams, such as the NHS Transformation Fund⁶. In addition, we consider the recommendations that we made in our 2015 report on the independence of older people remain relevant ([Appendix 6](#)). Our feedback to RPBs on regional arrangements identified areas for improvement specific to individual regions to address local issues.

Recommendations

Timeliness of guidance and decision-making

R1 We recommend that the Welsh Government:

- keeps under review whether the earlier issuing of guidance has mitigated the issues raised in previous years in relation to the timeliness of decision-making in respect of project funding; and
 - considers whether any further improvements in the process can be made.
-

Multiple short-term funds available for health, social care and housing

R2 Building on previous mapping work, we recommend that the Welsh Government review all the short-term funding streams available to health, social care and housing partners and the respective criteria and, where practical, makes appropriate changes to:

- minimise duplication;
 - ensure that the purpose of the funding streams are complementary and that the collective allocations for specific groups of people align with the local population needs, as well as the Welsh Government priority areas; and
 - ensure that the regional partner organisations, where relevant through the RPBs, can take a combined approach to the use of the funding streams available to them.
-

6 The Welsh Government's NHS Transformation Fund 2018-2020 must be used towards achieving the commitments made in **A Healthier Wales: our Plan for Health and Social Care**, June 2018.

Recommendations

Project board arrangements

R3 We recommend that the Welsh Government further strengthens its governance arrangements for the fund by reviewing the membership of its project board to include representation from outside of the departments directly involved in the fund to provide some independent challenge.

Regional Partnership Board scrutiny arrangements

R4 We recommend that the Welsh Government works with NHS bodies and local authorities to ensure that appropriate scrutiny arrangements are in place for decisions made by the RPBs on behalf of those bodies.

Project monitoring

R5 We recommend that the Welsh Government works with RPBs to:

- agree key outcome measures which are expected to be achieved, and monitored, for the different target groups in receipt of the fund. Where possible, these measures should align to wider outcome measures set out in national outcome frameworks already in place;
 - make clear how the information gathered is used centrally; and
 - streamline the reporting requirements for revenue and capital projects, where practical to do so.
-

Shared learning and mainstreaming projects

R6 We recommend that the Welsh Government increases its support for shared learning across the RPBs with a particular focus on:

- approaches to managing the fund, in the context of the variation highlighted in this report; and
 - overcoming challenges to mainstreaming successful projects.
-

Part 1

The fund has helped to bring organisations together to plan and provide services



Health and social care partnerships have been around for some time but integrated working prior to the fund was limited

- 1.1 Health and social care partnership forums have existed for some time. In 2003, the Welsh Government required key public bodies to work together to set out how they would meet the needs of their local populations in a health, social-care and wellbeing strategy for their local area⁷. To drive this agenda forward, public bodies established partnership forums (or steering groups) across the different areas. These forums were established on the footprint of the 22 local authorities working with the 13 NHS trusts and the 22 local health boards that existed at that time. Following NHS reconfiguration in 2009, the integrated health and social-care partnership forums started to merge, forming seven partnership forums. Those partnership forums provided the basis of the RPBs that are in place today.
- 1.2 The previous partnership forums had no statutory basis. The only requirement that the Welsh Government placed on the partnership bodies was to produce the local health, social-care and wellbeing strategy. Partnerships explored the potential to pool funds to develop integrated services that would support the delivery of their local strategies. However, there were only a handful of Section 33 agreements⁸ or jointly funded posts or services prior to the introduction of the fund in 2014. The willingness of key public bodies to release funds into joint arrangements was a key barrier.

7 Welsh Assembly Government, **Health, Social Care and Well-being Strategies, Policy Guidance**, February 2003.

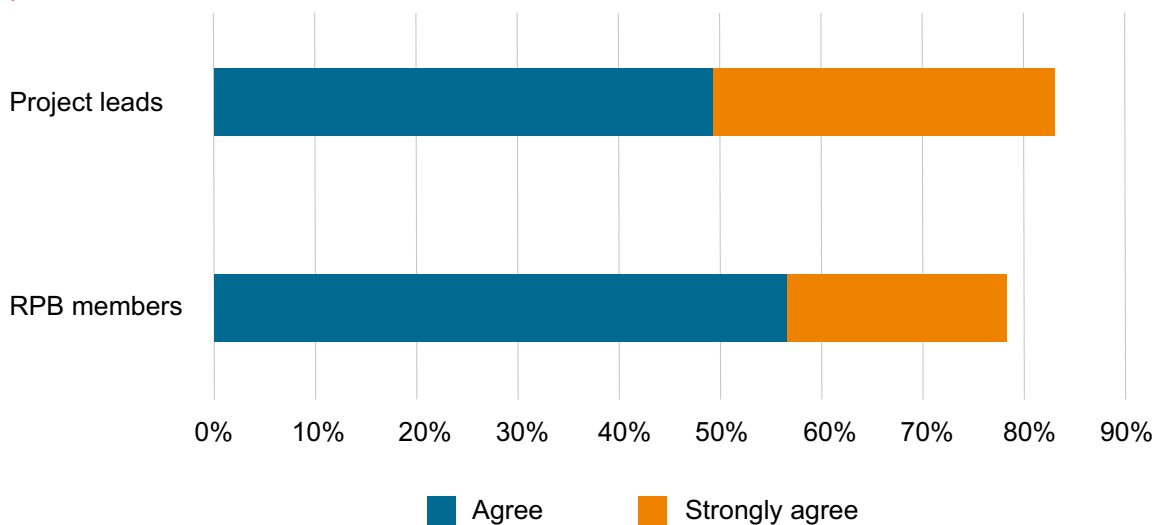
8 Section 33 of the **National Health Service Act 2006** makes provision for NHS bodies and local authorities to enter into agreements which can include the establishment and maintenance of a fund which is made up of contributions of one or more NHS body, and one or more local authority, to provide a service or function.

The fund has provided an impetus for regional partners to develop integrated services and to move to joint funding arrangements in the context of wider policy and legislation

- 1.3 The introduction of the fund in 2014 provided a fresh opportunity for the partnership forums to develop integrated services and to start to build the willingness of public bodies to commit to working together, a key aim of the fund when first established. The requirement of the Social Services and Well-being (Wales) Act 2014 for the establishment of RPBs by April 2016 emphasised the need for partnerships to increase service integration. The Act also required RPBs to establish pooled funds by April 2016. These are now in place across the seven RPBs, focused on areas such as Integrated Family Support Services and Community Equipment Services. Pooled funds have also been in place since April 2018 for the commissioning of adult care home provision.
- 1.4 During our work, Welsh Government officials emphasised to us that the maturing of partnership arrangements because of the fund had provided a solid basis for taking pooled funding arrangements forward. This was echoed in the Health and Social Care Plan **A Healthier Wales** published in June 2018. The plan was positive about the way partnerships, and more specifically the RPBs, had created integrated models of care using the fund.
- 1.5 Several of the projects funded have also been supported by other funding sources, demonstrating the commitment by the partner organisations to ensuring the projects are successful, although such examples are not widespread. This has either included core funding or funds made available to individual organisations through additional revenue allocations from the Welsh Government, such as the NHS 'winter pressures' funding.
- 1.6 Feedback from those we met at a regional and project level also emphasised that the fund had been a catalyst to improved partnerships and joint working. Many individuals spoke about an increased commitment to partnership working since the creation of the fund. Importantly, they also commented on an increased focus on improved outcomes for the service users.

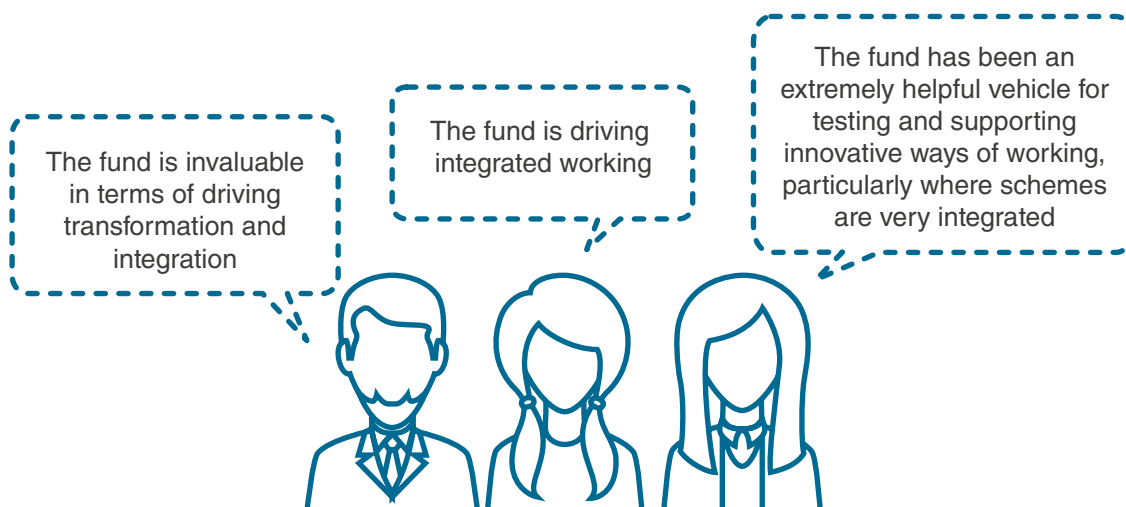
1.7 As part of our surveys of RPB members and project leads, we asked about the impact of the fund on partnership working. The responses we received confirmed generally positive views about the impact that the fund has had on strengthening partnership working (Exhibits 3 and 4).

Exhibit 3: percentage of people surveyed who agreed or strongly agreed that the Integrated Care Fund is helping to drive integrated working between key partners.



Source: Wales Audit Office survey of RPB members and project leads.

Exhibit 4: respondents to our survey told us that...



Source: Wales Audit Office survey of RPB members and project leads.

Part 2

Aspects of the way funding has been allocated by the Welsh Government and used by regional partners have limited the potential of the fund to date



Changing expectations, issues with the timeliness of funding allocation processes and short-term horizons have hampered regional delivery

The changing and expanding scope of the fund has created challenges for Regional Partnership Boards

- 2.1 The Welsh Government issues annual guidance for both the revenue and capital elements of the fund. Since the introduction of the fund in 2014-15, there have been annual changes to the criteria that the regional partners need to meet. The Welsh Government has emphasised to us that some of these changes have been informed by feedback from partner organisations and supported by an overall increase in funding.
- 2.2 When introduced in 2014-15, the focus of the fund was for a single year to support older people, particularly the frail elderly. The Welsh Government designed it to be used for new, innovative and integrated services which would help avoid unnecessary hospital admissions, or inappropriate admission to residential care. It also focused on preventing delayed discharge from hospital and reducing the rates of delayed transfers of care. Following positive feedback from the regional partners, the Welsh Government agreed to continue revenue funding for 2015-16. The purpose of the continued funding was to take forward existing projects deemed to be effective in linking out-of-hospital NHS care⁹ and social care. Towards the end of 2015-16, the Welsh Government confirmed that the fund would be available for new projects for the financial year 2016-17.

⁹ Out-of-hospital NHS care is provided outside of a major hospital setting, usually by primary and community-based services such as GPs and district nurses.



















- 2.3 During 2016-17, the Welsh Government made a commitment to make the fund available on an annual basis up to 2021. The focus broadened to provide support to additional distinct population groups: children with complex needs, and children and adults with learning disabilities. The Welsh Government also retained an element of the fund to support the development and implementation of an Integrated Autism Service, overseen through national arrangements. Revenue projects within the new population groups also needed to have a reablement¹⁰ focus, reducing longer-term care and a reliance on services provided outside of Wales. The focus of capital funds also changed from small-scale housing adaptations to support independent living, to larger adaptations and development of reablement and step-down schemes¹¹. The Welsh Government made a separate fund available to support housing adaptations previously supported through the fund¹².
- 2.4 For 2017-18, the fund was rebranded from the Intermediate Care Fund to become the Integrated Care Fund. This rebrand reflected the broadened focus and scope of the fund as a mechanism for RPBs to support delivery of the Social Services and Well-being (Wales) Act 2014. The focus on older people was realigned to those with long-term or complex needs, including dementia. The fund was also extended to include carers, including young carers. The Welsh Government retained an element of the fund to support the roll-out of the Welsh Community Care Information System (WCCIS).
- 2.5 For 2019-20, the fund has now been extended to include children at risk of becoming looked after, in care or adopted. The Welsh Government allocated an additional £15 million allocation for this group as part of the overall £30 million increase in revenue funding (Exhibit 1). Exhibit 5 shows the priority groups in receipt of the fund from 2014-15 to 2019-20.

10 Reablement is defined as short-term care, usually provided at home, to aid recovery after hospital.

11 Step-down schemes provide low-intensive support for patients who are medically well and no longer require the care provided in an acute hospital ward, but who are not yet able to go home. Schemes usually provide short-term care and can be based within community hospitals or care homes.

12 The Welsh Government provided a separate allocation of £4 million to the enhanced adaptations system 'Enable – Support for Independent Living' from 1 April 2016. In February 2018, the Auditor General for Wales published a report on Housing Adaptations.

Exhibit 5: priority groups and projects in receipt of the fund, 2014-15 to 2019-20

2014-15 2015-16	 Older people with complex needs	
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2016-17	 Older people with complex needs	 Children and adults with learning disabilities
	 Children with complex needs	 Integrated autism service
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2017-18 2018-19	 Older people with complex needs	 Integrated autism service
	 Children with complex needs	 Welsh Community Care Information System
	 Children and adults with learning disabilities	 Carers
<hr style="border-top: 1px dashed #0070C0;"/>		
2019-20	 Older people with complex needs	 Integrated autism service
	 Children with complex needs	 Welsh Community Care Information System
	 Children and adults with learning disabilities	 Carers
	 Children at risk of becoming looked after, in care or adopted	

Note: the total value of the fund – revenue and capital – has increased from £50 million in 2014-15 to £115 million in 2019-20 (Exhibit 1).

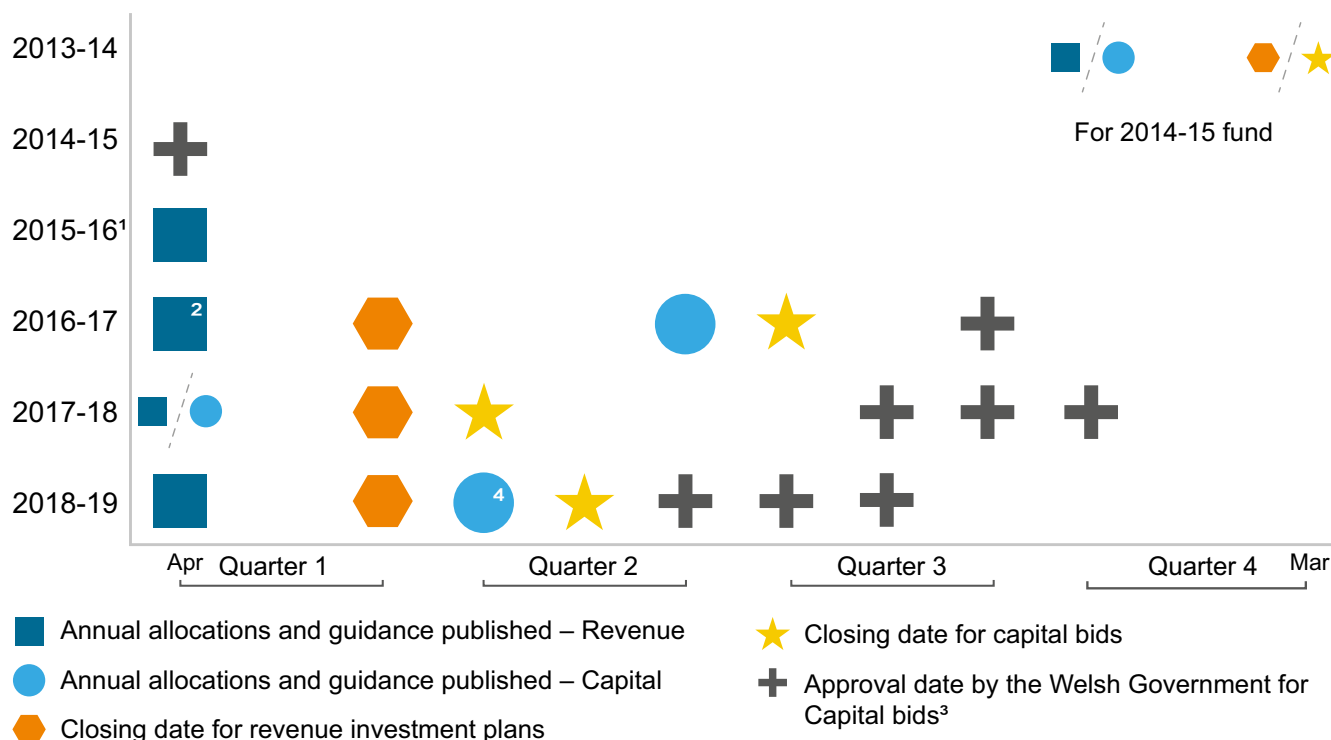
Source: Wales Audit Office analysis of Welsh Government guidance.

- 2.6 RPBs have welcomed the changes to the fund and the introduction of additional population groups. However, we identified that, over time, RPBs have felt that the criteria of the fund have become too prescriptive. They stated that they find it difficult to identify and approve revenue projects that continue to satisfy the range of criteria, particularly for population groups that have been supported for some time.
- 2.7 Changes in the Welsh Government's reporting requirements for RPBs have also presented challenges. These changes have required regional partners to adapt their reporting arrangements for projects that have run over more than one year. They have also meant that the ability to undertake year-on-year comparisons for these projects has been limited.

Despite attempts by the Welsh Government to provide early information, the late issuing of guidance and notification of allocations has previously created difficulties for regional planning

- 2.8 The timeliness of the Welsh Government's revenue and capital guidance, and the subsequent allocation of the funds, was consistently raised as an issue which affected the ability of the RPBs to use and manage the fund effectively. For 2014-15, the Welsh Government issued its guidance in January 2014. However, for 2015-16 to 2018-19 this did not happen until the beginning of, or months into, the relevant financial year (**Exhibit 6**). This has then had an impact on the timelines for submissions of plans by the RPBs, the approval process and subsequent release of funds. Except for 2014-15, capital funding has also not been agreed until quarter three or, in one case, quarter four of the financial year. This is despite the requirement for the RPBs to spend the money by the end of the financial year. The Welsh Government has worked to issue more timely guidance for 2019-20 (**paragraphs 2.24 to 2.29**).

Exhibit 6: timeline for the publication of guidance and allocations and funding approvals, 2014-15 to 2018-19



Notes:

1. In 2015-16, the Welsh Government issued a letter rather than formal guidance. This was due to the fund being used to extend existing successful projects for a further year or to extend good practice projects across Wales. Regional leads simply had to notify the Welsh Government where there was a significant change in their programme. There were no capital monies available in 2015-16.
2. In 2016-17, the Welsh Government held back £15 million from the revenue fund, notifying RPBs that the remaining fund would be used to support preventative services across the differing population groups. A total of £13 million was subsequently issued to the regions in September 2016 with the remaining £2 million held by the Welsh Government.
3. The Welsh Government does not approve the revenue bids, this is done by the RPBs. The Welsh Government instead satisfies itself that the revenue investment plans put together by the RPBs meet the criteria of the fund and make full use of the allocations available.
4. The Welsh Government has noted that the timings for an internal review of the ICF capital programme, which ultimately led to a three-year capital allocation (paragraph 2.24), did not allow for joint guidance to be issued for 2018-19.

Source: Wales Audit Office analysis of Welsh Government guidance, allocation and confirmation letters.

- 2.9 The Welsh Government provides early verbal indications to regional leads of their expected allocations and any intended changes to the use of the fund prior to issuing formal guidance, to enable them to start to plan. However, the RPBs told us that they have been reluctant to plan their use of the fund on a large scale prior to receiving formal notifications due to the changing expectations of the fund to date. In addition, some RPBs have received early indications of funding which later changed.
- 2.10 Some RPBs have begun an earlier planning cycle based on their indicative allocations. Nevertheless, these uncertainties and timing issues have impacted on the RPBs' preparedness and ability to plan an annual work programme which best uses their annual allocation. The Welsh Government has tried to address the uncertainty around the population groups by setting out in the guidance for 2017-18 that the priority areas would remain the same for the next three years. However, the priority areas have changed with the fund now extended to include children at risk of becoming looked after, in care or adopted, for 2019-20.
- 2.11 In 2018-19, the Welsh Government also made available a separate fund specifically for dementia which was administered through the Integrated Care Fund process and guidance. The separate fund to support the Dementia Action Plan for Wales 2018-2022 accounted for an additional £5 million, made available to RPBs. Although there was reference in the annual guidance for the fund, detailed guidance on the use of dementia monies was not made available until September 2018. That guidance indicated that dementia projects already supported through the fund could not be shifted across to the new dementia monies. Many RPBs identified that had they known that this restriction would be placed on them, they would have held off from submitting dementia-related projects as part of their general revenue investment plans, and instead focused their projects on other complex-need groups.
- 2.12 The guidance for the fund has continued to encourage the development of projects that combine revenue and capital funding¹³. However, even where the guidance and allocations have been published at the same time, the requirement for the Welsh Government to approve capital bids has added a substantial gap between the two funding-stream timelines. These issues have presented missed opportunities in making the most strategic use of the fund, with very few projects making use of both streams.

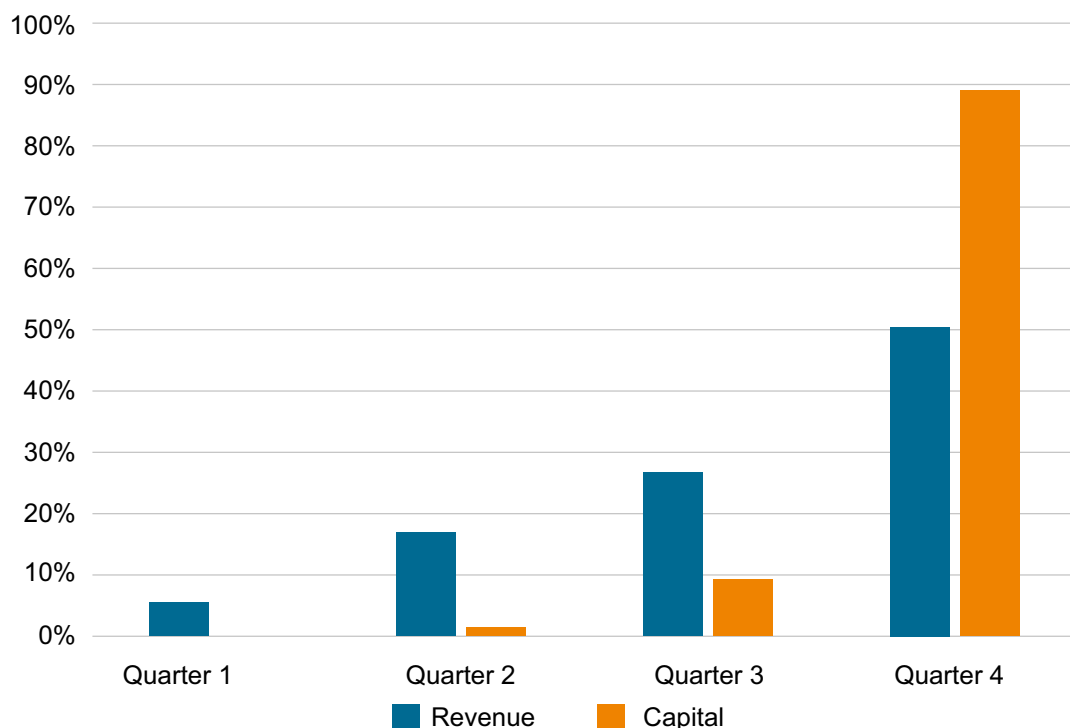
13 The 2018-19 guidance states that the fund can be used so revenue supports capital-funded projects, such as staffing for new-build provision

The annual nature of the fund in its early years has not promoted strategic planning and effective use of the fund

- 2.13 The Welsh Government has been clear that the allocated funds must be used by the end of the financial year that they are intended for. Many of the RPBs have expressed their frustration at the short-term annualised focus on the fund which they say has led them to short-term planning and delivery, restricting their ability to plan more strategically over a longer timeframe. In practice, this has meant that many projects put forward are based on their ability to be initiated and concluded quickly, and not those that over a longer period could have a greater impact.
- 2.14 The annual guidance from the Welsh Government has clearly stated that the fund should be used to pump-prime new and innovative projects, which can include remodelling or upscaling previously funded projects. The guidance, however, has also stated that the projects should be sustainable beyond the year of the funding, with an expectation that the projects should run no longer than a year.
- 2.15 Given the late notification of allocations and guidance outlined in [paragraphs 2.8 to 2.10](#), regional partners have often been unable to get projects up and running in a timely manner, and to then allow them to run for enough time to demonstrate their impact. Consequently, over the period of the fund being in place, many of the projects have, in practice, been allowed to roll forward into the next financial year.
- 2.16 Even with the decision to roll forward projects, the need to resubmit project proposals and wait for confirmation of the funding has meant that projects may stop and start. Public bodies have been able to get around this challenge by allowing some projects to progress or start 'at risk' while awaiting approval, and the funding to be released. Third-sector bodies do not generally have the resources to continue to run projects 'at risk' while awaiting funding confirmation.

- 2.17 Even once approved, there are several practical issues that can add delays to getting projects up and running within the one-year window, including:
- a **recruitment:** processes can take a significant amount of time, often around three or four months, with some organisations reluctant for the recruitment process to start until the Welsh Government releases the funds.
 - b **capability and skills:** lead organisations for projects find it difficult to attract suitable candidates for annual fixed-term posts, and often need to advertise multiple times before they can appoint a successful applicant. Retention of staff is also difficult due to the short-term nature of the funding, leading to frequent changes of staff year-on-year for the same projects.
 - c **procurement:** many capital projects will need to complete procurement processes, which can take a significant amount of time.
- 2.18 Because of the inbuilt delays in the funding process, many revenue projects do not begin or restart until the second or third quarter of the financial year. The profile of expenditure during the year reflects this, with a significant proportion of the revenue fund spent in the last quarter of the year.
- 2.19 **Exhibit 7** sets out the profile of revenue and capital spend for 2016-17 and 2017-18. The capital-spend profile had been significantly worse than the revenue-spend profile, largely because of the late approval of capital bids for both the 2016-17 and 2017-18 financial years.

Exhibit 7: percentage of the revenue and capital fund spent by quarter in 2016-17 and 2017-18



Source: Wales Audit Office analysis of RPB monitoring returns to the Welsh Government.

2.20 The delays in getting projects up and running mean that underspends occur at year-end. The Welsh Government guidance clearly states that the funds cannot roll forward to the following year. Instead the health boards can retain any surplus revenue monies at the year-end, although this is not intended to be the default position. In the early years of the fund, we are aware that some health boards retained surplus monies which they were able to use towards their bottom line and which caused tension within the partnerships at that time.

2.21 The RPBs have since developed varying approaches for managing underspends. The most advanced process is within the West Wales region where a reserve list of projects is kept which can be supported if surplus funds become available. In other areas, the fund has been used on short-term projects which can be initiated and concluded quickly. We are also aware that, in 2017-18, the Welsh Government agreed that the Cwm Taf region could carry over a small amount of funding to be used in 2018-19.

- 2.22 The effective management of underspends remains an issue in some areas. However, this should start to improve in 2019-20 following a requirement by the Welsh Government for processes for minimising underspends to be articulated in revenue investment plans.
- 2.23 Underspend in capital funds has been more problematic. Delays in receiving the funds alongside the time it can take to work through procurement processes have meant that much of the capital fund has not been spent on what was intended. Instead funds have been used to support one-off equipment purchases or returned to the Welsh Government at the year-end.

The Welsh Government is taking steps to address the annual nature of the fund and issued the 2019-20 guidance in a timelier way

- 2.24 For 2018-19, the Welsh Government provided a three-year allocation for the capital element of the fund and introduced changes that split the stream in two:
- a 25% of the total amount to be on small-scale one-year capital projects, with its use to be determined by the RPBs; and
 - b 75% of the total amount to be on transformational, long-term projects up to 2021, to be approved by a Welsh Government panel.
- 2.25 RPB members across Wales were positive about this change, and some have begun to develop three-year regional capital plans to ensure best use of the fund going forward. However, as of November 2018 some RPBs were still to receive approval for their capital projects.
- 2.26 Despite stating that 25% of the capital fund would be at the discretion of the RPBs, the Welsh Government considered these proposals through its capital panel before they could begin. As a result, several projects were not able to progress during 2018-19 given the time remaining and have subsequently been resubmitted in 2019-20. The Welsh Government expects this process to have improved for 2019-20.

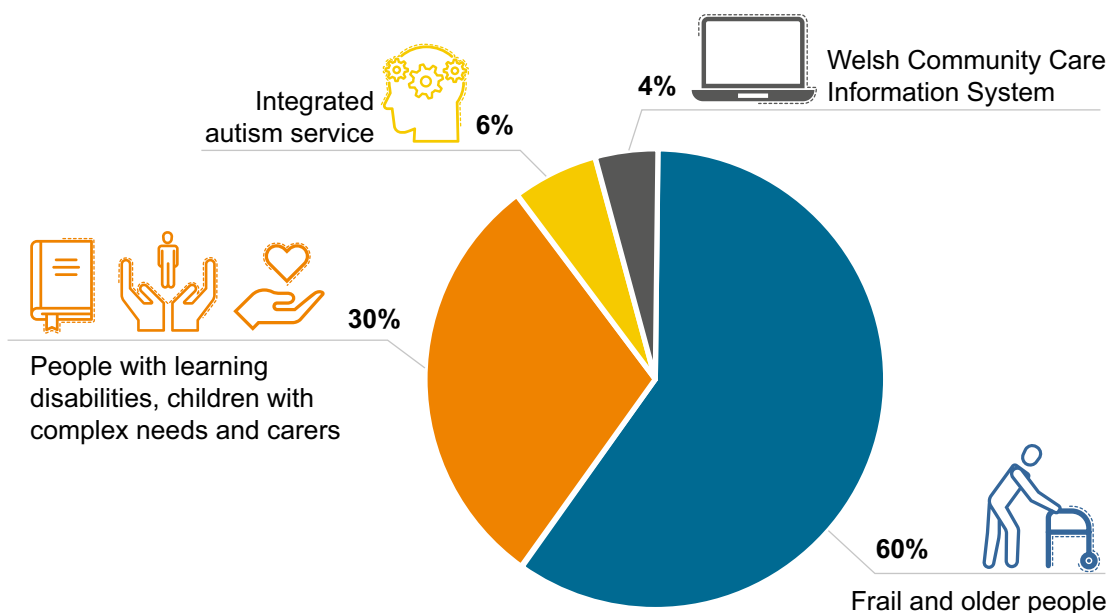
- 2.27 After considering our initial feedback, the Welsh Government acted to provide an early indication of the revenue allocation for 2019-20 in December 2018 and to issue the guidance for 2019-20 in February 2019, covering both revenue and capital funding streams. Not only has this helped with the timeliness issues but it has also helped to ensure consistency of messages between verbal and written communication that had previously caused confusion over allocations.
- 2.28 For 2019-20, the Welsh Government has recognised the need for the RPBs to be able to also plan their use of the revenue funding on a longer-term basis. The Welsh Government has required the RPBs to set out their intentions over a two-year period. In developing its 2019-20 guidance, the Welsh Government has also made greater reference to the Well-being of Future Generations (Wales) Act 2015, although we acknowledge that the overall aim of the fund was already closely aligned with the five ways of working¹⁴ set out in the Act.
- 2.29 The earlier issuing of guidance which covers both revenue and capital funds will help address many of the issues raised by RPB members. Welsh Government officials responsible for revenue and capital funding are jointly scrutinising the 2019-20 funding. The Welsh Government expects the approval of projects will take place earlier in the financial year, and by no later than the end of July 2019. Timely approvals are, however, reliant on when the RPBs submit their capital investment plans and this has taken longer than the Welsh Government expected.

Regional Partnership Boards can find it difficult to balance local population needs with the Welsh Government's indicative allocations for target groups

- 2.30 The Social Services and Well-being (Wales) Act 2014 places a duty on the RPBs to undertake a population assessment to identify the needs of the region's local population, and an area plan to address the specific needs identified. Since 2017-18, the Welsh Government guidance has required that all projects supported by the fund must address the care and support needs identified within population assessments and area plans. **Exhibit 8** shows how the Welsh Government allocated the 2018-19 revenue funding.

14 The **Well-being of Future Generations (Wales) Act 2015** sets out five ways of working needed for public bodies to achieve the seven wellbeing goals set out in the Act. The five ways of working are long term, integration, involvement, collaboration and prevention.

Exhibit 8: proportion of the 2018-19 revenue funding allocated to different population groups



Source: Wales Audit Office analysis of Welsh Government guidance.

2.31 Some RPB members noted that this approach to allocating specific amounts of the fund creates a tension for them to balance their use of the fund between the specified target groups and the needs identified within their population assessment. This tension is compounded when consideration is given to the other Welsh Government funding streams that the RPBs are responsible for which are also ring-fenced to specific groups of people. Examples include the Dementia Action Plan funding outlined in [paragraph 2.11](#).

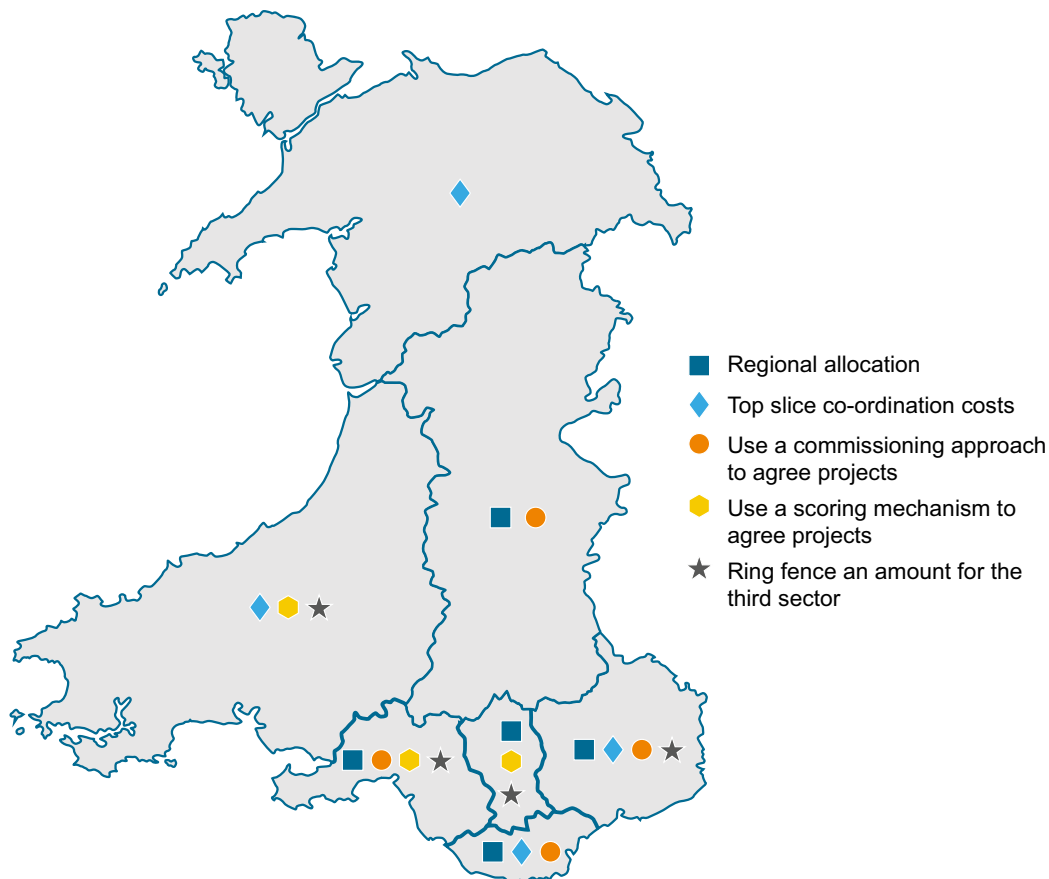
2.32 Different criteria for Welsh Government funding streams also make it difficult for RPBs to take a combined approach to using the funds available to them to meet the local population needs. Instead they have to submit and support separate projects for each fund. Consequently, many regional partners feel that there may be a risk of a disproportionate amount of funding collectively being allocated for specific population groups. They feel that this limits their ability to prioritise funding based on need. For example, some RPB members stated in response to our survey that:

- ‘the way in which the fund is structured means that it can be difficult to align the funding to what needs doing for our local population’; and
- ‘the ring fencing can be a hindrance as it can overly commit the partnership to an area that is not a big priority’

Regional Partnership Boards use their allocations in different ways, not all of which have supported a regional focus

2.33 While the Welsh Government allocates the fund on a regional basis, it is then up to each of the RPBs to agree through their revenue investment plans how to use the fund. The approaches to the use of the fund vary between the regions, with limited sharing and learning of the approaches used across Wales ([Exhibit 9](#)).

Exhibit 9: approaches applied to the allocation of funds 2014-2018 across the RPBs



Notes:

1. In North Wales, most of the fund is allocated across smaller footprint areas, such as Anglesey and Gwynedd; Conwy and Denbighshire; and Flintshire and Wrexham.
2. Before 2017-18, Powys RPB top-sliced an element of the fund to support communication and engagement costs.
3. In West Wales, most of the fund is allocated between the three local authority areas, although a small proportion is held at a regional level to support the delivery of agreed regional projects.

Source: Wales Audit Office fieldwork.

- 2.34 Five of the seven RPBs seek to allocate the funds on a regional basis except for North Wales and West Wales, where both RPBs allocate the funds to a lower level. This is either at a single local-authority level or across more than one local authority but not the whole region. This dilutes the intended focus on regional delivery and has resulted in some tensions between localities around the fairness of the allocation within the region. Our RPB member survey identified less positive views from North Wales and West Wales in relation to whether the process used to allocate the fund was fair. The Welsh Government has re-emphasised its desire for regional approaches in the 2019-20 guidance and as part of its scrutiny of investment plans. The Welsh Government has noted that while RPBs use their allocations in different ways, they are increasingly regional in their approach but with further progress needed in some areas.
- 2.35 Four RPBs have consistently used some of the fund to support management, oversight and co-ordination of the fund at a regional level. The sums 'top-sliced' during 2018-19 range from £60,000 (1%) in the Greater Gwent region to £400,000 (8%) in the West Wales region. This 'top-slice' is often used to contribute towards the funding of a specific post and in West Wales as programme management for identified RPB priorities. While this may be a good use of the fund at a local level, it is reducing the amount of funding which could otherwise be used for projects. All other RPBs have funded co-ordination through a different funding stream, or through core funding.
- 2.36 Most RPBs fund a high number of moderate-cost projects. The more projects there are, the greater the need for oversight and co-ordination. [Appendix 4](#) sets out the scale and number of the projects since 2014 by region, with the Cwm Taf and Cardiff and Vale RPBs focusing on fewer, larger-scale projects compared with the North Wales RPB which has more, smaller-scale projects.
- 2.37 Four of the RPBs have adopted a 'commissioning approach' to developing their work programme for the fund. In effect, the RPBs are commissioning their sub-groups responsible for the various population groups, to identify work required within the area plans which would benefit from funding to support delivery of the local priorities. The commissioning approach helps to align the use of the fund with the priorities set out in the area plans, rather than seeking an open and potentially more scattergun invite for project proposals. However, there have been some concerns about representation at these sub-groups and, as a result, the ability of some partners to influence decision-making ([paragraph 3.16](#)).

- 2.38 On receipt of proposals, several RPBs use a structured scoring mechanism to assess which proposals the RPB want to take forward and set out in their revenue investment plan or capital plan. These scoring mechanisms vary slightly but largely focus on the extent to which the projects meet the needs of the fund, as well as alignment with regional priorities and the area plan. The other RPBs take a less rigid approach, focusing predominantly on whether the projects meet the fund criteria.
- 2.39 A key aim of the fund is to promote joint working between statutory and third-sector organisations. The third-sector representatives that we spoke to identified a range of challenges which have affected their ability to access the fund. To address this, some of the RPBs have ring-fenced some of the fund specifically for the third sector to use, predominantly through a grants-type approach. This has increased access for the third sector, particularly for small short-term projects. However, it has still left the third sector disconnected from the wider programme where they could equally have valid contributions to make to some of the larger-scale projects.

Part 3

Governance arrangements for the fund need to be further developed to strengthen central oversight and ensure greater consistency across the regions



The Welsh Government has established governance arrangements for the fund but needs to do more to consider how its actions impact on regional partners and integrate funding streams

- 3.1 The budget for the fund comes from two areas of the Welsh Government and as such the responsibility for oversight is shared:
- the policy and governance responsibility relating to the revenue stream of funding is with the Minister for Health and Social Services; and
 - responsibility for the capital element of the fund rests with the Deputy Minister for Housing and Local Government.
- 3.2 The Welsh Government oversees the development and delivery of the fund through a formal project board. Representatives from across the Welsh Government's social services, health, housing and regeneration departments make up the board. The project board meets on a quarterly basis to:
- a review progress;
 - b monitor each RPB's performance, outcomes and expenditure;
 - c where appropriate, clarify and seek agreement on the administrative management of the fund;
 - d ensure emerging issues are identified and addressed in a timely and proactive manner; and
 - e provide a strategic steer on the future direction of the fund.
- 3.3 While officials feel that working across portfolios has improved through this arrangement, they acknowledged that if key individuals were missing from project board meetings then the rigour and quality of discussion suffered. Our own observations of the project board identified opportunities for greater internal challenge on changes made to the fund and the impact that these may have on the regional partners. For example, there appeared to be little acknowledgement of the impact of issues related to the timing of guidance ([paragraphs 2.8 to 2.10](#)).
- 3.4 Since our fieldwork, a member of staff has been seconded into the Welsh Government from Powys RPB to support the management of the fund. This arrangement has brought some valuable insight from the RPBs into the project board and has already resulted in the Welsh Government having a better understanding of the impact of their processes and decision-making on the regional partners.

- 3.5 We also identified a lack of challenge on the information submitted through the RPB quarterly returns. Although the project board receives updates, drawing on the information submitted by the RPBs, we observed limited discussion focused on these reports.
- 3.6 The fund has the potential to overlap with other funds made available from the Welsh Government, such as the Primary Care Fund. However, there was limited evidence that the project board was clearly considering the overlaps and ensuring that the criteria complemented the other funding streams available. Some RPBs have begun to consider how they could more effectively use these funding streams together to benefit their populations, but there is currently no requirement for them to do so.
- 3.7 The project board has subsequently recognised the overlap between the fund and the new NHS Transformation Fund launched in 2018. For 2019-20, the Welsh Government has gone some way to articulate the linkages in the guidance. The Welsh Government has also made links with other relevant funding streams through changes to the membership of the project board and other work is underway to map out the wider funding landscape. Meanwhile, a new reference group is considering the co-ordination of policy and funding relevant to RPBs. In addition, learning from the Families First and Flying Start programmes has been considered following the introduction of 'children at risk of becoming looked after' as a priority group for 2019-20.

The Welsh Government's staffing capacity to support regular and timely oversight of the fund has been limited

- 3.8 Day-to-day oversight of the fund is by the Welsh Government through a small management team, consisting of three members of staff. The team is responsible for communicating with the regional leads, preparing annual guidance, and reviewing performance and delivery of the fund across the seven RPBs.
- 3.9 The RPBs reported a positive relationship with the central team for both the revenue and capital elements of the fund, with welcomed opportunity to engage through attendance at RPBs, one-to-one dialogue and meetings with the RPB chairs. However, the regional fund leads previously did not have the opportunity to come together on a regular basis with the central team. Since our fieldwork, a lead network group has been established which supports more frequent two-way dialogue between the team and those responsible for managing the fund in each of the regions.

- 3.10 The RPBs have identified frustration with the amount of information that they needed to provide on a quarterly basis to meet the Welsh Government reporting requirements. The Welsh Government considers that the requirements have been proportionate to the level of investment through the fund. However, capacity issues within the central team mean that there have been time lags of up to three or four months between the RPBs submitting their returns and the point at which they receive formal feedback from the Welsh Government on areas for improvement.
- 3.11 The RPBs have also expressed frustration that much of the monitoring information submitted is not being used for any obvious purpose. Welsh Government officials have acknowledged that the team did not have the capacity to examine each project in detail or to follow through on all the information, for example, by conducting site visits to gain a better understanding of the work. However, they have emphasised that the information is used not just to inform their feedback but to support the Welsh Government's own accountability, for example, in response to Ministerial questions. There have also been periodic visits at a regional level and to some projects.
- 3.12 The seconded member of staff from Powys RPB ([paragraph 3.4](#)) has helped provide some additional resource since late 2018, replacing a longstanding vacancy. Work is also underway to revisit the amount of information required through the reporting arrangements. [Paragraphs 4.1 to 4.11](#) consider the arrangements in more detail.

Regional Partnership Boards frequently delegate responsibility for the fund to a sub-group and there is limited scrutiny of the use of the fund by health boards and local authorities

- 3.13 The Social Services and Well-being (Wales) Act 2014 required RPBs to be established on the footprint of the health boards and to include representation from social services, cabinet members, health boards including members, third-sector organisations and user and carer representatives. All the RPBs have representation from the statutory bodies, although the level of attendance from health board representatives can be variable, ranging from one to three. Health board representation is routinely through partnership and primary-care leads either at director or manager level, as well as independent members.

- 3.14 Membership from local authorities can also vary to up to three members from a single authority, resulting in large RPBs in areas with five to six authorities and a risk of local-authority representatives dominating the discussion. Local-authority representation is routinely through social-service directors and cabinet members, although the Welsh Government amended the Act in 2018 to require RPBs to have housing representation¹⁵. Representation from housing prior to the amendment to the Act was variable across RPBs. Third-sector organisations are represented on RPBs, although it can be challenging getting representation from service users and carers.
- 3.15 RPBs have responsibility for delivering area plans and using any funds made available to them. This requires them to make decisions on the use of the fund across the region, on behalf of the public bodies that they represent. Each of the RPBs has in place a memorandum of understanding setting out their agreed decision-making process. Our work, however, has identified that there is very little scrutiny of the decisions made by the RPBs. Although some RPB members seek ratification from their host organisation, this is not common practice across much of Wales. We also found limited evidence that representatives were routinely reporting back decisions made by RPBs to the boards and scrutiny committees of the relevant public bodies, with a general lack of awareness among health boards and local authorities about how the fund is used.
- 3.16 Within the RPBs, responsibility for the fund is largely delegated to sub-group arrangements. The RPBs receive recommendations from the sub-groups as to how the fund should be used, along with assurance reports during the year as to how the fund is spent. Representation on the sub-groups largely comprises directors or heads of service, with representation from other partners such as the third-sector, housing and carers often lacking. Third-sector representatives particularly raised concerns with us that while members of the RPBs, they are not always represented at sub-groups. As such, the ability for them to engage and influence the decisions surrounding the fund is limited. In some RPBs, we also raised potential conflicts of interest as an issue as the members on the sub-groups recommending the decisions for the allocation of the fund were managing the services that were also benefiting from the fund.

15 The amendment to the Act also included representation from housing associations.

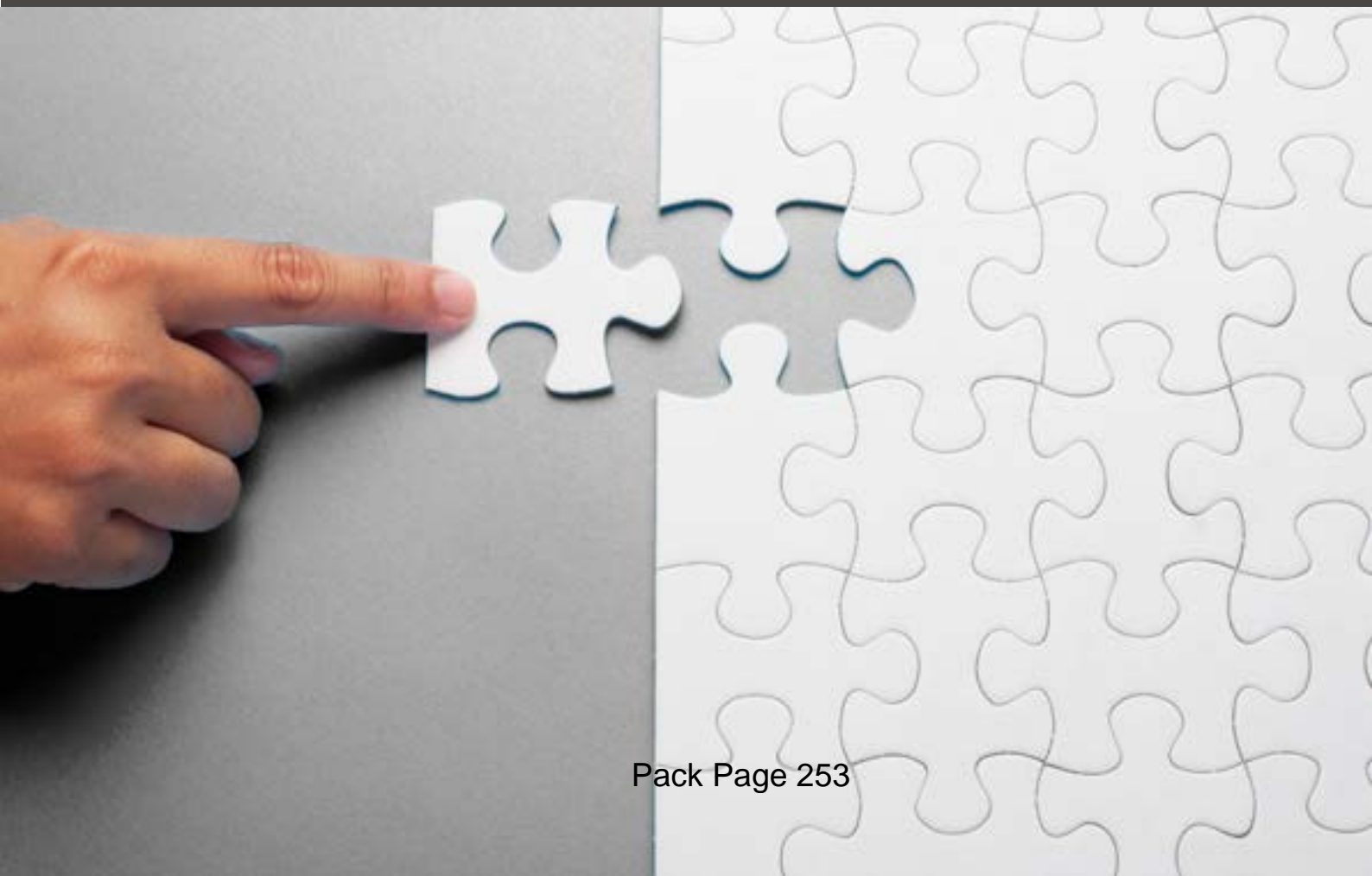
3.17 Timing of RPB meetings can be an issue. The Welsh Government sets out in the annual guidance clear but often tight deadlines for submissions of revenue investment plans, capital plans and quarterly monitoring returns. We found that some RPB chairs were signing off monitoring returns outside of the RPB meetings because of the tight timescales between the end of the quarter and the submission dates. Some chairs felt uncomfortable doing this and refused to do so without reporting the returns through the RPB meeting. This has required realignment of some of the RPB meeting dates with the Welsh Government timescales.

The rigour of project management varies between regions and organisations, and few projects involve service users at the outset

- 3.18 Oversight and management arrangements of individual projects are largely based on the arrangements used by the host organisation. However, not all projects are supported by detailed project plans and the approach to managing project risks is inconsistent. Some projects have local risk registers which feed into organisational or area risk registers, but many do not have mechanisms in place to identify, manage and escalate risks.
- 3.19 The leads for each of the projects frequently have wider responsibilities beyond the project. This can result in issues in terms of capacity to plan, manage and report on the projects as required, with many project leads struggling to meet the reporting deadlines set by the Welsh Government.
- 3.20 Few projects have involved service users at the outset due to the short timescales within which the regional partners have to develop their project proposals. However, regional partners seek to engage through the carer and user representatives on the RPB. There is a requirement in the Social Services and Well-being Act (Wales) 2014 for each RPB to establish a citizen's panel. Panel arrangements differ across the regions. In some cases, RPBs are using engagement mechanisms that public bodies already have in place to engage with service users and citizens. There is currently little evidence that regional partners are making use of these arrangements to engage citizens in planning projects supported by the fund.
- 3.21 Despite the intention of the fund to support the pump-priming of new and innovative projects, relatively few projects have had defined exit plans either to mainstream the project if successful or to terminate the project if it fails to deliver the intended benefits. Responding to our survey, 40% of project leads identified that they were required to include an exit strategy as part of their project plans. The inclusion of an exit strategy for each project is now a requirement of the fund for 2019-20, following our early feedback to the Welsh Government (paragraphs 4.12 to 4.17).

Part 4

Despite positive examples, the overall impact of the fund in improving outcomes for service users remains unclear, with little evidence of successful projects yet being mainstreamed



Regional Partnership Boards identify a range of positive case studies, but the Welsh Government's central monitoring arrangements do not yet provide a basis on which to assess the fund's overall impact

- 4.1 Since the inception of the fund, the Welsh Government has required the RPBs to report both financial and performance data on their revenue and capital use of the fund on a quarterly basis. Each year the guidance outlines reporting requirements. In 2016-17, the Welsh Government guidance also began including the reporting deadlines.
- 4.2 There are, however, different reporting formats for revenue and capital. The main reason for the difference is that the capital element of the fund is identified as a grant and, as such, has different reporting requirements. While the RPBs acknowledge this, they find the different approaches frustrating and would welcome a simplified process.
- 4.3 There are also separate reporting processes in place for the Integrated Autism Service and Welsh Community Care Information System strands of the revenue funding. Scrutiny and reporting of these schemes rest directly with the Welsh Government as part of the wider oversight of the Autistic Spectrum Disorder Action Plan and of the rollout of the information system across Wales.
- 4.4 The Welsh Government has outlined the reporting requirements for the RPBs with an emphasis on outcomes to measure the success of projects. This is instead of outputs which focus on the amount of activity undertaken. The Welsh Government set delayed transfers of care as a key outcome measure when the fund was first established. RPBs are not required to report their delayed transfer positions. Instead, the Welsh Government monitor the regional position through central mechanisms. All RPBs identified that with the increasing focus on preventative and admission avoidance services, as well as changes to the target population groups, delayed transfers of care do not now reflect the full scope of the fund.

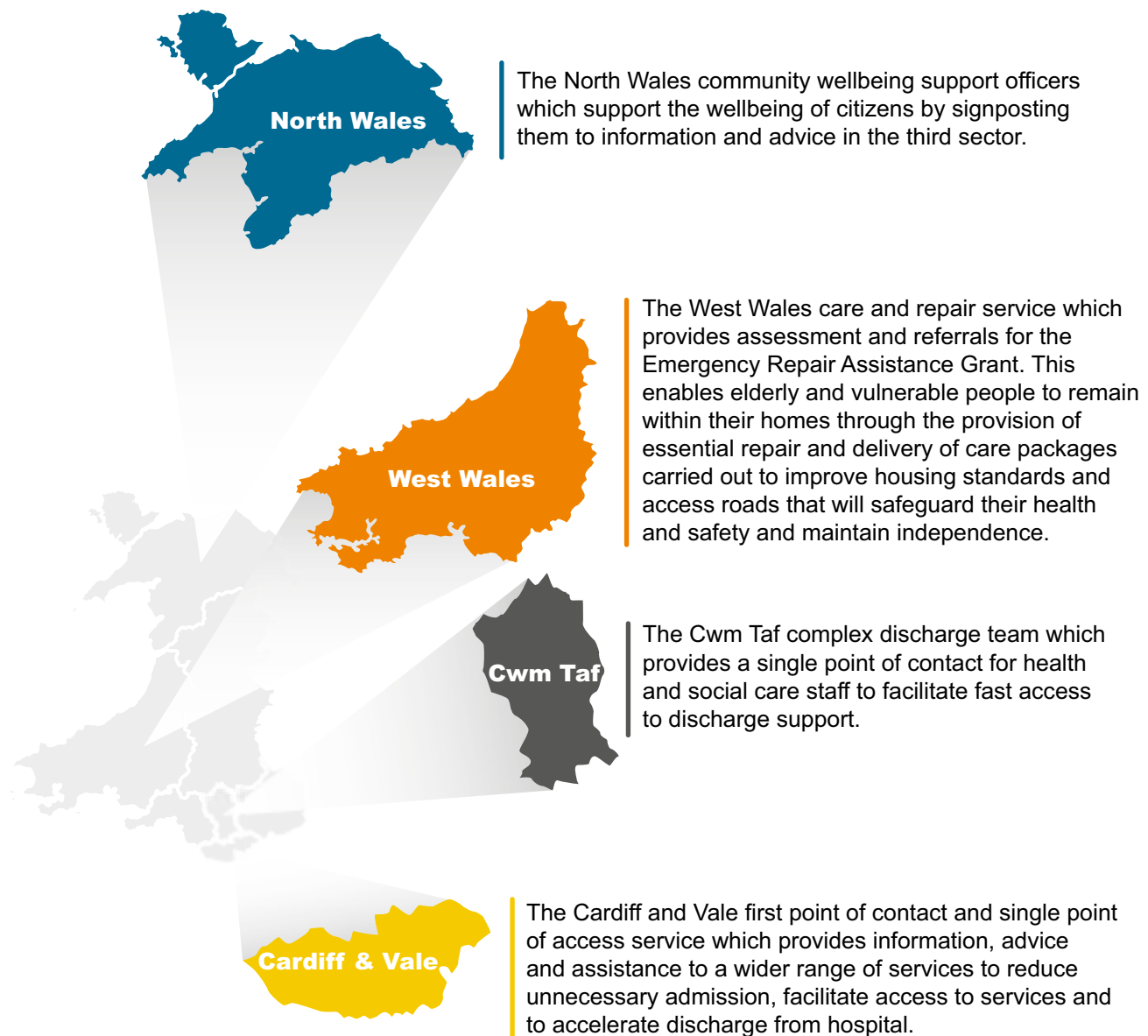
- 4.5 The Welsh Government has not set any specific expectations about how the RPBs should measure or capture information about outcomes. Each RPB has developed its own processes. This approach has given the RPBs flexibility to use the tools they feel most appropriate to measure performance. But it has led to the Welsh Government receiving very different information about similar projects, making it difficult to collate or compare like-for-like information on outcomes at a national level. Within the different approaches to performance management that they have adopted, all regional partners also reported a difficulty in successfully quantifying outcomes.
- 4.6 In 2017-18, following consultation with the RPBs, the Welsh Government began including a reporting template within the guidance. Despite the emphasis on reporting outcomes, the template focuses mainly on what support has been provided through the fund, as well as spend. Regional partners have been encouraged to continue to collect any additional information that they felt was worthwhile to demonstrate project performance. This is in addition to that required to complete the template, and the RPBs often submit this additional information with their quarterly returns. Issues with capacity in the Welsh Government's central team (paragraphs 3.8 to 3.12) however, have meant that the Welsh Government does not have the opportunity to review all of the projects in detail.
- 4.7 Many regional partners have been capturing user experiences through case studies, believing that this best demonstrates the outcomes they are achieving and the impact that the fund is having on people's lives. However, the Welsh Government has encouraged RPBs to take a proportionate approach to the number of case studies submitted within their quarterly returns, focussing on good practice, given its limited capacity to analyse the information.
- 4.8 Many of the projects focus on prevention and earlier intervention. Regional partners, however, are unable to report decreases in service use elsewhere in the system and savings. This is due to increased demand on existing core services from a growing population with more complex needs, which is replacing the demand that the funded projects are now managing.

- 4.9 All RPBs recognise that measuring impact is an area that they could improve and are taking actions to better record outcomes. For example, the West Wales region is trialling the use of the Integrated Pathway for Older People¹⁶. As part of this, the regional partners are trying to link the local outcomes they achieve through the funded projects to the national outcomes identified as part of the pathway, although this is still in early development. In its latest guidance, the Welsh Government is encouraging RPBs to use Results Based Accountability¹⁷ to measure outcomes, with three RPBs already using it to varying degrees of success.
- 4.10 Nevertheless, these issues mean that, to date, the Welsh Government has been unable to provide a national picture on the impact that the fund has had. In the meantime, the project board has received high-level assurance from the RPBs' information on spend and activities and used the information to inform Assembly Member site visits to different projects. The Welsh Government intends to publish an annual report on the use of the fund in 2018-19 by September 2019. The Welsh Government also intends to commission some wider evaluation work having decided to postpone a previously announced evaluation given the plans for our own work.
- 4.11 The RPBs have also found the requirement to report the same level of information for each quarter frustrating, particularly given that there has generally been a lower level of activity in the first quarter of the financial year. The Welsh Government has now recognised this and, for 2019-20, has introduced lighter touch reporting requirements for quarters one and three.

There is little evidence that successful projects have yet been mainstreamed and funded as part of public bodies' core service delivery, although the Welsh Government has re-emphasised its expectations

- 4.12 Since its inception in 2014, there has been a clear expectation from the Welsh Government that projects that are demonstrating impact should be mainstreamed into core budgets. In practice, many projects supported by the fund have rolled forward year on year ([paragraph 2.15](#)). Examples of this include:

- 16 The Integrated Pathway for Older People is a six-stage pathway developed by the Welsh Government to identify and understand what level of care older people need. The pathway has been updated in West Wales to include seven stages.
- 17 Results Based Accountability is an approach for measuring performance which focusses on how service users are better off to determine the success of a service rather than the more traditional focus on activity.



4.13 In the context of wider funding pressures, RPBs have found it difficult to convince the partner organisations that they represent to invest in these and other projects through core funding streams. Despite the requirement for the undertaking of project evaluations, very few projects, including those that have been in place since the introduction of the fund, have received any formal evaluation.

4.14 The intention is for RPBs to use evaluative information to assess the value of mainstreaming services supported by the fund. Information reported through the annual reports for RPBs and through case study material would indicate that many of these projects, however, are making a tangible difference (**Exhibit 10**). Further information is available in RPB Annual Reports, many but not all of which are published on their websites.

Exhibit 10: examples of positive impacts of projects funded by the Integrated Care Fund



'The Bay' Reablement Unit
(Cardiff and Vale RPB)

By increasing the confidence, physical and mental strength of each individual admitted to the Bay, the unit can demonstrate a significant reduction in ongoing support requirements once the service user returns home. By ensuring that the care provided to the person is appropriately based upon need, savings of c.£500,000 per annum have been achieved – **Cardiff and Vale Integrated Health and Social Care Partnership Annual Report 2017-18**



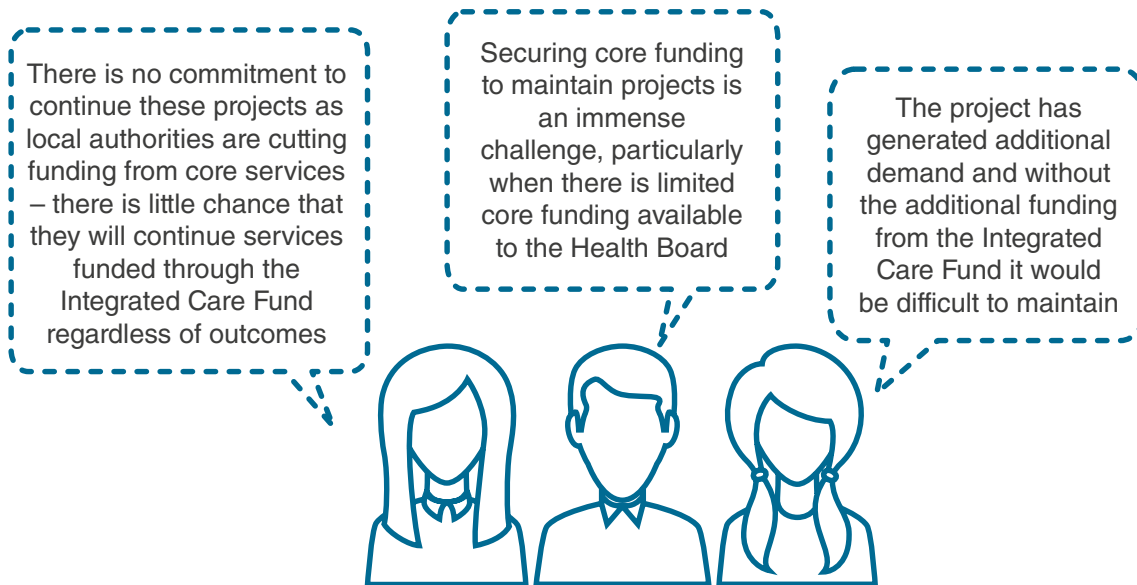
Eating Disorders for Children and Young People
(Greater Gwent RPB)

This dedicated community eating disorder team can provide a routine Child and Adolescent Mental Health Service (CAMHS) assessment of a child or young person. This is leading to improved outcomes for children and young people and reduced admissions to Tier 4 beds – **Greater Gwent Regional Partnership Board Annual Report 2017-18**

Source: Wales Audit Office review of RPB Annual Reports.

4.15 Responding to our surveys, 91% of project leads agreed or strongly agreed that the projects that they were involved in were making a difference to service users. In addition, 87% of RPB members also agreed or strongly agreed that the projects funded in their region were making a difference to service users. Only 60% of project leads, however, identified that they had been able to demonstrate the impact of the project and 75% identified that there were challenges in mainstreaming the projects (**Exhibit 11**).

Exhibit 11: challenges identified with mainstreaming projects through our project-lead survey



Source: Wales Audit Office survey of project leads.

- 4.16 Some of the projects, however, are now so embedded that they have in effect become a core service which, if stopped, would have a detrimental impact on wider service provision. In its latest guidance, the Welsh Government has emphasised that the fund should not be supporting projects that have become core services, and that other funding mechanisms should be sought. The Welsh Government recognises the challenges that the RPBs face in mainstreaming projects but has not previously provided any detailed guidance or support to help them address the issue. The guidance for 2019-20 does now include a clear expectation that revenue investment plans include exit strategies for each project ([paragraph 3.21](#)). However, this still lacks any practical examples about how regional partners can move to mainstream projects that are demonstrating impact. Regional partners may also have to make some difficult decisions to dis-invest from some services.
- 4.17 Once a year, the Welsh Government hosts an event to bring together RPB members and those directly involved in the funded projects. The aim of the event is to facilitate shared learning. Feedback from those who have attended identifies that the event is useful in understanding what projects are in place across Wales and showcasing projects that are working well. RPB members felt that the event would be more useful if there were wider opportunities to learn from the experiences of others, particularly in relation to overcoming challenges. The annual event could also be a useful mechanism for shared learning about mainstreaming.

Appendices



Appendix 1

Audit methods

Exhibit A1: audit methods used



Document reviews

We have reviewed central and regional documents including:

- Welsh Government guidance
- Strategic plans, including: local-authority corporate plans, health board integrated medium-term plans, public-service-board well-being plans
- Project plans
- RPB quarterly financial and performance monitoring returns
- Minutes from RPBs and sub-groups¹⁸

We have also reviewed relevant reports on health and social-care integration by Audit Scotland and the National Audit Office.



Surveys

We undertook surveys of RPB members and project leads responsible for projects during 2017-18.

We received responses from 71 of the 156 RPB members surveyed and 65 of the 243 project leads surveyed.



Interviews

We conducted interviews with:

- Regional leads for the Integrated Care Fund
 - RPB members, including: elected members, officers, service users and third-sector representatives
 - Project leads
 - Welsh Government officials
-



Workshops

We held workshops with members of the relevant RPB sub-groups in each of the regions.

We also held workshops with a sample of project leads within each of the regions.

¹⁸ Each RPB has delegated responsibility for elements of the fund to one or more sub-groups.



We analysed financial and project performance data for the period 2014-2019.

Data analysis



We observed governance arrangements in practice by observing the Welsh Government's project board. We also observed meetings of all the RPBs and the relevant sub-groups responsible for overseeing the fund.

Meeting observations

Appendix 2

Map of Regional Partnership Boards as at 31 March 2019¹⁹

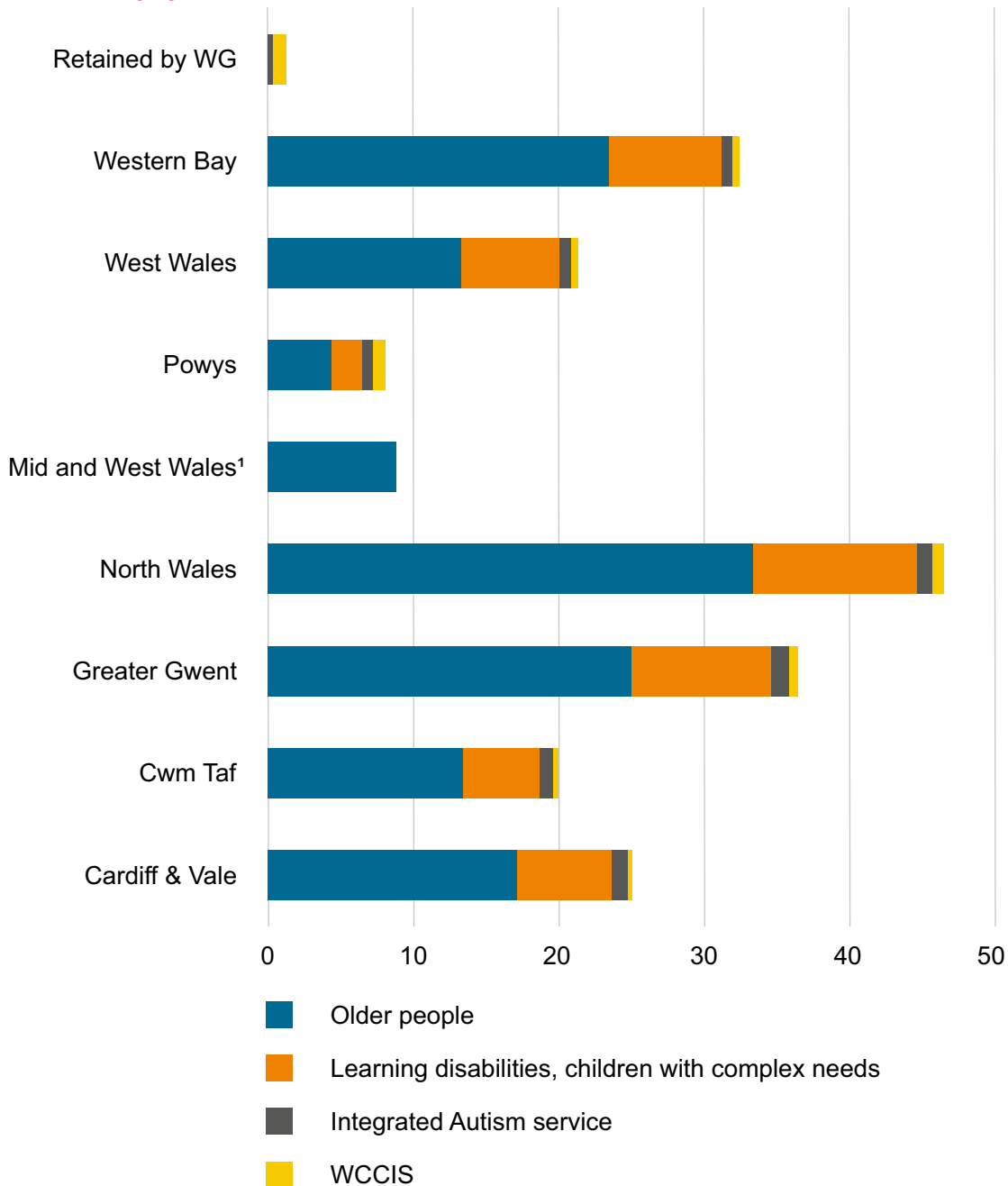


19 Following boundary changes relating to the Abertawe Bro Morgannwg University Health Board which came into effect on 1 April 2019, what is now Cwm Taf Morgannwg RPB includes Bridgend County Borough Council. The remaining partnership of Swansea Bay University Health Board, Swansea Council and Neath Port Talbot County Borough Council has been re-established as West Glamorgan RPB.

Appendix 3

Distribution of the fund between 2014 and 2019

Exhibit A2: distribution of revenue fund by region and area of scope, April 2014 to March 2019



Note:

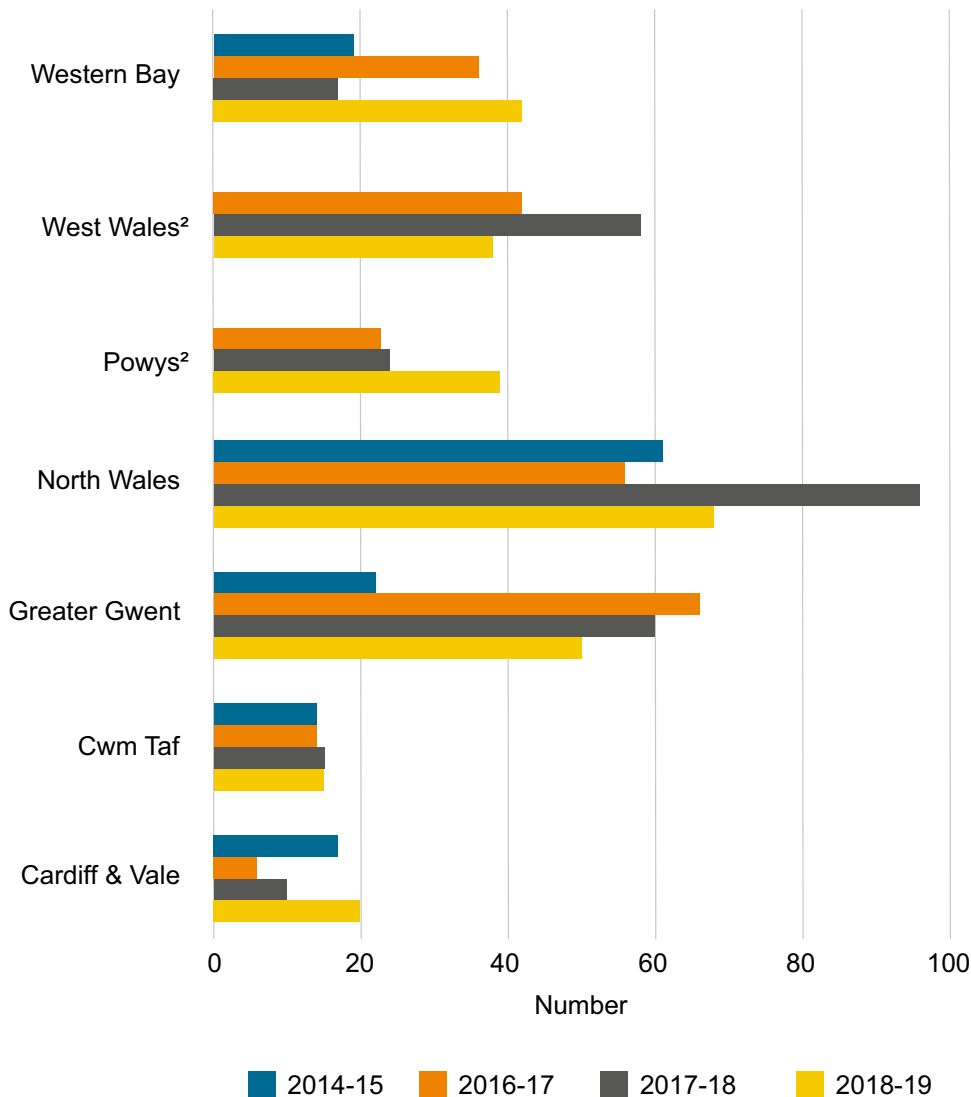
1. Between April 2014 and March 2016 West Wales and Powys were considered a single region and received a single allocation for Mid and West Wales.

Source: Wales Audit Office analysis of Welsh Government guidance and allocation letters.

Appendix 4

Breakdown of the number and scale of projects between 2014 and 2019

Exhibit A3: number of revenue projects by region, April 2014 to March 2019 (excluding 2015-16)¹

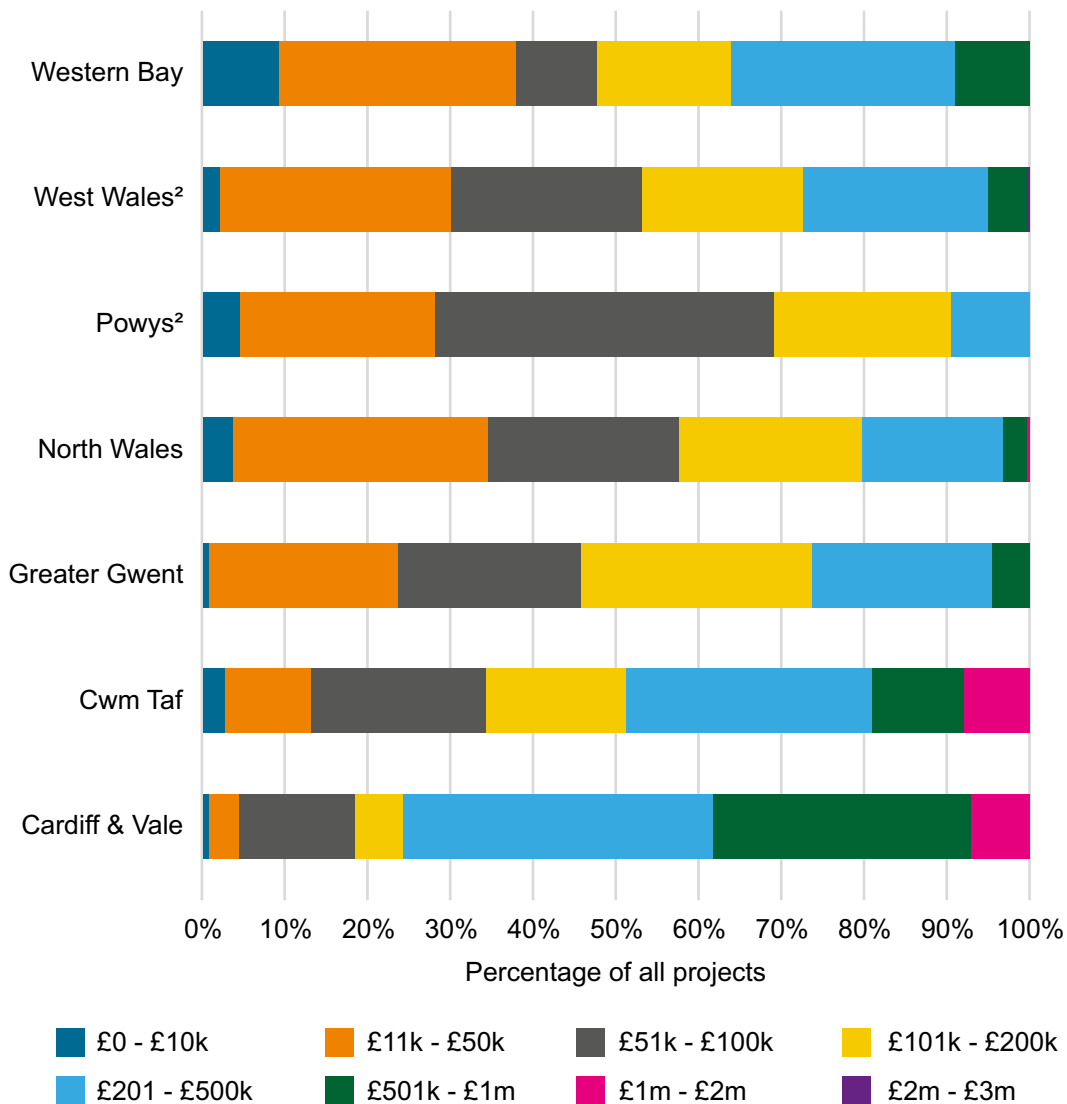


Notes:

1. Projects were rolled forward for 2015-16 and have therefore been excluded.
2. Between April 2014 and March 2016 West Wales and Powys were considered a single region and received a single allocation for Mid and West Wales. We have excluded the number of projects for the Mid and West Wales region for the period 2014-2016 from the comparison.

Source: Wales Audit Office analysis of RPB monitoring returns to the Welsh Government.

Exhibit A4: scale of projects by region, April 2014 to March 2019 (excluding 2015-16)¹



Notes:












1. Projects were rolled forward for 2015-16 and have therefore been excluded.
2. Between 2014-2016 West Wales and Powys were considered a single region and received a single allocation for the Mid and West Wales region. We have excluded the number of projects for the Mid and West Wales region for the period 2014-2016 from the comparison.

Source: Wales Audit Office analysis of RPB monitoring returns to the Welsh Government.

Appendix 5

Key findings from our surveys of RPB members and project leads

Our survey of RPB members²⁰ identified that:

	59 out of 70 (84%) agreed that partner organisations demonstrate a commitment to partnership working.
	38 out of 68 (56%) agreed that there were appropriate links with other regional groups and forums, such as Public Service Boards, to ensure that there were no overlaps or gaps in responding to legislative requirements.
	33 out of 62 (53%) agreed that the ring fencing of the fund for the national initiatives was helpful.
	21 out of 61 (34%) agreed that the templates provided by the Welsh Government for quarterly reporting captures the right information.
	37 out of 59 (63%) agreed that there was helpful ongoing communication between the RPBs and the Welsh Government to understand any changes to the fund.
	57 out of 71 (80%) agreed that proposals put forward for the RPB to approve are generally good quality.
	39 out of 69 (57%) agreed that the RPB sets enough time aside for effective scrutiny of the delivery of the projects supported by the fund.
	49 out of 68 (72%) agreed that there is a clear process for monitoring and managing project underspends and overspends within the RPB structure.
	47 out of 68 (69%) agreed that the RPB and its sub-group focusses on outcomes when scrutinising the projects.
	45 out of 70 (64%) agreed that the fund is funding the right projects.
	60 out of 69 (87%) agreed that the projects funded were making a difference to service users.

20 Not all members responding answered every question.

Our survey of project leads identified that:



46 out of 65 (71%) identified that their project(s) had received funding in previous years.



31 out of 65 (48%) identified that their project(s) received additional funding as well as the Integrated Care Fund.



60 out of 65 (92%) identified that their project(s) clearly linked to national strategic priorities, including the Well-Being of Future Generations (Wales) Act.



38 out of 65 (58%) identified that there was a risk management framework for their project(s).



58 out of 65 (89%) identified that they had received appropriate guidance from managers to support them in delivering the project(s).



27 out of 65 (40%) identified that they were required to include an exit strategy as part of their project plans.



51 out of 65 (78%) identified that there was a single point of accountability for delivery of the project(s).



21 out of 65 (32%) identified that their project(s) started on time.



26 out of 65 (40%) identified that there was a mechanism to measure the financial benefits of the project(s).



39 out of 65 (60%) identified that they had been able to demonstrate the impact of the project(s).



43 out of 65 (66%) identified that the fund is helping to provide sustainable and improved services in their region.



49 out of 65 (75%) identified that there were challenges in mainstreaming the project(s).



59 out of 65 (91%) identified that the project(s) was making a difference to service users.

Appendix 6

Progress against a previous recommendation

In the Auditor General's October 2015 report **Supporting the Independence of Older People: Are Councils Doing Enough?** we made the following recommendation to local authorities, health boards, third-sector partners and the Welsh Government. We have assessed progress against the recommendation ([Exhibit A5](#)).

Exhibit A5: progress against the previous recommendation relating to the fund

Recommendation – to improve the management and impact of the [then] Intermediate Care Fund by:	Our assessment of progress
Setting a performance baseline at the start of projects to be able to judge the impact of these over time.	There is no single approach to performance management of projects, this differs amongst the regions as well as sometimes within the region (paragraphs 3.18 to 3.20). There are examples of projects setting indicative performance during project planning, but it does not happen for all projects.
Agreeing the format and coverage of monitoring reports to enable funded projects to be evaluated on a like-for-like basis against the criteria for the fund, to judge which are having the greatest positive impact and how many schemes have been mainstreamed into core funding.	As outlined above, there is no single approach to project management or the ability to compare similar projects on a like-for-like basis (paragraphs 4.5). There is evidence of some regions beginning to take an approach that would provide information for comparison (for example the regional outcomes framework in West Wales), but this is still in early development and there is no data available currently to make judgements about which projects are having the greatest impact. Additionally, regions are struggling to capture positive impacts and evidence savings due to the preventative nature of the projects and there is little evidence that mainstreaming into core funding has taken place (paragraphs 4.12 to 4.17).
Improving engagement with the full range of partners to ensure as wide a range of partners are encouraged to participate in future initiatives and programmes.	The extent to which partners are engaged with the fund does differ by region, with some ongoing concerns raised by third sector partners (paragraph 3.16). However, the introduction of the RPBs since the inception of the fund has brought together a wider range of partners on a regional basis than was previously the case to contribute and participate in the programme (paragraphs 1.1 to 1.7).

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



Llywodraeth Cymru
Welsh Government

Adrian Crompton
Auditor General for Wales
Via email to clare.fellows@audit.wales

Our Ref: AG/MJ/SB

2 September 2019

Dear Adrian,

WAO report about the Integrated Care Fund

Further to the of the publication of the Wales Audit Office report on the Integrated Care Fund (ICF), I am writing to set out the Welsh Government's approach to responding to the recommendations made in the report.

I am pleased that the report recognises that in many areas progress on the recommendations is already well advanced. The early dialogue between our teams was useful in identifying issues which were then reflected in the most recent set of ICF guidance published earlier this year.

I was also pleased to see the positive messages in the report about the change that the ICF is driving. The WAO's own fieldwork showed that circa 80 per cent of Regional Partnership Board (RPB) members and project leads either agreed or strongly agreed that the ICF is helping to drive integrated working between key partners.

This echoes the work of the independent and expert panel that undertook the Parliamentary Review of Health and Social Care in 2017-18. Their final report, which was welcomed across the Senedd, recommended that new seamless models of health and social care should be developed to respond to population need, and placed RPBs in a key leadership role. In turn the Welsh Government has invested significant extra resource through RPBs in both the ICF and the new Transformation Fund which work in tandem. This approach is fundamental to the success of *A Healthier Wales – our plan for health and social care*. The learning from your report is therefore important, and we will respond purposefully to the recommendations made in it.

Recommendation R1: Timeliness of guidance and decision-making

Accept. Enabling RPBs to manage funds strategically is vital. We agree that the timely publication of guidance is important. I note the recognition that improvements have been made in 2019 in relation to the timeliness of issuing guidance, and that Welsh Government has ensured that decisions are communicated much more clearly and swiftly in the most recent process.

Alongside expediting the guidance, officials will continue the practice, in the months running up to the publication of the guidance, of keeping RPBs informed of any adjustments that may be considered.

The publication of guidance exists in the context of a 2016 Ministerial commitment in *Taking Wales Forward* to retain the ICF up to 2021. The financial allocation itself is notified to the health boards, which hold the revenue fund for each partnership, each December, four months prior to the start of the financial year. However, the ability of Welsh Government to take a truly long term view of funding allocations is limited by the UK Government's annualised budgetary approach over a number of years.

Notwithstanding this broader context, we acknowledge the strong feeling from RPBs that early clarity is important, and we will ensure that communication channels are fully open in the run up to 2020-21 (which for the revenue fund the allocation has already been made as part of a 2-year allocation from 2019-20).

Your report also refers to the changes to the scope of the fund. It is important to note here that the scope of the fund is closely matched to key areas of the Social Services and Well-being (Wales) Act which partners should already be focusing on. Where objectives have been added though the lifetime of the ICF that has been accompanied by additional funding. In signalling priorities for the fund, Welsh Government has not been overly prescriptive in how much funding should be allocated in relation to each population group. Ring-fencing is minimal and criteria are quite broad. Noting the further finding that Welsh Government should be in a position to better identify national-level outcomes, there are advantages and disadvantages to a flexible approach to allocations. To date preference has been given for RPBs' discretion to respond to local population needs within a national policy framework.

Recommendation R2: Multiple short-term funds available for health, social care and housing

Accept. Welsh Government made a commitment in *A Healthier Wales* to align the discretionary funds that support health and social care. That work is advancing within government. Thank you for the suggestions made in the report about the criteria we should use to guide future arrangements. I will ensure they are fully considered by the officials leading that work.

In the context of Ministerial commitments for a 2-year Transformation Fund and an ICF to 2021, clearly there is a need to balance your recommendations R1 and R2. We need to avoid creating short-term uncertainty by giving the impression of immediate changes, whilst considering the medium- to long-term optimal structure of discretionary funds. We will work now with decision makers to ensure they understand better how the current arrangement of funds fits together. Our project management arrangements, which I will touch on below, are helpful in that regard.

We also need to put the ICF in context. The ICF and Transformation fund taken together represent circa 2 per cent of the funds spent through government on health and social care in each year. The 98 per cent is allocated to health boards and local government directly and it is unhypothecated and provides local options for considering the use of funds aside from any central funds. In the context of the Parliamentary Review, which called for a 'revolution from within', it is important that Ministers have sufficiently powerful mechanisms to drive new models of care and influence the way services are provided. The ICF is one of those mechanisms.

Recommendation R3: Project Board arrangements

Accept. I note your recommendations about our governance within Welsh Government of the ICF. The revenue element of the ICF is of course a fund rather than a grant, and it is important the wider stakeholders understand Welsh Government does not approve each region's revenue programme, although officials do provide feedback to regions on plans and review performance information in order to assure Ministers about the effectiveness of expenditure.

One of the strengths of the current board, which is chaired by a senior civil servant, is that its membership includes all the lead officials for each of the discretionary funds and relevant policy areas that operate for health and social care (for example the Transformation Fund and Primary Care Fund). We accept that these arrangements can be improved upon by inviting constructive independent challenge. I will ensure that is put into place.

The ICF capital programme is a grant and is therefore dealt with as such. An overview of the ICF capital programme is presented to the ICF Project Board, but there is a separate Welsh Government scrutiny and approval process due to the differing nature of capital investment in regional ICF projects. However, I would reinforce that this process also works closely with other related capital investment programmes and associated policy teams.

Recommendation R4: Regional Partnership Board scrutiny arrangements

Accept. Each RPB has a signed written agreement which sets out their local ICF governance arrangements. Following Welsh Government action, these were reviewed in 2018 and updated written agreements were submitted to Welsh Government. This report was shared with and discussed at the ICF Project board meeting in February 2019.

Arrangements for sovereign body scrutiny and approval are agreed locally so do vary. Whilst RPB and ICF activity is reported through to some sovereign bodies we recognise the need to work closely with RPBs, health boards and local authorities to ensure this is developed more consistently and routinely across Wales.

Notwithstanding these actions, there is widespread agreement that purposeful partnership working is essential if progress is to be made towards a seamless system of health and social care. Ministers, taking a view supported by the Parliamentary Review and many others, have not pursued a major structural reform of organisations. In avoiding this major disruption, progressive voices from within health and social care recognise the need to pool together in order to take the system forward.

Recommendation R5: Project monitoring

Accept. Welsh Government is commissioning an evaluation of the ICF which we deferred until the WAO's own enquiries were complete. This will provide a programme-level assessment of the fund which, notwithstanding the information available on a project-by-project basis, we acknowledge needs to be aggregated.

Identifying the impact of the ICF should be placed in the context of the current NHS Performance Framework and Social Services Outcomes Framework. In *A Healthier Wales* Welsh Government committed to develop an integrated measurement framework based around the four points of the 'quadruple aim'. Within this framework shared performance measures, jointly owned by health and social care leaders, will be a key element of that approach.

Your report reflects the changes Welsh Government has made to collecting project-level performance data, seeking to take a proportionate approach ensuring that the information collected is used for Ministerial oversight. Moving forwards we are developing a consistent approach to measuring impact across both the ICF and the Transformation Fund, with Results Based Accountability and theory of change methodologies being used as the key measurement tools/processes. Training is due to be provided to RPBs from this autumn to support effective use of these tools.

Recommendation R6: Shared learning and mainstreaming projects

Accept. Learning is at the heart of what the ICF is seeking to achieve. When the fund was established it was in part based on a stakeholder view that some 'pump priming' was required to develop new approaches to responding to need, with a particular emphasis on prevention and early intervention. The ICF learning events have been successful, and the Minister for Health and Social Services will draw RPB leaders together this winter for further reflection on what is working and what needs to be done next. In parallel officials have facilitated an ICF Leads network which is now meeting quarterly, and has already provided an effective forum for regional leads to gain peer support and share learning.

The extent to which projects can be mainstreamed has not been assisted by the austerity environment which has prevailed during the lifetime of the fund so far, and the extent of which was not foreseen at its outset. It is also the case that the progression from an idea through to implementation and testing are steps on the way to mainstreaming that necessarily take more than one annual cycle. However, Welsh Government's view is there are projects within the ICF portfolio that have clearly proved their worth, and we are pursuing discussion with the NHS and local government partners about next steps.

Yours sincerely



Dr Andrew Goodall CBE

cc. Matthew Mortlock, WAO
Tracey Burke, Welsh Government
Albert Heaney, Welsh Government
John Howells, Welsh Government

David Richards, Welsh Government
Alan Brace, Welsh Government
Matthew Jenkins, Welsh Government
Shelley Davies, Welsh Government
Carla Lyne, Welsh Government
Joanna Jordan, Welsh Government