

Agenda – Public Accounts Committee

Meeting Venue:	For further information contact:
Committee Room 3 – Senedd	Fay Bowen
Meeting date: Monday, 10 July 2017	Committee Clerk
Meeting time: 13.30	0300 200 6565
	SeneddPAC@assembly.wales

(Private pre-meeting 13.30 – 14.00)

1 Introductions, apologies, substitutions and declarations of interest

(14.00)

2 Paper(s) to note

(14.00 – 14.05)

(Pages 1 – 3)

Notification of Additional Accounting Officer at HMRC (13 June 2017)

(Pages 4 – 5)

Governance Arrangements at Betsi Cadwaladr University Health Board: Auditor General for Wales' Report – An Overview of Governance Arrangements (29 June 2017)

(Pages 6 – 35)

The Welsh Government's Funding of Kancoat Ltd: Letter from the First Minister (28 June 2017)

(Page 36)

Natural Resources Wales: Response to the Committees' report

(Pages 37 – 42)

3 Implementation of the NHS Finance (Wales) Act 2014: Evidence session

(14.05 – 15:15)

(Pages 43 – 96)

Research Briefing



Cynulliad
Cenedlaethol
Cymru

National
Assembly for
Wales

PAC(5)-20-17 Paper 1 – Auditor General for Wales Report

Dr Andrew Goodall – Director General/NHS Chief Executive

Alan Brace – Director of Finance, Welsh Government

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

(15.15)

Items 5, 6 & 7 of today's meeting and the meeting on 17 July 2017

(Break 15.15 – 15.25)

5 Implementation of the NHS Finance (Wales) Act 2014:

Consideration of evidence received

(15.25 – 15.45)

6 Forward Work Programme: Consideration of autumn 2017 work programme

(15.45 – 16.10)

(Pages 97 – 116)

PAC(5)-20-17 Paper 2 – Forward work programme

PAC(5)-20-17 Paper 3 – Circuit of Wales: Consideration of draft letter

7 Inquiry into Regulatory oversight of Housing Associations:

Consideration of the draft report

(16.10 – 16.45)

(Pages 117 – 146)

PAC(5)-20-17 Paper 4 – Draft Report

Concise Minutes – Public Accounts Committee

Meeting Venue:

This meeting can be viewed

External Location

on [Senedd TV](#) at:

Meeting date: Monday, 3 July 2017

<http://senedd.tv/en/4114>

Meeting time: 14.20 – 16.41

Cardiff and Vale College

Attendance

Category	Names
Assembly Members:	Nick Ramsay AM (Chair) Mohammad Asghar (Oscar) AM Neil Hamilton AM Vikki Howells AM Neil McEvoy AM Rhianon Passmore AM Lee Waters AM
Witnesses:	Iestyn Davies, Colleges Wales Geoff Hicks, Welsh Government Mark Jones, Chair, CollegesWales Sharron Lusher, Pembrokeshire College Huw Morris, Welsh Government
Wales Audit Office:	Huw Vaughan Thomas – Auditor General for Wales Matthew Mortlock Ben Robertson



Committee Staff:	Huw Vaughan Thomas
	Matthew Mortlock
	Ben Robertson
	Fay Bowen (Clerk)
	Claire Griffiths (Deputy Clerk)
	Katie Wyatt (Legal Adviser)

Transcript

[View the meeting transcript \(PDF 999KB\)](#) [View as HTML \(999KB\)](#)

1 Introductions, apologies, substitutions and declarations of interest

- 1.1 The Chair welcomed the Members to the Committee which was held at the Cardiff and Vale College. The Chair thanked the college staff for their assistance in facilitating the meeting.
- 1.2 The Chair welcomed Vikki Howells AM to the Committee.
- 1.3 There were no apologies.
- 1.4 Neil McEvoy AM declared an interest as having been employed in the FE sector.

2 Paper(s) to note

- 2.1 The papers were noted.

3 Welsh Government oversight of further education colleges 'finances and delivery': Evidence Session 1

- 3.1 The Committee took evidence from Iestyn Davies, Chief Executive Officer, ColegauCymru; Mark Jones, Principal, Gower College and Sharron Lusher, Chair, ColegauCymru as part of their inquiry into the Welsh Government oversight of further education colleges 'finances and delivery'.
- 3.2 Iestyn Davies agreed to send the following information:

- Proportion of funding spent on Welsh language and English language in the FE sector; and
- Percentage of FE funding spent on marketing.

4 Welsh Government oversight of further education colleges 'finances and delivery': Evidence Session 2

4.1 The Committee took evidence from Huw Morris, Director for Skills, Higher Education and Lifelong Learning, Welsh Government and Geoff Hicks – Head of Post 16 Funding, Welsh Government as part of their inquiry into the Welsh Government oversight of further education colleges 'finances and delivery'.

4.2 Huw Morris agreed to send the following information:

- Proportion of budget allocation spent on Welsh language and English language in the FE sector;
- A detailed explanation of how 21st Century Schools funding will be affected from March 2019 with the on-going UK withdrawal from the EU;
- Details of how learners from the Travelling Community are supported in the FE sector; and
- Send the allocation regarding capital funding from the draft budget, if able to.

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

5.1 The motion was agreed.

6 Welsh Government oversight of further education colleges 'finances and delivery': Consideration of evidence received

6.1 Members considered the evidence received and agreed to write to the Welsh Government with their observations. The letter will be copied to the Children, Young People and Education Committee and the Economy, Infrastructure and Skills Committee.

Agenda Item 2.1



HM Revenue
& Customs

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Nick Ramsay AM
Chair, Public Accounts Committee,
National Assembly for Wales
Cardiff Bay
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13 June 2017

Dear Mr Ramsay AM,

I am writing to inform you that I have appointed Jim Harra, Director General for Customer Strategy & Tax Design as Additional Accounting Officer (AAO) with responsibility for the Welsh Rate of Income Tax (WRIT).

As you'll be aware, the Command Paper, "Powers For A Purpose: Towards A Lasting Devolution Settlement For Wales"¹, announced that an Additional Accounting Officer (AAO) would be appointed who would be specifically accountable for the implementation and collection of WRIT, including the associated assets, liabilities and cash flows. The AAO will have responsibility for all matters of governance, decision making and financial management in relation to WRIT.

The AAO will provide an annual WRIT extract from the audited HMRC accounts to the Welsh Assembly. Welsh Assembly Committees will be able to request HMRC Accounting Officers to give evidence. Full details of the responsibilities of Accounting Officers are shown at Chapter 3 of the HM Treasury document, Managing Public Money. This may be found at: http://www.hm-treasury.gov.uk/d/mpm_ch3.pdf.

I am pleased to hear that a good start has been made with a successful first Welsh Income Tax Project Board meeting, and look forward to further collaborative working between our officials. If you have any further questions about this appointment, please do not hesitate to contact my office (Chief.executive@hmrc.gsi.gov.uk), or HMRC's devolution team (Catherine.Dampier@hmrc.gsi.gov.uk)

¹ <https://www.gov.uk/government/publications/powers-for-a-purpose-towards-a-lasting-devolution-settlement-for-wales>



Yours sincerely,

A handwritten signature in cursive script, appearing to read 'Jon Thompson', written in black ink.

**JON THOMPSON
CHIEF EXECUTIVE AND PERMANENT SECRETARY**

An Overview of Governance Arrangements

Betsi Cadwaladr University Health Board

A Summary of Progress

Joint Review undertaken by Healthcare Inspectorate
Wales and the Wales Audit Office

I have prepared this report under section 61 of the Public Audit (Wales) Act 2004, and in accordance with section 145 of the Government of Wales Act 1998 with the assistance of Health Inspectorate Wales and the staff of the Wales Audit Office.

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

The Auditor General also audits local government bodies in Wales, conducts local government value for money studies and inspects for compliance with the requirements of the Local Government (Wales) Measure 2009. The Auditor General undertakes his work using staff and other resources provided by the Wales Audit Office, which is a statutory board established for that purpose and to monitor and advise the Auditor General.

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Mae'r ddogfen hon hefyd ar gael yn Gymraeg.

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Foreword

In 2013 our organisations published a joint report setting out numerous and significant concerns about the governance arrangements within Betsi Cadwaladr University Health Board (the Health Board). Since then the Health Board has experienced ongoing challenges in respect of leadership and governance, and with service delivery in specific areas, especially in respect of mental health. These culminated with the Health Board being placed into special measures by the Minister for Health and Social Services in June 2015. The expectation was that the Health Board would remain in special measures until at least autumn 2017.

The Welsh Government issued a special measures improvement framework in January 2016 to the Health Board setting out expected improvement milestones. Progress against these milestones is discussed at tripartite meetings involving Welsh Government, the Wales Audit Office and Healthcare Inspectorate Wales.

Separate to the monitoring of progress against the special measures improvement milestones, the Wales Audit Office and Healthcare Inspectorate Wales have retained a commitment to formally report periodically on the actions taken by the Health Board to address the governance concerns that we had identified in 2013. This report has been produced as part of that commitment.

It shows that the Health Board is clearly moving in the right direction. Leadership has been strengthened, the Board is working more effectively and a fundamentally different organisational structure has been established. Moreover, the imposition of special measures is clearly helping to focus attention on the specific areas where concerted action was required.

However, several of the most pressing challenges that we identified in 2013 continue to remain evident, some four years after our original report. Crucially, the Health Board has yet to develop a clear plan for how clinical services in North Wales should be reshaped to ensure that they are clinically and financially viable. This is something that must be driven forward by the Health Board with pace and urgency, but also in a way that properly engages all relevant stakeholders.

Whilst the direction of travel is positive, there is still much that needs to be done. Energetic, brave and visible leadership will be increasingly needed in order to continue to build on the progress that has already been made.

Huw Vaughan Thomas
Auditor General for Wales

Kate Chamberlain
Chief Executive
Healthcare Inspectorate Wales

Introduction and background

- 1 Betsi Cadwaladr University Health Board (the Health Board) continues to face a number of significant challenges; these include its financial position, its plans for service change and concerns relating to mental health services. During 2012, both Healthcare Inspectorate Wales and the Wales Audit Office identified growing concerns in relation to the Health Board's governance arrangements. In response to these concerns, we undertook a joint review of the Health Board's governance arrangements in 2013¹. This identified issues relating to:
 - effectiveness of the Board;
 - management and clinical leadership structures;
 - quality and safety governance arrangements;
 - the ability to manage finances and secure financial sustainability; and
 - the absence of strategic plans for the development of clinical services across North Wales.
- 2 We subsequently undertook a joint high-level progress review in July 2014. This indicated some improvement, although a number of challenges previously identified still existed. In June 2015, the Minister for Health and Social Services placed the Health Board into special measures. In his statement, the minister announced, 'This significant decision is made in line with the escalation framework. It reflects serious and outstanding concerns about the leadership, governance and progress in the Health Board over some time.'²
- 3 The Minister set out five key improvement areas as follows:
 - governance, leadership and oversight;
 - mental health services;
 - maternity services at Ysbyty Glan Clwyd;
 - GP and primary care services, including out of hours services; and
 - reconnecting with the public and regaining the public's confidence.

1 [2013 report **An Overview of Governance Arrangements – Betsi Cadwaladr University Health Board**](#)

2 [Welsh Government press statement 8 June 2015, **Betsi Cadwaladr University Health Board places in special measures**](#)

- 4 In October 2015, Healthcare Inspectorate Wales and the Wales Audit Office undertook a review to assess the overall progress made by the Health Board since the original joint review. This identified that much work and effort has gone into tackling the key challenges. However, challenges remained which required both specific leadership skills and resolute determination to address.
- 5 Given the time that has passed since our last progress review, we have now undertaken a further follow-up review. This work, undertaken between February and May 2017, has considered the original themes from the 2013 review and also issues that have emerged since. This is not, however, an assessment against the Welsh Government's special measures improvement framework.

About this review

- 6 The review work was designed to:
 - provide clarity on whether the Health Board can demonstrate it is making the necessary improvements;
 - provide an agreed assessment to assist the Health Board and Welsh Government in ensuring that the interests of citizens and patients are protected;
 - fulfil our responsibilities as external review bodies to examine progress and outstanding issues, and to report on them clearly and openly; and
 - support improvement and inform any further required 'turnaround' activities.
- 7 Our review also drew upon other work recently completed by Healthcare Inspectorate Wales and the Wales Audit Office on areas relating to financial, corporate and clinical governance. We have provided further information on the review approach in [Appendix 1](#).
- 8 This report focuses on the progress made and key challenges that the Health Board needs to overcome if it is to strengthen its governance arrangements. Our findings are considered under the following themes:
 - effectiveness of the Board and its committees;
 - strategic planning and development of sustainable services;
 - management and organisational structures; and
 - quality and safety arrangements.

Acknowledgements

- 9 We are grateful to the Health Board for supporting the review. Particular thanks are due to Board members, other senior members of staff and external stakeholders who made themselves available for interview.

Summary of main conclusions

Effectiveness of the Board and its committees

- 10 Our work has identified that from a low baseline in 2013, there have been visible improvements in the working relationships between senior leaders in the Health Board. Board behaviours are largely positive and there have been some improvements in how members challenge and scrutinise performance of the Health Board. However, this area still needs strengthening.
- 11 We had previously noted that committee arrangements and their approach to managing assurances required significant improvement. There have been a number of improvements since our original review in 2013, in terms of both the design and conduct of these arrangements. The Committee Business Management Group is also helping to shape agenda and align these to the committees.
- 12 Board assurance arrangements are evolving slowly, but the form and function of these arrangements has been problematic. Board assurance mapping has been a particular challenge for the Health Board, not least because of the difficulty in designing assurances around organisational objectives when strategy and plans have not yet been developed and agreed. We also observed that risk management arrangements are not yet fully developed. We understand that work to embed the risk management frameworks is continuing.
- 13 Performance management and performance accountability processes are improving. However, the Health Board will need to revisit its performance management framework as it develops its strategy and aims to ensure:
 - alignment between performance measurement and broader aims such as patient outcome, population health, well-being objectives³ and care closer to home; and
 - performance monitoring arrangements concentrate more on the impact of delivery of plans.

³ **Well-being of Future Generations (Wales) Act 2015:** each public body must set well-being objectives and take all reasonable steps to meet those objectives.

Strategic planning and development of sustainable services

- 14 In 2013, we highlighted an absence of clear plans for the future of acute hospital services, and a pressing challenge to develop clinically and financially sustainable service models. Four years on from that review the picture remains largely the same. There is now a plan in place for the development of an overarching strategy and the Health Board is engaging its stakeholders on its general principles. However, the timetable for the development of the strategy is a challenging one and the Health Board has yet to take a decision on whether there will be a formal consultation on the content of its strategy and plans.
- 15 From April 2014, the Health Board was required to develop a three-year Integrated Medium Term Plan (IMTP), but it has not been able to meet this statutory requirement. With the agreement of Welsh Government, the Health Board is now preparing an IMTP for the period 2018-2021.
- 16 In the absence of an agreed IMTP over the last three years, the Health Board has developed annual operating plans. As part of this process, it recently approved its 2017-18 financial plan which included a deficit budget of £26 million for the current year. The Health Board's three-year cumulative deficit to 31 March 2017 was £75.9 million, and so the total deficit is now forecast to rise to over £100 million by 31 March 2018. The deficit remains a significant issue and raises a question whether the Health Board will be in a position to prepare a financially sustainable IMTP by March 2018.
- 17 In its Structured Assessment work at the Health Board, the Wales Audit Office previously identified concerns in relation to change management capacity. Our joint work continues to raise a number of significant concerns about the overall change management capacity and capability of the Health Board. The Health Board recognises the need to strengthen its change management capability and has recently created the role of Director of Transformation. However, at the time of our review the Health Board has been unable to appoint to this role although further interviews were scheduled for the end of May 2017.
- 18 The Health Board also needs to ensure that it focuses on achieving positive working relationships with partners. This will be fundamental to the achievement of its well-being objectives, particularly where they involve the future delivery of care closer to home. We are aware of a number of areas of good partnership working such as Hafod Community Mental Health Team in Denbighshire, learning disability services in Ynys Mon and development of the Mental Health Strategy in coordination with partners. However, a disagreement with local authorities that occurred in January 2017 around use of Intermediate Care Fund money indicates that further work is required to move partnership working onto a firmer footing.

Management and organisational structures

- 19 The creation of a new organisational structure is a positive development. Our previous reviews highlighted issues around clear lines of accountability and insufficient management capacity. The new structure appears to address these issues, although further work is required to fully embed it across all divisions. This includes substantively filling all posts, and strengthening clinical leadership, accountability and authority.

Quality and safety arrangements

- 20 In 2013, we highlighted a number of concerns around governance arrangements relating to the quality and safety of services. Our most recent work indicated that the Quality, Safety and Experience (QSE) Committee is showing signs of maturing gradually. The Health Board has taken positive steps to refresh its quality assurance arrangements by introducing a new Quality and Safety Group (QSG) and underpinning quality groups. However, whilst quality assurance arrangements are strengthening, there remains more to do to make them consistently effective. We cannot therefore be confident that patient and service risks are always effectively discussed, acted upon and, if necessary, escalated.
- 21 The Health Board has strengthened its arrangements in relation to mental health services. Leadership, structure, strategy and quality assurance arrangements for these important clinical services are all showing signs of improvement. There is some evidence of improved responsiveness to issues of concern. However, it will take time for the new arrangements to embed. The division structure is not yet finalised, with interim managers in post, a reliance on agency staffing and higher-than-desired service costs.
- 22 The ability of the Health Board to respond effectively to complaints and incidents remains an issue with more focus required on quality improvement and the learning of lessons as well as the speed of closure of cases. The Health Board has started to improve the timeliness of responding to complaints, but we have seen little evidence to suggest that the Health Board is learning effectively. Quality processes do not yet ensure that lessons learnt are consistently and systematically shared effectively across sites and divisions although we have been provided examples of when this has happened. From May 2017, Executive Director responsibilities for complaints, concerns and incidents will be managed by the Executive Director of Nursing and Midwifery. This arrangement should help strengthen arrangements for learning and quality improvement.

Overall conclusion

- 23 The Health Board has clearly made improvements since our original review. Nevertheless, a number of the key challenges that we identified in 2013 remain and are taking considerable time to address. The Health Board's response to these challenges is consolidated into the wider set of actions that it is taking forward in response to the special measures improvement framework that has been put in place by the Welsh Government. We do not therefore propose making fresh recommendations but would expect the Health Board to be giving particular attention to the following within its wider response to being under special measures:
- recovering financial performance and developing financial plans which are economically sustainable;
 - the rapid development and agreement of an overall strategy, approvable IMTP and underpinning clinical strategy;
 - fully embedding new quality assurance arrangements into the revised organisational structure;
 - developing new performance measures that align to delivery of objectives and improving population health and well-being;
 - effectively responding to two high-profile reviews⁴ into mental health which are due to be published later this year; and
 - building stronger relationships with partners, as a platform for aligning aims to meet current and future population needs.

4 Donna Ockenden was commissioned by the Health Board to undertake a **Review of the Governance Arrangements Relating to the Care of Patients on Tawel Fan Ward**. The Health and Social Care Advisory Service (HASCAS) was also commissioned by the Health Board to provide the lead independent investigator role in relation to the complaints, concerns and disciplinary matters arising from the investigation into the failings of care on Tawel Fan Ward in the Ablett Unit at Ysbyty Glan Clwyd.

Detailed findings

Effectiveness of the Board and its committees

Board effectiveness

- 24 In 2013, we raised a number of significant concerns relating to Board effectiveness, including:
- a breakdown in working relationships between senior leaders in the Health Board and a lack of cohesion and consensus amongst the Executive;
 - concerns over the way information is presented to the Board;
 - a need for a greater mutual appreciation of the respective roles of executive and independent board members; and
 - a need for better planning of the agenda for Board meetings.
- 25 Our most recent work has identified that the problems we previously described in 2013 with working relationships amongst the Board's senior leaders are no longer apparent. The Health Board has appointed a new Chief Executive Officer and a number of new executive directors. These appointments are making a positive impact. The Board is now working much more cohesively as a team and the relationship between the Chair and Chief Executive is a positive one. The executive are providing a stronger collective steer that is helping the Health Board to negotiate a path through the challenges it faces.
- 26 Since our 2013 review, we have also identified that:
- skill sets of independent members are improved and the appointment of new independent members over the last few years has brought additional experience in a number of key areas;
 - communication to Board members has improved and the daily briefing circulated to independent members ensures they are quickly informed of matters arising;
 - Board development sessions are well attended, and have been used constructively to help develop board members' skills and as a forum to discuss and explore some of the more challenging issues that the Board faces; and
 - the administration and running of Board meetings has improved, supported by agreed standards on board behaviour and the content and timing of papers.

- 27 In general, we have seen better planning of Board meetings; however, there remain some areas that require further attention:
- the Social Services and Well-being population assessment was presented for approval at the public Board meeting held on 16 February 2017. There was apparent confusion amongst board members regarding what was expected of them, given that the ratification process was already underway amongst the Health Board's statutory partner organisations.
 - at the public Board meeting held on 16 March 2017, the Health Board's statutory well-being objectives were presented to the Board for approval. Although this statutory requirement had been known to the Health Board for well over a year, these objectives were simply a rebranding of the organisation's existing strategic objectives and so were approved with little debate. We were also informed that several independent members had not had the intended opportunity to become involved in earlier internal discussions on this topic.
- 28 Interviews also highlighted some concerns relating to the frequency of board meetings, which currently take place monthly. Whilst we recognise the need for the Health Board to ensure that it is proactively and transparently addressing issues, the frequency of meetings does present some challenges. Primarily these relate to an ability to demonstrate progress since the last meeting, and the administrative demand required to support these monthly sessions. Consideration could therefore be given to moving to bi-monthly meetings in line with other health boards in Wales.
- 29 A further area that the Board needs to reflect on is the extent to which the scrutiny it is under in the press and social media is preventing full and frank discussion at public board meetings. The Board must have the confidence to engage in open and challenging debate when needed.

Board assurance and risk management

- 30 Our previous reviews have highlighted the need for the Health Board to improve its approach to risk management. We previously noted concerns that the corporate risk register did not clearly articulate the key risks facing the organisation. This could have resulted in Board members not being fully aware of the severity or detail of issues of concern.
- 31 Since then, the Health Board has taken positive steps to manage risk through the development of its new risk management strategy. Concerns raised by independent board members regarding the format and presentation of the information are being addressed. The Health Board needs to ensure that it gets the balance of detail and content right, and that risks currently identified are effectively captured, described, acted upon and escalated.

- 32 As part of its recent Structured Assessment, the Wales Audit Office highlighted the work that the Health Board is undertaking on its Board Assurance Framework. The Health Board has developed a combined Corporate Risk and Assurance Framework (CRAF) as a pragmatic interim solution in the absence of an agreed IMTP. The Structured Assessment also identified that the clarity of the existing objectives appeared to be a barrier to the development of a robust Board Assurance Framework. This may remain a challenge until this clarity is provided by either reviewing the organisation objectives or further defining them within an agreed strategy and the IMTP. Once objectives are clear, it will become easier to determine the threats to achievement of objectives and to identify the required assurances.

Committee working

- 33 Since our original review in 2013, the Health Board has looked to secure improvements in its governance arrangements. In 2014 and 2015, the Health Board revised its committee structures with the aim of strengthening the way they support and inform the work of the Board. The Board's committees now include QSE; Finance and Performance; Audit; Strategy, Partnerships and Population Health; Mental Health Act; and Remuneration and Terms of Service. All committees have annual work plans.
- 34 The Wales Audit Office identified in its 2016 Structured Assessment that committee effectiveness had improved, with evidence of better scrutiny and challenge supported by improved flows of information and assurances to the board from its committees. The Structured Assessment work also acknowledged the role played by the Committee Business Management Group in ensuring, that collectively, the various committee agendas are aligned and cover all of the essential business of the Board. This arrangement also supports referral of concerns and assurances from one committee to another.
- 35 Our observations as part of this review showed, in general, effective conduct and administration of committees. However, we identified that there is still a need for a greater mutual appreciation of the respective roles of executive and independent board members. There remain ongoing challenges where executives feel that independent members are asking for too much information. Conversely, some independent members feel that papers do not provide enough detail to enable them to provide the correct level of assurance. This is the case at board and committee level and is an issue that the Health Board must address.

Performance and reporting

- 36 Performance management arrangements appear well designed, with clear organisational, committee and executive responsibilities. There are clear remits for the QSE and Finance and Performance committees to review and challenge performance in areas that are related to their terms of reference. As well as good and formal approaches for performance assurance, there are clear accountability and performance management processes between senior management and the divisions.
- 37 Our review of the integrated quality and performance report presented to the Board concluded that it was clear, logical and focused on actions needed to improve performance. We have noted that in common with many other health boards, discussion at Board meetings tends to be focused on operational performance targets. As the Health Board continues to develop its strategy, there should be opportunities to reshape the performance management approach to align more clearly to well-being objectives and patient outcomes, to focus on strategic aims such as delivering care closer to home, and to give assurance on the achievement of deliverables in medium and longer-term plans.

In conclusion

- 38 **Board effectiveness:** the Health Board has made good progress in relation to Board effectiveness since the original 2013 joint review of governance arrangements. Whilst the direction of travel is positive, this review has shown that there are still some challenges to be addressed as part of the ongoing development of the Board.
- 39 **Board assurance and risk management:** risk management arrangements are not yet fully developed across the Health Board, but work to embed the risk management frameworks is continuing. Board assurance arrangements are also developing, but these will need to link better to delivery of strategic objectives once the strategy and the IMTP are developed and agreed.
- 40 **Committee working:** committee arrangements and approaches for managing assurance are improving, although there is still a need to ensure that scrutiny is focused at a level that provides sufficient detail without overstepping into a management function.
- 41 **Performance management:** performance management arrangements are improving and becoming embedded in accountability and improvement arrangements.

Strategic planning and development of sustainable services

- 42 In 2013, we reported that progress in developing strategic plans for acute clinical services had been slow and there was a pressing need for the Health Board to oversee the development of clinically and financially sustainable models of service delivery.
- 43 As part of the requirements of the NHS Finance (Wales) Act 2014, the Health Board must prepare an IMTP. Welsh Government sets out the IMTP planning requirements annually. In broad terms, the Health Board must demonstrate how it will shape services and achieve its objectives and the national delivery framework requirements, within a balanced financial position over a three-year period.
- 44 Since the requirements were established, the Health Board, for varying reasons, has not been in a position to prepare an approvable IMTP. Instead, it has prepared and agreed annual operating and financial plans. For 2017-18, the Board has agreement from Welsh Government that it can continue to operate under annual operating plan arrangements. This is recognised within the Special Measures Improvement Framework.
- 45 The Health Board's overarching strategic approach has been set out in **Living Healthier, Staying Well**. Priorities and challenges are identified in the three key areas: improving health and well-being and supporting the most vulnerable; providing care and support closer to home; and developing hospital services.
- 46 In taking forward work to develop a strategic plan for health services in North Wales, the Health Board has indicated that some core principles will be adopted. For example, there will be three emergency departments and a medical and surgical team in each of the Health Board's three main hospital sites. This should reduce the uncertainty for staff, the public and other stakeholders. However, this level of detail does not inform the public on what other service changes are proposed, nor will it help the divisions plan for specialty-level service change.
- 47 The Health Board has agreed a timeline with Welsh Government to further develop this strategy and a three-year IMTP for 2018-2021. As part of this process, the Health Board has mapped dependencies on its timeline to a range of internal and external factors. This mapping demonstrates the complex landscape in which the Health Board is planning, and gives an indication on the potential for delays in the planning process.

- 48 Whilst the approach for developing the Health Board strategy and IMTP is set out clearly, the detail of the milestones later in 2017 are less clear. For example, it is not yet clear if there will be a formal consultation. If there is, it remains uncertain:
- the level of detail that will be consulted on, i.e. high-level service strategic principles or detail about specialty-level change;
 - the extent to which primary and community services will be consulted upon;
 - how the results will be considered and managed; and
 - the impact that the outcome of the consultation may have on overall planning deadlines.
- 49 The Health Board's public engagement approach is now more comprehensive than we have seen in the past, and it continues to develop. To date, the type of engagement, and responses to it, focus on experience of existing services and thoughts on what needs improving. The Health Board has indicated that it has learnt lessons from how it managed previous service change proposals for maternity and vascular services. The Health Board recognises that effective engagement on potential future service models is going to be needed regardless of any requirement for formal consultation.
- 50 The Health Board aimed to develop a baseline assessment by December 2016, setting out a summary of population health needs, operational performance, drivers for change, outcomes and quality standards. To support this work, the Health Board commissioned external consultancy support. Our review indicates that the baseline work was not completed in the original planned timeframe. While the impact on overall planning timelines may be recoverable, slippage at an early stage may make an already-tight deadline more difficult to achieve.
- 51 Our 2013 review highlighted particular challenges that the Health Board faced in respect of medical recruitment and the financial sustainability of current services. The Health Board's recruitment issues continue, resulting in high reliance on locum and agency staffing. This, alongside changing patterns and complexity of demand is a factor suggesting that current models are not sustainable. At present, we have seen little evidence to indicate that workforce modelling is sufficiently informing the design of services as part of clinical strategy development. If proposed service models are not sustainable from a workforce perspective, then it is also unlikely that they will be financially sustainable and this may undermine the delivery of the IMTP. Budgets continue to reflect the current way services are provided and are not yet shaped by a clear long-term clinical strategy or an IMTP. This is critical to allow the Board to return itself to a position of sustainable financial balance.

- 52 Currently, the Health Board is unable to operate within its financial allocation and its financial out-turn for 2016-17 was a deficit of £29.8 million which gives a cumulative three-year deficit of £75.9 million for the period 1 April 2014 to 31 March 2017. As a result, the Board has failed its statutory duty to ensure that its expenditure does not exceed the aggregate of the funding allocated to it during this three-year period. The Auditor General has therefore qualified his regularity audit opinion on the 2016-17 financial statements, and has also issued a substantive report explaining the failure and the circumstances under which it arose. The Chief Executive has written formally to the Welsh Government, notifying it that the draft interim financial plan will result in the Board again breaching its statutory duty to balance over a three-year basis as at 31 March 2018.
- 53 At its meeting on 16 March 2017, the Board approved its 2017-18 Interim Financial Plan, which includes a deficit budget of £26 million. This assumes the delivery of £35.4 million of savings. However, there is currently a £9.7 million gap in saving schemes, which creates further significant financial risks for the Board in 2017-18.
- 54 The overall financial position is clearly unacceptable and untenable. The Health Board has used benchmarking information, and has identified in its annual operating plan, a number of service areas that are carrying longstanding inefficiencies, most notably, mental health and learning disabilities and obstetric services. Work is still required to marry the financial information with other non-financial data on outputs and outcomes to ensure that, taken together, this information can support effective scrutiny and challenge of the executive. Whilst there is increasing understanding of areas of potential inefficiencies and other cost pressures, it is not clear whether these are being fully considered and addressed as part of the work on developing the IMTP.
- 55 Irrespective of absence of the agreed longer-term plans, the Health Board has started to address a number of pressing issues, including:
- progressing the development of its sub-regional neonatal intensive care centre as part of a developing Maternity, Neonatal and Paediatric Service Strategic Framework;
 - developing a mental health strategy in partnership with local authorities;
 - receiving approval for redevelopment of the Emergency Department in Ysbyty Gwynedd; and
 - agreeing and submitting a business case to Welsh Government for the redevelopment of the Royal Alexandra Hospital site in Rhyl into a healthcare and well-being campus in partnership with other agencies.

- 56 Going forward it is clear that partnership working and achievement of well-being objectives will be core to organisational success. However, our review has indicated mixed views of the effectiveness of partnership working. New partnership arrangements have formed through four Public Service Boards (PSBs) and the North Wales Regional (Part 9) Partnership Board as part of the Well-being of Future Generations (Wales) Act 2015 and Social Services and Well-being Act (Wales) 2014. Of the four PSBs, three are chaired by a health board Area Director and the vice chair of the fourth is also an Area Director.
- 57 We are aware of a number of areas of good partnership working such as Hafod Community Mental Health Team in Denbighshire, the Inspire project in Wrexham, learning disability services in Ynys Mon, joint working with the voluntary sector and development of plans for North Denbighshire Healthcare and Well-being campus. However, we are also aware of operational challenges relating to agreement of funding for continuing healthcare and commissioning of mental healthcare placements.
- 58 Evidence collected as part of this review indicates that more work is required to place strategic partnership working on a stronger footing. The creation of Area Director posts within a revised organisational structure (discussed in more detail in the next section) has helped support partnership working, particularly with the six local authorities. Our review indicated that whilst experiences of partnership working across the region were mixed, progress was being made. However, recent disagreements about the use of Intermediate Care Fund allocations shows that there is further work to be done to foster healthy relationships and develop truly shared aims and plans with partner organisations.
- 59 Wales Audit Office Structured Assessment work has previously identified concerns in relation to change management capacity. Our interviews as part of this joint review indicates some ongoing challenges around capacity to deliver change in the following areas:
- potential complexity of the change agenda and clinical strategy development across a large geographic structure;
 - capacity and capability of central and distributed staff resources available to support delivery of service and clinical change;
 - the focus of senior management, who sometimes are drawn into operational performance matters; and
 - leadership of change where a matrix of responsibilities exists in some areas: for example, Area Directors are responsible for changes to services in areas that they have no direct management control over.

- 60 The Health Board has created the role of Director of Transformation to support improvement in the Health Board and help coordinate change management. It is positive that the Health Board is seeking additional change management capability. However, at the time of our review, the Health Board had not been able to appoint to this role. This is a concern given the important role this post holder needs to play in shaping the central improvement team in a way that will support delivery of complex programmes of change.
- 61 We also understand that the Health Board is consulting on a new 'medical management model' for Secondary Care to help strengthen clinical leadership and engagement both in quality improvement and service development. This appears to be a positive development, although more detailed plans need to be developed and costed.
- 62 The Health Board is also taking positive steps to improve staff engagement and at its January 2017 Board meeting, a staff engagement strategy was approved. The Health Board is adopting a number of strategies in its approach to improve staff engagement. This includes work focusing on culture and behaviour, staff recognition such as the Gwobr Seren Betsi Star Award and Ward Manager leadership development. It is also worthy of note that last year's staff survey results indicated positive overall improvement, albeit from a previously low baseline in 2013.

In conclusion:

- 63 Strategic planning and service development remains a significant challenge for the Health Board. Despite ongoing work, some four years since our original review, the Health Board has still to develop and agree plans for clinically and financially sustainable health services in North Wales.
- 64 The financial position remains extremely challenging. The Health Board has not met either of its statutory financial or planning duties under the NHS Wales Finance (Wales) Act in 2016-17.
- 65 Whilst there is a clear process and timetable in place to further develop the **Living Healthier, Staying Well** strategy, the milestones are challenging and it is still not clear that the Health Board has the capacity and capability to deliver the complex change agenda that is needed.
- 66 The Health Board also needs to ensure that it focuses on ensuring positive working relationships with partners. This will be fundamental to the successful achievement of well-being objectives.

Management and organisational structures

- 67 In our previous reviews, we were critical of the Health Board's organisational structure. We also concluded that leadership and accountability arrangements within that structure needed to be strengthened, and that hospital site management arrangements needed to be clarified. The previous Clinical Programme Group structure has been replaced with a new organisational structure. This includes three area divisions, Secondary Care, and the Mental Health and Learning Disability Division.
- 68 The Area Directors, one each for the west, central and east areas, report to the Chief Operating Officer and have responsibility for community and primary care services as well as some pan-North Wales services. The areas have taken longer to establish than the other divisions both in terms of management appointments into the structure and around the level of autonomy and decision-making authority they are afforded. For example, where Area Directors hold pan-North Wales responsibilities, it is not clear whether there is sufficient clarity of authority to drive service change in services not directly controlled within their area. Local authority representatives generally indicate that the introduction of the area divisions is positive. However, some perceive that the Area Directors are overcommitted and do not always have authority to act, and that this can inhibit successful partnership working.
- 69 A triumvirate of Secondary Care Director, Secondary Care Medical Director and Secondary Care Nurse Director leads the Secondary Care Division. The latter two posts are currently interim. The Secondary Care Division includes the three acute hospital sites, Abergele Hospital, women's services, clinical support divisions and cancer services. Beneath the Secondary Care Director, each of the three acute hospital sites has its own leadership structure that provides oversight for the majority of the services operating from it. In line with the areas, there are also pan-North Wales responsibilities within the Secondary Care Division. This should support more consistent service models across the three sites, but may be challenging to introduce.
- 70 The new organisation structure now includes a Mental Health and Learning Disabilities Division. The Director of Mental Health, who reports directly to the Chief Executive leads this division. The division has a holding structure, put in place by the Director of Mental Health, pending agreement of its strategy. This structure has helped improve clarity of accountability, but at present, it contains a number of interim positions and the division is also reliant on a number of locum and agency staff. Local authorities in general indicated that mental health senior management is engaging better than with the previous structural arrangements.

In conclusion:

- 71 Overall, the creation of a new structure is a positive development. The structure and the roles within it provide clearer lines of accountability and increased management capacity, an issue raised within our 2013 review. However, further work is required to fully embed the structure across all divisions. This includes strengthening clarity of accountability and authority and substantively filling posts. In particular, it is key that Area Directors are supported to effectively modernise services across all three areas.

Quality and safety arrangements

Quality assurance

- 72 Concerns over the Health Board's quality and safety governance arrangements were a central aspect of our 2013 review, and whilst our 2014 follow-up identified some improvements, it was clear that more work was needed. The QSE Committee, which we had been critical of during our 2013 review, has evolved and is maturing. Our observations indicate that whilst the breadth of the agenda is still challenging, the committee is chaired effectively with evidence of improved scrutiny. The effectiveness of the QSE Committee is heavily reliant upon the quality of the information that it receives. Below the QSE, the Health Board's quality assurance arrangements are still evolving.
- 73 Since 2014, the Health Board has refreshed its quality and safety management arrangements. The previous Quality and Assurance Executive Group has recently been replaced due to concerns the Health Board had identified regarding its effectiveness. Its replacement, the Quality and Safety Group (QSG), became operational in February 2017. The Chair for the QSG is the Executive Director of Nursing and Midwifery, with the Executive Medical Director in the Vice Chair role. The Health Board established the QSG to oversee the quality improvement strategy and associated delivery plans. Its primary function is to monitor clinical risks and seek assurance from its subgroups. It provides written assurance reports to the QSE Committee. Our observation of the operation of the QSG, although in its infancy, was largely positive including a well-structured agenda, appropriate attendance and a focus on identifying issues and required improvement actions. Aspects where the group may benefit from strengthening include stronger integration of risk management into the agenda and enhancing focus on clinical governance matters.

- 74 Each division across the Health Board has its own QSE group. These are supported by operational-level QSGs. For example, the Secondary Care Division has a QSE Group and three hospital QSGs that report in to it. The introduction of these quality assurance groups across the divisions has been relatively slow and potentially impeded by the restructuring process over the last 18 months. Our interviews and observations indicate that there is variability in the effectiveness of these groups, with some of them, such as the Ysbyty Gwynedd Quality and Safety Group, being better developed and oriented around risk, issues and driving improvement actions, whilst other groups are yet to fully focus on these key areas. We also noted the Health Board could do more to engage the medical workforce and to ensure that clinical governance, and clinical audit matters that relate to quality and safety, feature more prominently on the safety groups' agenda. Due to concerns about the quality and effectiveness of these divisional groups, we cannot be confident that the correct risks are always being discussed and escalated up to the QSE Committee.
- 75 There has been a concerted effort by the Health Board over the past 12 months to strengthen quality assurance arrangements in regards to mental health services. It is clear that some of the key appointments within this division have had a positive impact. As with other divisions, there is a QSG and associated subgroups within mental health. Whilst this represents an improvement, it will take time for these arrangements to become established and effective. For example, we found issues of concern about some community mental health teams failing to be raised within the Health Board's quality assurance structure, and instead being raised by the respective local authority despite staff within the Health Board being aware of the issues. We have been told that whilst some staff, in both the Health Board and Local Authority, were aware of the concerns and were working to deal with these issues locally, there was a failure to escalate these issues appropriately when progress was not achieved. We understand that arrangements for monthly joint oversight meetings between the Health Board and Local Authority have now been strengthened.
- 76 Notwithstanding the concerns highlighted above, there is generally more confidence amongst managers that issues relating to quality and safety are now identified and reacted to more quickly than might have been the case previously. A good example of this is the steps that the Health Board took to address the concerns that were identified in the Bryn Hesketh Mental Health Unit in 2016. However, it is clear that the mental health service is at the start of a long journey and a sustained effort will be required to ensure that a culture exists which encourages issues to be acted upon quickly and effectively. This includes the need for the Health Board to ensure that it responds effectively to the HASCAS and Ockenden reviews into mental health services and specifically the Tawel Fan Unit once these reports have been published.

Complaints and learning

- 77 Both our 2013 and 2014 reports noted concerns regarding the arrangements in place for the reporting, escalation and investigation of complaints, concerns and incidents. We note some improvement in timeliness of management of complaints. This includes, for example, a reduction in open complaints and complaints open over six months and improving performance against the 30-day response target. Whilst we have seen a number of examples of where the Health Board has learnt from incidents and complaints, further work is needed to ensure that it consistently shares learning internally in order to drive quality improvements.
- 78 Responsibility for complaints, concerns and serious incidents transferred to the Director of Corporate Services' team in 2014. This team is responsible for the coordination of concerns and complaints with each concern being investigated by the relevant service or division. However, our current review heard concerns over the capacity and capability of teams, and there remains a backlog of concerns. Each division has its own clinical governance team, which is supported by a small corporate team that manages redress. The corporate team has recently been short-staffed and this is inevitably leading to pressures in dealing with complaints.
- 79 The evidence we collected during the review indicated that the Health Board has more to do ensure that there is sufficient clinical involvement and ownership in managing the response to complaints, concerns and incidents. It is clear that there needs to be greater involvement of clinicians in quality improvement. The management of concerns and complaints needs to be more focused on quality improvement and the learning of lessons rather than the speed of closure of cases.
- 80 We heard numerous concerns that having complaints, concerns and incidents managed in a different Executive Director portfolio to Quality and Safety has compromised the Health Board's ability to ensure it puts the necessary quality improvements in place in response to something going wrong. The Health Board has addressed this issue and from May 2017, Executive Director responsibilities for complaints, concerns and incidents will be managed by the Executive Director of Nursing and Midwifery.
- 81 More positively, the handling of Healthcare Inspectorate Wales inspection reports is an area where there has been improvement within the Health Board. In particular, much effort and importance has been placed on ensuring that the inspectorate's reports are responded to in a timely and substantial way, with regular papers to the QSE Committee tracking progress against recommendations.

In conclusion:

- 82 **Quality assurance:** the QSE Committee is showing signs of maturing gradually. The Health Board has taken positive steps to refresh its quality assurance arrangements with the introduction of the underpinning QSGs. While quality assurance arrangements are strengthening, we cannot be confident that risks are always being effectively discussed, acted upon where possible, and if necessary escalated up to the QSE Committee.
- 83 Governance arrangements in relation to mental health services have been strengthened, with some evidence of improved responsiveness to issues of concern. However, it will take time for the arrangements to embed and mature.
- 84 **Complaints and learning:** systems are in place to respond to complaints and incidents, and there has been an improvement in performance in terms of the timeliness of case handling and the backlog of open cases. Nevertheless, the capacity of the Health Board to effectively respond to issues raised remains challenging. We have not seen sufficient evidence to suggest that the Health Board has fully embedded a learning culture. Lessons learnt are not systematically shared in an effective way across sites and divisions. Significant attention needs to be given by the Health Board to improving these arrangements.

Appendix 1 – review approach

This review has drawn upon the following recent work at the Health Board:

- Healthcare Inspectorate Wales’s programme of inspections;
- Wales Audit Office’s 2016 Structured Assessment; and
- Wales Audit Office’s Audit of the Health Board’s 2015-16 and 2016-17 Accounts.

The Healthcare Inspectorate Wales and Wales Audit Office review team undertook fieldwork during February and May 2017. The fieldwork comprised:

- interviews with executive directors, senior management and independent members. We also interviewed a range of partner bodies including senior management responsible for Social Services in the Councils, the Chair of the Part 9 Board and representatives from other agencies and inspectorates.
- document review of key papers relating to governance, strategy development, risk, finance, performance and quality and safety arrangements and internal audit reports.

Observations of:

- Board meetings in January, February and March 2017;
- QSE Committee in February 2017;
- Finance and Performance Committee in February 2017;
- Strategy, Partnerships and Population Health Committee in March 2017;
- the executive-level QSG in February 2017; and
- the divisional-level QSE groups for Secondary Care, East Area and Mental Health and Learning Disability, and the hospital-level QSGs for Ysbyty Glan Clwyd and Ysbyty Gwynedd.

Appendix 2 – review team

The Review Team comprised:

- Rhys Jones
- Andrew Doughton
- Sara Utley
- Amanda Hughes
- Alun Hughes
- Nigel Williams
- Christopher Bristow

The team worked under the direction of Alun Jones and Dave Thomas, with reference peer input from Mike Usher.

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Llywodraeth Cymru
Welsh Government

Nick Ramsay AM
Chair
Public Accounts Committee
National Assembly for Wales

28 June 2017

Dear Nick,

I write in response to your letter of 11th May. Your Committee's report into the support provided by the Welsh Government to Kancoat, recommended that I ensure the Ministerial Code requires consideration of perceived conflicts of interest and that the outcome of such consideration is formally fully documented.

The Ministerial Code already requires Cabinet Secretaries and Ministers to take particular care over decisions which could give rise to the possibility of a conflict of interest arising from their portfolio responsibilities and their constituency interests. Cabinet Secretaries and Ministers are personally responsible for their actions and behaviour and must justify their conduct to the Assembly if necessary. If they consider there is the *possibility* of a conflict of interest, advice is sought from my office and where such referrals are made, they are documented, so in this regard the recommendation is already satisfied. I consider the term *possibility* to be broad enough to capture matters which, in the opinion of a Cabinet Secretary, might give rise to a *perception* of a conflict of interest.

I will be writing to Cabinet Secretaries and Ministers asking that they are mindful of decisions taken on matters outside their constituencies which might be of incidental benefit to their constituents and if the benefit is considered significant enough that it should be referred to my office for advice on handling.

Yours sincerely

CARWYN JONES

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

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



Ein cyf/Our Ref: NRW17-018

Agenda Item 2.4

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Mr Nick Ramsay AM
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Committee
National Assembly for Wales
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5 July 2017

Dear Nick,

Natural Resources Wales: Scrutiny of Annual Report and Accounts 2015-16

Thank you for the PAC Report on the above, published on 15 June.

The report made 3 recommendations; NRW accepts those recommendations in full. I attach the Action Plan showing how NRW intends to take forward each of the recommendations, including timelines. You will see that the actions are due to be completed by the end of October 2017; we will write to the Committee during November 2017 to update you on progress.

With best wishes,



Emyr Roberts

**Prif Weithredwr, Cyfoeth Naturiol Cymru
Chief Executive, Natural Resources Wales**

PAC Recommendation 1: We recommend that Natural Resources Wales **undertake a full evaluation of its governance arrangements relating to contracting processes**, clearly setting out lessons learned with specific reference to timber sales contracts referred to in this report.

Action Ref.	NRW Action	NRW Lead	Update	Status
1.1	Identify the key areas of the organisation that are charged with entering or the ongoing management of contracts.	Executive Director of Finance and Corporate Services	Timber Sales, Procurement, Grants & Partnerships, New Enterprises, Future Regulations and initiatives delivered jointly with other bodies	Completed
1.2	Review the process of evaluation, negotiation and awarding of contracts and other external commitments for the key areas identified in action 1.1	Head of Governance and Planning		Ongoing / Completed / Overdue
1.3	Review and strengthen the controls around financial decisions and external commitments which involve commitments under market value and single tenders.	Executive Director of Finance and Corporate Services		Ongoing / Completed / Overdue
1.4	Ensure teams handling contract decisions are aware of NRW response to improve quality of documentation and records of decision making (See action 3.4)	Head of Governance and Planning		Ongoing / Completed / Overdue
1.5	A protocol is put in place for handling post contract negotiations and evidence requirements of any amendments.	Head of Commercial Services		Ongoing / Completed / Overdue

Action Ref.	NRW Action	NRW Lead	Update	Status
1.6	Enterprise Programme Board to review their process to ensure they are effective in challenging/scrutinising all aspects of new enterprises	Head of Commercial Services		Ongoing / Completed / Overdue

PAC Recommendation 2: We recommend Natural Resources Wales **review its delegation arrangements** alongside its **awareness raising of State Aid law, public law and the processes for awarding contracts**. We recommend the **findings of this evaluation are shared with the Public Accounts Committee** to enable this Committee to monitor implementation and progress against identified changes.

Action Ref.	NRW Action	NRW Lead	Update	Status
2.1	Review the Financial Scheme of Delegation (FSoD) to ensure appropriate checks / actions / escalation that are required when dealing with novel, contentious and repercussive issues are included in sign off procedures.	FSoD Coordinator		Ongoing / Completed / Overdue
2.2	Review Non-Financial Scheme of Delegation to ensure appropriate checks / actions / escalations that are required when dealing with novel, contentious and repercussive issues are included in sign off procedures.	Governance Partner		Ongoing / Completed / Overdue
2.3	Develop a workshop to cover State Aid and deliver to staff in the following teams (deemed as most likely to encounter these issues): <ul style="list-style-type: none"> • Grants and Partnerships, • New Enterprises, • Future Regulations • Procurement 	Head of Legal Services		Ongoing / Completed / Overdue

Action Ref.	NRW Action	NRW Lead	Update	Status
2.4	Develop a presentation on Public Law including documentation of decision making and concepts of novel, contentious and repercussive issues; and deliver to staff in the following teams (deemed as most likely to encounter these issues): <ul style="list-style-type: none"> • Grants and Partnerships • New Enterprises • Future Regulations • Procurement 	Head of Legal Services		Ongoing / Completed / Overdue
2.5	Share results with Public Accounts Committee through this action plan and subsequent updates.	Chief Executive		Ongoing / Completed / Overdue

PAC Recommendation 3: We recommend that Natural Resources Wales **review its internal governance arrangements to ensure that its accounting officer, Executive Team and Board should have a much greater role in scrutinising contracting processes and the awarding of contracts.** It is imperative that **these processes are robust with a clear and demonstrable audit trail that decisions have been taken on a fair and sound basis.**

Action Ref.	NRW Action	NRW Lead	Update	Status
3.1	Review internal governance arrangements to ensure <ul style="list-style-type: none"> • clarity of the remit of Boards and Committees • appropriateness of the escalation routes • effectiveness of the oversight they provide 	Head of Governance and Planning		Ongoing / Completed / Overdue

Action Ref.	NRW Action	NRW Lead	Update	Status
3.2	<p>Review NRW Governance arrangements to ensure all 'significant' income and expenditure contracts (above a financial ceiling to be set by NRW) should:</p> <ul style="list-style-type: none"> • consider the approval limit within the FSoD of the letting of timber sales contracts • be referred to Executive Committee/NRW Board for approval; and • be subjected to appropriate scrutiny which may include seeking legal advice on State aid rules and/or compliance with procurement regulations, and formal consideration as to whether the contracts should be referred to the Welsh Government as potentially novel, contentious or repercussive. 	<p>Head of Commercial Services for Sales Contracts</p> <p>Head of Procurement for Procurement Contracts</p>		Ongoing / Completed / Overdue

Action Ref.	NRW Action	NRW Lead	Update	Status
3.3	<p>Review governance arrangements of Sales and Procurement contracts to ensure all 'significant' contracts let without competition (individually or collectively) are:</p> <ul style="list-style-type: none"> • considerate of the approval limit within the FSoD of the letting of timber sales contracts • reported to the Audit and Risk Assurance Committee (as single tender actions) for scrutiny; • the rationale for letting contracts without competition is documented, including clear evidence of matters such as urgency and market conditions or evidence that there is a single source of supply or single unique supplier; and • the letting is subject to a legal assessment which takes into consideration procurement regulations, State aid and risk of legal challenge. 	<p>Head of Commercial Services for Sales Contracts</p> <p>Head of Procurement for Procurement Contracts</p>		Ongoing / Completed / Overdue
3.4	<p>Roll out an initiative to improve the quality of</p> <ul style="list-style-type: none"> • the documentation submitted to the Boards, Committees and Senior Management Groups • the record taking to document decisions they make. 	Head of Governance and Planning		Ongoing / Completed / Overdue

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