

Agenda – Public Accounts Committee

Meeting Venue:

Committee Room 3 – Senedd

Meeting date: 15 July 2019

Meeting time: 12.45

For further information contact:

Fay Bowen

Committee Clerk

0300 200 6565

SeneddPAC@assembly.wales

(Private Pre–Meeting)

(12.30 – 12.45)

(The Committee agreed on 8 July 2019, a motion under Standing Order 17.42 to resolve to exclude the public from Item 1 of this meeting)

1 Management of follow up outpatients across Wales: Consideration of draft report

(12.45 – 13.10)

(Pages 1 – 38)

PAC(5)–20–19 Paper 1 – Draft Report

2 Introductions, apologies, substitutions and declarations of interest

(13.10)

3 Paper(s) to note

(13.10)

3.1 The Welsh Government’s youth discounted bus fare scheme – MyTravelPass: Letter from the Welsh Government (28 June 2019)

(Pages 39 – 40)

3.2 Scrutiny of Accounts 2017–18: Letter from the Public Services Ombudsman for Wales (4 July 2019)

(Pages 41 – 43)



3.3 Housing Adaptations: Letter from the Welsh Government (5 July 2019)
(Pages 44 – 51)

3.4 Governance Review of Betsi Cadwaladr University Health Board: Lessons Learnt: Welsh Government Response
(Pages 52 – 54)

4 M4 Relief Road: Evidence Session with Welsh Government
(13.15 – 14.50) (Pages 55 – 87)

Research Briefing

PAC(5)–20–19 Paper 2 – Welsh Government

Andrew Slade – Director General, Economy, Skills & Natural Resources Group,
Welsh Government

Simon Jones – Director, Economic Infrastructure, Welsh Government

Andy Falleyrn – Deputy Director, Infrastructure Delivery, Welsh Government

(Break)

(14.50 – 15.00)

5 Implementation of the NHS Finance (Wales) Act 2014: Evidence Session with Welsh Government
(15.00 – 16.30) (Pages 88 – 130)

Research Briefing

PAC(5)–20–19 Paper 3 – Welsh Government

Dr Andrew Goodall – Director General HSS/Chief Executive NHS Wales

Alan Brace – Director of Finance, Welsh Government

Helen Arthur – Director of Workforce & Organisational Development, Welsh
Government

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

(16.30)

Items 7 & 8

7 M4 Relief Road: Consideration of evidence received

(16.30 – 16.45)

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

Consideration of evidence received

(16.45 – 17.00)

Document is Restricted

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

Cyfarwyddwr Cyffredinol - Director General



**Llywodraeth Cymru
Welsh Government**

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

27 June 2019

Dear Chair

Public Accounts Committee: Consideration of Wales Audit Office report on The Welsh Government's youth discounted bus fare scheme – MyTravelPass

During the Public Accounts Committee evidence session on 20 May, we agreed to provide the Committee with further information in a number of areas. These were:

- the number of active, live and unused MyTravelPasses, as well as figures for the uptake amongst the new age bracket;
- details of the compensation mechanism used to reimburse bus operators; and
- details of the revised budget for the scheme after it was extended to include 19-21 year olds, and the analysis that informed the revised budget.

The number of active, live and unused MyTravelPasses, as well as figures for the uptake amongst the new age bracket

As at 9 May 2019, there were 17,795 live MyTravelPass passes (valid for travel) split between 16,961 for 16-18 year olds and 834 for 19-21 year olds.

Of these 17,795 live passes, 2,287 distinct passes were used to purchase tickets where the sale was recorded electronically (2,226 passes belonged to 16-18 year olds and 61 by 19-21 year olds). In all, 29,344 smart tickets were purchased, some of which will have been valid for multiple journeys. Unfortunately, as not all ticket purchases are recorded electronically, it is not currently possible to identify the number of unused passes.

Details of the compensation mechanism used to reimburse bus operators

Since 1 April 2017, we have continued to compensate bus operators in arrears at a one-third discount of the appropriate adult fare charged by each local bus service provider, for carrying 16-18 year olds initially and for 16-21 year olds following the raising of the upper limit. Once claims are received from operators, valid claims are reimbursed within 14 working days.

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Details of the revised budget for the scheme after it was extended to include 19-21 year olds, and the analysis that informed the revised budget

The Minister for Economy and Transport has approved funding of up to £2m (exc. VAT) in 2019-20 for continuation of a discounted bus scheme for younger persons, including administration costs and marketing & promotion for the extended age range of 16-21 year olds.

The estimated annual impact of extending the upper age of eligibility to 21 years old for a one third discount was based on the following assumptions (using ONS data):

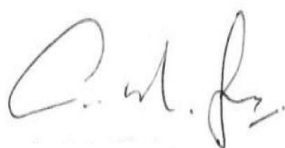
Maximum age	16-18	16-21
Eligible population	101,541	223,366
Estimated take-up rate	12%	12%
Estimated number of passes annually	12,185	26,804
Estimated number of trips per pass annually	110	110
Estimated number of annual trips	1,340,341	2,948,341
Average compensation per trip	0.6	0.6
Estimated cost	£804,205	£1,769,059

Note:

- The take-up rates and average compensation rates for the 16-18 year olds provision were the basis for estimating average journey rates for the extended age ranges.
- The estimated cost for 16-21 years olds in the table excludes additional administration costs and marketing & promotion of up to £150,000 for the extended age range, which will be met within the approved funding of £2m.

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


Yours sincerely




ANDREW SLADE
Director General
Economy, Skills and Natural Resources

Our ref: NB/mm

Ask for: Nick Bennett

 01656 641152

Date: 4 July 2019

 Marilyn.morgan
@ombudsman-wales.org.uk

Nick Ramsay AM
Chair
Public Accounts Committee

By Email Only:
SeneddPAC@assembly.wales

Dear Nick

ARAC/Advisory/Corporation Sole

Thank you for your letter dated June 4 2019, I am very happy to offer further information and clarification to the points raised by the Committee in your letter.

Firstly, my points about conflation with traditional board/Audit Committee arrangements was to emphasise that there are aspects of Board good practice guidance which are not compatible with Corporation Sole status. For example, the Code of Good Practice says:

“The board forms the collective strategic and operational leadership of the department, bringing together its ministerial and civil service leaders with senior non-executives from outside government, helping the department to operate in a business-like manner. The board’s role includes appropriate oversight of sponsored bodies.”

It is important that the Advisory Panel is not confused with a traditional Board and that the guidance is not interpreted in a manner that could generate confusion. The Advisory Panel is intended to provide advice and guidance to me as Corporation Sole but, as Corporation Sole, responsibility for the organisation is entirely mine.

The arrangements here are therefore very different from a conventional Board set up in business, but also from that in government departments or indeed from the arrangements for the Auditor General and the Wales Audit Office where there is a formal board.

That said, I established the Advisory Panel because I want to benefit from wider perspectives and experience and I consider that the Advisory Panel performs a useful function in that context.

Page 1 of 3

Chair of ARAC and Advisory Panel

In terms of the common chair of both Committee and Panel, Jonathan Morgan resigned from his position as Chair and member of the Advisory Panel for personal reasons. I am happy that he is able to remain as Chair of ARAC so this will allow us to have some diverse membership on both committees and to keep this under review for the future. Following Jonathan's resignation, Anne Jones who currently sits on both the Advisory Panel and ARAC, was nominated by the independent members of the Panel to take over as Chair. I will also be appointing an additional independent member of the Advisory Panel who will not be a member of the Audit & Risk Assurance Committee.

Special Payments

I can confirm that all special payments were connected to termination of employment and did represent value for money. Arrangements were made in accordance with the ACAS Code of Practice and in each case I sought, received and followed legal, Human Resources and financial advice. I shared information with the auditors and agreed the presentation of the disclosures in my accounts to be open and to comply with Managing Welsh Public Money.

Annual Report and Accounts

I note concern from the Committee about my reference to the role of the Auditor General in his audit and review of my Accounts and Annual Report. Please allow me to explain the following:

From the Government Reporting Manual (FreM) 2018-19 the Auditor General has a role in auditing the Performance Report Section of the Annual Report and Accounts in order to review it for consistency with other information in the financial statements. Performance Analysis must include:

- Information on how the entity measures performance i.e. what the entity sees as its key performance measures, how it checks performance against those measures and narrative to explain the link between KPIs, risk and uncertainty;
- A more detailed analysis and explanation of the development and performance of the entity during the year and an explanation of the relationships and linkages between different pieces of information. This analysis is required to utilise a wide range of data including key financial information from the financial statements section of the accounts;
- Non-financial information including social matters, respect for human rights anticorruption and anti-bribery matters;
- Reporting entities are expected to provide information on environmental matters including the impact of the entity's business on the environment. Entities must also comply with mandatory sustainability reporting requirements;
- Performance on other matters as promulgated by HM Treasury in PES papers.

It is my understanding that the Auditor General does review the whole document ensuring that it complies with the structure laid down by the FreM and contains all the required information that is consistent with the audit of the Financial Statements. My office completes two FreM checklists that are required to be supplied to the Auditors – one is 234 rows of data and covers the content of the whole ARA and one is specific to the Annual Report section and is 65 rows of data.

The Auditor General provides assurance that the Performance Report contains what it should, rather than the accuracy of data within it, unless linked to the Financial Statements. Our future Annual Report and Accounts will contain detailed KPIs linked to our Corporate Plan to enhance our performance reporting and we continually review other organisations' reports for best practice.

In fact, our Annual Report and Accounts is very much modelled on the format of Wales Audit Office.

I hope this clarifies issues for you and the Committee and should there be any further issues, please do not hesitate to contact me.

Yours sincerely

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

Nick Bennett
Ombudsman

Agenda Item 3.3

Tracey Burke

Cyfarwyddwr Cyffredinol / Director General

Y Grŵp Addysg a Gwasanaethau Cyhoeddus
Education and Public Services Group



Llywodraeth Cymru
Welsh Government

Nick Ramsay AM
Chair of the Public Accounts Committee
National Assembly for Wales
Cardiff Bay
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5 July 2019

Dear Mr Ramsay,

THE PUBLIC ACCOUNTS COMMITTEE – HOUSING ADAPTATIONS UPDATE JULY 2019

I am pleased to provide an update on the implementation of the recommendations in the Public Accounts Committee's Housing Adaptations report July 2018.

For ease of reference, the Committee made six recommendations. Recommendation 1 was for completion by December 2018 and I wrote to you on 1st March 2019 explaining that implementation of this recommendation had been completed.

Three recommendations (2, 3 & 4) were for completion by July 2019 and I am writing to you today to provide an update on those recommendations. As you will see in the attached update table, Recommendations 2 and 4 are already complete. For Recommendation 3, good progress is being made, but due to its complexity and sensitivity and the imperative to work collaboratively and with proper consultation, we feel a revised deadline of February 2020 is needed to ensure that this recommendation is fully met.

The remaining two recommendation (5 & 6) were given completion dates of December 2019. I am pleased to report that Recommendation 6 has already been completed. Good progress is being made on Recommendation 5, working collaboratively with members of the Housing Adaptations Steering Group. As part of work progressing Recommendation 5 consideration has been given to potential improvements to the approval process of Physical Adaptation Grants.



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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.

To summarise, four of the six recommendations are now completed and good progress is being made on the two outstanding. I will provide the Committee with an update on these at the appropriate times.

Yours sincerely

A handwritten signature in black ink, appearing to read "Tracey Burke." The signature is written in a cursive style with a prominent initial 'T'.

Tracey Burke

Title of report	Housing Adaptations – Report of the PAC
Update	July 2019

No.	Recommendation	Status	Target date
1	We recommend that the Welsh Government publishes the performance data it has collated under the ENABLE review by November 2018. In publishing this information the Welsh Government should clearly set out any deficiencies in the first round of performance information it collected – for example, organisations not providing returns – and how it intends to address these gaps.	Completed November 2018 Response provided in my letter of 1 st March 2019	Complete
2	We recommend that the Welsh Government prioritise the establishment of national minimum standards for all adaptations to ensure disabled and older people receive the same standard of service irrespective of where they live, who their landlord is and whether they own their own home. In particular, they should ensure that the data underpinning this exercise is robust and comprehensive. In their response to the Auditor General’s Report, Welsh Government stated a completion date of December 2019. Given slow progress in the past, the Committee believes this needs greater urgency from Welsh Government and should be completed by July 2019. The Committee will monitor delivery to ensure the minimum standards have been established and disseminated by July 2019.	Completed April 19 The Welsh Government published new standards of service for housing adaptations ¹ in April 2019. These Service Standards set out the level of service expected for the delivery and installation of a housing adaptation that service users, regardless of their geographic location and tenure, can expect. They will help to ensure service providers deliver housing adaptations in a more consistent manner and inform service users on the level of service to expect when they seek support for a housing adaptation. Accordingly, we consider this recommendation and the associated recommendation from the Wales Audit Office’s report have been addressed.	Complete

¹ <https://gov.wales/housing-adaptations-standards-service>

No.	Recommendation	Status	Target date
		<p>Data collected by the Welsh Government as part of its regular grant monitoring arrangements will be used as evidence on the delivery of service standards. The first data review², outlined in recommendation 1, was published in November 2018, with the next update anticipated to be published in November 2019 and will allow for evaluation to be made of the impact of service standards, albeit changes in outcomes may take time to emerge.</p>	
3	<p>We recommend that the Welsh Government sets clear standards for means testing DFGs. Welsh Government accepted that it is possible to undertake small and medium scale adaptations without creating complex and overly bureaucratic approval processes, but the variation in local authority approaches had resulted in a post-code lottery for applicants. We therefore recommend that Welsh Government reviews current approaches and produces guidance that clearly set out the minimum value and type of adaptations works where the means test should be applied and minimum approval standards required. The Committee will monitor progress that this work has been done, no later than July 2019.</p>	<p>The action in response to the recommendation is also relevant to recommendation 5 in the Wales Audit Office's Report, which was originally scheduled for completion by April 2019. Progress is being made through a dedicated Task and Finish Group to develop options on guidance that can be followed by a local housing authority when applying means tests for DFG housing adaptations, which is relevant to this recommendation and that made in the Wales Audit Office's report into housing adaptations.</p> <p>The group has drafted a proposal which does not favour the option of removing means testing entirely, on the basis there may be inequitable outcomes to applicants of the grant. They have proposed that means testing should not be applied to less complex (small and medium) adaptations or individuals receiving palliative/end of life care.</p> <p>If the Housing Adaptations Steering Group and the</p>	<p>Revised target date Feb 2020</p> <p>Early work highlighted the complexity of this task. On reflection therefore, to ensure a good outcome is delivered more time is needed to complete this task.</p>

² <https://gov.wales/enable-programme-analysis>

No.	Recommendation	Status	Target date
		<p>Welsh Ministers accept the recommendation the Welsh Government would wish to test policy options fully, through wider consultation before making a formal recommendation on a minimum size and type of adaptation work where a means-test is applied.</p> <p>Some initial work has been undertaken to explore how local authorities had developed changes of practice through the use of powers available to them under the Regulatory Reform Order 2002. However, that document is currently high-level in nature and does not have sufficient detail to merit publication. The policy preference that this initial work is used alongside allocation analysis research (referred to in recommendation 4).</p> <p>Leadership is provided by the Welsh Government through the Housing Adaptations Steering Group and associated Task and Finish Groups will continue to support the progression of this recommendation.</p>	
4	<p>We recommend that the Welsh Government provide support and guidance for delivery organisations to improve integration of services, for example through integrated delivery teams. We note that there appears to be a strong relationship between the presence of integrated delivery teams, and good practice in delivering adaptations. We therefore recommend that, as part of its ENABLE work, the Welsh Government identifies the nature of this relationship and how this has supported better outcomes. We will require the Welsh Government to demonstrate</p>	<p>Evidence provided to the Welsh Government Housing Adaptations Task and Finish Group has reaffirmed the value of co-location of services and the creation of single points of access for housing adaptations.</p> <p>Practical steps to improve the level of integration have been made through the publication and promotion of the Welsh Government's standards of service for housing adaptations. The document targeted at local authorities and their partners, emphasises the importance of integrated working</p>	Complete

No.	Recommendation	Status	Target date
	to the Committee that this work has been done, no later than July 2019.	<p>across services.</p> <p>Terms and conditions of the ENABLE grant to local authorities require recipients to seek to achieve integration of services across local authorities, social landlords and health agencies at a local and regional level.</p> <p>Grant terms and conditions for Care and Repair Agencies require that they promote integrated delivery across local authorities, social landlords and health agencies at a local and regional level. Officials continue to work with delivery agencies and local authorities to deliver a single point of entry in the provision of housing adaptations.</p> <p>The Welsh Government initially intended to address the recommendation in part by commissioning research so that a systems review was undertaken into housing adaptations in Wales. It was not possible to progress that procurement exercise due to a lack of bidders. In light of direction given by the Housing Adaptations Steering Group, a more concentrated research exercise, focused on funding allocation analysis will be carried out (with a due date for completion in December 2019, which will be in line with the previously stated deadline date for the systems review research). The evidence base provided by the research will evidence the extent to what further action is required to address gaps in services caused by poor integration.</p>	

No.	Recommendation	Status	Target date
		Completed	
5	<p>We recommend that the Welsh Government, through the new “Enhanced Adaptations Development Group” seeks assurance that delivery organisations are taking the necessary steps to discharge the Auditor General’s recommendations. Given witnesses, including Welsh Government, accepted the findings of the Auditor General and the need for change, the Committee believe it is appropriate for the Welsh Government to take a lead in ensuring these long-standing weakness are addressed. We will require the Welsh Government to demonstrate to the Committee that this work is progressing, no later than December 2019.</p>	<p>The Welsh Government has taken a lead on addressing long term weaknesses identified by the Wales Audit Office. The work of the Enhanced Adaptations Steering Group has been reviewed. The Group has been renamed the Housing Adaptations Steering Group. The Terms of Reference state explicitly that the group is focussed on delivery of the Wales Audit Office recommendations and it has a work plan that addresses each of the recommendations. Membership of the group has been revised to align its work with this delivery objective.</p> <p>Members of the Group, include representatives from Care and Repair Cymru, Community Housing Cymru, the WLGA, local authorities as well as Disability Wales and the Older People’s Commissioner for Wales.</p> <p>Task and finish groups have been formed to focus on particular clusters of the recommendations made by the Wales Audit Office.</p> <p>Meetings of both groups have taken place during the last reporting period draft papers outlining policy approaches to the recommendations have been prepared and will be presented to the Steering Board on 20 July.</p> <p>The policy proposals, if endorsed, will be presented to stakeholders.</p>	<p>Dec 2019</p> <p>Work ongoing</p>

No.	Recommendation	Status	Target date
6	<p>We recommend that the Welsh Government revises its national performance indicators for data collection in 2019-20. The indicators should be designed to allow delivery organisations to evaluate their performance, inform their strategy and improve service delivery. The Welsh Government should ensure the revised measures:</p> <ul style="list-style-type: none"> • Reflect the minimum standards developed for adaptations to allow an evaluation of the impact, wellbeing, and wider benefits of investment in adaptations; • Address the deficiencies identified in the Auditor General's report (paragraph 4.13); and • Address any gaps identified from the first year monitoring and evaluation of ENABLE. <p>The Committee will monitor progress that this recommendation has been completed, no later than December 2019.</p>	<p>Completed April 19</p> <p>A new electronic template and guidance was published on the Welsh Government's website, which also reflect the new service standards published in April 2019. Data collection covers all funding streams including those targeted at Registers Social Landlords and local authorities as identified by the Wales Audit Office's report into housing adaptations. The template and guidance build on experience in collecting data and now includes a more detailed customer satisfaction section that is anticipated to add to our understanding of the impact of housing adaptations on the recipient of the work. Work is continuing to collect and bring together data on the performance of delivery organisations during the 2018-19 period. This will be published as soon as that exercise is completed and relates to Recommendation 9 of the Wales Audit Office's report.</p>	Complete



Llywodraeth Cymru
Welsh Government

Ein cyf/Our ref: MA/P/VG/2263/19

Nick Ramsay AM
Chair – Public Accounts Committee
National Assembly for Wales
Cardiff Bay
Cardiff
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8 July 2019

Dear Nick,

**Report of the National Assembly for Wales Public Accounts Committee on
'Governance Review of Betsi Cadwaladr University Health Board: Lessons Learnt'.**

I enclose a copy of the Welsh Ministers response to the recommendations set out in the above report which will be laid before the Table Office.

On behalf of the Cabinet, I would like to thank you and the Committee for the careful and considered way in which you undertook the investigation and produced the report.

The relevant Additional Accounting Officer will be pleased to provide any further information, explanation or detail if required, following this response.

Yours sincerely,

Vaughan Gething AC/AM

Y Gweinidog Iechyd a Gwasanaethau Cymdeithasol
Minister for Health and Social Services

Enclosure: Annex A

Canolfan Cyswllt Cyntaf / First Point of Contact Centre:
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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.

Response to the Report of the National Assembly for Wales Public Accounts Committee Report on ‘Governance Review of Betsi Cadwaladr University Health Board: Lessons Learnt’

Provided by: Minister for Health and Social Services

Date: 8 July

The Welsh Government welcomes the findings of the report. I have already outlined improvements and challenges that remain in the Health Board in my Statement of the 4 June 2019. In addition, I offer the following response to the three recommendations contained within it.

Recommendation 1. We are unconvinced that sufficient resources are being devoted to turnaround action and although the Board has appointed a Director of Turnaround, we recommend the Board consider bringing in additional specialist external turnaround expertise to assist with this.

Accept – We have provided significant additional support, amounting to over £80 million, to the health board under the special measures arrangements including investment to improve mental health and maternity services and recurrent funding of £2.3 million per annum towards operational care structures. Welsh Government assessment of the recent progress report on the special measures framework recognises progress in governance and quality processes, board leadership, mental health services, engagement and partnership working and primary care but we have been clear with the health board that there is much more to do, especially in relation to securing sustainable improvement in financial and waiting time performance. We agree this will require an organisation-wide approach and further assistance and expertise on recovery and turnaround.

The health board recognises a significant shift is required in turnaround and recovery delivery. To ensure activities are aligned, co-ordinated and appropriately resourced it has restructured its turnaround function and leadership into three areas:

- Turnaround – under the leadership of the Director of Finance;
- Service & Productivity Improvement; and
- Delivery Management Office – both under the leadership of Executive Director of Workforce & OD

The Health Board is also appointing an external expert as Director of Recovery, which will help respond to the PAC’s turnaround recommendation. Further Welsh Government support for turnaround and recovery is to be finalised imminently and we would be happy to provide a further update to PAC.

Recommendation 2. We recommend that the Welsh Government writes to all NHS bodies advising on the publication of reports to ensure the handling is better managed in future. This advice should refer to providing advance notice of publication of reports along with an embargoed copy of the report, to all affected parties, ahead of the media. Adequate support should also be made available to those who may require it.

Accept – When reports on failures in care are published the needs of those affected should be the primary concern and we need to ensure they are properly supported.

Standard practice is to follow a publication and communications plan that provides the affected parties with copies of the report and expert briefing including an opportunity for them to ask questions of the authors. We also aim to provide other technical and emotional support including, where needed, a helpline or access to counsellors. In line with the standard practice, journalists receive copies of reports and a briefing at the same time as affected parties at different locations. Reports are also shared with Assembly Members and other interested stakeholders.

However, there is always a need to learn lessons from the experience on handling publication of reports and ensure we are both open and transparent while, at the same time, being sensitive to the needs of the people involved. This includes ensuring they are provided the appropriate information with the right technical and emotional support to meet their needs. This has been reflected recently in how the families and staff were involved in the publication of the Royal Colleges report into maternity services at Cwm Taf.

In light of the recommendation Welsh Government will further review how interested parties are involved and supported in future publications. Following the review we will write to advise all NHS bodies on handling of the publication of reports and share a copy of the letter with the PAC when it is issued.

Recommendation 3. We recommend that in the future, the Welsh Government ensures that any commissioned reviews into failings within any Health Board in Wales are established independently of the Health Board in question.

Accept – This learning has already resulted in action being taken to ensure commissioned reviews into failings are not led by the Health Board in question. This was recently demonstrated when the Minister for Health and Social Services asked for the Royal Colleges review into maternity services in Cwm Taf University Health Board to be commissioned and reported to Welsh Government, to avoid any conflict of interest and maintain independence.

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Evidence Paper in advance of the Public Accounts Committee Scrutiny Session – 15.07.2019

Development Expenditure on the M4 Corridor around Newport Project

Section 1: Steps taken and procedures followed for the development of the proposals.

Section 2: Expenditure details.

Section 3: Value for money considerations i.e. procurement processes and Ministerial approvals.

Section 4: Benchmarking of expenditure.

Section 5: Land and property acquisition.

This paper provides written evidence to the Public Accounts Committee on expenditure on developing the M4 Corridor around Newport Project ('the M4 Project') up to the point of the First Ministers decision not to make the statutory Orders.

Whilst the Committee is clearly not scrutinising the First Minister's decision or the next steps set out by the Minister for Economy and Transport, a summary of the latest position is provided below.

In his oral statement on 4 June, the First Minister set out that he would not be making the statutory Orders for the M4 Project due to the capital spending demands for the coming years across all portfolios, and the greater weight that the First Minister placed on the adverse impacts that the project would have on the environment than the Planning Inspector had, when balanced against the expected benefits.

On 5 June, the Minister for Economy and Transport set out implementation of a suite of measures to provide modest but immediate benefits including additional traffic officers, dedicated on-call recovery vehicles, live journey time information, exploring the operation of junctions and a driver behaviour campaign. He also set out details of a South East Wales Transport Commission to consider congestion on the M4 in south east Wales, and make recommendations to the Welsh Government on a suite of alternative solutions in the light of the First Minister's decision.

The Terms of Reference of the Commission were published on 5 June and it was announced that Lord Terry Burns will be its Chair. The Minister for Economy and Transport's statement is available here: <https://gov.wales/m4-newport-next-steps>.

Section 1: Steps taken and procedures followed for the development of the proposals.

Processes are in place for ensuring staged decision making and value for money from consideration of transport infrastructure interventions such as the M4 Project, which followed the timeline as summarised in Table 1 below.

Table 1 – General Timeline

Date	Step
Prior to 2013	Variants of a new section of motorway were considered up to a decision it was unaffordable in 2009. Between 2010 and 2012 packages of cheaper measures were considered under the 'M4 Corridor Enhancement Measures' Programme. These costs are considered outside of the development of the M4 Project, but total £24.7m dating back to 1992.
March 2013	Cabinet considered a paper from the Transport Minister on the strategic enhancement of the M4 including the outcome of the M4CEM consultation. Cabinet endorsed the next steps for progression of the scheme pending agreement of access to borrowing powers.
June 2013	Following agreement of early access to borrowing powers, and the WelTAG process [explained further in this evidence paper], Cabinet considered a paper from the Transport Minister recommending next steps be taken to publish a strategic 'draft Plan' for a new section of motorway and complementary measures, alongside announcements to proceed with the SE Wales Metro.
2013 - 2014	'Strategic Environmental Assessment' was carried out in accordance with EU Directive 2001/42/EC. This process provides for the high level protection of the environment, by ensuring the integration of environmental considerations into the preparation of plans and programmes (before they become 'projects') and to contribute to the promotion of sustainable development and environmental protection. This included Health and Equalities impact assessments and consultations, testing of 'reasonable alternatives' and stakeholder/public.
July 2014	Cabinet approval to finance the M4 Project through a combination of direct borrowing and capital budgets, followed by a transport Minister decision to adopt the strategic Plan for a new section of motorway. Effectively the decision by Welsh Ministers to proceed with project level development.
2015	Judicial Review of Welsh Ministers strategic decision. Appointment of an Employer's Agent (Arcadis) and an Early Contractor Involvement Team to develop the project level detail. This team consisted of an international consortium of Costain, Vinci Grand Projects Taylor Woodrow, as contractors, with designers Arup and Atkins and environmental advisors RPS.
Mar 2016 – Mar 2018	Following Ministerial approvals, publication of draft Orders and accompanying design and environmental information, up to close of Public Inquiry.
Sept 2018 – Feb 2019	Receipt of Inspectors Report by Welsh Government officials, due diligence work carried out inc. legal and policy review.
Feb 2019 – June 2019	Consideration of Inspector's report and advice by First Minister including Cabinet discussion on affordability.
4 June 2019	First Minister's decision not to proceed with making the Orders.

Welsh Transport Appraisal Guidance (WeITAG) Process

The development of the M4 Project followed the WeITAG process.

The WeITAG process is Welsh Government's structured process for developing a proposed intervention to the transport system, from assessment of the problem, consideration of possible solutions and scheme design, through to implementation and project evaluation.

There are five WeITAG stages as shown in Figure 1 overleaf. The first three stages lead up to the selection of the proposed intervention. The final two stages cover the period during and after implementation, recording what actually happens and is achieved.

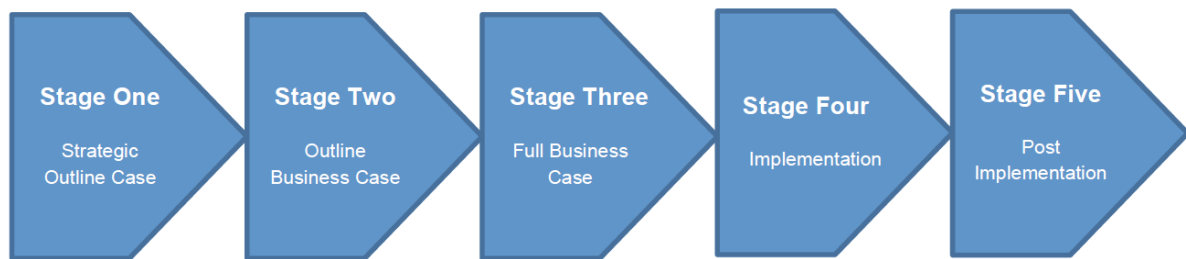


Figure 1 - WeITAG Stages

The 2013 WeITAG Stages 1 and 2 reports are available here: <http://m4-newport.persona-pi.com/4-scheme-development-and-alternatives>. The related business cases are provided below.

Strategic Environmental Assessment

Due to the scale of the proposals it was concluded that a 'Strategic Environmental Assessment' process was legally appropriate to comply with European Environmental Regulations. The SEA procedure requires that an environmental report is prepared in which the likely significant effects on the environment and the reasonable alternatives of the proposed plan or programme are identified. The public and the environmental authorities are informed and consulted on the draft plan or programme and the environmental report prepared. This process involved:

- Proposal and assessment of a 'draft Plan'
- Assessment of 'Reasonable Alternatives'.
- Strategic Environmental Assessment including Habitats Regulations Assessment.
- Production of a Health Impact Assessment and workshop with stakeholders.
- Equality Impact Assessment and workshop with stakeholders.
- Public consultation and exhibitions on the above.

Although this work was technically in advance of the project level development, it is included in the information provided to the Committee on costs associated with the M4 Project as it directly informed the strategic decision to proceed with a project.

Business cases have been prepared for the staged approvals of the proposals in accordance with Treasury Green Book 'five case business model' guidance.

The strategic decision to proceed with the development of the M4 Project in 2014 was informed by the 2014 Outline Business Case:

<http://www.m4newport.com/assets/business-case-20142.pdf>

The Public Inquiry process was informed by a 2016 Economic Assessment Report and 2016 Wider Economic Assessment Report. During the course of the Inquiry a significant change in scope of the project occurred to mitigate impacts on Newport Docks. As a result the Economic Assessment Report was revised, as was the Wider Economic Assessment Report. All these reports are available here: <https://gov.wales/m4-corridor-around-newport>

Key Stage Approval Process

The delivery of Welsh Government major road projects follows a linear Key Stage Approval (KSA) process providing the financial approval framework for the projects covering option appraisal, design, the statutory process, construction and aftercare. Project progression is dependent upon a stage gate review and Ministerial approval. The Key Stage approvals process also includes a series of gateway reviews.

The Key Stage Approval process aligns with the WelTAG process and is based on the 'PRINCE2' project management techniques.

Following the strategic decision to proceed with taking forward a new section of motorway in 2013 (and the subsequent Judicial Review for which costs are allocated in this paper) the M4 Project commenced 'Key Stage 3', up to publication of draft Orders and all relevant information to enable the statutory decision making process. 'Key Stage 4' was also completed which spans from the publication of the draft Orders through Public Inquiry up to the point of a decision on whether to proceed to construction.

Project Development Activities and Outputs

Some of the activities and outputs of the development stages of the M4 Project, from preferred route to statutory decision making, included those set out in Figure 2 below.

These were primarily produced by the Costain Vinci Joint Venture 'Early Contractor Involvement' Team Technical and Procedural Team. The expenditure with whom is set out in Table 2 below.

- Ground investigation to inform preliminary project design and increase construction forecast accuracy.
 - Production of preliminary design in accordance with the Welsh Government's 'Design Manual for Roads and Bridges' (DMRB) to take scheme through to draft orders.
 - Public Information Exhibition presentation material preparation and holding of 10 No. Exhibitions, including advertising costs.
 - Report on Public Information Exhibition.
 - Design Options Report.
 - Traffic Surveys Report.
 - Traffic Forecasting and Local Model Validation Report.
 - A report on the future maintenance requirements for the Usk Bridge.
 - Alignment Report.
 - Junction Strategy Report.
 - Land Use and Ownership Report.
 - Ground Investigation Report.
 - Geotechnical Design Report.
 - Economic Assessment Report.
 - Ecological and landscaping design and production of draft Environmental Masterplans.
 - Stage 1 Road Safety Audit.
 - Departures from Standards development and Report.
 - Stage 3 Scheme Assessment Report.
 - Final 1:2500 Preliminary design proposals with Environmental Masterplans.
 - Initial Target Cost and Activity Schedules.
 - Land Reference Plans and Schedules.
 - Draft Construction Environmental Management Plan.
 - Wider Economic Impact Assessment
 - Final draft Line and Side Road Order plans and schedules for around 200 land interests, plus liaison with each landowner to discuss.
 - Final Draft CPO plans and schedules.
 - Development of Construction Target Cost.
 - Order Publication Report.
 - Assessment of Impact on European Sites Screening Report.
 - Environmental Impact Assessment and Assessment of Impacts on European Sites Scoping Report.
 - Environmental Statement (12 Volumes covering all environmental impacts such as air quality, landscape & visual and ecology).
 - Final Environmental Masterplans.
 - ES Non-technical summary (NTS).
 - Final Statement to Inform an Appropriate Assessment.
 - Orders Exhibition presentation material preparation and managing of Exhibitions.
 - "Ghost" environmental licences and consent preparation and discussion with NRW.
 - Water Framework Directive Compliance Assessment and discussion with NRW.
 - Orders exhibition report.
 - Draft responses and rebuttals to objections.
 - Proofs of evidence preparation for 22 witnesses and attendance of witnesses at Inquiry.
 - Review and responses to c6500 submissions to the Public Inquiry.
 - Assessment of alternatives (28) and production of report, plus specific additional assessment of 'blue route'.
 - Report on Public Inquiry.
 - Schedule of accommodation works and liaison with landowners to develop.
 - Updated Pre-Construction Env. Management Plan.
 - Development of Environmental Monitoring Requirements and agreement with NRW.
 - Review and Monitoring Compliance Report.
- Copies of reports available here:
<https://gov.wales/m4-corridor-around-newport>

Figure 2 – M4 Project Development Activities and Outputs

Section 2: Expenditure details

A summary of expenditure on the development of the M4 Corridor around Newport Project is set out in Table 2 below.

Whilst technically prior to the establishment of the M4 Project, for completeness this table includes costs for strategic work in 2013 that informed the 2014 decision to proceed with construction. That strategic work included Strategic Environmental Assessment, Habitats Regulations Assessment, Equality Impact Assessment, Health Impact Assessment, public consultation and a subsequent Judicial Review.

Some of the activities and outputs of this development expenditure are listed in Figure 2 of this paper. Necessary work to inform statutory decision making is strictly defined by guidance and legislation such as; WeITAG (explained in Section 1 of this paper), the Design Manual for Roads and Bridges, the Highways Act, Environmental Impact Assessment Regulations and the Compulsory Purchase Act.

Table 2 - M4 Project Development Expenditure Summary Totals

	Costain Vinci Joint Venture 'Early Contractor Involvement' Team Technical and Procedural Work £m	Statutory Undertakers (Utilities) Design and Preparation Costs £m	Employers Agent Technical, Commercial and Contractual Work £m	Stakeholder Expenditure and Public Inquiry/ Legal costs £m	Land Expenditure on Successful Blight Applications £m	Early development costs in 2013	Total amount Inc Vat £m
2013 – Mar 2016 (Welsh Gov. Key Stage 3 i.e. decision to proceed with project up to publication of draft Orders)	26.422	0	2.031	1.883	4.113	1.7	36.149
Apr 2016 – Mar 2019 (Welsh Gov Key Stage 4 i.e. publication of draft Orders through to statutory decision by FM)	53.590	1.202	3.408	13.150	6.610	0	77.96
Totals	80.012*	1.202	5.439*	15.033	10.723	1.7	£114.109m

Development Costs Summary

*See Figure 2 on page 5 for examples of the outputs of this expenditure.

The total expenditure on developing the M4 Project since 2013/14 has been **£114m (inc VAT)**. This includes costs for the preceding ‘Strategic Environmental Assessment’ and subsequent Judicial Review of the strategic decision to proceed through to project development, the extensive public engagement and full inquiry process.

£114m includes the Inquiry preparation and running costs which were estimated at £22m at the start of the Inquiry (Feb 17). During the course of the Inquiry this estimate was revised to £44m (Dec 17). Increases reflected the need to extend the length of the Inquiry to properly consider all alternatives and issues raised, and the extent of work necessary to develop the proposals in light of changes in scope arising from extensive and detailed liaison with stakeholders such as Natural Resources Wales regarding the extent of environmental mitigation and Associated British Ports regarding mitigation measures in Newport Docks.

The eventual out-turn of this element was **£53m**, exc. VAT, or £61m including VAT. **£61m** is the final figure included in the £114m. Expenditure was subject to ministerial approvals as set out in Section 3 of this paper. Within the **£61m** for Inquiry preparation and running costs the actual outturn cost of the Inquiry administration was **£11.5m** consisting of:

- Independent inspectors - £445,708
- Inspector's team - £89,865
- Legal costs - £1,128,761
- Professional fees - £8,728,553
- Administration - £1,072,354.

Construction Cost Estimate Summary

Whilst outside of the remit of the Committee’s scrutiny of development costs, a table is provided below of the scheme construction cost estimate.

At the start of Inquiry the cost estimate for the construction of the scheme was **£1,131m**, exc. VAT at Q4 2015 prices. Table 3 below shows changes in scope during the course of the Inquiry, the largest of which were a new slip-road in response to an objection by Roadchef at Magor Services and introduction of £136.3m (plus contingencies) of accommodation works for Newport Docks. This significant change arose through the need to mitigate potential of ‘serious detriment’ to the statutory undertaking of the port. This increased the construction estimate from £1,131m to **£1,321m** (exc VAT at Q4 2015 prices).

Anticipated ‘Winding Up’ Costs

At the point of ministerial decision the estimated costs of concluding the current statutory processes and winding up the M4 Project are £9.2m. This covers activities including stakeholder liaison, handling of lands and compensation matters and also to ensure that all data compiled as part of this process (such as traffic models and environmental survey data) is appropriately logged and handed over to the newly forming South East Wales Transport Commission. This will ensure retained value of development expenditure to date is maximised.

Table 3 - Construction Cost Estimate Tracker during Inquiry
 (£m, exc VAT, Q4 2015 price base)

Component	Scheme Costs (December 2016 Revised Economic Appraisal Report)	Eastbound off-slip net additional costs	Updated Scheme Costs (March 2017 Revised Economic Appraisal Report Supplement)	Newport Docks Mitigation, Bridge Protection Works and extension of PLI net additional costs	Updated Scheme Costs (December 2017 Revised Economic Appraisal Report Supplement No.2)
Preliminaries including Traffic Management	£212.0	+£1.1	£213.1	-	£213.1
Roadworks	£268.0	+£1.2	£269.2	-	£269.2
Structures	£296.9	+£0.1	£297.0	+£17.5	£314.5
Landscaping and environmental works	£44.8	+£0.1	£44.9	-	£44.9
Works by other authorities	£38.3	+£0.5	£38.8	-	£38.8
Land and Compensation costs	£92.0	+£0.3	£92.3	-	£92.3
Risk and Optimism Bias	£141.3	(+£1.5 less £4.8) = - £3.3	£138.0	-£17.5	£120.4
Project Estimate excluding VAT and Inflation	£1,093.2	-	£1,093.2	-	£1,093.2
Key Stage 4 Costs	£22.0	NA	£22.0	+£22.0	£44.0
Reclassification and reconfiguration of Caerleon Junction ^[1] (including Optimism Bias)	£16.2	NA	£16.2	-	£16.2
Newport Docks Works	-	-	-	+£136.3	£167.5
Newport Docks Works – Risk and Contingencies	-	-	-	+£31.2	
Total Costs	£1,131.3	-	£1,131.3	+£189.5	£1,320.8

Section 3: Value for money considerations i.e. procurement processes and Ministerial approvals.

Measures to ensure Value for Money of M4 Project Development Activities

The following measures were taken to ensure that expenditure on developing the M4 Project provided value for money:

- Ministerial approvals of expenditure budgets in advance of spend.
- Use of Government standard stage-gate approval processes.
- Use of Government standard development processes such as Key Stage process and Design Manual for Roads and Bridges.
- Open procurement of suppliers for development activities with competitive tenders to ensure quality of deliverables and competitive rates.
- Specialist, Chartered Engineer, staff directly employed by Welsh Government to manage and direct development activities and make client decisions (via ministerial recommendations) on matters such as scope of ground investigation boreholes, balancing survey costs incurred and enhanced accuracy of site information and therefore later construction cost variation.
- Appointment of an Employer's Agent to monitor and manage technical, commercial and contractual matters across development suppliers.

General Value for Money Assessment of Projects

Assessment of the value for money provided by transport schemes involves evaluating the social, cultural, environmental and economic impacts.

The Welsh Government follows an evidence based approach for understanding the performance of the transport system, assessing the need for intervention and considering the social, environmental and economic impacts of our plans for the transport system. These provide consistent and comparable information across the whole of Wales for the transport system and guide our interventions. The general principles that informing our approach are set out in a) to d) below:

- a. The case for any intervention or specific project proposed should be backed by clear evidence of an issue(s) that needs to be addressed and evidence that the intervention or project will actually be effective in addressing that issue(s).
- b. A project will only be progressed if it supported by a viable business case. That business case should be proportionate to the level of investment involved and must be properly validated.
- c. Where a evaluation or other evidence suggests an intervention or project is not being delivered effectively and / or will not deliver the anticipated benefits, this will be investigated and the intervention or project halted if that is the most appropriate and cost effective solution.
- d. All projects will be evaluated and the benefits delivered recorded and tested against the businesses case.

Procurement and Management of M4 Project Suppliers

The European Union Procurement Directives establish public procurement rules throughout the European Union and apply to any public purchases above the defined thresholds. The purpose of the directives is to open up public procurement within the European Union and to ensure the free movement of supplies, services and works. The directives are enacted in the UK by The Public Contracts Regulations (the Regulations).

The Regulations set out rules requiring that such contracts must be advertised (contract notices published) in the Official Journal of the European Union (OJEU). Suppliers for the M4 Project have been procured under the Regulations including the two primary roles for preliminary development up to publication of draft Orders (Welsh Gov. Key Stage 3) and from then to completion of the statutory process including Public Inquiry (Welsh Gov. Key Stage 4); the Employer's Agent (Arcadis) and the Early Contractor Involvement (ECI) Technical and Procedural Team (Costain Vinci Joint Venture).

Tenders were procured using the most economically advantageous tender (MEAT). The MEAT criterion enables the contracting authority to take account of criteria that reflect qualitative, technical and sustainable aspects of the tender submission as well as price when reaching an award decision. Both Employer's Agents and ECI tenderers submitted competitive rates which formed part of the overall criterion when reaching a decision to award them contracts (via ministerial approval).

The Employer's Agent Contract was based on the New Engineering Contract NEC3 Professional Services Contract (PSC) and was awarded for Key Stages 3, 4 and 6 (potential construction). The ECI Contractor's Contract was based on the NEC3 PSC and was awarded for key stages 3 and 4. An option for the ECI Contractor to proceed to KS6 under the NEC3 Engineering and Construction Contract (ECC) was available. However, if the scheme had progressed to KS6 it was the WG's intention to re-procure a design and build contract to ensure value for money was being achieved.

The Employer's Agent duties included the financial and technical monitoring of the ECI contractors' submissions to ensure best value was being obtained for their services. All change management was recorded with a full record of Compensation Events (CEs) being validated by the Welsh Government and instructed by the Employer's Agent. Some of the more significant CEs were for design change to 'value engineer' the scheme and ground investigation to de-risk the project by providing greater cost certainty. In doing so proposals were submitted by the ECI contractor. Welsh Government officials utilised the Employer's Agent to provide technical and commercial validation to recommend a scope and price to be taken forward via an instruction and subsequent CE.

This expenditure formed part of the overall KS3 and KS4 budgets which were managed as a whole (including Land / statutory undertaker's / 3rd party costs / ECI contractor / Employer's Agent etc.) by the Employer's Agent on behalf of the Welsh Government with any change being recorded and monitored via the change management process.

The 15 suppliers with the highest expenditure on development activities are listed in Table 4 below with a summary how they were procured and the activities they carried out are set out below.

Table 4 – Suppliers by Highest Spend Re: M4 Project

Supplier by Highest Spend	Spend since 2013	Procurement Method	Activities
COSTAIN VINCI JOINT VENTURE	78.5m	OJEU Tender	Provision of project development services including environmental and ground investigation and taking the Project through statutory process including Inquiry. [Plus other activities listed in Fig.2 on p.5]
ARCADIS LLP	7.6m	OJEU Tender	Provision of Employer's Agent services including project management, cost and commercial management, technical advice and support. Subconsultant advice support as ports and maritime specialists re: Newport Docks.
GELDARDS LLP	2.3m	Framework Supplier	Provision of legal advice for PLI and ABP agreements. Plus provision of QC services to Inquiry.
OVE ARUP AND PARTNERS INTL LTD	5.2m	OJEU Tender	Technical support through the 2013 Strategic Environmental Assessment including health and equalities impact assessments and stakeholder engagement.
ASSOCIATED BRITISH PORTS	6.0m	Via ABP with verification by WG	Payments to ABP for developing measures to repurpose areas to relocate tenants from the line of the road and to improve quayside to mitigate for the reduction in access to north dock. Costs included technical and legal advisors as well as ABP staff time to consider the project.
GEOTECHNICAL ENGINEERING	1.5m	OJEU Tender	Early ground investigation to inform the tendering process for development team. Further GI costs in the CVJV activities.
PLANNING INSPECTORATE	0.6m	Sole provider of service to WG.	Provision of engineering and planning Inspectors plus a programme officer for yearlong Inquiry plus subsequent report writing.
DWR CYMRU WELSH WATER	0.6m	Single Tender Action – Departure in place	Early estimating and design work (C3 and C4 process) to plan temporary and permanent diversions of services to minimise impacts on both DCWW and the engineering work for the M4 Project.
MOTT MACDONALD LTD	0.5m	Framework Supplier	Provision of traffic modelling advice.
TATA STEEL UK LIMITED	0.5m	Via Tata with verification by WG	Payments to TATA for development of replacement settlement lagoons and other measures to mitigate scheme impact and reduce compensation liability.
LINC-CYMRU HOUSING ASSOCIATION LTD	0.4m	N/A	Payments for use of Lysaght building to run orders exhibition and PLI.
JACOBS UK LTD	0.4m	OJEU Tender	Provision of Employer's Agent services including project management, cost and commercial management and technical advice for the Docks Contract.
WPD SMART METERING LIMITED	0.3m	Single Tender Action – Departure in place	Early estimating and design work (C3 and C4 process) by utilities.

Ministerial Approvals

All expenditure received ministerial approval in accordance with standard Welsh Government procedures including review by transport, or central, finance departments.

Expenditure budgets have routinely been set on an activity basis or financial year basis as most appropriate for the activities. Actual spend and end of financial year forecast have been monitored and managed by officials on a monthly basis to ensure appropriate officials are aware of, and able to respond to, potential over or underspends.

Section 4: Benchmarking of expenditure

Expenditure on the development of the M4 Project has been comparable to other infrastructure projects as set out in Table 5 below.

As a percentage, spend has been lower, generally due to economies of scale.

It is notable that other projects will not incurred the 'Strategic Environmental Assessment' and Judicial Review costs, that have been included in the M4 Project development costs for completeness although technically there took place before the proposal was defined as a project.

M4 Project development costs also include for **£10.723m** of land acquisition since 2013, which other projects may not have incurred.

Table 5 - Project Development Costs as a % of Scheme Cost

Project	Development costs Exc Vat £m	Scheme Cost Exc VAT £m	Development Costs %
M4 Corridor around Newport Project	86.17 (£114m inc VAT)	1,363 (£1,321m construction estimate + lead-in development costs)	6.3%
A487 Caernarfon	12.11	128.7	9.4%
A40 Llanddewi Velfrey	4.98	43.38	11.5%
A465 Section 3	14.82	152	9.8%
A14 Cambridge to Huntingdon (England)	161.89	1500	10.79%
Newtown Bypass	6.00	91.5	6.56%
Llandeilo Bypass	3.50	50	7.00%
Silvertown Tunnel (London)	45.00	1045	4.31%
Garden Bridge (London)	53.00	253	20.95%
Wylfa Newydd	c£3bn (spent to date and estimated further development costs)	c£15bn	20%

Section 5: Land and Property Acquisition

A table of properties acquired in connection with the M4 Project since 2013 is provided in **Annex A** of this paper.

- Total land and property spend **since 2013**= £10.723m.
- Total funds raised through sale of land **since 2013** = £0m (zero).
- Total land and property spend **back to the 1990s** = £24.2m.
- Total funds raised through sale of land **back to the 1990s** = £2.1m.

Land and property blight acquisitions are routinely a matter of public record via the ministerial approval process. A record of land and property acquisition in connection to the project was also published as a Public Inquiry document on 30 March 2017 at the request of the Inspectors (copy here: <http://bailey.persona-pi.com/Public-Inquiries/M4-Newport/E%20-%20PI%20Documents/PIQ/PIQ059.pdf>).

The table in Annex A records the reason for each land or property acquisition. Acquisition is due to landowners successfully requesting purchase through statutory or discretionary blight due to being unable to sell their land or property due to the proposal. Inability to sell at reasonable market value has to be demonstrated by the owner in compliance with a set process.

Land and properties sit within the Welsh Government's portfolio, where not identified as disposed (sold) within Annex A and are managed accordingly either through maintenance, letting or sale.

Annex A – List of Land and Property Acquired in Connection with the M4 Project

Summary

- Total land and property spend **since 2013**= £10.723m.
- Total funds raised through sale of land **since 2013** = £0m.
- Total land and property spend **back to 1990s** = £24.2m.
- Total funds raised through sale of land **back to 1990s** = £2.1m.

Table of all property acquisition and sale transactions (matter of public record):

No.	Description of Land	Basis of Purchase / Sale	Date of Purchase	Value Paid (Land and Buildings)	*Date of Sale	Sale Price
Properties Acquired						
1	Longhouse Farm, Coedkernew	s.246 (2A) Off Line Discretionary Application submitted by owner requesting purchase.	Nov-06	£720,000	In WG ownership	NA
2	Land at the Stud Farm, Coedkernew	s.246 (2A) Off Line Discretionary Application submitted by owner requesting purchase.	Jan-00	£315,000 (incl. no. 23)	NA – <i>Farm sold (see 23)</i>	NA (see 23)
3	Undy House, Undy, Magor	Statutory Blight Notice served by representatives of deceased owner requesting purchase.	Aug-07	£660,000	In WG ownership	NA
4	Woodland House, Magor	Statutory Blight Notice served by owner requesting purchase.	Oct-06	£1,107,000	In WG ownership	NA
5	Old Cottage, Knollbury, Magor	s.248 Discretionary Application submitted by owner requesting purchase.	Mar-95	£130,000	In WG ownership	NA
6	Horseshoe Cottage, Knollbury, Magor	s.246 (2A) Off Line Discretionary Application submitted by owner requesting purchase.	Aug-97	£132,500	In WG ownership	NA
7	Barecroft House, Barecroft Common, Magor	Statutory Blight Notice served by owner requesting purchase.	May-96	£158,500	In WG ownership	NA
8	Cae-Glas, Nash Road, Newport	Statutory Blight Notice served by owner requesting purchase.	Dec-06	£300,000 (incl. below)	In WG ownership	NA

8	Annex at Cae Glas, Nash Road, Newport	Statutory Blight Notice served by owner requesting purchase.	Dec-06	Part of above	In WG ownership	NA
9	Greenfield House, Nash Road, Newport	Statutory Blight Notice served by owner requesting purchase.	Mar-07	£300,000	In WG ownership	NA
10	The Conifers, Coedkernew	Statutory Blight Notice served by owner requesting purchase.	Apr-15	£725,000	In WG ownership	NA
11	White Cottage, Coedkernew	Statutory Blight Notice served by owner requesting purchase.	Dec-15	£555,000	In WG ownership	N/A
12	San Remo, Coedkernew	Statutory Blight Notice served by owner requesting purchase.	Apr-16	£350,000	In WG ownership	N/A
13	The Glen, Coedkernew	Statutory Blight Notice served by owner requesting purchase.	Oct-15	£430,000	In WG ownership	N/A
14	Spring Cottage, Coedkernew	Statutory Blight Notice served by owner requesting purchase.	Jun-16	£355,000	In WG ownership	N/A
15	Quarry Cottage, Coedkernew	Statutory Blight Notice served by owner requesting purchase.	Jun-17	£453,000	In WG ownership	N/A
16	Danygraig, Coedkernew	s.246 (2A) Off Line Discretionary Application submitted by owner requesting purchase.	Aug-19	£495,000	In WG ownership	N/A
17	Dunline, Knollbury	Statutory Blight Notice served by owner requesting purchase.	Mar-17	£365,000	In WG ownership	N/A

Properties Inherited from a Predecessor Body

18	Berry Hill Farm	Land inherited by Welsh Government from a predecessor body.	Jan-80	£1,350,000	In WG ownership	NA
19	Wentloog, Newport	Land inherited by Welsh Government from a predecessor body.	Mar-97	£235,000	In WG ownership	NA
20	Queensway Meadows, Newport	Land inherited by Welsh Government from a predecessor body.	Oct 1980 – Jan 1982		In WG ownership	NA
21	Land at Tatton Farm	Land inherited by Welsh Government from a predecessor body.	May-00	£630,000	In WG ownership	NA
22	Land at Marshfield	Land inherited by Welsh Government from a predecessor body.	Apr-97		In WG ownership	NA

23	Former LG Hynix Site	Land inherited by Welsh Government from a predecessor body.	Sep-04	£7,000,000	In WG ownership	NA
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***Properties Acquired and Subsequently Sold**

24	Lower Lakes Farm, Newport	s.248 Discretionary Application submitted by owner requesting purchase.	Jan-95	£170,000	Jan-97	£135,000
25	Pye Corner House, Nash	s.246 (2A) Off Line Discretionary Application submitted by owner requesting purchase.	Apr-96	£120,000	Jan-02	£178,000
26	Ysgubor Newydd, Coedkernew	Statutory Blight Notice served by owner requesting purchase.	Sep-96	£220,000	Mar-04	£361,000
27	Moorbarn, Nash	s.246 (2A) Off Line Discretionary Application submitted by owner requesting purchase.	Dec-96	£192,500	Jul-97	£167,000
28	The Maerdy, Coedkernew	s.246 (2A) Off Line Discretionary Application submitted by owner requesting purchase.	Apr-03	£680,000	Nov-11	£605,000
29	Rose Cottage, Knollbury	s. 246(2A) Discretionary Purchase application submitted by owner requesting purchase.	May-10	£360,000	Jul-11	£244,735

30	The Stud Farm, Coedkernew	s.246 (2A) Off Line Discretionary application submitted by owner requesting purchase.	Jan-00	£315,000 (formed part of no. 2)	Mar 2003 – <i>With some land being retained for M4 proposals (no. 2).</i>	£450,000
31	Coedkernew House, Coedkernew	s.246 (2A) Off Line Discretionary application submitted by owner requesting purchase.	Apr-19	£575,000	N/A	N/A
32	The Croft, Coedkernew	Statutory Blight Notice served by owner requesting purchase.	Apr-19	£400,000	N/A	N/A
33	Little Orchard, Coedkernew	s.246 (2A) Off Line Discretionary application submitted by owner requesting purchase.	Dec-18	£400,000	N/A	N/A
34	Old Court Farm, Rogiet	Statutory Blight Notice served by owner requesting purchase.	Mar-18	£2,354,617	N/A	N/A
35	Court Farm, Rogiet	Statutory Blight Notice served by owner requesting purchase.	May-18	£1,714,085	N/A	N/A
			Ttl	£24.2m	Ttl	£2.1m

Agenda Item 5

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

Document is Restricted

**Public Accounts Committee
Revisiting NHS Finances
Welsh Government Scrutiny Session - 15th July 2019**

Evidence paper from the Director General, Health and Social Services

INTRODUCTION

The NHS Finance (Wales) Act has now been in place for five financial years, and 2018-19 is the third year that NHS organisations have reported against the three year duty. Whilst there remain significant financial challenges in a small number of health boards, the 2018-19 NHS outturn provides evidence of increasing financial stability for NHS Wales, which is also reflected in the increased number of approved Integrated Medium Term Plans for 2019-20 to 2021-22. This demonstrates that the integrated planning approach we have adopted for NHS Wales is now delivering benefits that were not achieved from the previous competitive internal market bureaucracy.

We are now a year in to progressing our long term plan for health and social care, *A Healthier Wales*. With an increased focus on providing healthcare closer to home, and keeping people as well and independent for as long as possible, we are working to improve our understanding of resource allocation and utilisation at health board and lower levels, and the healthcare outcomes that these resources are delivering. This aligns the work on the NHS Resource Allocation Review, alongside the work we are now leading on value-based healthcare.

This paper provides Committee Members with an update on the development of Integrated Medium Term Plans since the last review in July 2018, as well as a review of the financial positions, an update on efficiency and value and the NHS Resource Allocation Review, and further evidence on expenditure on agency staff.

INTEGRATED MEDIUM TERM PLANS

Changes to Integrated Medium Term Planning Process

The Welsh Government issued the NHS Wales Planning Framework 2019-22 in October 2018 together with changes to the Integrated Medium Term Plan (IMTP) submission process, reflecting the approach set out within *A Healthier Wales* to streamline and align health and care planning processes. NHS organisations were required to plan to deliver against the key Welsh Government priorities, such as Prevention, Reducing Health Inequalities, the Primary Care Model for Wales, Timely Access to Care and Mental Health.

The 2019-22 IMTP process was the first to operate the new approach to plan development. Rather than retrospectively reviewing and providing feedback on plans, Welsh Government officials met organisations regularly prior to submission in order to understand their key issues/ risks and where necessary, provide support and guidance.

A significant part of this change in approach involved the requirement for organisations to submit fully completed and balanced Board/Joint Committee approved final plans by no later than the 31st January 2019. Whilst not statutory, NHS support organisations were also required to submit complete, balanced three-year IMTPs in January.

Early Engagement Rationale

To support organisations throughout the planning process Welsh Government commenced a series of engagement meetings in October 2018, meeting health boards, trusts and NHS support organisations monthly (over 60 meetings were held). This included early advice and feedback from policy experts to agree national and local priorities, and identify and understand key risks and mitigating actions. This approach has been positively welcomed by NHS partners.

A review of the planning process following has commenced but early observations have identified some areas for further strengthening:

- Need to secure greater maturity in the commissioning arrangements to improve the timeliness of collaborative decision making; and
- Whilst good progress has been made in moving away from using IMTPs as negotiating documents, there has been a variation in behaviours in this approach and further work is required.

Programme for Learning

Cardiff Business School are running one of the main pillars of the Programme and the Postgraduate Diploma in Healthcare Planning and a Recruitment Pack was launched in early June. The recruitment exercise will be run by Directors of Planning in their individual organisations, with the expectation that 25 students will be selected and sponsored to participate in the first cohort.

The course will begin with an induction session in October 2019, and each Diploma will last 18 months. Courses will overlap and the second Diploma will start in autumn 2020.

Other pillars of the Planning Programme for Learning include:

- two bi-annual learning events. Summer 2019 Learning Event was held on 6th June. This was managed by Aneurin Bevan University Health Board with the topic of Transformation, which drew on the expertise of colleagues from Canterbury, New Zealand on how they developed an integrated health and social care system.
- Demand and capacity workshops are being planned for autumn 2019. NHS Delivery Unit are working with colleagues across Regional Partnership Boards to create a series of opportunities to build demand and capacity capabilities across a health and social care environment
- two bi-annual master classes – these are being planned for Autumn 2019 and Spring 2020 with the aim of supporting an integrated planning community

A Steering Group has been established and has an advisory role and reports through the Programme Planning Director, to the SRO Deputy Chief Executive for NHS Wales via the Planning Board in Welsh Government.

NHS FINANCIAL POSITIONS

Review of 2018-19 Financial Outturn

The Minister for Health and Social Services issued a written statement to members on 12 June detailing the financial outturn for NHS Wales organisations in 2018-19. Six out of ten organisations covered by the NHS Finance (Wales) Act 2014 complied with the statutory break even duty by operating within their budgets over the three-year period of assessment from April 2016 to March 2019. In addition, Health Education and Improvement Wales (HEIW), which as a Special Health Authority is not covered by the 2014 Act, broke even in its first year of operation.

Four of the ten organisations did not achieve their financial duty to break even over three years. Consequently these four organisations have failed to meet their statutory financial break-even duty for the three-year period of assessment, and as a result have received qualified regularity opinions from the Auditor General for Wales on their 2018-19 accounts.

To maintain financial discipline, and to ensure that deficits could be managed within the overall health budget, Welsh Government set maximum deficit financial control totals in 2018-19. The control totals and final outturn are detailed in the table below.

Health Board	Maximum Deficit Control total	Final outturn deficit	Variance to control total - Improved / (worsened)
	£m	£m	£m
Abertawe Bro Morgannwg	10.0	9.9	0.1
Betsi Cadwaladr	35.0	41.3	(6.3)
Cardiff and Vale	9.9	9.9	0.0
Hywel Dda	35.6	35.4	0.2

Overall, the 2018-19 outturn represents a £71 million improvement in the net financial position of NHS Wales compared to 2017-18, with three out of the four organisations still in deficit achieving improved outturns and meeting their control totals.

The NHS net deficit in 2018-19 has been managed within the overall health and social services budget. Subject to audit, the Welsh Government's resource accounts for 2018-19 are expected to show a modest surplus on health and social services revenue budgets. This means that the overall budget has been met whilst maintaining a focus on individual organisations where we wish to see their financial discipline continue to improve.

2019-20 Financial Outlook

We are investing over £500 million additional funding in health and social services in 2019-20, supporting transformation of health and social care in line with the vision set out in our long term plan, *A Healthier Wales*, as well as continuing to invest in the sustainability of core NHS services. The *A Healthier Wales* funding is supporting a range of programmes, including increasing the Integrated Care Fund managed through Regional Partnership Boards, investing directly in sustainable social services, funding community based prevention and early intervention, and investing in digital technology. The core NHS funding is supporting increased pay awards for highly valued staff, and ensuring that NHS cost and demand growth, as identified by the Nuffield Trust, is appropriately funded.

In addition, a further £50 million is being allocated this year in the Transformation Fund, investing in innovative new models of care which have the potential to scale up to become universally adopted across the Welsh health and social services sector.

The benefit of this additional investment is evident in the progress being made in the maturity of NHS plans. On 27 March, the Minister for Health and Social Services confirmed the approval of seven IMTPs, covering the period 2019 to 2022. As well as the six organisations with plans that were approved in 2018-19, this now also

includes Cardiff and Vale UHB, that is now planning to balance over this three-year period.

Our ambition for 2019-20 is that only two NHS organisations – Betsi Cadwaladr and Hywel Dda University Health Boards - will end the year in deficit. Welsh Government has set both organisations maximum deficit control totals to require improvement against their 2018-19 outturns and increased financial stability, and is providing challenge and support, through the Finance Delivery Unit to deliver improvements in their financial planning and delivery frameworks. Swansea Bay University Health Board remains a risk, and they will be working to deliver a balanced outturn through an annual operating plan for 2019-20. The residual NHS deficit in 2019-20 will be managed within the Health and Social Services MEG, and our expectation is for all deficits to be eradicated by 2020-21.

Efficiency and Value

NHS Wales organisations delivered £158 million savings in 2018-19, as detailed in the table below. The proportion of recurrent savings has increased from 71% in 2017-18 to 79% in 2018-19.

	2018-19 Savings £000s		Recurring £000s	Non Recurring £000s
Abertawe Bro Morgannwg	12,624		9,550	3,075
Aneurin Bevan	28,090		17,802	10,288
Betsi Cadwaladr	37,305		34,891	2,414
Cardiff & Vale	25,636		17,377	8,259
Cwm Taf	12,876		12,876	0
Hywel Dda	26,568		21,642	4,926
Powys	3,011		2,681	330
Public Health Wales	2,198		2,009	189
Velindre	5,711		2,110	3,601
Welsh Ambulance	4,331		4,331	0
NHS Wales	158,351		125,269	33,082

The development of the Finance Delivery Unit has enabled a greater emphasis on the Efficiency & Value agenda and focus of the National Efficiency Healthcare Value & Improvement Group through the use of the National Efficiency Framework. The Framework focuses on identifying variation and opportunities for improvement across four key domains:

- On a population health basis to inform allocative efficiency opportunities.
- On a technical efficiency & productivity basis to outline opportunities for improvement against peers

- On a whole system basis considering alignment of cost and outcome from a Value Based Healthcare perspective
- Comparing savings plans and other bespoke benchmarks across organisations to identify opportunities for further improvement and implementing best practice across the system.

Increasingly, the framework is used to both support organisations in the development of local plans and also to allow a national focus on key areas of potential improvement to enable a system approach and expectation around those areas. There is a comprehensive suite of data now available with an ongoing programme of refresh and development based on the needs of the system. Examples of key products developed in 2018-19 include:

- Finalising an Atlas for Variation of Cardiovascular Services
- Working with Nurse Directors on Ward Based Nursing variation
- Developing a clear view of productivity and efficiency on key productivity measures against peer performance within Wales and comparable benchmarks in England
- Developing with the Chief Pharmaceutical Officer and Chief Pharmacists a suite of medicines related opportunities for improvement
- Continued development of opportunities in relation to Procurement
- Bespoke service based benchmarking such as Mental Health, and Estates & Facilities services across NHS Wales.
- Development of bespoke reports by organisation from key intelligence sources such as the NHS Benchmarking Network, a UK wide network in which NHS Wales organisations are active participants.

The National Efficiency Healthcare Value & Improvement Group has also received the output of the Lung Cancer Outcome Dashboard, developed by NWIS under the guidance and leadership of the National Clinical Lead for Value Based Healthcare. This and other dashboards will be developed through the support of the National Value Based Healthcare Plan as part of plans to implement at scale and pace a national approach and perspective on outcomes.

The above describes the system and peer group contribution to developing a co-ordinated assessment of variation and opportunities to deliver improvement to support addressing both emerging challenges and delivering financial and service improvement, some of the impact of which includes:

- Organisational specific development of local plans which respond to areas of variation as outlined above and feature in 2019/20 financial plans;

- Continuing to maximise the opportunity around Biosimilar medicines through an approach endorsed by the National Efficiency Healthcare Value & Improvement Group and led by the NHS chief pharmacists peer group. This approach has developed two financial opportunities through moving away from the originator to a biosimilar product, and negotiating a discounted price with the originator provider. These interventions have generated a £6.538 million recurrent reduction in expenditure in 2018-19, opportunity in excess of £5 million being anticipated for 2019/20.

Finance Delivery Unit

The Finance Delivery Unit was established in January 2018 with the appointment of the Director of the Unit, and during 2018-19 the Unit has completed its recruitment and establishment. The Unit is now firmly established as a function within NHS Wales and has delivered a positive contribution to the system's improvement in financial performance in 2018-19.

The Units purpose is to enhance capacity and capability within the system to:

- Support and challenge organisational financial performance for all organisations in NHS Wales, which includes monitoring and managing financial risk, and supporting organisations with an enhanced level of escalation under the Welsh Government's escalation framework
- Driving standards for improvement in financial management in NHS Wales through use of best practice and evidence
- Support the development of Value Based Health Care working with NHS Wales organisations and National Clinical Leads
- Develop financial intelligence and insight across the system in NHS Wales, maximising the use of benchmarking and highlighting opportunities for improvement. This includes fully developing and embedding a National Efficiency Framework for NHS Wales and in support of the National Efficiency Healthcare Value & Improvement Group chaired by Dr Andrew Goodall

In developing and delivering against these objectives in 2018/19 the Unit has delivered a number of outputs to support improvement within this context. Some examples include:

- A review of best practice approaches to the risk assessment and delivery of financial savings, which has resulted in the development of a standardised approach for NHS Wales, which has been incorporated into monthly monitoring returns for all organisations from 1st April 2019.

- Developed an outline of future financial improvement projects to increase standards in financial management with a focus on continuous improvement. The immediate areas of priority is working with the Finance Academy on a best practice guide to Financial Forecasting for NHS Wales.
- Supporting National Clinical Leads in the development and analysis of unwarranted variation data, including cost variation, and supporting solutions for improvement including within Respiratory Disease and Lymphedema services.
- Supporting the National Clinical Lead for Value Based Health Care to develop the National Plan for delivery of system improvement through a Value Based approach. This includes providing a specific focus on developing enhanced integrated cost and outcome data, and developing capacity and capability within the team to support Health Boards with the development of local plans. This also includes supporting the development of Time Driven Activity Based Costing (TDABC) within NHS Wales in specific areas such as the Knee Pathway.
- Developing costing and benchmarking information across NHS Wales and outlined plans for future development including maximising the use of All Wales Patient Level Costing information as part of the National Data Resource programme.
- Providing a direct support and challenge role to individual organisations with an enhanced level of escalation under the Welsh Government's escalation framework. This includes directly supporting and challenging the financial improvement of Cardiff & Vale, Abertawe Bro Morgannwg, and Hywel Dda University Health Boards.
- In recent months, supported Betsi Cadwaladr University Health Board in the commissioning, oversight, and delivery of independent financial support in developing the Health Board's 2019-20 financial plan. This includes support and challenge to that process to ensure the financial plan is robust.
- Developed an enhanced level of assessment, review, scrutiny, and assurance of 2019-20 financial plans for all organisations as part of the Integrated Medium Term Plans approval process.

NHS Resource Allocation

The Committee recommended that Welsh Government completes its review of the funding formula for health boards to ensure that variations in funding levels properly reflect differences in population health needs and other determinants of healthcare costs. An update on this process was provided in 2018, confirming that proposals were being developed for Phase 2 of the Review, building on the expertise and lessons from Phase 1. This included establishing a Technical Advisory Group, to consider the findings from the zero based review in Hywel Dda Local Health Board, funding formula approaches in comparative countries, such as New Zealand, Scotland and England, and also Welsh Government policy priorities.

During 2019, the Technical Advisory Group, jointly chaired by the Chief Medical Officer and Health and Social Services Group Director of Finance, has made significant progress in developing a population needs based formula to support the equitable distribution of additional Discretionary Hospital, Community and Health Services and Prescribing (HCHS&P) allocation in 2020-21.

Following a successful high level testing of the Scottish Resource Allocation formula the Group have been developing and testing the formula, and component elements of the formula, in detail. The formula being developed is an evidenced based, transparent and modular formula, based on available, accurate and consistent population, needs and financial information. The weighted formula, to apply to Discretionary Hospital, Community and Health Services and Prescribing (HCHS&P) growth allocation, is based on care programmes components:

- Acute Healthcare Services (72.0%)
- Community Healthcare Services (13.5%)
- Maternity Services (3.3%)
- GP Prescribing (11.1%)

Each component is then made up of:

- Population – the primary component of the formula
- Demographic weighting – age/sex weighting reflecting the differing cost by age and sex
- Additional Needs - the factors that predict the need for healthcare over and above age and sex (eg higher morbidity)
- Unavoidable excess costs – for example the costs of supplying healthcare in remote and rural areas

Significant progress has been made with the Acute, Maternity and GP Prescribing components and further work is in place to complete the work on the Community Healthcare Services. The outstanding work relates to the additional needs and unavoidable excess costs factors. The earlier Nuffield Trust report on “Impact of Rurality on the Costs of Delivering Health Care” highlighted that quantifying the

excess costs was problematic and that the research evidence on this was mixed. This community element of the work will be completed within the next two months.

By the summer 2019 the Group will have developed, tested and engaged on a new population needs based weighted formula to distribute Discretionary Hospital, Community and Health Services and Prescribing (HCHS&P) growth allocation in 2020-21. This will be detailed in the published 2020-21 HSS MEG spending plans produced as part of the Welsh Government Budget 2020-21.

Following completion of the immediate priority for a formula to distribute growth allocation in 2020-21 the Group will continue with the Resource Allocation Review programme, to include distance from target assessment, evaluating potential application on other allocations, for example primary care allocations and ring fenced allocations, as well as use of formula to support key strategic objective to shift resources in line with the value-based healthcare agenda and towards earlier prevention and treatment.

AGENCY STAFFING

Introduction

Deployment of some temporary staffing capacity within the NHS is essential to manage the safe and effective delivery of services and may, for example, be needed to provide cover during absence due to sickness, temporary cover during times of staff turnover, or to provide additional capacity during times of peak demand. However, it is important their use is only on a short-term basis and we continue to help support the NHS to secure long-term solutions to workforce gaps to ensure continuity and quality of healthcare provision.

The deployment of temporary staffing began to increase rapidly after 2013 across the whole of the UK in response to increasing demand for services, competition for limited numbers of healthcare staff across the UK and increased mobility of the workforce internationally. This trend resulted in marked increases in expenditure on temporary staff in Wales between 2012-13 and 2016-17. In response to this trend, Welsh Government, in collaboration with NHS Wales organisations, introduced a new national control framework designed to halt the rapid rise in expenditure.

In tandem we are also implementing a coherent programme of strategic action to address the underpinning causes of temporary staff deployment in the medium term. These will need to be addressed if we are to deliver sustainable reduction in deployment and expenditure. Delivery will require a more multifaceted approach so it is likely that the impact of this work will take longer to show in the financial profiles.

Background

The pattern of spending in Wales since 2014-15 for the main staffing groups is illustrated in table below.

Agency/Locum (premium) Expenditure					
	Medical & Dental £000's	Nursing & Midwifery £000's	Other Temp Staffing £000's	Total £000's	As a % of Total Pay %
2014-15 Annual Expenditure	40,956	28,720	18,110	87,787	
2015-16 Annual Expenditure	62,057	45,903	27,257	135,218	
2016-17 Annual Expenditure	77,348	53,846	33,163	164,358	4.7%
2017-18 Annual Expenditure	60,033	51,431	24,259	135,724	3.7%
2018-19 Annual Expenditure	54,622	65,440	23,577	143,640	3.8%

Whilst there has been an ongoing reduction in spend on Medical Locums following introduction of the control framework, there has been increased expenditure on agency nursing despite a 96% compliance with deployment through the All Wales Framework Contract which offers improved value for money than 'off contract' deployment. The reasons for the increase in nursing staff being deployed are multifactorial but can be attributed to the significant increase in demand on NHS Wales services (following record levels of activity in Emergency Departments during the Winter months compared to the previous year) and 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.

Over the last 3 years, the Welsh Government has been working collaboratively with NHS Health Boards and Trusts to design of a control framework for expenditure on agency and locum staff including increasing Board level scrutiny, minimising their deployment and improving value for money through capping rates and more effective procurement. The new control framework for medical staff was issued in Health Circular WHC/2017/042 Addressing the impact of NHS Wales Medical Agency and Locum deployment in Wales which came into effect in November 2017. An All Wales Framework Contract for Agency Nurses was introduced in April 2017 and designed to deliver better value for money through economies of scale.

Alongside the implementation of the new Control Framework, the WAO conducted a study on the expenditure on Medical Agency staff by NHS Wales. This led to the WAO Report on Expenditure on Medical Agency Staff by NHS Wales, published in January 2019, where they made two main observations underpinning the management of agency expenditure:

- To gain a deeper understanding of the root causes of agency spend there is a need for consistent and comparable data at an all Wales level including:
 - the ability to access and share consistent and comparable data held by individual NHS organisations at an all-Wales level; and
 - the ability to assess agency spend and usage data in the context of other temporary staffing costs.
- To ensure future projects to manage agency and other temporary staffing expenditure are given strong leadership and the capacity to drive change in a timely fashion.

Current and Future Action to control deployment and expenditure

In response to continued high rates of expenditure, and taking account of the WAO findings, Welsh Government is taking action through the following strands to maintain and enhance control and reduce expenditure:

- Enhancing National Leadership and Data Collection;
- Increasing efficient deployment of the workforce; and
- Improving workforce planning to support the strategic direction set out in *A Healthier Wales*

Enhanced National Leadership and Improved data collection and analysis

In response to the WAO findings a NHS Wales Strategic Workforce Deployment Steering Group has been established to 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. This will also provide the enhanced national leadership recommended by WAO.

Historically the data collected on agency and locums was based on financial expenditure. Whilst this demonstrated the increasing spend it did not enable us to understand the workforce deployment which lay behind it. Introducing the new control framework has shown, however, that information about this expenditure is limited and is not collected in a consistent way across Wales, meaning that detailed national benchmarking or analysis would not be robust. As a result, we have now introduced a revised data collection protocol through Medical Workforce Efficiency Group to establish a consistent data set across Wales for temporary medical staff. These changes were introduced at the end of June 2019 and were built on the data collection requirements introduced as a result of WHC/2017/042 and WAO observations.

Efficient deployment of the workforce

A number of workstreams have been developed to improve the effective deployment of the workforce which would address the underpinning causes leading to increased use of agency staff.

- **Attendance management** – An All Wales Managing Attendance at Work Policy has been developed in social partnership between employers and unions in the workplace which focusses more on prevention of the causes of avoidable absence from work and putting in place the support to enable staff to remain in work (or return to work).
- **Rota management** – Discussion with health organisations highlighted a range of areas of work where improved knowledge of effective practice by staff managing agency and locum spend could result in both better value for money and deployment of staff. There is great potential for standardised E-rostering across Wales to maximise increased efficiency and opportunity for more flexible staff deployment both locally and nationally.
- **Collaborative Workforce Bank** – There is potential to reduce the cost of the temporary workforce through the development of an NHS Wales collaborative workforce bank to enable more flexible deployment of staff across Wales. A number of projects are underway that will help to explore the feasibility of this idea and to create the conditions to enable it to happen. These include:
 - *DBS checking* - The NHS Wales Partnership Forum has recently been engaged on options to mandate the use of the DBS Update Service which would result in a meaningful long-term cost saving over a period of time, reduced recruitment times and would underpin the development of All Wales Bank as DBS checks would be transferable across all organisations.
 - *Nurse bank pilot* – There is a pilot project underway to establish a “collaborative bank” model that would allow nurses to access shifts across Health Board boundaries. The pilot is initially limited to Cwm Taf Morgannwg University Health Board and Swansea Bay University Health Board to test the concept and is planned for implementation in Summer 2019.
- **End to end recruitment project** – NHS Wales Shared Services Partnership (NWSSP) has also developed this project to reduce the time taken to complete the recruitment process, for Agenda for Change roles, to improve the experience for applicants wanting to join or move roles within NHS Wales and to minimise the need for temporary staffing during recruitment. In March 2014, the average time to hire was 102 days, following implementation of a range of measures this has succeeded in reducing the time to hire to 67 days (May19).

Improving workforce planning

In line with the aims of *A Healthier Wales* and the development of the workforce strategy by Health Education and Improvement Wales Welsh Government are implementing a number of workstreams to improve the long-term recruitment and retention of the NHS workforce.

- **Investment in Training and Education** – During the last five years Welsh Government has increased the investment in funding to support health professional education and training in Wales with £114m to be invested in 2019-20 (an increase of £7m over 2018-19), a record level of funding which will result in an increased supply of qualified healthcare professional to work in Wales.
- **Bursaries** – Over the past 10 years Welsh Government has also invested in the NHS Wales Bursary scheme which will be available for individuals electing to study an eligible health care related programme in Wales commencing up to the academic year 2020-2021. This commits trainees to work in Wales for up to two years post qualification so ensuring that our investment in training results in an increased workforce supply to fill vacancies in Wales.
- **Nurse Streamlining Project** – NHS Wales Shared Services Partnership (NWSSP) have developed a streamlined service which matches newly qualified nurses from university into suitable vacancies in Wales which avoids nurses having to make multiple job applications and we maximise their appointment into posts in Wales as rapidly as possible.
- **Train:Work:Live** – Since 2016, this programme has aimed to reduce vacancies by promoting NHS Wales careers and highlighting the benefits of training, working and living in Wales. The campaign includes a digital and social media campaign, attendance at high profile profession led exhibitions and conferences and some targeted incentives to attract people into roles which have been hard to fill. These actions have had a positive impact on speciality training fill rates and we will look to build on this success to improve recruitment rates.
- **Specialty and Associate Specialist (SAS)** – Information collected as a result of the new control framework shows that rotas in Wales rely heavily on the deployment of SAS doctors and we are considering ways to improve their terms and conditions as substantive staff to make the Agency and Locum route less attractive.

- **Independent pay review body recommendations** – Welsh Government has continued to invest in the pay and conditions of the workforce to recognise the value and dedication of our NHS staff and to support recruitment and retention. The Doctors and Dentists Review Board (DDRB) pay recommendations were accepted in full from April 2018 in contrast to England, and we have been implementing the Agenda for Change three year pay deal covering the period from April 2018 to March 2020.

Summary

As demand for NHS services continue to grow for the reasons outlined in the 2014 Nuffield Trust and 2016 Health Foundation reports, we will inevitably need to continue to place some reliance on temporary staffing to ensure the delivery of safe and quality services. Welsh Government has taken action to ensure deployment is undertaken in a controlled and cost effective way. The development of the wider workforce strategy in support of *A Healthier Wales* now provides a strategic direction to address the recruitment and retention needs of the NHS going forward, including use of temporary staffing where appropriate.