

Agenda – Public Accounts Committee

Meeting Venue:

Committee Room 3 – The Senedd

Meeting date: 11 December 2017

Meeting time: 13.45

For further information contact:

Fay Bowen

Committee Clerk

0300 200 6565

SeneddPAC@assembly.wales

(Private Pre-Meeting 13.45 – 14.00)

1 Introductions, apologies, substitutions and declarations of interest

(14.00)

2 Paper(s) to note

(14.00 – 14.05)

(Pages 1 – 3)

2.1 Coastal flood and erosion risk management in Wales: Additional information from the Welsh Government (20 November 2017)

(Page 4)

2.2 Inquiry into Regulatory oversight of Housing Associations: Additional information from the Welsh Government (21 November 2017)

(Pages 5 – 6)

2.3 Committee working practices and procedures: Correspondence between the Committee and the Welsh Government

(Pages 7 – 10)

2.4 Audit of Cardiff and Vale University Health Board’s Contractual Relationships with RKC Associates Ltd and its Owner: Additional information from the Welsh Government (24 November 2017)

(Pages 11 – 12)

2.5 Audit of Cardiff and Vale University Health Board’s Contractual Relationships with RKC Associates Ltd and its Owner: Additional information from Cardiff and Vale UHB (30 November 2017)

(Pages 13 – 22)



2.6 Natural Resources Wales Scrutiny of Accounts 2015–16: Additional information from Natural Resources Wales (29 November 2017)
(Pages 23 – 31)

3 The Welsh Government’s Supporting People Programme: Evidence Session 4
(14.05 – 15.15) (Pages 32 – 61)

Research Briefing

PAC(5)–32–17 Paper 1 – Paper from Western Bay Regional Collaborative Committee

Councillor Mark Child – Chair, Western Bay Regional Collaborative Committee

Rachel Evans – Supporting People Lead, City and County of Swansea Co-ordinating Authority

Ian Oliver – Principal Officer – Commissioning, Neath Port Talbot (NPT) and RCC NPT Supporting People Lead

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

(15.15)

Items 5, 6, 7 & 8

5 The Welsh Government’s Supporting People Programme: Consideration of evidence received

(15.15 – 15.30)

6 The 21st Century Schools and Education Programme: Consideration of update from the Welsh Government

(15.30 – 15.45) (Pages 62 – 74)

PAC(5)–32–17 Paper 2 – Written update from the Welsh Government (1 December 2017)

PAC(5)–32–17 Paper 3 – Written Statement from the Cabinet Secretary for Education (10 November 2017)

7 Public Procurement in Wales: Auditor General for Wales Reports

(15.45 – 16.00)

(Pages 75 – 147)

Research Briefing

PAC(5)–32–17 Paper 4– Welsh Government response to the Auditor General for Wales Report on the Public Procurement in Wales (6 November 2017)

PAC(5)–32–17 Paper 5 – Auditor General for Wales Report on the National Procurement Service

8 The Governance Challenges posed by indirectly provided, publicly funded services in Wales: Oral Update from the Auditor General for Wales

(16.00 – 16.15)

(Pages 148 – 195)

PAC(5)–32–17 Paper 6 – Discussion Paper: The Governance Challenges Posed by Indirectly Provided, Publicly Funded Services in Wales (February 2017)

Concise Minutes – Public Accounts Committee

Meeting Venue:

Committee Room 3 – Senedd

Meeting date: Monday, 4 December 2017

Meeting time: 14.50 – 16.42

This meeting can be viewed
on [Senedd TV](#) at:

<http://senedd.tv/en/4356>

Attendance

Category	Names
Assembly Members:	Nick Ramsay AM (Chair) Mohammad Asghar (Oscar) AM Neil Hamilton AM Rhianon Passmore AM Adam Price AM Lee Waters AM
Witnesses:	Dr Andrew Goodall, Welsh Government Frances Duffy, Welsh Government
Wales Audit Office:	Huw Vaughan Thomas – Auditor General for Wales Dave Thomas Mike Usher
Committee Staff:	Meriel Singleton (Second Clerk) Claire Griffiths (Deputy Clerk) Katie Wyatt (Legal Adviser)



1 The Welsh Government's initial funding of the Circuit of Wales project: Correspondence with the Welsh Government

- 1.1 Members considered and discussed the correspondence from the Welsh Government and the Auditor General for Wales.
- 1.2 Members agreed that the Chair will write to the Permanent Secretary with their concerns and also advise that they may wish to take oral evidence from her.

2 Introductions, apologies, substitutions and declarations of interest

- 2.1 The Chair welcomed the Members to Committee.
- 2.1 Apologies were received from Vikki Howells AM. There was no substitution.

3 Paper(s) to note

- 3.1 The papers were noted.

4 Hospital Catering and Patient Nutrition: Evidence Session with the Welsh Government

- 4.1 The Committee scrutinised Dr Andrew Goodall, Director General/NHS Chief Executive and Frances Duffy, Director, Primary Care & Innovation, Welsh Government on the implementation of recommendations arising from the previous Committee's and this Committee's reports on hospital catering and patient nutrition.
- 4.2 Dr Goodall agreed to send further information regarding the timelines for the rollout of the new national system for social care (WCCIS) and the All Wales catering system.

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

- 5.1 The motion was agreed.

6 Hospital Catering and Patient Nutrition: Consideration of evidence received

6.1 Members considered the evidence received and agreed to revisit when the Auditor General's report on the NHS Wales Informatics Services which is scheduled to be published in January 2018.



Llywodraeth Cymru
Welsh Government

Ein cyf/Our ref MA-P-LG/3684/17

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

Nick.ramsay@assembly.wales

20 November 2017

Dear Nick

PUBLIC ACCOUNTS COMMITTEE REPORT: COASTAL FLOOD AND EROSION RISK MANAGEMENT IN WALES - CLARIFICATION ON RECOMMENDATIONS RESPONSE

Thank you for your letter dated 11 October 2017 seeking clarification of my response to the recommendations from your recent report. I am pleased to provide you with additional information below as requested:

Recommendation 6 – a coastal toolkit will accompany the new National Strategy for Flood and Coastal Erosion Risk Management. It will set out options and guidance for all of the Shoreline Management Plan policies, including managed realignment.

Recommendation 9 – a Board chaired by Welsh Government officials maintains oversight of the Coastal Risk Management Programme, reporting to Welsh Ministers where appropriate. The planned mid-programme review will include: progress against programme objectives, lessons identified on the use of the Local Government Borrowing Initiative for investment in flood and coastal erosion schemes; and, the requirement for further investment.

In addition, work has already begun with Risk Management Authorities to bring together a long term pipeline of potential schemes which will strengthen our case for future funding.

Regards

Lesley Griffiths AC/AM

Ysgrifennydd y Cabinet dros yr Amgylchedd a Materion Gwledig
Cabinet Secretary for Environment and Rural Affairs

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Canolfan Cyswllt Cyntaf / First Point of Contact Centre:
0300 0604400

Gohebiaeth.Lesley.Griffiths@llyw.cymru
Correspondence.Lesley.Griffiths@gov.wales

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.

Rebecca Evans AC/AM
Y Gweinidog Tai ac Adfywio
Minister for Housing and Regeneration

Agenda Item 2.2



Llywodraeth Cymru
Welsh Government

Ein cyf/Our ref MA - P/RE/3931/17

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

21 November 2017

Dear Nick

PUBLIC ACCOUNTS COMMITTEE REPORT - August 2017
INQUIRY INTO THE REGULATORY OVERSIGHT OF HOUSING ASSOCIATIONS
RESPONSE TO THE REPORT

Thank you for your letter setting out the Committee's concerns about the partial acceptance of Recommendation 1 of the report which recommended that Welsh Government's regulation team should routinely be permitted to recruit externally.

Recruitment to the regulation team complies with the Welsh Government's recruitment policy and, at this stage, I do not consider that this should be changed. I have considered the points made in your letter and having reviewed our previous response, I confirm that the Welsh Government does not accept this recommendation.

Our recruitment policy aims to ensure that the right people are in the right posts to deliver the Welsh Government's business effectively and efficiently. Recruitment policy and practice is underpinned by a number of key principles, one of which is internal career development and progression. Providing opportunities for development and progression for existing staff makes sound business sense, it increases employee engagement and retention and supports succession and workforce planning.

Although the policy states that the majority of vacancies will be filled internally, external recruitment is possible for specialist posts where the skillset cannot be found internally or for entry level or training posts such as apprenticeships. As the former Cabinet Secretary for Communities and Children pointed out in his original response, two of the last three appointments to the regulation team were via external recruitment.

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Gohebiaeth.Rebecca.Evans@llyw.cymru

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.

There are currently no vacancies within the regulation team. Whilst the Welsh Government has rejected Recommendation 1, we will nonetheless keep the matter of routine external recruitment under review as vacancies occur.

Yours sincerely,

A handwritten signature in black ink that reads "Rebecca Evans." The signature is written in a cursive, flowing style.

Rebecca Evans AC/AM
Y Gweinidog Tai ac Adfywio
Minister for Housing and Regeneration

cc Permanent Secretary

Shan Morgan
Permanent Secretary
Welsh Government
Cathays Park
Cardiff
CF10 3NO

11 October 2017

Dear Permanent Secretary,

Public Accounts Committee Report Recommendations

During our meeting on 25 September 2017, the Public Accounts Committee considered the Welsh Government's response to the recommendations made in a number of our recent reports. These included our reports on Coastal Flood and Erosion Risk Management in Wales and The Regulatory Oversight of Housing Associations. At the meeting we also considered correspondence from the Welsh Government in relation to the implementation of recommendations made in a report of our predecessor Committee in respect of Senior Management Pay.

I will write to you separately with further details of the Committee consideration of the above matters but on a wider point I wanted to draw your attention to the Committee's concerns regarding the Welsh Governments approach of partially accepting the Committee recommendations.

We have noted a consistent theme in that although the Welsh Government partially accepts/accepts in principle some recommendations, the accompanying detail obfuscates to the point of not accepting the recommendation at all.

The Committee does not have an issue with the Welsh Government not accepting its recommendations as we regard this to be an essential part of an effective scrutiny process.



However, rather than stating a partial acceptance we suggest the Welsh Government is not able to accept a recommendation, it should clearly state this.

I trust you will consider our observations and respond in due course.

Yours sincerely,

A handwritten signature in black ink that reads "Nick Ramsay". The signature is written in a cursive style with a long horizontal flourish at the end of the name.

Nick Ramsay AM
Chair



Shan Morgan
Ysgrifennydd Parhaol
Permanent Secretary



Llywodraeth Cymru
Welsh Government

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

8 November 2017

Dear Mr Ramsay,

Thank you for your letter of 11 October in which you raise concerns about the Welsh Government's partial acceptance/acceptance in principle of some Public Accounts Committee recommendations.

I am grateful for the feedback from the Committee. I certainly do not want the Welsh Government to appear to be paying 'lip service' to accepting recommendations if our heart is not really in it. Like the Committee, I would much prefer us to say up front that we do not accept a particular recommendation where that is the case, and for us to set out clearly the rationale for that decision. While I hope that this will be a rare occurrence, I welcome the Committee's view that this is an essential part of scrutiny. We will therefore discontinue the practice of partial acceptance/ acceptance in principle.

I hope that the Committee will recognise that there may be occasions when we would agree with the Committee about the intention of a recommendation, but believe that there may be a more effective way of achieving its intention. Again, I would expect colleagues to set out the reason for preferring a different approach. I hope that the Committee would agree this still constitutes an acceptance of the recommendation overall.



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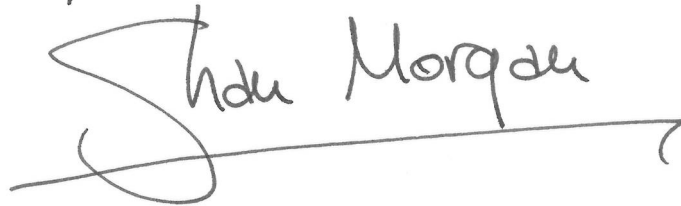
Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

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

We would be very happy to have informal conversations with the Committee, perhaps through the Clerk's Office, about the phrasing of recommendations while they are still in draft if that would be helpful. The intention would be, of course, not to seek to dissuade the Committee from a particular recommendation but to provide an opportunity for a dialogue about the best way to implement what the Committee has in mind. This would mirror the practice of the Wales Audit Office who consult us on their proposed recommendations as part of their report process.

I am copying this letter to the First Minister and the Clerk to the Assembly Commission.

Yn gywir,

A handwritten signature in black ink that reads "Shan Morgan". The signature is written in a cursive style and is positioned to the right of the Welsh phrase "Yn gywir,".

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



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

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



Llywodraeth Cymru
Welsh Government

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

Ein Cyf/Our Ref:AG/HA/JM

24 November 2017

Dear Mr Ramsay,

Public Accounts Committee - Audit of Cardiff and Vale University Health Board's Contractual Relationships with RKC Associates Ltd and its Owner

I am writing in response to your letter of 31 October in which you seek clarification about the flexibility around salary levels available to Health Boards and Trusts in Wales when recruiting Board level executives (ESPs).

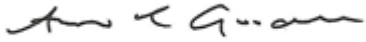
I can confirm that your understanding that there is some flexibility about the salary offered on appointment is correct, but the Pay Framework is in place to maintain a level of consistency across Wales and to ensure appropriate pay is offered through any recruitment process.

The JESP scores and related salary scales for each of the ESP posts on Boards across Wales were set out in the letter from Paul Williams in his letter to Chief Executives in May 2009. The arrangements were reconfirmed in a further letter from Paul Williams in February 2011.

The guidance is clear that appointments should be made at the lowest point of the salary scales but the Health Board or Trusts Remuneration and Terms Committee may agree to offer a higher salary where significant additional responsibilities have been added to the role. Should a Health Board or Trust wish to offer a salary level which is above the maximum of the salary band range set out in the guidance then they are required to seek agreement from

Welsh Government. In these cases we would expect to see a sound business case justifying the expenditure and demonstrating that appointment of an individual at a higher salary scale represented sound value for public money and that the opportunity to recruit within the normal salary range had been fully explored.

Yours sincerely

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

Dr Andrew Goodall



GIG
CYMRU
NHS
WALES

Bwrdd Iechyd Prifysgol
Caerdydd a'r Fro
Cardiff and Vale
University Health Board

Ysbyty Athrofaol Cymru
University Hospital of Wales
UHB Headquarters
Heath Park
Cardiff, CF14 4XW

Parc Y Mynydd Bychan
Caerdydd, CF14 4XW

Eich cyf/Your ref:
Ein cyf/Our ref: MB-sdd-11-6609
Welsh Health Telephone Network:
Direct Line/Llinell uniongychol: 02920 745684

Maria Battle
Chair

Mr Nick Ramsay AM
Chair Public Accounts Committee
National Assembly for Wales
By email: SeneddPAC@assembly.wales

Dear Mr Ramsay

Public Interest Report – Audit of Cardiff and Vale University Health Board's Contractual Relationships with RKC Associates Ltd and its Owner

Thank you for your letter of 31 October 2017.

The Chief Executive and I were grateful for the opportunity to attend the Public Accounts Committee on 25 September 2017 to discuss the above Report, and are pleased to hear that our answers assured the Committee about our response to this serious matter.

Since the Committee meeting, further progress has been made in taking forward the actions identified to address the shortcomings in the public interest report. I attach a copy of the updated action plan for your information. I confirm that this has been shared with the Wales Audit Office and will be considered at the public session of the Health Board's Audit Committee on 5 December 2017.

Of the 26 actions contained within the action plan, only 9 remain outstanding and the updates provided in the action plan provide assurance that good progress is being made in relation to these outstanding actions, including those that require input at an all Wales level. A meeting has been scheduled with Wales Audit Office in January 2018 to review our progress and it is proposed that a closure report, containing the completed action plan, be provided to the Board meeting on 29 March 2018. I will of course provide an update to the Committee as requested in April 2018.

There is work on-going looking at our policies and procedures around staff raising concerns, which we will feed into the Welsh Partnership Forum, and most importantly around ensuring our staff use these mechanisms and feel entirely comfortable and supported in doing so. In addition the following link sets out the bespoke information and guidance to staff which we have developed with Cardiff University <http://www.cardiffandvaleuhb.wales.nhs.uk/freedom-to-speak-up>. I will keep the Committee informed of the measures taken to improve this cultural issue, and their implementation.

I will also provide an update on the outcomes of the contract referrals to NHS Counter Fraud as a result of the review of payments once their investigations have been concluded, and will provide a copy of the Internal Audit Report once available.

I note that the Committee intends to write to the Chief Executive of NHS Wales concerning the process for appointing to senior executive posts at salaries in excess of the Welsh Government's approved pay scales and welcome any further clarity in this regard.

Yours sincerely



Maria Battle
Chair

Action Plan in Response to the Wales Audit Office Report in Respect of Cardiff and Vale University Health Board's Contractual Relationships with RKC Associates Ltd and its Owner

Conclusion 1 - The way in which the Cardiff and Vale University Health Board (UHB) procured and managed HR consultancy contracts awarded to RKC Associates fell well short of the standard that the public has a right to expect of a public body

- a) The UHB failed to comply with its own procurement procedures when it awarded consultancy contracts to RKC Associates in November 2014 and June 2015 and in consequence both the contracts and payments made under them are potentially unlawful.
- b) The award of consultancy contracts to RKC Associates breached public procurement rules.
- c) The UHB failed to undertake due diligence checks of RKC Associates resulting in the UHB being exposed unnecessarily to financial and reputational risk.
- d) The UHB was in breach of its own Standing Financial Instructions when it agreed contracts with RKC Associates which had been drafted by the owner of RKC Associates.
- e) The UHB appointed the owner of RKC Associates to deliver consultancy projects, but the UHB utilised her as a senior member of staff and, in consequence, has potentially over-claimed VAT amounting to £58,162.
- f) As the Officer who signed the contracts with RKC Associates in November 2014 and June 2015, the UHB's Chief Operating Officer had a duty to ensure proper process had been followed. The failure to do so has cast doubt on whether the decisions to award these contracts were based entirely on valid considerations.
- g) The UHB did not exercise effective financial monitoring of its contracts with RKC Associates, with payments exceeding the contracted value and contractual expenses not being verified.

UHB Response to Conclusion 1

Following publication of the Wales Audit Office report, a full report was received at the UHB's Board meeting on 27 July 2017 and discussion conducted in the public session of that meeting. In addition, the report has been raised at the meetings of our Management Executive (ME) and Health Systems Management Board (HSMB), and discussed with Senior Trade Union / Staff Side representatives and at our Local Partnership Forum (LPF).

As acknowledged by the Wales Audit Office, the UHB has a number of detailed policies and procedures covering this area. These have been developed to standardise processes based on best procurement practice and set out the governing principles for public procurement, for example, the Scheme of Delegation, Standing Orders, Standing Financial Instructions and Financial Control Procedures. Regrettably, these processes were not followed on this occasion, and there was no reference to the UHB's Head of Procurement as provided for in our Scheme of Delegation.

The Procurement Guide for Staff which was developed in conjunction with NHS Wales Shared Services Partnership Procurement Services, and approved through the All Wales Directors of Finance Sub Group in 2015, is provided to UHB staff as part of the training delivered by the UHB Procurement Department and will be further reinforced throughout the UHB.

Prior to the Wales Audit Office report, a review of our processes was already in train in response to changes to the IR35 legislation¹ relating to off-payroll working in the public sector. In addition, the process around requesting approval of contracts has been changed, a procurement checklist that sets out a defined approval hierarchy has been implemented to ensure compliance with Standing Orders and EC Regulations and that more than one signatory is obtained. All external Consultancy contracts are now signed off by the CEO.

The UHB, in conjunction with its colleagues in Procurement and Human Resources / Workforce, has developed this action plan to make the necessary further improvements to ensure no similar incidents of this kind occur in the future. The Action Plan will be presented to the UHB Board on 28 September 2017 and its Audit Committee on 26 September 2017 and will thereafter be monitored by the Audit Committee. The Action Plan has also been shared with Wales Audit Office.

¹ Her Majesty's Revenue and Customs (HMRC) introduced the 'intermediaries legislation' commonly known as IR35 or off-payroll rules in April 2000. This legislation is intended to combat tax abuse by an individual who would be treated as an employee were it not for the fact that they provide their services via their own company, called 'disguised employees' by HMRC. From April 2017, where a public sector organisation engages an off-payroll worker through their own limited company, that organisation will become responsible for determining whether the rules should apply, and, if so, for paying the right tax and National Insurance Contributions.

Conclusion 1 Action Plan	Lead	Completion	Update	Status
Training 1. Provide training for all Board members on the law, rules and regulations relating to employment and procurement at the August Board Development Day.	Director of Corporate Governance	August 2017	Complete Training delivered on 31/08/17.	
2. Cascade the training provided at Clinical Board senior management teams and throughout the organisation to Directorate Management level.	Executive and Clinical Board Directors	October 2017	Complete Discussed at ME on 04/09/17 & cascaded.	
Review 3. Undertake review of external consultancy categories in the purchase to pay system for period 2014-2017 to ensure compliance with procurement rules.	Head of Procurement	August 2017	Complete Reports received by CEO and Director of Finance.	
4. Review the Procurement Guide for Staff and revise to reflect process changes connected with the IR35 legislation.	Head of Procurement	September 2017	Complete	
Process 5. Provide the Procurement Guide for Staff to the Management Executive Team meeting for cascading to Clinical Boards, and Corporate Departments.	Director of Finance	September 2017	Complete Approved by ME on 25/09/17	
6. Publish the Procurement Guide for Staff across the UHB and place on intranet and internet for ease of staff access.	Director of Corporate Governance	October 2017	Complete	
7. Implement a no purchase order, no payment system to prevent the processing of manual payments.	Head of Procurement	March 2018	Site visits underway, approval received from All Wales Directors of Finance & draft policy prepared. Full implementation by March 2018.	
8. Develop and cascade process guidance for off-payroll working.	Head of Procurement	August 2017	Complete Approved by ME on 14 August 2017, taken to HSMB on 17 August 2017 for cascading by Clinical Board Directors.	

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Conclusion 2 - The way in which an HR consultancy contract was awarded to RKC Associates in February 2016, along with the actions of key decision-makers, compromised the integrity of the procurement process

- a) The UHB embarked upon a procurement process for a contract and invited and evaluated tenders for that contract, despite the fact that RKC Associates had been engaged in advance of the tender process.
- b) The robustness and integrity of the advertised procurement process was compromised in several key respects and the UHB's Chief Operating Officer participated in the process despite knowing that RKC Associates had already been engaged in advance of the procurement process commencing.
- c) The Procurement Department failed to keep adequate documentation of the procurement process.
- d) The UHB delayed seeking formal written approval for the fixed-term appointment of a new Director of Workforce and Organisational Development, resulting in the UHB incurring unnecessary expenditure on a consultancy contract.

UHB Response to Conclusion 2

The UHB has taken steps to strengthen its existing processes and extend training at all levels to reinforce the requirements in relation to these areas.

We recognise however that policies / procedures and training, whilst the foundation of good practice, are part of a bigger picture that includes a culture of sound behaviours and values, adherence to the rules at all levels of the organization, checks to ensure this is happening and an environment that enables individuals to confidently highlight departure from any rules no matter how senior those involved. As part of the communication with the UHB following receipt of this report, the CEO has asked staff to share any concerns they may have with him and provided assurance that anything raised will be explored to provide reassurance regarding our systems / processes and decisions made.

Procurement compliance reports are already presented to the UHB's Audit Committee outlining for example Contract Extensions and Single Quotation or Single Tender Actions. Steps are also being taken to put in place more vigorous checks around our processes to flag potential issues and to achieve more robust oversight and business scrutiny by our Management Executive Team, Board and its Committees.

We are committed to utilising temporary employment contracts rather than consultancy contracts wherever possible.

Conclusion 2 Action Plan	Lead	Completion	Update	Status
Training 1. Develop and deliver an enhanced training programme for procurement staff focusing on the conclusions of the Wales Audit Office report.	Head of Procurement	September 2017	Complete All training complete, refresher sessions will continue.	
2. Obtain quality management accreditation for the Procurement Department in respect of its tendering processes.	Head of Procurement	November 2017	Assessment postponed to early January 2018 due to departure of Assessor.	
3. Develop a Procurement flowchart for use by Board and Senior Managers.	Head of Procurement	October 2017	Draft to be considered by ME on 11/12/17.	
Audit 4. Enhance existing audit processes within the Procurement Department to verify compliance with contract procedure.	Head of Procurement	September 2017	Complete Forward programme for audit planned & training of Clinical Boards & departments to continue.	
5. Review Internal Audit Programme to include audits relevant to the issues highlighted in this report and to test compliance with new processes.	Director of Finance	September 2017	Complete Specific audit included in 2018 plan, to look at overall progress of action plan & review in detail a sample of actions.	
Assurance Enhance the statutory compliance report provided at each Audit Committee to include our compliance with and exceptions to recruitment requirements, Standing Orders and Standing Financial Instructions.	Directors of Finance and Workforce and Organisational Development	September 2017	Complete Standing agenda item with first report received at Audit Committee on 26/09/17.	
7. Review the Terms of Reference for the Remuneration and Terms of Service Committee to include a requirement to report any Executive level secondments and Consultancy appointments for approval to this Committee.	Director of Corporate Governance	October 2017	Complete Presenting to Board on 30/11/17.	

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Conclusion 3 - The process followed by the UHB that led to the appointment of the owner of RKC Associates to the position of Director of Workforce and Organisational Development in April 2016 was fundamentally compromised, lacked transparency and was poorly documented.

- a) It is unclear why the UHB decided to proceed with a recruitment process for a Board level position with only a single candidate who had not applied for the position when it was originally advertised.
- b) The recruitment process was poorly documented and, as a consequence, it is not clear when the person who had been overseeing the recruitment exercise became a candidate.
- c) The integrity of the recruitment process was compromised because the sole candidate had access to some of the assessment questions in advance of being interviewed for the position.
- d) The information provided to the Board and its Remuneration and Terms of Service Committee regarding the appointment was inaccurate, incomplete and inconsistent.

UHB Response to Conclusion 3

High level appointments are not as frequent as other positions within the UHB and are often challenging to recruit due to small numbers of applicants with the relevant skills and experience.

As a result of this report, the UHB has looked at how these senior appointment processes are conducted and how the office of the Chief Executive and Director of Workforce and Organisational Development can work better together to ensure compliance with processes and that satisfactory documentation is maintained.

We also recognise that we can better support our Independent Board Members in relation to their Committee roles, to equip them to confidently scrutinise decisions and hold us to account.

Conclusion 3 Action Plan	Lead	Completion	Update	Status
Review 1. Review the procedures used to recruit Executive Directors and other Senior Managers.	Assistant Director of Workforce and Organisational Development	July 2017	Complete To be reflected in the updated Recruitment and Selection Policy & Procedure.	
2. Review the quality of information and its presentation to the Remuneration and Terms of Service Committee.	Chair and Director of Corporate Governance	September 2017	Introducing new process in January 2018 whereby all papers will be assured by Chair & Director of Corporate Governance prior to publication.	
Process 3. Revise the Executive recruitment process to include a clear defined role for the Director of Workforce and Organisational Development which can be delegated to their Deputy or Director of Corporate Governance if circumstances require or a conflict arises.	Chief Executive	August 2017	Complete To be reflected in the updated Recruitment and Selection Policy & Procedure.	
Training 4. Arrange training for Independent Board Members, including those sitting on the Remuneration and Terms of Service Committee, covering their roles and responsibilities. This should also provide them with example questions they may wish to ask and the minimum information they may require to assist them in discharging their role.	Director of Corporate Governance	August 2017	Complete Included in the programme for the August Board Development Day.	
Provide legal and governance training for all Board members on their roles and responsibilities at the October Board Development Day.	Director of Corporate Governance	October 2017	Complete Included in the programme for the October Board Development Day.	

Additional Improvements				
Action Plan	Lead	Completion	Update	Status
Whistleblowing				
1. Review current Procedure for NHS Staff to Raise Concerns which includes whistleblowing to ensure it is fit for purpose and easy for staff to raise any concerns regarding non-compliance.	Director of Workforce and Organisational Development	October 2017	All Wales Procedure under review, comments being provided by the UHB Employment Policy Sub Group to the Welsh Partnership Forum.	
2. Develop an internal protocol providing a system for senior leaders to raise concerns, with clear lines of reporting should a concern relate to the Chair, Vice Chair or Chief Executive.	Director of Corporate Governance	October 2017	Discussions underway & further meeting arranged for 10/01/18 to look at Standard Operating Procedure.	
Governance and Accountability Framework				
3. Revise the UHB Governance and Accountability Framework to reflect any amendments by the Directors of Finance All Wales Group to the Standing Financial Instructions and Standing Orders.	Director of Corporate Governance	March 2018	Model Standing Financial Instructions and Standing Orders being developed on an All Wales basis.	
4. Review and revise the UHB's Scheme of Delegation.	Director of Finance	October 2017	Review underway, to be presented to Audit Committee on 27/02/18.	
5. Circulate a bulletin to the UHB Board and throughout the UHB reinforcing the Nolan principles of Good Governance and duties of probity / candour and the Values and Standards of Behaviour Framework.	Directors of Corporate Governance and Communications	October 2017	The Academi Wales Good Governance Pocket Guide will be considered in the development of a bulletin for wider circulation by December 2017.	
Communication				
6. Communicate openly and transparently with staff about the findings of this report, the actions being taken by the UHB and their progress. This will include public meetings of Board / Audit Committee and meetings of LPF, Clinical Board Directors, HSMB and publishing of the action plan on the intranet for access by all staff, supplemented by other communication bulletins.	Chief Executive and Chair	October 2017	Complete Reports at Board, ME, HSMB, LPF. Continued dialogue with Senior Trade Union / Staff Side representatives, CEO communication placed on intranet and internet. Action plan monitored by Audit Committee & closure report anticipated for March Board.	



**Cyfoeth
Naturiol
Cymru
Natural
Resources
Wales**

Ein cyf/Our ref: NRW/17/058

Agenda Item 2.6

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

29 November 2017

Dear Nick,

Natural Resources Wales Response to Annual Report and Accounts Scrutiny 2015/16

As agreed by our former Chief Executive, Dr Emyr Roberts, I am writing to update you on the progress NRW has made in addressing the recommendations of the Committee following your report on the above earlier this year.

Please find enclosed a summary of our position against the recommendations and an updated action plan. Our Audit and Risk Assurance Committee are overseeing our progress against this action plan.

A copy of this letter has been sent to Andrew Slade, Director of Environment and Rural Affairs at Welsh Government, and our sponsorship team.

With best wishes,

Kevin Ingram

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



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

Governance process mapping of Procurement (goods, works and services); Projects (non flood); Projects (flood); Timber Sales; Grants and Collaborative Agreements has been completed. Resulting in

- Updated controls in our Timber Management Platform
- 'Significant' contracts have been defined as £5m for Procurement and £0.5m for Commercial Activity
- 'Significant' in the context of contracts let without competition shall be the OJEU limit, currently set at £106k. Head of Procurement and Head of Commercial Activity will inform our Audit and Risk Assurance Committee in the event that a contract without competition reaches this threshold.
- Ongoing development of a Commercial Activity Policy and appropriate procedures to ensure appropriate and consistent scrutiny and approval of current and future commercial activity aligned to our new [Enterprise Plan 2017-22](#).

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

We have reviewed our internal schemes of delegation.

- The financial scheme of delegation is to be strengthened with broader examples of appropriate escalation.
- Our non financial scheme of delegation requires significant updating due to our organisational design programme. Novel, contentious and repercussive decision making will be made clear in the updated scheme.

State Aid training has been designed and provided by an external law firm to 60 staff in identified teams, with Public Law training to follow before the end of this financial year.

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

- We have reviewed the Terms of Responsibility of our Board and Sub Committees
- Meeting documentation templates have been updated and are to be rolled out to all staff shortly to ensure consistency.

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

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Action Ref.	NRW Action	NRW Lead	Update	Status
1.1	Identify the key areas of the organisation that are charged with entering or the ongoing management of contracts.	Executive Director of Finance and Corporate Services	<p>Teams Identified:</p> <ul style="list-style-type: none"> Enterprise: Timber Production; Energy Development; Other Estate Income; Recreation and Tourism; Analytical Services. Corporate: Procurement; Grants & Partnerships, Future Regulations and initiatives delivered jointly with other bodies 	Completed
1.2	Review the process of evaluation, negotiation and awarding of contracts and other external commitments for the key areas identified in action 1.1	Head of Governance and Planning	<p>Governance process mapping of Procurement (goods, works and services); Projects (non flood), Projects (flood); Timber Sales; Grants and Collaborative Agreements has been completed.</p> <p>The following teams follow non flood project governance processes: Analytical Services, Energy Delivery, Future Regulation</p>	Completed

Action Ref.	NRW Action	NRW Lead	Update	Status
1.3	<p>Review governance arrangements of Sales and Procurement contracts to ensure all ‘significant’ contracts let without competition (individually or collectively) are:</p> <ul style="list-style-type: none"> • considerate of the approval limit within the FSoD of the letting of timber sales contracts • reported to the Audit and Risk Assurance Committee (as single tender actions) for scrutiny; • the rationale for letting contracts without competition is documented, including clear evidence of matters such as urgency and market conditions or evidence that there is a single source of supply or single unique supplier; and <p>the letting is subject to a legal assessment which takes into consideration procurement regulations, State Aid and risk of legal challenge.</p>	<p>Head of Commercial Services for Sales Contracts</p> <p>Head of Procurement for Procurement Contracts</p>	<p>Significant has been defined as £5m for Procurement and £0.5m for Commercial Activity.</p> <p>It has been determined that significant in the context of contracts let without competition shall be the OJEU limit, currently set at £106k. Head of Procurement and Head of Commercial Activity will inform NRW’s ARAC in the event that a contract without competition reaches this threshold.</p> <p>In addition Head of Commercial Activity will look to use a new STA process which includes clear justification (similar to that used by Procurement) to document contracts awarded without competition. This process will ensure that legal assessments are carried out prior to letting. This documentation is currently being developed.</p>	Ongoing
1.4	<p>Review and strengthen the controls around financial decisions and external commitments which involves commitments under market value.</p>	<p>Executive Director of Finance and Corporate Services</p>	<p>Controls have been considered along with our scheme of delegation review, and the procedures for current and future activity under the Enterprise Plan. Although infrequent, there are situations where timber could be sold without negotiation and which <u>have the potential</u> to be sold below market value. Such as</p> <ul style="list-style-type: none"> • very small amounts of timber as described in our Timber Marketing Plan for 2017-22. • price indexing mechanism variations • small Long Term Contracts for niche products or Community Groups. 	Ongoing

Action Ref.	NRW Action	NRW Lead	Update	Status
			In these circumstances the matter is referred to the Head of Sales and Marketing for consideration in line with e.g. business priorities and targets, customer capacity etc. Potential sales with significant risk to NRW (reputational / delivery of objectives) would be escalated further and all decisions on sales awarded are recorded within our e-sales document management system.	
1.5	Ensure teams handling contract decisions are aware of NRW response to improve quality of documentation and records of decision making (See action 3.4)	Head of Governance and Planning	Teams identified above will receive targeted communications in line with roll out of action 3.4	Ongoing
1.6	A protocol is put in place for handling post contract negotiations and evidence requirements of any amendments.	Head of Commercial Services	Business rules for changes to contracts (duration and quantity) have been built into Timber Management Platform with appropriate escalation in system.	Completed
1.7	Enterprise Programme Board to review their process to ensure they are effective in challenging/scrutinising all aspects of new enterprises.	Head of Commercial Services	Following approval of our new Enterprise Plan July 2017 a Commercial Activity Policy Project has been set up to develop governance and scrutiny arrangements of current and future activities under the new structure.	Completed

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

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Action Ref.	NRW Action	NRW Lead	Update	Status
2.1	Review the Financial Scheme of Delegation (FSoD) to ensure appropriate checks / actions / escalation that are required when dealing with novel, contentious and repercussive issues are included in sign off procedures.	FSoD Coordinator	FSoD has been reviewed. Instructions are clear however broader examples will be added during our next revision of the scheme.	Completed
2.2	Review Non-Financial Scheme of Delegation to ensure appropriate checks / actions / escalations that are required when dealing with novel, contentious and repercussive issues are included in sign off procedures.	Governance Partner	NFSOD requires full review in 2018 following Organisational Design restructure of the organisation. Information on novel, contentious and repercussive decisions will be issued to staff before the end of 2017.	Completed
2.3	Develop a workshop to cover State Aid and deliver to staff in the following teams (deemed as most likely to encounter these issues): <ul style="list-style-type: none"> • Grants and Partnerships, • New Enterprises, • Future Regulations • Procurement 	Head of Legal Services	State Aid workshops delivered identified staff during September and October 2017. State Aid staff guidance document prepared.	Completed
2.4	Develop a presentation on Public Law including documentation of decision making and concepts of novel, contentious and repercussive issues; and deliver to staff in the following teams (deemed as most likely to encounter these issues): <ul style="list-style-type: none"> • Grants and Partnerships • New Enterprises • Future Regulations • Procurement 	Head of Legal Services	Public Law presentation prepared to follow above State Aid training therefore will be delivered during November and December 2017.	Ongoing

Action Ref.	NRW Action	NRW Lead	Update	Status
2.5	Share results with Public Accounts Committee through this action plan and subsequent update.	Chief Executive	To be shared with PAC in November 2017.	Completed

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

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Action Ref.	NRW Action	NRW Lead	Update	Status
3.1	<p>Review internal governance arrangements to ensure</p> <ul style="list-style-type: none"> • clarity of the remit of Boards and Committees • appropriateness of the escalation routes • effectiveness of the oversight they provide 	Head of Governance and Planning	<p>Board and sub-committee Terms of Responsibilities reviewed during summer 2017.</p> <p>We are introducing standardised internal governance arrangements to address planning, performance, risks management, with new escalation routes and scrutiny.</p> <p>The planned schemes of delegation reviews as part of our organisational design will provide escalation in line with required external guidance e.g. Framework Document, Managing Welsh Public Money etc.</p>	<p>Completed</p> <p>Ongoing</p>
3.2	<p>Review NRW Governance arrangements to ensure all 'significant' income and expenditure contracts (above a financial ceiling to be set by NRW) should:</p> <ul style="list-style-type: none"> • consider the approval limit within the FSoD of the letting of timber sales contracts • be referred to Executive Committee/NRW Board for approval; and 	<p>Head of Commercial Services for Sales Contracts</p> <p>Head of Procurement for Procurement Contracts</p>	<p>Significant has been defined as £5m for Procurement and £0.5m for Commercial.</p> <ul style="list-style-type: none"> • Forthcoming workshop to determine escalation thresholds and governance arrangements. • Head of Sales and Marketing to be involved in workshop and development of thresholds and process. 	Ongoing

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Action Ref.	NRW Action	NRW Lead	Update	Status
	<ul style="list-style-type: none"> be subjected to appropriate scrutiny which may include seeking legal advice on State aid rules and/or compliance with procurement regulations, and formal consideration as to whether the contracts should be referred to the Welsh Government as potentially novel, contentious or repercussive. 			
3.3	Roll out an initiative to improve the quality of <ul style="list-style-type: none"> the documentation submitted to the Boards, Committees and Senior Management Groups the record taking to document decisions they make. 	Head of Governance and Planning	Revised templates have been established for Terms of Reference, Agenda Planning, Agenda Standing Items, Minutes, Actions Logs Risk Registers etc. Roll out plan to be addressed once formats agreed.	Ongoing

Agenda Item 3

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

Document is Restricted

The Western Bay Regional Collaborative Committee Response to the Public Accounts Committee on the Wales Audit Report, August 2017.

The Public Accounts Committee (PAC) has agreed to undertake a short inquiry into the Welsh Government's management of the Programme specifically considering:

- The impact of wider policy development
- Funding distribution and financial planning
- Monitoring and evaluation

This paper reflects the view expressed from members of the Western Bay Regional Collaborative Committee (RCC).

The impact of wider policy development

Key areas of policy development at present relate to

1. Department of Works & Pensions (DWP) public consultation on the rents and eligible for Housing Benefit (HB) services charges
2. Welsh Government (WG) proposals to implement the Full Flexibilities Grant merging Supporting People Programme Grant (SPPG) with a range of other grants.

The overall clarity of the Programme's objectives;

There has been clarity on the overall programme objectives i.e. that it focused on prevention of homeless and supporting individuals to maintain their accommodation in community who without this support would need a more institutional setting for a wide range of client/support needs groups.

In recent years the WG steer on strategic aims for the programme has been characterised by a series of letters from Ministers highlighting priority areas at emerging at various times which they felt the programme should focus on e.g. to focus on Homelessness Act, Tackling Poverty, the aims of the Health Social Care and Wellbeing act, Adverse Childhood Experience, Domestic Abuse and Substance Misuse.

It would be beneficial at a Welsh Government level if it were to consolidate its own view on the purpose of making the grant available and publish this taking into account recent policy developments and implementation developments.

In relation to long term support services recognition needs to be given to the contribution to wellbeing aims and maximising independence voice, choice and control in line with the Welsh Social Services & Wellbeing Act and outcomes for individuals. There is concern the sight will be lost of the programmes contribution to early intervention and prevention for social care groups such as those with mental health issues.

Concern expressed that the current non-statutory Local Authority (LA) key priorities will fall by the way-side as LA will only be able to afford statutory services.

In the letter to Chief Executives of Local Authorities in Wales, 24/10/2017, it states that

“The Full Flexibility pathfinder will give 100% flexibility across grants in order to achieve increased programme alignment, make more effective use of funding and meet local needs. This greater financial freedom and flexibility is expected to enable pilot areas to work differently, giving more scope to design services to support the Governments drive for more preventative, long-term approaches.”, however there is limited understanding with regards to some of the less well known grants in the list contained within the appendix in regards to what those grants currently deliver on.

Currently, the majority of Supporting People Programme Grant funded services are focused on preventative work and there could be a lack of a regional preventative programme of service delivery if the SP Grant were to be subsumed into a ‘super grant’. There is a view that this grant should remain focused on early intervention and prevention and there is real concern that the SP Programme would be ‘diluted’ if merged with other grants programmes

At present, there is a clear local governance process which includes a Local Plan, a Commissioning Plan, Housing Plan, Regional Strategic Plan. Strengthened governance processes would need to be established which deliver the confidence to administer the grant. Concern has been expressed relating to the time it would take WG to release the Guidance for implementation of the amalgamation of potentially ten grants.

In relation to the Full Flexibility Pathfinder pilot will run from April 2018 to March 2019 with the proposal to implement the super grant from March 2019 to April 2020. There is concern about the lack of time to put in place procurement and contract regulations prior to the proposed roll out of the super grant in 2019.

There is no time to undertake a monitoring and evaluation exercise within the pilot areas prior to the super grant roll out. There’s a danger that failures of the pilot will be inherited in the transition to the super grant. There doesn’t look like any monitoring and evaluation will be in place prior to the emergent of grants.

The implications of and emerging response to the UK Government’s Supported Accommodation review;

In Summary

The current consultation proposal as we understand it is for a devolved pot for short term temporary supported accommodation grant. However, Long Term and Sheltered & Extra Care remaining in the welfare system with increased regulation and monitoring of rents and service charges e.g. with a sheltered rent and eligible service charges to be established.

Short term supported accommodation grant to be devolved.

- Concern about how the pot for short term accommodation costs will be sized, use of the definition up to two years, whether it will sustain existing provision i.e. whether it will be reduced prior to being devolved.
- Concern as it is unclear how growth will happen for short term supported accommodation grant nationally or by WG.
- Concern about the definition used by DWP to include provision in the amount to be devolved. Will dispersed temporary accommodation be included in the definition?
- Development of the WG policy on the administration of the short term supported housing grant needs to be coordinated with the development of the full flexibility grant fund in relation the revenue support for these services currently predominantly from SPPG. There also need to be a link strategically to the levels of public capital subsidy which impacts on rent and service charge setting of providers.
- Little detail is known yet of WG intension but from England if the intension is to block fund provision to Registered Social Landlord’s (RSL) to cover the rent and service

charge costs with limited affordable charges to tenants then this presents some benefits for individuals in relation to affordability to take up work opportunities and increase the focus on getting work ready whilst in supported accommodation. It may reduce some aspects of housing management e.g. eviction for rent and service charge arrears.

- LAs would welcome Wales following England to allocate to LA to administer. This fits with their local roles and statutory duties under Homelessness legislation and as commissioners for supported housing for revenue and in prioritising locally allocated public capital subsidy such as Social Housing Grant (SHG) for RSL's.
- RCC provider members have concerns that funding is maintained for this group of individuals many of whom may be non-statutory groups at present. Their view is that a form of ring fencing or scrutiny to assure this resource should be in place for temporary supported housing grant and supporting people programme grant.
- The DWP consultation document suggests in England the introduction of a framework for needs assessment process and strategic plans etc. In Wales these are already in place.
- In Wales there has been no regulation of RSL rent or service charges in supported housing or sheltered by the regulation at WG level. Currently these rental and service charge costs for temporary supported housing are understood and scrutinised predominantly by Housing Benefits sections. If the short term accommodation funding is devolved from WG to LA's there may be a lack of capacity to undertake this work as housing benefit section decline in capacity as central welfare reform is rolled out. WG need to ensure the skills and knowledge and understanding around rent and service charges costs and capacity are supported. WG should consider making new burdens allowance for this work.

Sheltered & Extra Care

- Under these proposals there is concern in relation to the impact the Sir Mansel Aylward recommendation might have on services which have moved to be fully compliant i.e. may not have a support package tied to the service any longer still meet the definition of sheltered to be accounted for in the Welfare Benefit System rather than be regarded as general needs.
- Also some newer build Old Age Pensioner (OAP) designated accommodation may have been developed with similar physical facilities which necessitate higher rents and service charges but may not meet the definitions of sheltered due to the lack of commissioned support.

Long Term Supported Housing

- The consultation suggests there will be regulation of these rents and service charges by central government and there is no detail yet.
- Will this regulation be devolved to the RSL regulator in Wales?
- Caution that the balance of the Programme shifts too much towards homelessness services rather than the Programme Objective being to "supporting individuals to maintain their accommodation in the community who without this support would need a more institutional setting".

How the Welsh Government might improve communication about the priorities for the Programme and the impact of wider developments;

- It would be beneficial at a Welsh Government level if it were to consolidate its own view on the purpose of making the grant available and publish this. The current SPPG Guidance is heavily focused on administration grant conditions and details the governance and the bureaucratic aspect of process.

- Develop an up to date strategic document on the intension of the national programme aims and ensure WG is resourced to regularly engage in the Supporting People Information Networks (SPIN) and RCC's and their role with relevant guidance.

How best to align the work of the Regional Collaborative Committees with other collaborative governance arrangements;

- Alignment of the various regional governance arrangements need to be at the Welsh Government level in the first instance.
- Strengthen link to Social Services & Wellbeing Partnership Boards
- Strengthen links with the Social Services & Wellbeing Boards with Housing and Homelessness and the RCC's.
- The local programme delivery is driven by local homeless strategy priorities but yet there is no equivalent regional direction for the statutory Housing or Homelessness to work regionally e.g. WG have asked for the Homeless Strategies to be done by LA area.
- The regional networks that have existed for Housing Strategy including homelessness have been on different footprints to Western Bay.
- SPPG is only one of a number of tools (but significant in its level of resource) to tackle and prevent homelessness and fund the model of accommodation and support yet it has highly prescribed and bureaucratic structure imposed for administration of the grant whilst the others do not.

The lessons to be learned from the mixed effectiveness and impact of regional working over the past five years;

- Harmonisation of processes reducing workload for providers
- Cross fertilisation of innovative ideas and good practice
- Sharing of quality and performance information
- Sharing of resources
- Increased some unnecessary bureaucracy (individual Housing Strategy instead of a regional one)
- The uncertainty regarding changes to Local Government and Health footprint.
- There is less of a regional drive for housing strategy and homeless and any regional networking has had different boundaries to SPPG.
- Perceived duplication with other Regional Governance Structures.
- Improved relationships

The extent to which the governance and management arrangements for the Programme reflect the ways of working expected under the Well-being of Future Generations (Wales) Act 2015.

The current system does consistently reflect the five ways of working under the Wellbeing of Future generations.

- Long Term – Annual funding settlement prevent long term planning
- Prevention - Performs well as SPPG has very strong prevention focus
- Integration – It has not been able to fully deliver on this.
- Collaboration - Performs well on collaboration
- Involvement - Performs well on involvement at a range of levels.

For example, Swansea is piloting a Directorate commissioning for people with Learning Disabilities which cover all aspect of the lives of people from education through to independent living including preventing homeless and accessing work and aging. This is to respond to the Wellbeing of Future Generations Act.

Monitoring and evaluation.

How monitoring/outcome data is used to inform decision-making about programme expenditure and contract monitoring;

The revised outcomes framework that the Welsh Government is proposing and the extent to which it will address the limitations of the current framework;

- With the development of the Health Social Care and Wellbeing Outcomes there is an opportunity to have a single set of national outcomes consistently used reducing the bureaucracy and administrative process at a time where LA and providers are under extreme pressure.
- Welsh Government may wish to consider a single set of outcomes across Welsh Government Directorates
- WG may wish to reflect on that nationally WG have decided that social care outcomes for individuals will not be collected nationally yet for SPPG they have decided they must be.

How any revised outcomes framework arrangements can be best communicated and embedded;

- Guidance and training
- Embedded in practice frameworks and service specifications.
- Using a common language.

Other opportunities to strengthen monitoring and evaluation, including in assessing the relative value for money of comparable services.

- Development of effective longitudinal studies on the effectiveness of policy and programme changes. E.g. Secure Anonymised Information Linkage (SAIL) project with Swansea University which showed a very positive impact of the SPPG programme on health service usage. There is an opportunity for Welsh Government to do this for impact on Homelessness and Social Care.
- There is a case for a nationally procured consistent data base for returning performance data.
- Establish a benchmarking group which recognises that there are rarely identical service specifications / models of service

Distribution of programme funding and financial planning including:

The issues that need to be considered in developing and implementing any new funding formula;

- The development of any formula for distribution of grant should be free on any perverse incentives related to performance measures applied by WG.

- Focus on vulnerability and recognising the levels and complexity of overlapping vulnerability.
- It should be recognised that the legacy capture under Transitional Housing Benefit (THB) in 2003 was based on need as THB captured those needing and having support at the time. Some LA were effective at capturing this but it is acknowledged that citizens in LA's less effective should not be penalised as a result of their LA performance at that time.

Full Flexibilities Proposals

- There is very limited information been disseminated to date on these proposals to the RCC and it is very difficult to comment on that basis.
- The current financial worth of each of the proposed grants that are being merged is unknown and therefore it's impossible to establish the impact on SP funded services.
- A merger of grants at a reduced level may result in market uncertainty and instability. There is a lack of information as yet to assess the impact on procurement requirements.
- It has been suggested that the new budget line which indicates the emergence of grants, is greatly reduced than if the grants were emerged today. Therefore, concern expressed as to where the cost of this short-fall will be met and implication of service delivery if the funds cannot be found. There may be an impact on service delivery.

How budget pressures and funding uncertainty have affected service planning and delivery;

- The supported housing review has restricted the development of accommodation based service models due to uncertainties of rental income to social landlords.
- Caution and concerns from RSLs and 3rd sector providers as major partners regarding annual SPPG revenue settlements, potential cuts muted, late notifications from WG confirming funding, commitment only to annual funding/contracts from LA's. These lead to human resource difficulties some providers serving redundancy notices to staff annually until funding is confirmed and this can result in staffing retention issues. Some providers withdrawing from providing SPPG services due to the process and risk to business model to manage.
- A move to three year indicative allocation will allow planning and commissioning to factor into service development and contracting enabling longer contracts to be awarded.

Reasons for the identified wide variation in financial support for different client groups across local authorities;

- Legacy commitments, long term supported living may still have people same homes from 2003.

- The analysis of the spend plan used does not reflect the intensity of the services used therefore not comparing like with like. Some groups may have more fixed or higher intensity and therefore tend to cost more.
- Local population needs may be different, and therefore locally determined priorities may be different.
- Locally determined priorities are made with regard to a wide range of factors and may be dependant of what other resources the area has for each category of need.
- Procurement plans within each area and category may be at different stages implementation.
- Implementation stage of Aylward recommendations will have an impact with a move toward generic/multi specialist or pan disability type services.
- The effect of the service evaluation of legacy services and cost analysis process changing what services are paid will have had an effect. Savings have been reinvested.
- Property prices, rural issues such as travelling costs, translation costs and salary costs based on local workforce issues.

Reasons for the noticeable change in the overall proportion of programme funds spent on floating and fixed support;

- The effect of the service evaluation of legacy services and cost analysis process changing what services are paid will have had an effect.
- Aylward implementation has seen fixed sheltered classification in spend plans change to OAP or generic floating support.
- Social Services and Wellbeing Act means there is more focus on early intervention and prevention. Floating support may be seen as more complementary model.
- Floating support as a model can be more efficient, flexible and effective for some groups and commissioning decision may have been made due to this. Promotes voice choice and control, people can choose where they live and support moves on without disruption to accommodation and their links within the community.
- Concerns from RSLs and commissioners regarding annual SPPG revenue settlements, potential cuts muted.
- Simplicity to switch to respond to cuts is increased.
- Reluctance to commission purpose specialist build due to the uncertainty of revenue. RLS's concerns of being left with buildings unsuitable for general needs letting or costly to convert.
- Due to the welfare reform proposal affecting rents and services charges there may have been a cautious approach to commissioning fixed provision.

- Changes in the level of capital subsidy for building and competing pressures for that subsidy with general needs pressures.
- Complexity of delivering fixed accommodation based services achieving capital subsidy, locating affordable and appropriate sites for development, achieving planning permission for supported living.

The extent to which local and regional planning processes and spending reflect well-evidenced needs, rather than historical patterns.

- There are legacy patterns still evident but as procurement plans are being implemented the patterns are likely to change. The complexity of change can vary by the service model and client group
- The current WB Regional Supporting People Plan was developed through a joint review of housing and homelessness data at a regional level. WB analysed together to reach a set of shared high level strategic priorities.
- All regional need mapping process are informed by local arrangements. These include a range of sources of data. Census and other population data. homeless data, evictions etc reasons for homelessness, analysis from Gateways on demand for existing services and service gaps. Stakeholder and citizen engagement.
- Evidencing need could further be developed in a consistent manner. The Western Bay regional Wellbeing assessment has progressed this but also highlighted improvements needed.
- The development of the new homeless strategies was a missed WG opportunity to formalise and develop this approach further and consistently across wales.
- Once need is evidenced for a particular group of individuals and decisions are made then commissioning of housing related support for some client groups may be part of a bigger continuum of provision and part of a wider strategic process. e.g. providing step up and step down provision in an accommodation and support pathway.

Agenda Item 6

Llywodraeth Cymru / Public Accounts Committee
PAC(5)-32-17 P2

Steve Davies

Cyfarwyddwr Addysg / Director of Education
Y Grŵp Addysg a Gwasanaethau Cyhoeddus
Education and Public Services Group



Llywodraeth Cymru
Welsh Government

Reference:

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

1 December, 2017

Dear Nick

21ST CENTURY SCHOOLS AND EDUCATION PROGRAMME: UPDATE ON RECOMMENDATIONS

Following the value for money publication by the Wales Audit Office this year on the 21st Century Schools and Education Programme, I am pleased to provide an update on progress made against each of the recommendations made in that report.

In summary, work is advancing against all ten recommendations with one action already complete and another on track to complete by the end of this year. A more detailed report on progress is provided for the Committee at Annex A of this letter.

You also asked for a specific update on the plans that need to be developed for the next wave of the Programme (i.e. Band B). I am happy to report that our partners in Local Authorities and Further Education Institutions submitted Strategic Outline Programmes in July, which outlined their proposed plans for investment for Band B and that these projects will commence from 2019. Where capacity exists in our budgets we will look to bring projects forward.

All the Band B proposals have been assessed against the Investment Objectives of the 21st Century Schools and Education Programme and also wider Welsh Government policy initiatives. All plans were approved on an "in principle" basis with projects subject to further scrutiny through our Business Case process.

The Cabinet Secretary for Education published a Written Statement on the 10 November, which provides this Government's commitment to the plans. As with the first wave, Band A, Formal letters will now be issued confirming Programme Funding Envelopes. This



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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.

confirmation will enable all Local Authorities and Further Education Institutions to proceed with planning the delivery of their projects with the right level of surety of Welsh Government support that is required at this stage.

To enable us to provide the correct level of funding against our partner's investment need and pace of delivery, these letters also include a request for information on planned timescales for project delivery. We will be required to match this need against the available budget; an approach has been employed successfully throughout the Band A Programme.

With the Strategic Outline Programmes in place we are now able to progress the preparatory work that will enable the start of the Band B Programme in 2019. This work includes completion of the remaining recommendations made by the Wales Audit Office in their report published in May.

Yours Sincerely

A handwritten signature in black ink, appearing to read 'S. Davies', with a stylized flourish at the end.

Steve Davies
Cyfarwyddwr Addysg / Director of Education

cc Cabinet and Plenary Mailbox
WG CGU Mailbox

Annex A

Recommendation One

Overall, our view is that the governance arrangements for overseeing and approving projects are sound. However we found that the final advice put to Ministers, on which to base their funding decisions, did not adequately reflect outstanding risks and concerns with the projects.

The Welsh Government has subsequently updated its approach but there is scope to go further. The Welsh Government should ensure that Ministerial briefings on which funding decisions are taken set out the actions taken in response to any concerns or conditions identified by the Capital Investment Panel

Response: Accept

Completion Date: Complete

Action was taken immediately following the audit. The process to resolve queries arising from our Business Case assessment has been strengthened to ensure that we record all responses from our assessors. In cases where there are risks to be considered, these are highlighted in the submission to the Cabinet Secretary.

Recommendation Two

Going forwards, the Welsh Government is likely to make some substantial changes to the way the programme is funded and managed. The Welsh Government will need to finalise updated governance arrangements for Band B of the programme that take appropriate account of:

- **the complexities of making use of revenue funding, learning from the experience of other parts of the UK; and**
- **any shift in the balance of funding between partners.**

Response: Accept

Completion Date: March 2019

The 21st Century Schools and Education Programme has robust governance arrangements in place, which takes into account both capital and revenue funding streams. Arrangements are in place to oversee the development of the Band B Programme, along with the establishment of a Band B Panel which is comprised of senior Welsh Government officials. The Band B Panel currently meets on a monthly basis and monitors risks, Programme development, and progress in respect of the Mutual Investment Model.

The Mutual Investment Model is unique to Wales and has been developed taking into account learning from Scotland, England and Ireland. Officials continue to speak regularly with the Department for Education, Scottish Futures Trust and the European PPP Expertise Centre (EPEC).

Funding for the Capital element of the Band B Programme remains at 50% Welsh Government and 50% from our partners. Funding for the Mutual Investment Model is 75% from the Welsh Government and 25% from our partners.

Recommendation Three

The Welsh Government is currently consulting with councils and further education colleges about the funding for Band B and, in particular, if there is appetite to participate in the Mutual Investment Model. Recognising this ongoing work, the Welsh Government should set out its plans for funding Band B of the programme as soon as possible, taking into account:

- **the volume and cost of the remedial work required to bring all schools in Wales, including voluntary-aided schools, up to a good or satisfactory standard; and**
- **the capacity of councils, further education colleges and the diocese to fund further capital or revenue based investment in schools.**

Response: Accept

Completion Date: December 2017

Strategic Outline Programme documents were submitted in July 2017, in which partners were asked to indicate their project plans and whether they wished to promote any projects through the Mutual Investment Model.

These plans indicated an investment demand of c£2.3 billion, including over £600 million indicative investment through the Mutual Investment Model.

The plans are set out in five sections, which set out strategic alignment; value for money; affordability including the ability to match fund; commercial matters; and delivery for each Local Authority (which includes church schools) or Further Education Institution.

As all projects are supported by Business Cases, each project in the Programme receives further scrutiny in respect of our partner's ability to match fund, which is monitored throughout project and Programme delivery.

Recommendation Four

A national condition survey in 2010 helped to provide a clear baseline on the condition and suitability of the school estate, although there has been little public reporting of the data or the progress of the programme nationally. Since then, councils have updated their data annually. A sample survey was also carried out in 2016 to assess consistency of data. Given the proportion of schools that were judged to be incorrectly categorised, we recommend that the Welsh Government:

- a. urgently issue updated guidance on classifying schools, setting out any common issues and errors identified in the sample review;**
- b. require councils to update their assessment of every school, based on the updated guidance.**
- c. carry out another review of a sample of the data to check that councils are applying the categories correctly and consistently; and**
- d. report publicly on progress to improve the condition and suitability of the school estate alongside achievement of wider benefits.**

Response: a) b) d) Accept, c) Accept in Principle

Completion Date: August 2018

- a) Our annual condition survey has been undertaken for both schools and colleges across Wales. The document included guidance to enable partners to replicate the methodology employed in our sample survey to ensure that a consistent approach is taken.
- b) Our delivery partners are required to use the revised guidance to update their estate assessments and have been asked that it be adopted straight away where possible, with a view to make this a mandatory approach by next year's data collection.
- c) The data has been received and officials are analysing the return. Once this exercise is complete, further action will be considered, including whether a further sample survey is necessary to test the data.
- d) To ensure greater transparency in reporting, work is being undertaken to update the 21st Century Schools Website to report Programme progress in respect of school estate improvement and wider Programme benefits. We have updated the website to reflect the recent Band B announcement, and are currently organising updating our Programme governance section to provide clarity to delivery partners. We are collating information for those projects approved and completed under Band A funding. When completed, this will be published geographically on the website to show investment throughout Wales.

Our new publicity guidance is currently available online. Our community benefits, procurement and building standards sections are also under review. New information will be published on the website early in the New Year. We are collating recently completed project information including build photographs in a view to expanding our project portfolio section online.

Recommendation Five

The programme has prioritised the reduction of surplus places and has been one of several factors contributing to a fall in surplus places, although most councils are still above target, especially for secondary school places. For Band B, the Welsh Government is prioritising building condition more than surplus places. The Welsh Government should continue to work with councils to:

- a. **ensure that the programme continues to contribute to a reduction in surplus places despite the shift in priorities, especially in those council areas where a growth in the secondary age population is not expected.**
- b. **ensure that building programmes for Band B appropriately reflect local demand for Welsh-medium education and the Welsh Government's intentions to substantially increase the numbers of pupils learning through the medium of Welsh;**
- c. **engage with Diocesan authorities to assess the likely demand for faith schools across Wales; and**
- d. **identify cost effective and timely approaches for councils that face acute pressure for new places.**

Response: Accept

Completion Date: April 2019

- a) The identified aims of the Band B Programme are to:
 - a. Reduce the number of poor condition schools and colleges;
 - b. Ensure that we have the right size schools and colleges, in the right location that:
 - i. Provide enough places to deliver Welsh and English medium education; and
 - ii. Ensure the effective and efficient use of the educational estate.

Ensuring that we have the right sized schools and colleges allows our partners to promote projects that address both too few and too many places to ensure that local needs can be reflected. We have regular engagement with those local authorities which are facing pressure for places to understand the need for investment. Welsh Government policy officials who deal with provision of school places assess business cases for investment and ensure that surplus places are addressed through this process.

Band B Programme proposals include projects that both address surplus capacity and sufficiency of places, and the Cabinet Secretary has committed to support these proposals subject to business cases.

- b) The developing Programme specifies that we wish to have enough places to deliver Welsh-medium education, and our updated Guidance refers to the Welsh Government priority of one million Welsh speakers by 2050. The Business Cases submitted include reference to Welsh medium education and have been assessed by officials responsible for oversight of Welsh in Education Strategic Plans. Where colleagues have identified the need for additional information, this has been referred back to authorities and will also be reflected in future discussions.
- c) The Strategic Outline Programme documents submitted in July indicate church school projects with a capital investment value of c£180 million, comprised approximately 70% Voluntary Aided and 30% Voluntary Controlled. Our current understanding is that in most cases, the drivers for investment in Church Schools in Band B are based on the condition and efficiency of the estate, rather than on pressure for additional places.

We are also working with Diocesan authorities in respect of Church schools to understand any further demand for investment in the sector. The funding mechanism employed for church schools has been revised so that the 85% allocation given to church schools does not form part of the 50% authority allocation. It is hoped that this will ease pressure on the sector who deliver their projects collaboratively with authority partners.

- d) We work closely with all of our partners and part of this work involves identification of where pressure for places may occur. This work will be ongoing as the Band B Programme develops and throughout its' delivery.

Recommendation Six

Some of the completed new school buildings are not achieving the Welsh Government's energy efficiency and sustainability targets for the programme. We recommend that the Welsh Government strengthens its work with councils to:

- a. liaise with industry experts to understand the gap between expected and achieved energy efficiency performance and how it can be remedied and reduced in future projects.**
- b. challenge business cases that rely on significant savings from energy efficiency technology in the whole life cost assessment robustly; and**
- c. encourage schools to assess their energy use when the building is first occupied and then annually to ensure that they are benefitting from the anticipated recurring savings in energy costs.**

Response: Accept

Completion Date: July 2018

- a) Work has already been carried out to address this recommendation. A Best Practice Guide has been prepared and was presented to partners at three seminar events held in May. This Guide has been translated and will now go through gatekeeping in order to be published in the New Year. The Guide was prepared by Constructing Excellence in Wales in consultation with the construction industry. Our Business Case Guidance has also been updated to reflect good practice and is currently in gatekeeping so that it can be published on our website before the end of the year.
- b) All business cases received are scrutinised by an Economist during the assessment process to ensure robust challenge of the value for money of projects and includes consideration of whole life costing and identification of potential cost reductions as a result of the build. We are also working with our Economists to run three Economic Case Training events for our delivery partners. Two events have been delivered in Carmarthen and Llandudno, with a further event to be held in Merthyr Tydfil on the 11 December.
- c) Our post occupancy review is being piloted with an expectation of wider roll out by July 2018. This survey includes identification of anticipated energy use and actual energy use to ensure that anticipated savings are being made.

Recommendation Seven

Analysis of the costs of completed Band A projects shows significant variation in the total costs as well as in ICT and fixtures, fitting and equipment costs. New schools have exceeded the maximum industry area standards by 7-10%. Some projects are using an approach known as Building Information Modelling in the design and construction phases that has been shown to achieve time and cost savings as well as improving quality. The Welsh Government should build on work already carried out to:

- a. reach agreement with councils, other partners and industry representatives on the options for bringing greater standardisation to the projects including floor area and elements of the build;**
- b. require the use of Building Information Modelling in projects within the programme; and**

- c. **provide more detailed guidance about the level of IT and fixtures, fittings and equipment that can be funded from the programme to ensure consistency between projects.**

Response: Accept

Completion Date: March 2019

- a) Agreement has been reached with local authority partners on the standard size and cost for new schools that will be funded by Welsh Government within the Programme. This standard is based on the sizes prescribed by BB98 and 99. The cost per square metre includes all above ground work, plus sub structure, design costs and external works. The cost per square metre was set at £2,500 (2016 costs). This work is being extended to identify a standard cost for further education, which sees more variation in the types of accommodation needed to deliver both academic and vocational learning.
- b) We agree to include the requirement for Building Information Modelling and the Band B Programme will be developed on that basis. The position is currently being considered at a Welsh Government-wide level, and we have committed to progressing this as soon as possible.
- c) We have provided guidance around the maximum investment per pupil that can be funded from the Programme for fixtures, fittings and equipment and IT. This is set at a per pupil rate of £1,100 for fixtures, fitting and equipment and £500 for IT, based on 2016 prices. The reason that we have applied a cost per pupil, rather than a specification is that this is a matter of policy for local authorities / Further Education Institutions. In addition, as IT is a fast moving area, it is likely that any such guidance would become quickly outdated.

Recommendation Eight

There is evidence that the regional procurement frameworks are not operating as intended, with some duplication and councils not adopting good practice in procurement methods. The Welsh Government should:

- a. **ensure that councils adopt accepted good practice in the approach to construction with a presumption in favour of design and build (excepting projects funded through the Mutual Investment Model);**
- b. **improve communication with industry on the likely timing and scale of work under the frameworks;**
- c. **understand and address the reasons why some councils are conducting pre-tender exercises despite contractors already having gone through the same process to get on the frameworks; and**
- d. **engage stakeholders, including councils and the construction industry, in developing and finalising the procurement framework in light of changes for Band B.**

Response: Accept

Completion Date: March 2019

- a) The Welsh Government has already adopted space and cost standards that will encourage local authority best practice and we improve partnership working to keep information on the pipeline of projects up to date and look to highlight upcoming

projects on our website. We are happy to encourage a design and build approach, however recognise that this will not be appropriate for all authorities.

- b) Industry engagement took place in October in respect of the Mutual Investment Model, with reference to capital Programme. Further engagement will take place once the budgetary requirements of Band B investment have been mapped out (following receipt of Local Authority and Further Education Institution information on their planned timescales for project delivery).
- c) From recent engagement it appears that there are a number of reasons why some authorities may wish to undertake pre-tender exercises. The most common of which occurs when batching of schemes has been desired. This exercise ensures that there are no procurement challenges should this route be sought. We continue to work with our partners to understand the different procurement routes available within the existing frameworks and will work with the Frameworks to understand whether any changes are necessary to allow for batching to take place without this additional step.
- d) We will work with our partners to ensure that the procurement frameworks are appropriate for our Band B Programme. This will involve seeking evidence from authorities and from the Frameworks in place.

Recommendation Nine

The Welsh Government has now established more clearly than in the past what benefits it wants to achieve through the programme. It has established a discrete set of targets for local supply chain, apprenticeships and training and STEM engagement with schools.

It is also clear that a future priority will be to make more community use of the school buildings. To increase the wider benefits flowing from investment in the programme, the Welsh Government should:

- a. **ensure that its targets for projects remain stretching over time;**
- b. **promote good practice in achieving community benefits, for example through regularly updated the 21st Century Schools website, regional networks and industry events; and**
- c. **review how the identified barriers to increasing community use of school buildings can be addressed in Band B of the programme.**

Response: Accept

Completion Date: March 2019

- a) We agree that targets should remain stretching and these will be reviewed over time.
- b) To facilitate sharing of best practice, the Welsh Government held three seminars in May in partnership with Constructing Excellence in Wales to update partners on a number of subjects, including community benefits. The seminars also included opportunities to network and share best practice. We will continue to work with stakeholders to promote a consistent approach and our website is being updated to publish additional materials relating to good practice and updated guidance.

- c) Increased community access to school buildings is a priority identified in Band B, with an Investment Objective to improve flexibility of assets. Propositions for Band B projects are being developed and we will continue to work with partners to ensure that cultural and practical barriers to increasing use of assets are overcome. This might involve a range of actions including designing schools to provide separate access for the community, and introducing claw back clauses into contracts so that if additional funding is provided for community space, it is subject to claw back should it not be used for this purpose.

Work has also been undertaken to identify wider Welsh Government work that might contribute to the community use of assets ahead of plans to create a Task and Finish Group to address best practice; removal of barriers; and funding.

Recommendation Ten

The Welsh Government has put in place arrangements for technical support to the programme. It has strengthened the capacity of its own team through recruitment of experts in public-private finance. It is also setting up framework contracts to provide technical support to councils. Given the technical changes to the programme under Band B, the Welsh Government should, at the end of 2018, fully review whether the arrangements are working to:

- a. provide the Welsh Government with the technical expertise it needs to manage and oversee the programme; and**
- b. provide councils with the technical support they need to plan and deliver the programme locally.**

Response: Accept

Completion: December 2018

- a) A technical advisor has been appointed from Vale of Glamorgan Local Authority to advise on the development of the Band B Programme, particularly in respect to the Mutual Investment Model.
- b) A mini tender was carried out to secure technical support for both the Mutual Investment Model and capital elements of the Programme. This exercise failed to secure a consultancy to provide technical support. As a result, a full OJEU process has been undertaken to secure technical support for the Mutual Investment Model. This contract has been out to tender and returns are being assessed. Technical support for the capital element of the Programme will be accessed via existing Framework contracts set up in-house to allow access to technical support. These arrangements will be reviewed at the end of 2018 to ensure that they are fit for purpose.



Llywodraeth Cymru
Welsh Government

WRITTEN STATEMENT BY THE WELSH GOVERNMENT

TITLE **21st Century Schools and Education Programme**

DATE **10 November 2017**

BY **Kirsty Williams, Cabinet Secretary for Education**

On September 26, I published my new Action Plan for Education in Wales. This plan sets out our national mission, which will see implementation of a brand new curriculum, with a focus on leadership, professional learning, and a self improving system.

My ultimate goal is that educational standards are raised for all, that we reduce the attainment gap and that we deliver an education system that is a source of national pride and public confidence.

To support this aspiration, we must overcome barriers and support learning through provision of fit for purpose schools and colleges of the right size, in the right location, with the right facilities to deliver our new curriculum.

Our 21st Century Schools and Education Programme is the means to achieve this ambition, and represents the largest investment in our schools and colleges since the 1960s.

The Programme has been developed in partnership between the Welsh Local Government Association, Colleges Wales and Diocesan Directors. The first wave of funding provided though the Programme will see investment of more than £1.4 billion over the five year period ending 2019. This will support the rebuild and refurbishment of over 150 schools and colleges across Wales.

However, more needs to be done, which is why I am delighted to announce a second wave of investment for the Programme, which will begin in April 2019.

As with the first tranche of investment, the second tranche, Band B, will be jointly funded between the Welsh Government, Local Authorities and others. The bulk of the Programme will be funded from capital budgets. However, in contrast to the first wave of the Programme, this next wave will seek to include additional investment with a capital value of around £500m funded through the Mutual Investment Model.

Local Authorities and Further Education Institutions have proposed £2.3bn of projects,

which meet the investment objectives of Band B of the Programme. The Welsh Government is committed to supporting all of these projects, subject to approval of business cases.

We will work closely with our partners to agree the pace of delivery for their projects, and put in place investment plans that are affordable and meet our shared ambition to create sustainable learning environments that meet the needs of our communities.

Document is Restricted



Llywodraeth Cymru
Welsh Government

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

6 November 2017

Dear Huw

Response to the Report of the Wales Audit Office on the Public Procurement in Wales

The Welsh Government is committed to optimising the value of Welsh public sector procurement. Effective procurement is integral to delivery of good quality front line public services and can also have a profound impact on the economy and communities of Wales.

The Welsh Government is pleased to have supported public bodies in Wales to grow their capability to secure improved outcomes through procurement. There is continued focus on building on the progress achieved and to maximise any opportunities which may be presented by the UK's departure from the EU, as well as taking advantage of the potential afforded by the Wellbeing of Future Generations Act.

The findings of the Public Procurement in Wales report are welcomed. I am pleased to offer the following response at Annex A to the seven recommendations contained within the report. I hope that this is helpful.

Yours sincerely

Sue Moffatt



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Annex A

Recommendation 1

We recommend that the Welsh Government:

- **encourage public bodies to review the accuracy of the data that they provide for the Collaborative Spend Analysis project, reflecting on the issues identified in the course of our work; and**
- **explore with the further education sector and the missing Welsh Government sponsored bodies why they will not engage with the Collaborative Spend Analysis project, with the aim of all public bodies participating in 2017-18.**

Accepted

Welsh Government will review its guidance for engagement with the spend analysis project and emphasise to participating organisations the importance of verifying the accuracy of the data provided.

The 2017-18 spend analysis exercise is already underway. An invitation has been extended to the Further Education sector to participate in the exercise. Engagement with the sector will be organised to clarify the opportunities for colleges to benefit from the data analysis exercise. Opportunities for engaging Welsh Government sponsored bodies in the exercise will be explored.

Timescale and Lead

Sue Moffatt, Commercial Director, Welsh Government
31 December 2017

Recommendation 2

In taking forward its plans to merge the national Procurement Board with the National Procurement Service Board we recommend that the Welsh Government:

- **clearly sets out, for example on its website, the accountability and governance structure for public procurement in Wales, particularly in relation to the role and remit of the revised national Procurement Board arrangements; and**
- **invite representation from Welsh Government Sponsored Bodies, the Office of the Future Generations Commissioner, the third sector and from public bodies in North Wales.**

Accepted

Governance of procurement will be addressed as a part of the work to refocus the National Procurement Service and Value Wales, as announced in the Written Statement issued by the Cabinet Secretary for Finance and Local Government on 21 September.

Timescale and Lead

Jonathan Hopkins, Deputy Director, Value Wales
30 June 2018

Recommendation 3

We recommend that public bodies review their procurement strategies and policies during 2017-18 and on an annual basis thereafter to ensure that they reflect wider policy and legislative changes and support continuous improvement.

Accepted

Public sector customer feedback has indicated a desire to work with Welsh Government to develop a new approach to procurement fitness checks. As part of this process, Welsh Government can provide the necessary support to enable public bodies to put in place, maintain and update current and relevant procurement strategies.

Timescale and Lead

Jonathan Hopkins, Deputy Director, Value Wales
31 October 2018

Recommendation 4

In rolling out a new round of (procurement fitness) checks, we recommend that the Welsh Government:

- **ensure that the Procurement Fitness Checks are carried out consistently to allow for more effective benchmarking;**
- **provide guidance to public bodies on the expectations for follow-up self-assessments;**
- **work with the national Procurement Board to analyse the results and identify action that can be taken at a national level to support further improvement;**
- **include an assessment of where public bodies stand in relation to procurement policy statement recommendations – for example, that there should be a minimum of one procurement professional per £10 million of procurement spend across the wider public sector.**

Accepted

Public sector customers have advised that they wish to work with Welsh Government to develop a new approach to delivery of procurement fitness checks through a new programme for procurement. This collaborative approach, coupled with new governance arrangements, will support enhanced fitness checks and a capability development programme to deliver a new pipeline of procurement staff and develop the leadership capability which can grow procurement and commercial talent across Wales.

Timescale and Lead

Jonathan Hopkins, Deputy Director, Value Wales
31 October 2018

Recommendation 5

We recommend that the Welsh Government update its community benefits toolkit, including taking account of the WFG Act and building on lessons learned from current practice across Wales such as the use of community benefits champions.

Accepted

This work is in hand. A series of pilots are being facilitated by Welsh Government to enable public bodies to embed WFG in procurement and develop an on line system to capture the reporting of benefits.

Timescale and Lead

Jonathan Hopkins, Deputy Director, Value Wales
30 June 2018

Recommendation 6

The Welsh Government should explore with public sector partners the impact of differential pay for procurement staff across different sectors and any potential solutions.

Accepted

Customers have advised that they wish to work with Welsh Government to develop a future procurement capability programme. A future capability programme can be used as the vehicle for establishing an approach to understanding the scale of the issue and considering and developing joint solutions to addressing this recommendation.

Timescale and Lead

Jonathan Hopkins, Deputy Director, Value Wales
31 October 2018

Recommendation 7

We recommend that the Welsh Government better promote the use of the SQUID to public bodies and assess its use as part of the procurement fitness checks.

Accepted

SQUID is a standardised approach to supplier selection and its use may not be easily identified through procurement fitness checks. As part of the work to review of

National Procurement Service and Value Wales, a survey will be developed to establish the extent to which public bodies are using the SQuID and to clarify any support required to further embed its use.

Timescale and Lead

Jonathan Hopkins, Deputy Director, Value Wales
30 April 2018

The timescales indicated for addressing each recommendation are best informed forecasts at this stage, pending the impact of the work to re-focus the National Procurement Service and Value Wales, announced by the Cabinet Secretary for Finance and Local Government on 21 September.

Archwilydd Cyffredinol Cymru
Auditor General for Wales

The National Procurement Service



WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU



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

The Wales Audit Office study team comprised Steve Ashcroft, Nigel Blewitt, Matthew Brushett,
Jeremy Morgan and Seth Newman under the direction of Matthew Mortlock.

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

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

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Mae'r ddogfen hon hefyd ar gael yn Gymraeg.

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Summary

- 1 The Welsh Government established the National Procurement Service (NPS) in November 2013 as a public buying organisation¹. The overriding objective was to 'buy once for Wales' on behalf of the public sector in areas of common and repetitive spend while embedding the Wales Procurement Policy Statement² into all contracts and frameworks. The Welsh Government is the host organisation for the NPS.
- 2 The NPS is one of the three main Wales-based procurement consortia and public buying organisations, the others being NHS Wales Shared Services Partnership (NWSSP) and the Higher Education Purchasing Consortium (HEPCW), Wales. NPS was set up to work with these other main Wales-based procurement consortia and public buying organisations rather than to compete with them. NPS also took on the functions of the Welsh Purchasing Consortium³ which ceased operating in 2016. As of June 2017, NPS employed 44 staff (41 full-time equivalent).
- 3 There are 73 public bodies signed up as NPS members across various sectors (Figure 1). Public bodies throughout Wales were invited to sign up to the National Procurement Service as members for five years. The offer was that the NPS will provide frameworks and contracts for common and repetitive spend goods and services in return for a commitment from public bodies to buy through its frameworks and contracts (Box 1).

- 1 A public buying organisation provides a wide range of frameworks for goods and services that can be used across the public sector and support collaborative procurement. A purchasing consortium is two or more independent organisations that join together, either formally or informally, or through an independent third party, to combine their individual requirements for procuring goods and services.
- 2 The Welsh Government's procurement policy statement sets out the overriding principles for public procurement, in the context of relevant EU and UK procurement legislation. The Welsh Government published the first statement in 2012 and updated it in 2015.
- 3 The Welsh Purchasing Consortium was made up of 16 local authorities in South, Mid and West Wales delivering competitive procurement arrangements, sharing best practice, and the development and adoption of a suite of standard procurement documentation. Each member authority arranged frameworks or contracts on behalf of all 16 local authorities. The operation of the Welsh Purchasing Consortium ended on 31 March 2016.

Box 1 – NPS’s use of frameworks

Frameworks enable public bodies to buy goods and/or services from suppliers with pre-agreed contract terms, prices and levels of service, defined to meet the organisations’ needs. These provide a simple way to purchase the best value and most appropriate products and services, without having to conduct a full EU procurement process. Most frameworks will require public bodies to undertake a mini-competition (call-off) between the suppliers on the framework.

The NPS has also set up dynamic purchasing systems, an electronic tendering process for the selection of suppliers that may join the system over time if they meet the minimum service standards. NPS has also set up call-off contracts for use by members.

- 4 The NPS Board oversees the strategic direction of the NPS (Figure 1). NPS also has a separate Delivery Group that is responsible for providing oversight on operational matters and is accountable to the NPS Board. The Delivery Group and Board, along with other parts of the NPS governance arrangements, include representatives from across the NPS member organisations⁴. The Welsh Government intends to merge the NPS Board with the national Procurement Board to ensure that there is no overlap between the two boards and to allay any potential confusion over roles and responsibilities.

4 NPS has emphasised to us that the level of customer involvement in its governance arrangements and decision-making is different to the approach of other UK public buying organisations.

Figure 1: NPS governance arrangements

NPS governance arrangements	
NPS Board	Oversees NPS’s strategic direction and comprises a range of sector representatives.
Director of NPS	Responsible for NPS staff and operations, accountable to the NPS Board. Also performs the role of Commercial Director for the Welsh Government.
NPS Delivery Group	<p>Provides oversight on operational matters – including approval of the NPS work programme and specific procurement strategies – and is accountable to the NPS Board.</p> <p>The group is comprised of and chaired by sector representatives. Sector representation includes five representatives from local government and one from other sectors.</p> <p>The Chair of the Delivery Group sits on the NPS Board.</p>
NPS Category Forums	<p>Responsible for developing procurement strategies for categories of goods and services – including consultation with member organisations – in advance of Delivery Group approval.</p> <p>Membership is drawn from customers’ procurement and technical staff.</p>
Welsh Government	Host organisation which provides NPS with the required facilities and support services.
NPS member organisations	The 73 members are: all 22 local authorities, all 10 NHS Wales bodies, the National Assembly for Wales Commission, the Welsh Government and Welsh Government Sponsored Bodies, the police and fire and rescue services and higher and further education institutions.
Other NPS customers (non-member organisations)	<p>Any other public body or third sector organisation which wishes to use NPS frameworks and contracts but without commitment.</p> <p>Non-member organisations buying through NPS have comprised a range of devolved public bodies, including the Wales Audit Office. They have also included some registered social landlords, other third-sector organisations and some non-devolved government agencies.</p>

Source: National Procurement Service

- 5 On behalf of the Auditor General for Wales, Wales Audit Office staff have examined whether the NPS is helping to deliver value for money in public spending and is fit for the future. Our examination of the NPS was part of a wider review of public procurement. During the early stages of that wider review, some public bodies expressed particular concerns about the development and performance of the NPS. We have reported the findings from that wider review in a separate stand-alone report⁵. This report considers the issues relating to the NPS in more detail. **Appendix 1** provides further detail about our audit methods.
- 6 **Indicative figures show that public bodies in Wales spent £234 million through NPS frameworks and contracts in 2016-17, £222 million of which related to members organisations. However, public bodies are not using NPS frameworks as much as anticipated, resulting in concerns over its funding, less than anticipated savings – £14.8 million reported for 2016-17 – and with many of its members dissatisfied.** The following paragraphs provide a brief overview of our key findings.
- 7 There were weaknesses in the development of the business case for the NPS, which did not comply fully with the Welsh Government's usual procedures. There were also significant weaknesses in its content, including the modelling of staffing requirements and the likely scope and influence of the NPS. The NPS has since revisited some of the business case assumptions.
- 8 Based on a 2010-11 spend analysis, the original business case estimated that the NPS could influence £522 million of public procurement spend on specific common and repetitive goods, services and works. The business case assumed that the NPS would grow rapidly and that the spend target would be reached when all the frameworks and contracts were live by 1 April 2016. In its May 2015 business plan for the period April 2015 to March 2019, the NPS put this figure at £2.2 billion of annual expenditure from 1 April 2016. Some public bodies have voiced concern that the higher targeted spend is simply an attempt by the NPS to increase income. However, NPS has emphasised that the NPS Delivery Group agreed the actions taken following consideration by the Category Forums.

5 Auditor General for Wales, **Public Procurement in Wales**, October 2017.

- 9 NPS members spent £149 million through NPS managed contracts and frameworks in 2015-16, against an estimated maximum potential spend of £1.1 billion (based on the 2015 business plan). Non-members spent £4 million through NPS in 2015-16, making total expenditure of £153 million. Indicative figures for 2016-17 show a 53% increase in expenditure through NPS frameworks and contracts to £234 million, £222 million of which related to member organisations⁶. However, the member organisation spend represented only 10% of the £2.2 billion targeted in the 2015 business plan. The higher total spend through NPS in 2016-17 is due in large part to a new IT products and services framework (£37 million). The figures also show a £28 million increase in expenditure on a gas and electricity framework that is based on a Crown Commercial Services framework but managed by NPS.
- 10 As of June 2017, the NPS had 57 live frameworks. We found a wide variance in the use of individual frameworks by individual NPS members during 2015-16 and 2016-17 (Appendix 2). This pattern suggests that the NPS is a considerable distance away from its main objective of 'buying once for Wales'. In 2016-17, four frameworks accounted for just under three-quarters of the total spend through NPS. Some frameworks had been scarcely used despite being live for some time. We also found that the system for opting out of NPS frameworks is not working and NPS members are using other public buying organisation or consortia agreements that provide broadly the same goods, services and works. NPS has itself recently identified £60 million in spend by NPS members through Crown Commercial Service⁷ frameworks which could potentially be provided for by NPS frameworks instead.
- 11 Less than anticipated use of frameworks has had a significant impact on the income of NPS, resulting in it not being self-sufficient and dependent on Welsh Government financial support. As a result, the NPS has not yet been able to repay the Welsh Government's £5.92 million Invest-to-Save loan that supported its establishment. The NPS intended to begin repayments through surpluses that it expected to accumulate from 1 April 2016 by charging a mandatory supplier rebate of 0.45%. In 2016-17, the NPS generated income of only £0.9 million, compared with operating costs of £2.8 million.

6 Some frameworks for 2015-16 and 2016-17 showed no spend. NPS has not been able to determine whether this is because it has not received management information from suppliers or whether these frameworks have not been used. NPS is working to resolve this. Indicative figures for the period 1 April to 31 August 2017 show spend through NPS frameworks of at least £79 million. This represents a 60% increase on the same period in 2016-17.

7 The Crown Commercial Service (CCS) is an executive agency, sponsored by the Cabinet Office which brings together policy, advice and direct buying; providing commercial services to the public sector across the UK. CCS frameworks were used by public sector organisations for £12.8 billion of public spending in 2015-16. In 2015-16, CCS also directly bought £2.5 billion of common goods and services on behalf of government departments.

- 12 The Welsh Government has used its reserves to meet the shortfall in funding, a situation which will continue annually until at least the end of 2017-18⁸. The NPS Board and the Welsh Government have recognised the funding of the NPS is a problem. There has been a concern that increasing the supplier rebate may deter suppliers from bidding for contracts, although the 0.45% rate is lower than the rebate applied by some other public buying organisations. The NPS Board has now agreed an increased rebate of up to 1.5% where appropriate. The majority of frameworks remain at 0.45% because the decision to permit a higher rebate was made after most of the existing frameworks were let. For NPS to have broken even in 2016-17 would have required a rebate of around 1.2% applied to the total spend or for there to have been around £622 million of expenditure subject to the 0.45% rebate.
- 13 NPS has reported financial savings for public bodies in excess of its operating costs alongside wider benefits, for example to the Welsh economy, from its activity. As at August 2017, NPS has reported savings of £14.8 million for 2016-17, including a combination of cash releasing savings, process efficiencies and cost avoidance. The savings figures have been substantially lower than some early estimates and the savings figures are disputed by some members⁹. The business case for the establishment of NPS had estimated that NPS would be generating savings of £25 million a year from 1 April 2016¹⁰. However, that estimate was based on a forecast level spend through NPS – of up to £522 million – that was well in excess of that actually achieved.
- 14 While most public bodies we surveyed in 2016 still support the NPS in principle, only one third of members were satisfied with the service. The issues of concern raised with us by members included the competitiveness of the frameworks, wider benefits realisation and the ability to meet local and national priorities, including in respect of the Welsh language and sustainable development.

8 With evidence of a further increase in expenditure through NPS frameworks during the first half of 2017-18, and with more frameworks now subject to a rebate, NPS is expecting to generate a minimum of £1 million of income in 2017-18. Early indications are that this will be exceeded, based upon £0.5 million of income identified in the first quarter of 2017-18.

9 At the request of the Director of NPS, the Welsh Government's internal audit service has undertaken two audits of the arrangements for reporting savings and has identified some areas for improvement in the measurement and reporting of the savings figures. NPS is responding to these issues.

10 The business case estimated that £9 million (36%) of the £25 million of savings would be cash releasing.

- 15 In addition, some public bodies are concerned that the NPS is not sufficiently independent from the Welsh Government. One of the main concerns is that the balance of the NPS's focus is towards national issues rather than local priorities and that the Welsh Government has a disproportionate influence over the NPS. In September 2017, the Cabinet Secretary for Finance and Local Government set out that the Welsh Government intends to reposition the role of the NPS and of Value Wales¹¹ to maximise the benefits of public procurement. As noted in [paragraph 4](#), the Welsh Government also intends to merge the NPS Board and the national Procurement Board.
- 16 In December 2016, the National Audit Office reported on the operations of the Crown Commercial Service and drew conclusions that broadly reflect some of the issues relevant to the development of the NPS ([Appendix 1](#)). The report concluded that it is not possible to show that the Crown Commercial Service has achieved more than departments would otherwise have achieved by buying common goods, services and works themselves.

¹¹ Value Wales is the division within the Welsh Government with responsibility for improving the practice of public procurement and to help Welsh public sector organisations deliver better value from third party expenditure. Value Wales also oversees the Welsh Government's procurement activity and supports Welsh public sector organisations.

Recommendations

- 17 The Auditor General's October 2017 report on [Public Procurement in Wales](#) recommended that in taking forward its plans to merge the national Procurement Board with the NPS Board, the Welsh Government should set out clearly on its website the accountability and governance structure for public procurement in Wales. In addressing that recommendation, we would expect the Welsh Government to include details about the role, responsibility and governance arrangements for NPS.

Recommendations

- R1 While there is a general acceptance among public bodies of the principle for a national procurement service, in order to be a success the NPS must be the framework of choice. Many NPS members are dissatisfied and the less than anticipated use of NPS frameworks has resulted in concerns over its funding. **We recommend that NPS:**
- a **identify in full the reasons why its members are choosing to use local arrangements or other public buying organisations or consortia to purchase common and repetitive goods and services provided through NPS frameworks;**
 - b **develop an action plan for working with public bodies to articulate the benefits of using NPS to buy common and repetitive goods and services and to encourage them to use it;**
 - c **examine whether frameworks and contracts can give more commitment to volumes and measure the appetite among members to develop joint specifications;**
 - d **explore the possibilities of more regional frameworks to increase opportunities for small and medium-sized enterprises; and**
 - e **survey its members and non-members on an annual basis to obtain views on the service it provides.**
- R2 Although NPS has a system for NPS members to apply to opt-out of using NPS frameworks and contracts, it is not working. Instead of going through the formal opt-out process, some public bodies are simply not using NPS frameworks and contracts. Although the NPS Board admitted that the process was not working, the Board agreed that the opt-out process would remain in place. **We recommend that in consultation with its members, NPS review the opt-out process and make changes to ensure that it is clearly understood, meaningful and applied consistently.**

Recommendations

- R3 The NPS's mandatory supplier rebate was designed to cover NPS operating costs from 1 April 2016 but for 2016-17 generated income of only £0.9 million against NPS expenditure of £2.8 million. While the income generated looks set to increase substantially in 2017-18, it is still not expected to cover the operating costs. **We recommend that the Welsh Government, the NPS and member organisations agree a sustainable funding mechanism that will place NPS on a sound financial footing.**
- R4 NPS's annual report provides details on key achievements during the year such as number of frameworks awarded, total cash savings, and creation of jobs. It also provides details on the potential value of the frameworks. But this could lead to a potential misunderstanding because it is not the actual spend during the year through NPS frameworks, which is key to the amount of income it generates through the mandatory supplier rebate and a key indicator of the use of NPS frameworks. **We recommend that in future annual reports, the NPS include in the key achievements section a summary of actual spend through its frameworks.**
- R5 NPS members, especially local authorities, shared concerns that NPS frameworks were limiting opportunities to support their local economy through contracting with small and medium-sized enterprises. Although NPS reports on the number of small and medium-sized enterprises on its frameworks, **we recommend that NPS make members more aware of the provisions it is making through its various reporting channels.**

There were weaknesses in the development of the business case for the NPS, including the modelling of staffing requirements and the likely scope and influence of NPS

- 1.1 The Welsh Government developed a business case for a national procurement service in 2012. The overriding objective was to 'buy once for Wales' on behalf of the public sector in areas of common and repetitive spend while embedding the Wales Procurement Policy Statement into all frameworks and contracts.
- 1.2 The business case sets out the case for change and a preferred way forward. However, the content of the business case and the process for its development did not comply fully with Welsh Government's adopted best practice of using the 'Five Case Model' (Box 2).

Box 2 – the Five Case Model

The Five Case Model provides the framework and tools to enable effective decision making when scoping and planning spending proposals in a robust and thorough manner and can be used at the strategy level, the programme level and individual project level. It requires consideration of five areas:

- the strategic case – strategic fit and clear investment objectives;
- the economic case – optimising value for money;
- the commercial case – attractiveness to the market and procurement arrangements;
- the financial case – affordability; and
- the management case – deliverability and plans for delivery.

Large, complex proposals at the project level are developed in three iterations through:

- the **Strategic Outline Case** (SOC) – which makes the case for change and refines the long list of options into a shortlist;
- the **Outline Business Case** (OBC) – building on the SOC to confirm the solution which offers optimal value for money; and
- the **Full Business Case** (FBC) – building on the OBC, putting in place delivery plans and providing the final detailed costing of the scheme.

Source: Welsh Government

- 1.3 The Welsh Government did not set out within the business case all five cases and only included the financial and strategic case. Also, the Welsh Government only prepared one iteration of the business case. It is not clear whether the business case produced was intended as an outline business case or a full business case.
- 1.4 A Welsh Government Internal Audit Service report in March 2015 found that officials involved in the preparation of the business case stated that it did not go through the standard Five Case Model because it was a business case for the entire public sector and not just the Welsh Government. However, guidance produced by the Welsh Government and HM Treasury clearly recommends that all public bodies use the Five Case Model.
- 1.5 Although the business case sets out the main objectives for a national procurement service, there were significant weaknesses in its content. These weaknesses underpin some of the difficulties that have since been faced by NPS, as outlined later in this report. In particular, we found that:
- the business case did not reflect on the experience of other public buying organisations, for example to inform the choice of operating model and to reflect on the time that might be needed to establish new frameworks.
 - some of the stated objectives in the business case were outside the scope and responsibility of the NPS, and were the responsibility of the Welsh Government and individual public bodies, such as 'ensuring the continuous development of public sector procurement skills'.
 - in determining the scope of the NPS, the case for change was based on data relating to only 0.4% of spend identified as in scope for a national procurement service (Box 3).
 - the business case did not include provision for some key overheads, such as positions required for management information, business intelligence and finance and invoicing. As a result, the NPS's Head of Finance had been dealing with all finance issues including general administration and processing invoices. NPS no longer has its own Head of Finance, with core finance functions now delivered by the staff in Welsh Government's Economy, Skills and Natural Resources Group. NPS addressed the gap in business intelligence once in operation.
 - modelling for the staffing required to fulfil the stated objectives of the NPS was not based on industry good practice.
 - although the business case sets out options for how NPS would be funded, it did not set out a clear justification for the preferred delivery model.

Box 3 – the lack of baseline data available to determine the scope of the NPS

In developing the business case to support the establishment of the NPS, the Welsh Government set up a 'common and repetitive workstream' to identify the potential scope of the service, including the categories of expenditure that would be addressed by a NPS; and to provide examples of price and specification variation.

The purpose of the price and specification variation exercise was to identify where opportunities for securing greater value for money may exist, thus supporting the case for change. The process identified 63 sub-categories of goods, services and works deemed appropriate to consider within the scope of a national procurement service. Of these, consultants selected 22 for a pricing and specification review.

However, the consultants reported very poor data availability and that the exercise was 'incredibly difficult to complete' because only four of the 22 categories had data reliable enough for reasonable comparison. This meant that the samples used represented only 0.4% of spend identified as in scope for a national procurement service.

Source: Wales Audit Office analysis of the NPS business case (2012)

- 1.6 The scope of the NPS is goods, services and works known as ‘common and repetitive spend’ (Box 4). These are generally goods, services and works that are not complex to purchase or necessarily high value, such as stationery, office furniture, travel and IT hardware and software. They are also goods, services and works for which price is often more important than differences in quality and the public sector uses its size to negotiate better deals through buying in bulk.

Box 4 – criteria for goods, services and works being common and repetitive spend

The business case for the NPS indicated that at least four of the following criteria must be met for spend to be determined common and repetitive:

- Procured multiple times within any given period.
- Multiple sites, users or purchasers or common to at least two buying organisations.
- Potential for a developing a common or similar specification, standardisation or value engineering.
- Suitable for rationalisation, consolidation and volume leverage.
- Multiple sources of supply, duplication or repetition within the user community.
- Has been procured historically and will have future purchasing requirements.

Source: NPS business case (2012)

- 1.7 Based on a 2010-11 spend analysis for 35 public bodies, the business case identified that the annual value of the various goods, services and works within the scope of the NPS was £967 million¹². However, the business case estimated that NPS would only able to influence £522 million of this spend, which amounted to around 13% of the overall public procurement spend quantified at that time. The business case assumed that the NPS would grow rapidly and that the spend target would be reached when all the frameworks and contracts were live by 1 April 2016.

¹² This amounted to less than half of the full value of common and repetitive spend identified but reflected decisions taken at the time about the focus of NPS activity.

- 1.8 Although the criteria (**Box 3**) remain the same the NPS has since increased its estimate of what is covered by common and repetitive spend. In January 2014, the NPS Board agreed that, following analysis of 2012-13 spend data, the NPS could target up to £1.8 billion of common and repetitive spend through its agreements and frameworks when fully operational from 1 April 2016.
- 1.9 In May 2015, the NPS published its first business plan for the period April 2015 to March 2019. The business plan re-stated elements of the business case, taking account of a changing landscape for public procurement, budget cuts and emphasising the importance of maximising value for money. The business planning process included a further re-evaluation of the amount of common and repetitive spend that could be influenced by the NPS. The re-evaluation, agreed by the NPS Delivery Group, suggested that the value of common and repetitive spend in Wales was in the region of £2.2 billion, almost half of the total procurement spend quantified at the time. The NPS targeted a maximum annual spend of up to £1.1 billion through its agreements and frameworks for 2015-16, rising to £2.2 billion when fully operational from 1 April 2016.
- 1.10 Some public bodies have voiced concern that the higher targeted spend was simply an attempt by the NPS to increase its income (**paragraphs 1.36-1.41**). However, NPS has emphasised that the NPS Delivery Group agreed the actions taken following consideration by the Category Forums. Issues discussed and decisions made by the Delivery Group are communicated with NPS customers on a monthly basis. Our review of Delivery Group minutes suggests that there is generally good engagement from across the organisations represented.

Indicative figures show that public bodies spent £234 million through NPS in 2016-17, of which £222 million was spent by NPS members

1.11 Expenditure through NPS managed frameworks and contracts has been increasing over the past three years (**Figure 2**), but remains well short of previous estimates. NPS member organisations spent £149 million through NPS managed frameworks and contracts in 2015-16 against the estimated maximum potential spend of £1.1 billion (**paragraph 1.9**)¹³. Non-member organisations spent a further £4 million through NPS in 2015-16, making total expenditure of £153 million and up from £102 million in 2014-15. However, some frameworks for 2015-16 and 2016-17 showed no spend. NPS has not been able to determine whether this is because it has not received management information from suppliers or whether these frameworks have not been used. NPS is working to resolve this.

¹³ The 2015-16 spend included a £10 million eTrading Wales contract procured through NPS for the Welsh Government. eTrading Wales is a centrally funded service available to all NPS members, which enables buyers and suppliers to interact electronically for the supply and payment of goods and services.

Figure 2: expenditure through NPS frameworks and contracts, 2014-15 to 2016-17

Sector	2014-15 (£s millions)	2015-16 (£s millions)	2016-17 (£s millions)
Member organisations			
Local authorities	75	115	173
Central government and sponsored bodies ¹	12	21	20
NHS Wales	10	5	15
Further education	2	2	2
Police	1	3	5
Fire and rescue	0.3	1.5	3
Higher education	2	1.5	4
NPS members	102	149	222
Non members²	0	4	11
Total	102	153	234³

Notes:

- 1 Welsh Government expenditure represents the majority of spend by central government and sponsored bodies. For example, the Welsh Government accounted for £15.1 million (76%) of the total spend for this sector in 2016-17.
- 2 The figures for non-member expenditure include the Wales Audit Office: £107,049 (2015-16) and £262,198 (2016-17).
- 3 Rounding of the figures means that the overall total of £234 million for 2016-17 is different to that suggested by the individual figures shown above for member and non-member organisations.

Source: NPS

- 1.12 Indicative figures for 2016-17 show a 53% increase in expenditure through NPS frameworks and contracts to £234 million, £222 million of which related to member organisations. Nevertheless, the £222 million expenditure by members in 2016-17 represents only 10% of the £2.2 billion targeted in the 2015 business plan. Although key to its success and the generation of income to cover its operating costs ([paragraphs 1.36-1.41](#)), the NPS has not been reporting figures on the overall expenditure through its frameworks and contracts in its annual reports.
- 1.13 Local authorities accounted for around three-quarters of all expenditure through NPS in the period 2014-15 to 2016-17. In part, the growth in local government expenditure over this period reflects the fact that the NPS inherited and/or replaced certain frameworks from the now defunct Welsh Purchasing Consortium ([paragraph 2](#)).
- 1.14 As reflected in our recent report on **Public Procurement in Wales**, public bodies have also been using a range of other general or sector-specific consortia and public buying organisations to varying degrees. For example, our report noted expenditure of £634 million by NHS bodies through collaborative frameworks and agreements managed through the NHS Wales Shared Services Partnership in 2015-16. This compares with just £5 million of expenditure by NHS bodies through NPS in the same period.
- 1.15 In 2016-17, new frameworks accounted for £11 million of the increase in expenditure through NPS compared with 2015-16. In addition, not all of the frameworks that contributed to the 2015-16 expenditure had been in place for the full year ([Appendix 2](#)).
- 1.16 Indicative figures for the period 1 April to 31 August 2017 show spend through NPS frameworks of at least £79 million. This represents a 60% increase on the same period in 2016-17.

As of June 2017, the NPS had 57 live frameworks, some of which have been scarcely used despite being live for some time

- 1.17 In June 2017, the NPS had 57 live frameworks under seven categories of spend¹⁴. Since its establishment in November 2013, the NPS has 'on boarded' some frameworks from other public buying organisations, purchasing consortia or public bodies such as the Welsh Purchasing Consortium ([paragraph 2](#)). NPS renegotiated the terms and coverage of some of these agreements. As these inherited frameworks expired, NPS has replaced the majority with new frameworks.
- 1.18 The NPS has also facilitated call-off contracts for use by public bodies in Wales from existing Crown Commercial Service frameworks. For example, the NPS used existing Crown Commercial Service frameworks to agree frameworks on NPS terms for the provision of gas and electricity ([Box 5](#)). Combined, the gas and electricity supply frameworks accounted for £68 million (29%) of all expenditure through NPS frameworks in 2016-17 and £39.9 million (26%) in 2015-16. The gas and electricity framework accounted for more than 50% of the increase in spend through NPS frameworks from 2014-15 to 2016-17 ([Figure 2](#)).

Box 5 – NPS arrangements for gas and electricity frameworks

This framework was based on an existing Crown Commercial Services agreement but has not been used by NHS bodies who procure energy through NHS Wales Shared Services Partnership. The agreement is managed by NPS on behalf of public bodies having transferred from Rhondda Cynon Taf County Borough Council in October 2015. The coverage of the agreement has since expanded.

Two full-time NPS staff who transferred from the Council manage the customer base and put in place the contracts on an all-Wales basis. The contract includes a rebate from the suppliers that fully funds the two staff managing the contracts.

Source: NPS

¹⁴ The seven categories are: ICT; professional services; corporate and business support services; construction and facilities management; people services and utilities; food and drink; and fleet and transport. The 57 frameworks include four that have been established since the end of the 2016-17 financial year.

1.19 Along with the gas and electricity frameworks, three other frameworks – relating to agency workers, IT products and services and liquid fuels – accounted for just under three-quarters (£174 million) of the total spend through NPS in 2016-17 (Figure 3 and Appendix 2). Agency workers had also accounted for £46.4 million (30%) of the spend through NPS in 2015-16. That expenditure included £35.3 million on a framework contract that NPS had inherited from the Welsh Purchasing Consortium. NPS had renegotiated the terms of the agreement and extended its coverage across more public bodies. The IT products and services framework was only introduced in early 2016.

Figure 3: the highest value NPS frameworks based on spend by members and non-members in 2016-17¹⁵

Framework	Overall spend 2016-17 (£ millions)
Gas and Electricity ¹	68.33
NPS Managed Service For Agency Workers	50.02
IT Products and Services	37.44
Supply of Liquid Fuels	17.75
Electrical Heating Plumbing and Associated Materials	5.68
All Wales Media Agency Services Framework Agreement	5.10
General Building Materials	4.69
Construction Consultancy Phase 2	4.38
Printer Consumables III	3.32
Construction Consultancy (Property)	3.26
Vehicle Hire	2.93
Provision of Furniture Solutions	2.61
Managed Service for Employee Benefit Schemes	2.50
NPS All Wales Legal Services By Solicitors Framework Agreement	2.38

¹⁵ Appendix 2 provides full details of all spend through NPS frameworks in 2016-17 along with some information relating to 2015-16.

Framework	Overall spend 2016-17 (£ millions)
NPS Rock Salt	2.17
All Wales Printing Services Framework	2.05
Resource Efficiency Wales ²	2.00
Fuel Cards	1.96
Facilities Management Phase 1	1.81
Social Care - Assistive Technology	1.74
Tyres and Associated Services	1.72
Welsh Purchasing Consortium Managed Service For Agency Workers	1.25
Supply of Stationery and Paper	1.16

Notes:

- 1 Gas and electricity are two separate frameworks but the data presented by NPS is combined.
- 2 The 'Resource Efficiency Wales' framework covers services relating to energy efficiency advice and environmental consultancy.

Source: NPS

- 1.20 We found a wide variance in the use of individual frameworks by individual NPS members during 2015-16 and 2016-17 ([Appendix 2](#)). This pattern suggests that the NPS is a considerable distance away from its main objective of 'buying once for Wales', although in some cases demand may vary because public bodies have their own in-house services. The most commonly used framework during 2016-17 was 'Printer Consumables III', which 82% of NPS members used at least once. This framework has now expired and has been replaced by a wider-ranging Multi-Functional Device framework which started in January 2017.
- 1.21 In contrast, members used some frameworks very little or for only very low cost purchases. For example, nine frameworks were used by less than a third of NPS members in 2016-17. However, five of these frameworks were among 12 that were only set up during 2016-17 and it can take time after existing agreements end for new frameworks to gain throughput. Some frameworks, such as the Wales Translation framework, the Resource Efficiency Wales framework and the All Wales Media Agency Services Framework Agreement, have been in place for a number of years but were used by less than half of NPS members in 2016-17.
- 1.22 The Welsh Government accounted for £0.3 million (58%) of the total expenditure by NPS members and non-members through the Wales Translation framework in 2016-17. NPS staff told us that they had expected that the majority of spend would sit with the Welsh Government, while other organisations might have been able to meet their needs through in-house support. In the case of the National Assembly for Wales Commission, the framework did not provide for the very specific service levels required ([Case study 2 on page 29](#)).
- 1.23 In the case of the Resource Efficiency Wales framework, the £1.9 million spent by the Welsh Government in 2016-17 accounted for 95% of the total member and non-member spend. This was due in part to a Welsh Government decision to part or fully fund wider advice for public bodies as part of the Resource Efficient Wales programme¹⁶, rather than individual organisations procuring their own advice. The Welsh Government also accounted for £1.8 million (over 99%) of the total spend on the Facilities Management Services Phase 1 framework, which was used by only one other organisation in 2016-17. There were two other frameworks that were live for the whole of 2016-17 and with the Welsh Government accounting for over 50% of member and non-member spend. These were: Business Travel and Accommodation, £405,289 (54%); and Media Agency Services, £3.94 million (77%)¹⁷.

16 Following a mini-competition on the NPS framework, the Resource Efficient Wales programme used a number of suppliers to provide energy efficiency advice and environmental consultancy. The programme accounted for £0.75 million of the £1.9 million Welsh Government spend on the Resource Efficiency Wales framework and engaged with a wide range of public bodies, other groups and third sector organisations.

17 Similarly, different individual local authorities accounted for 62%, 52% and 80% respectively of the spend on the Cleaning and Janitorial Services framework, the Electrical Heating Plumbing and Associated Materials framework and the Library Management Systems framework.

- 1.24 Eight frameworks were not used at all in 2016-17, four of which were established before the start of the year and with the other four established during the year¹⁸. The eight un-used frameworks included Biomass Fuels. That framework, which was put in place based on a customer request, will not be renewed when it expires in 2019. NPS has recently agreed that it will not set-up any new frameworks valuing less than £1 million per year. It will also only set up new frameworks valued at less than £5 million if there is clear demand across multiple public bodies.
- 1.25 Since March 2016, NPS has produced 'Heat Map Reports' to consider the use of NPS frameworks during a given period. The initial focus had been to map the local government sector. Additional reports break down the total spend and savings for each organisation and each local authority receives its own organisational report with a breakdown by framework. However, as a visual aid, the heat maps by themselves could have caused a potential misunderstanding because they did not take into account the frequency and amount of spend. We raised this issue with NPS in April 2017. NPS has since introduced an updated approach that shows how individual frameworks contribute to the total spend through NPS and how specific organisations or sectors contribute to the spend on the frameworks.

The system for opting out of individual NPS frameworks is not working and NPS members are using other public buying organisations or consortia agreements that provide broadly the same goods, services and works

- 1.26 At the point when individual members committed to using the NPS, the NPS gave each organisation the opportunity to opt out of specific procurement categories. If the organisation did not opt out at that stage then NPS took this as a commitment to using any existing and future NPS frameworks and contracts. Caerphilly County Borough Council decided to opt out of 40% of frameworks when the NPS was set-up, opting-in only when the agreement offered favourable terms or value for money above other options. Nevertheless, the Council spent around £13 million through NPS frameworks in 2016-17, the fifth highest of all member organisations.
- 1.27 If a member organisation decides subsequently to opt-out of an NPS framework or agreement they are expected to apply to do so through a formal 'opt out' process. The process involves submitting a business case to the NPS Board, which then approves or rejects the opt-out. To June 2017, the NPS Board had received 19 requests for opting out of framework agreements, only one of which was formally accepted. However, it is clear that the formal opt-out process is ineffective ([Case study 1](#)).

¹⁸ As noted in paragraph 1.11, NPS has not been able to determine whether this is because it has not received management information from suppliers or whether these frameworks have not been used.

Case study 1 – opting out of NPS framework contracts

In early 2016, Swansea Council went through the formal opt-out process for NPS's insurance framework with a view to being a named party in the agreement but with the option to opt-in when it saw fit. Although the NPS Board refused the opt-out application, the Council still opted out of using the framework for the following reasons:

- the Council was of the opinion that, for the majority of types of insurance, it would be impossible to procure a single policy covering multiple public bodies because it would not be possible for the NPS to agree terms for insurance on an all-Wales basis;
- it would not reduce bureaucracy as stated by NPS because mini-competitions would still need to be conducted by each individual public body as and when their requirements arise; and
- by retaining individual responsibility for procuring insurance services, each buying organisation ensures that it remains optimally responsive to market changes.

NPS considered the issues raised by the Council and noted that the Insurance Category Forum, which developed the procurement model, had discounted the possibility of an all Wales policy at an early stage. NPS reinforced its view that the framework would deliver reduced costs and bureaucracy. NPS also noted that the Insurance Category Forum had identified possible inward investment opportunities for Wales in this sector through a collaborative all-Wales contract. The Council was of the opinion that this should not be a driver towards an all-Wales agreement and that it would make little difference given that the insurance market in the UK is mature and would be well aware of the local government market in Wales. The Council retained its stance of being a named party on the framework but only opting-in when it saw fit.

In September 2014, the NPS Board rejected Cardiff Council's opt-out case for building materials. Despite this, Cardiff Council proceeded to issue their own tender for building materials. NPS wrote to the Chief Executive of Cardiff Council to inform them of a 'breach of governance'. However, NPS was not able to force the Council to use the NPS contract.

Source: Wales Audit Office survey of NPS members

- 1.28 Although the NPS Board has formally accepted only one opt-out case, it is clear that some organisations are not using the formal process and are unofficially opting out by simply not using frameworks. We also found evidence of a local authority setting up a framework in partnership with a private sector third-party for the supply of materials and merchant services for energy efficiency works. The framework overlaps with aspects of two existing NPS frameworks and is available to other local authorities and housing associations in Wales.
- 1.29 There have been other occasions when public bodies have not used NPS frameworks as they did not provide for their specific requirements. In these examples, while the issues were discussed between NPS and the bodies concerned, they did not go through the formal opt-out process ([Case studies 2 and 3](#)).

Case study 2 – translation service for the National Assembly for Wales Commission

The National Assembly for Wales Commission was unable to purchase the translation service it required through the NPS Wales Translation framework. The Assembly Commission requires a bespoke service and must have a translation of the Record of Proceedings within 48 hours of Assembly business. To achieve this service level, the National Assembly for Wales has to be able to directly award the work. The NPS framework allows suppliers the option of turning down work or bidding for it via mini competitions, neither of which would work for the Assembly Commission.

NPS staff indicated that they were content with the Commission's decision to opt-out, recognising that their requirements differed from the services required by other public bodies in Wales. The Assembly Commission did not therefore go through the formal opt-out process ([paragraph 1.27](#)).

Case study 3 – furniture contract for Public Health Wales NHS Trust

In 2012, Public Health Wales reviewed its accommodation needs in South East Wales. In May 2015, after short-listing four possibilities, Public Health Wales favoured a building in Cardiff's Capital Quarter. The brief for furnishing the building emphasised the need for environmental and social sustainability, but at a significantly reduced price than the market-rate for providing furnishings for a new building. Public Health Wales developed a specification based on the use of recycled and refurbished furniture and carpet. Public Health Wales also thought this was an opportunity to demonstrate its compliance with the Well-being of Future Generations (Wales) Act 2015. Public Health Wales would award more points during the tender process if suppliers used second-hand, reused and/or refurbished furniture.

Public Health Wales approached NWSSP about their frameworks, but were told that none were suitable. However, NPS told NWSSP that Public Health Wales should look to use an NPS framework. Public Health Wales looked at the NPS frameworks but were unable to find a supplier capable of delivering the design and sustainability criteria of the specification. After taking legal advice from NWSSP, Public Health Wales embarked on a full Official Journal of European Union procurement process supported by NWSSP.

Public Health Wales awarded the contract to a consortium of three small and medium-sized enterprises who demonstrated the most sustainable approach to the whole project. All the furniture in the new office has been recycled, either from Public Health Wales or from elsewhere, including items intended for landfill that have been cleaned and recovered for use in the building. The carpets were provided by a social enterprise that trains and up-skills the long term unemployed as carpet fitters and also helps low income families to obtain carpet tiles for their homes. This community interest company has provided recycled carpet tiles using their newly trained staff, some of whom are reported to have found permanent jobs as a direct result of this project.

In May 2017, this project was recognised in four categories of the UK NHS Sustainability Awards, winning the procurement category.

- 1.30 The feedback we received from NPS member organisations suggested that they would like a more flexible opt-out option to be available once they know the results of awarding framework agreements. In September 2015, the NPS Board discussed the opt-out process. Despite admitting that the process was not working, the Board agreed that the opt-out process would remain in place.
- 1.31 In a February 2013 report¹⁹, the National Audit Office noted that when the Crown Commercial Service was set-up there was ‘a mandate for [central government] departments to comply with the centralised approach, but this is not enforced in practice, with no sanctions for non-compliance’. This broadly reflects the situation with NPS, although there was a general expectation that public bodies would use the NPS rather than a mandated approach. The National Audit Office also said that ‘either the Cabinet Office will need to create more potent levers, or it will have to win ‘hearts and minds’, and demonstrate that it has the capability and capacity to deliver a high-quality central procurement function’.
- 1.32 We asked NPS members whether they had opted-out of procuring any goods, services or works covered by NPS frameworks by instead acting through other collaborative arrangements, excluding HEPCW or NWSSP²⁰. We found that 23 of the 66 bodies that answered the question indicated that they had done so. **Box 6** sets out some of the reasons for not procuring the goods, services or works available through the NPS.

¹⁹ National Audit Office, **Improving government procurement**, February 2013.

²⁰ NPS was set up to work alongside rather than compete with HEPCW and NWSSP (paragraph 2).

Box 6 – quotes on deciding not to procure goods and service through the NPS

- ‘Because the FE sector in the UK have a long standing consortium with Crescent Procurement Consortium²¹ that we have been party to establish frameworks with. In some instances Crown Commercial contracts have also been ‘more fit for purpose’
- ‘Already using CPC [Crescent Procurement Consortium] which suits our size and purposes’
- ‘Other organisations have been able to offer more appropriate frameworks and timely. There are also a number of plans locally on hand’
- ‘Covered by other frameworks, ie CCS, Carmarthenshire Construction Framework, ESPO²²’
- ‘The frameworks delivered did not deliver value for money, or the suppliers on the frameworks did not have sufficient geographical coverage, ie lack of North Wales suppliers to meet service demands’
- ‘greater flexibility within [other] frameworks’

Source: Wales Audit Office survey of NPS members

- 1.33 NPS data shows that in 2016-17, NPS members spent £150 million through the Crown Commercial Service. NPS recently reviewed the top 20 Crown Commercial Service frameworks showing the highest expenditure by Welsh public bodies and identified £60 million in spend which could potentially be provided for by NPS frameworks instead, subject to further analysis. NPS recognised that the specifications of the relevant frameworks may not be exactly equivalent. NPS is now exploring these opportunities as part of a wider consultation in relation to the future NPS pipeline of activity.
- 1.34 Public bodies using Crown Commercial Service frameworks told us the main reason was because they managed to obtain the use of a preferred supplier or better price. Some also told us that they were using Crown Commercial Service frameworks where suppliers on NPS frameworks could not provide goods or services to the required specification.

21 Crescent Procurement Consortium is owned and run by the further education sector across the UK.

22 ESPO is a public sector owned professional buying organisation jointly owned by its six member authorities: Leicestershire County Council, Lincolnshire County Council, Cambridgeshire County Council, Norfolk County Council, Warwickshire County Council, and Peterborough City Council.

1.35 During 2015-16, NPS was working in collaboration with the CCS to use its managed service printing services for North Wales local authorities while new NPS agreements were in development. The NPS decided to procure its own framework because the CCS agreement did not comply with the Wales Procurement Policy statement. The concern being that the prequalification criteria limited the likely involvement of small and medium-sized enterprises or consortia bids. At the request of the NPS Delivery Group, NPS set-up an all Wales framework, which allowed for additional time for joint bidding and a consortium of Welsh small and medium-sized enterprises won a place on the framework.

Less than anticipated use of frameworks has had a significant impact on the income of NPS, resulting in it not being self-sufficient and not yet able to repay the Welsh Government's Invest-to-Save loan that supported its establishment

1.36 Between 1 November 2013 and 31 March 2016, NPS operating costs were funded by a £5.92 million Invest-to-Save loan from the Welsh Government. The Welsh Government and NPS never agreed a repayment profile for the loan. The NPS intended to begin repayments through surpluses that it expected to accumulate from 1 April 2016.

1.37 The NPS would generate income through a mandatory rebate on suppliers, currently set at 0.45% of the value of the majority of goods/services purchased by public bodies through NPS agreements. Income generation in this way is normal practice for most procurement consortia and public buying organisations²³.

1.38 The NPS has not yet generated sufficient income through the supplier rebate to meet its operating costs (Figure 4). In 2015-16, the NPS generated income of only £339,143, compared with operating costs of £2.1 million. Indicative figures for 2016-17 show an increase in income to £0.9 million, compared with operating costs of £2.8 million. Less than anticipated income is due partly to NPS taking on and managing frameworks from other consortia that were not subject to a rebate until replacement procurements could be let by NPS. After exhausting the Invest-to-Save loan in 2015-16, Welsh Government reserves met the shortfall in funding in 2016-17, a situation which will continue until at least the end of 2017-18.

²³ Although it is not the model employed by NHS Wales Shared Services Partnership, whose operating costs are met from the Welsh Government's budget for NHS Wales. In addition, the framework contracts that NPS inherited did not include a supplier rebate, although as new successor contracts have been established by NPS this has now been included.

Figure 4: NPS income and expenditure, 2013-14 to 2016-17

	Costs (£ millions)	Income (£ millions)	Income (£ millions)	Income (£ millions)
	Operating costs	Supplier rebate	Invest-to-Save loan	Welsh Government reserves
2013-14	1.1	0	1.2	
2014-15	2.7	0.04	2.6	0.06
2015-16	2.4	0.3	2.1	-
2016-17	2.8	0.9	-	2

Source: NPS

1.39 The NPS Board and the Welsh Government have recognised that funding of the NPS is a problem and have discussed several options for resolving the issue. However, none of these options directly addresses the issue of increasing uptake of NPS frameworks by public bodies. The options that have been considered include:

- writing off the Invest-to-Save loan;
- a potential change in the funding regime of the NPS, such as direct funding from the Welsh Government's budget; and
- an increase in the mandatory supplier rebate, as it is clear that the rate of 0.45% is currently insufficient to raise sufficient income to allow the NPS to operate self-sufficiently.

1.40 The NPS Board had been concerned that increasing the rebate may deter suppliers from bidding for contracts but has now agreed an increased rebate of up to 1.5% where appropriate. The majority of frameworks remain at 0.45% because the decision to permit a higher rebate was made after most of the existing frameworks were let. Other public buying organisations such as the Crown Commercial Service and the Yorkshire Purchasing Organisation vary their supplier rebates between 2% and 6% depending upon the agreement. A 2% supplier rebate applied to all spend through NPS in 2016-17 would have resulted in income of £4.7 million. To have broken even would have required a rebate of around 1.2% applied to the total spend or for there to have been around £622 million of expenditure subject to the 0.45% rebate.

1.41 With evidence of a further increase in expenditure through NPS frameworks during the first half of 2017-18 (paragraph 1.16), and with more frameworks now subject to a rebate, NPS is expecting to generate a minimum of £1 million of income in 2017-18. Early indications are that this will be exceeded, based upon £0.5 million of income identified in the first quarter of 2017-18. The Cabinet Secretary for Finance and Local Government has agreed in principle that Welsh Government reserves will again cover any shortfall against NPS operating costs.

NPS has reported wider benefits to the Welsh economy from its procurement and financial savings, but the savings figures are less than anticipated

1.42 One of the key objectives of the NPS is to deliver financial savings for public bodies in their purchasing of goods, services and works. The business case for the establishment of the NPS sets out potential savings for public bodies of £98 million over a 5-year period alongside other benefits. The business case estimated that when it was fully operational by 1 April 2016, NPS would start delivering savings of up to £25 million per year and other benefits²⁴ from a targeted spend of £522 million. It is clear that these and some other subsequent estimates have proved overly ambitious (Figure 5). Nevertheless, the savings reported by NPS for public bodies have exceeded its own operating costs.

²⁴ The business case estimated that £9 million (36%) of the £25 million would be 'cash releasing savings' (Figure 7).

Figure 5: NPS savings forecasts/targets and savings reported, November 2013 to 2018-19

	November 2013 to March 2015 (£s millions)	2014-15 (£s millions)	2015-16 (£s millions)	2016-17 (£s millions)	2017-18 (£s millions)	2018-19 (£s millions)
2012 business case (forecast)	-	4	19	25	25	25
NPS Board paper, June 2014 (forecast)	-	15	15	13		
NPS Board minutes October 2014 (target)	-	-	-	-	30	39
Business plan, May 2015 (forecast)	-	-	8.5	-	-	-
Savings reported	1.5	7.9	12.6	14.8	-	-

Note:

NPS savings are comprised of three categories: (1) cash releasing savings – procurement activities that result in the release of physical cash from budgets usually based on reducing the cost of goods or services through commercial activity; (2) cost avoidance – the avoidance of expenditure possibly as a result of demand management or by negotiating out of a proposed price increase to maintain price at the existing level; and (3) process efficiencies – reducing the effort expended through procurement, particularly where this releases resource for other activities.

Source: NPS

- 1.43 Most of the spend through the NPS has been through public bodies using mini-competitions on multi-supplier frameworks on an individual basis, rather than combining their purchasing power for a single contract covering multiple organisations. Although using mini-competitions on multi-supplier frameworks has its advantages, it is less likely to deliver financial savings than when organisations work together to develop a common specification for works, goods or services and then commit to purchasing minimum volumes. We recognise that this sort of arrangement is not practical in all cases.
- 1.44 The total savings reported by the NPS for 2014-15 of £7.9 million were nearly double the amount targeted in the 2012 business case for its establishment but significantly lower than the £15 million later forecast by NPS in June 2014. The June 2014 forecast was, however, based on an assumed spend through NPS of £1.4 billion.
- 1.45 NPS's May 2015 business plan predicted total savings for 2015-16 at a minimum of £8.5 million based on a maximum spend of £1.1 billion. The NPS reported actual savings of £12.6 million exceeded the business plan forecast. The savings reported by NPS represent 8.5% of NPS's total spend, exceeding the target set in the 2015 business plan to deliver savings worth a minimum of 3% of total spend under NPS management. Although these figures include savings from inherited frameworks, NPS only report savings against reduced prices from renegotiated inherited frameworks or from new users of these frameworks²⁵.
- 1.46 As at August 2017, NPS has reported total savings of £14.8 million for 2016-17 (6% of total spend managed by NPS). Although the 2015 business plan did not predict total savings for 2016-17, NPS estimates from June 2014 predicted total savings of £13 million, but from a spend of £1.5 billion.
- 1.47 The savings figures reported by NPS have been disputed by some members. At the request of the Director of NPS, the Welsh Government's Internal Audit Service has twice reviewed the effectiveness of the processes adopted to identify and validate NPS related savings. The last review examined the 2015-16 savings. The Welsh Government's Internal Audit Service gave a reasonable assurance rating on the controls in place.

25 The NPS Delivery Group is tasked with ensuring that savings plans are robust and deliverable. However, while the Group discusses savings, it does not have a formal role in monitoring overall performance.

- 1.48 The review of 2015-16 savings identified a concern that suppliers were not always submitting expenditure data to NPS on a monthly basis, with the consequent risk that NPS is unable to verify both spend and savings. It also noted that the reported savings figures did not take account of situations where individual contracts or lots on a particular framework had experienced a price increase compared with previous arrangements²⁶. The review encouraged NPS to improve the documentation of evidence relating to savings calculations. NPS accepted the findings of the report and was already taking action in 2016-17 to address some of the issues identified.
- 1.49 In response to our 2016 survey, only 19% of NPS members agreed that using the NPS was resulting in cashable savings (with none strongly agreeing). Overall 48% of organisations disagreed, including six local authorities and all but one NHS body. The remainder neither agreed nor disagreed.
- 1.50 Our survey and follow-up interviews articulated some of the dissatisfaction with the savings figures reported by the NPS. The main concerns were around the following issues:
- while some frameworks and agreements had delivered savings, these were offset by others being more expensive, and some local authorities have benchmarked NPS prices and found they can make savings by using local suppliers in certain instances;
 - levels of savings have been less than anticipated; and
 - the savings were not reflected on member organisations' bottom line – for example, some finance directors were not confident in using NPS savings as a basis for sound financial planning as the savings are reported by suppliers with no supporting evidence.
- 1.51 In response to these issues, NPS has pointed to examples where the benchmark comparisons made by public bodies were not comparing current prices. It has also emphasised that there are now processes in place that provide member organisations with savings figures and an opportunity to raise any queries.

²⁶ The Internal Audit report identified, from its sample of seven frameworks, the example of the Rock Salt Framework, which reported an overall saving of £4,151 across seven lots. The report stated that the saving only applied to one specific lot within the framework where NPS had identified a price decrease from a previous framework. However, NPS did not account for price increases on other lots. Considering other lots, the overall position would have been a net cost increase of £1,571.

1.52 NPS also reports on the wider benefits it has achieved. These wider benefits include the creation of jobs in Wales through its frameworks, the use of Welsh suppliers and other benefits to the Welsh economy (Box 7).

Box 7 – achievement of wider benefits reported by NPS

217 jobs created since NPS was established.

Direct spend of £64 million with Welsh suppliers in 2016-17, £44 million of which was through small and medium-sized enterprises based in Wales.

£36 million reinvested into the Welsh economy since establishment²⁷.

At 31 March 2017:

- of 729 suppliers on NPS frameworks, 355 (49%) were based in Wales; and
- 292 of the 729 suppliers were small and medium-sized enterprises based in Wales (40%).

Note: NPS has provided us with updated figures for several of the measures reported above since our October 2017 report on **Public Procurement in Wales**.

Source: NPS

1.53 In developing its procurement activity, NPS has taken steps to ensure that its approach is not presenting barriers to Welsh companies. For example, the All Wales Printing Services Framework was divided into 40 individual contracts, within 13 lots across various regional zones that were particularly attractive to Welsh small and medium-sized enterprises. The procurement resulted in 24 of the 40 contracts being awarded to Welsh small and medium-sized enterprises. The Tyres and Associated Services Framework allowed for consortia bids. The framework contains six Welsh small and medium-sized enterprises across four regional lots. Paragraph 1.35 noted that a consortium of Welsh small and medium-sized enterprises also won a place on the NPS Printing Services framework.

²⁷ Based on a Federation of Small Businesses calculation: for every £1 spent with a Welsh based supplier, £0.63 for small and medium-sized enterprises and £0.40 for non-small and medium-sized enterprises is returned to the Welsh economy. Federation of Small Businesses, **Making the most of small business, one year on**, 2013.

While most public bodies support the NPS in principle, only one third of members were satisfied with the service with concerns over the competitiveness of frameworks, wider benefits realisation, and the ability to meet local and national priorities

- 1.54 We found that there remains broad support for the principle of the NPS in terms of the overall objectives, in particular the need for greater collaboration through 'buying once for Wales' to drive financial savings. However, there were concerns about the performance of the NPS.
- 1.55 Overall, only a third of member organisations expressed satisfaction with the service provided by NPS²⁸. No NHS bodies indicated that they were satisfied and less than a third of local authorities were satisfied. The Welsh Government was dissatisfied with the service provided by NPS despite being the host organisation. However, with the exception of one body, all of the Welsh Government sponsored bodies were satisfied. Given the diverse membership of NPS, satisfying all organisations at any point in time may prove difficult. However, the success of NPS ultimately relies upon public bodies having confidence in and using its contracting arrangements. NPS considers that action taken over the last 12 months has addressed some of these concerns, although it has not conducted any specific customer satisfaction survey of its own.
- 1.56 Some local authorities told us they found the service provided by the former Welsh Purchasing Consortium was more suitable to their needs as it was sector-specific. However, some Welsh Government sponsored bodies were more positive about the NPS because they had not previously used a public buying organisation and were experiencing benefits, particularly lower prices. Nevertheless, NPS members' concerns about the competitiveness of NPS frameworks in offering lower prices ([paragraph 1.50](#)) is one key source of dissatisfaction. We were told of examples where NPS framework prices were proving more expensive than local alternatives ([Case study 4](#)).

²⁸ 44% of respondents to this question in our survey expressed dissatisfaction, with 23% indicating 'don't know'.

Case study 4 – comparing NPS framework prices with local suppliers or other frameworks

Flintshire County Council and Denbighshire County Council tested the price of certain goods, services and works provided through NPS frameworks.

Denbighshire County Council tested 14 frameworks and found that in 2015-16 the NPS provided a better deal in eight cases, while the Council was able to obtain a better price locally or through other frameworks in six cases.

Flintshire County Council tested 12 frameworks and found that in 2015-16, NPS frameworks provided a better deal in six cases, while the Council was able to obtain a better price locally or through other frameworks in six cases.

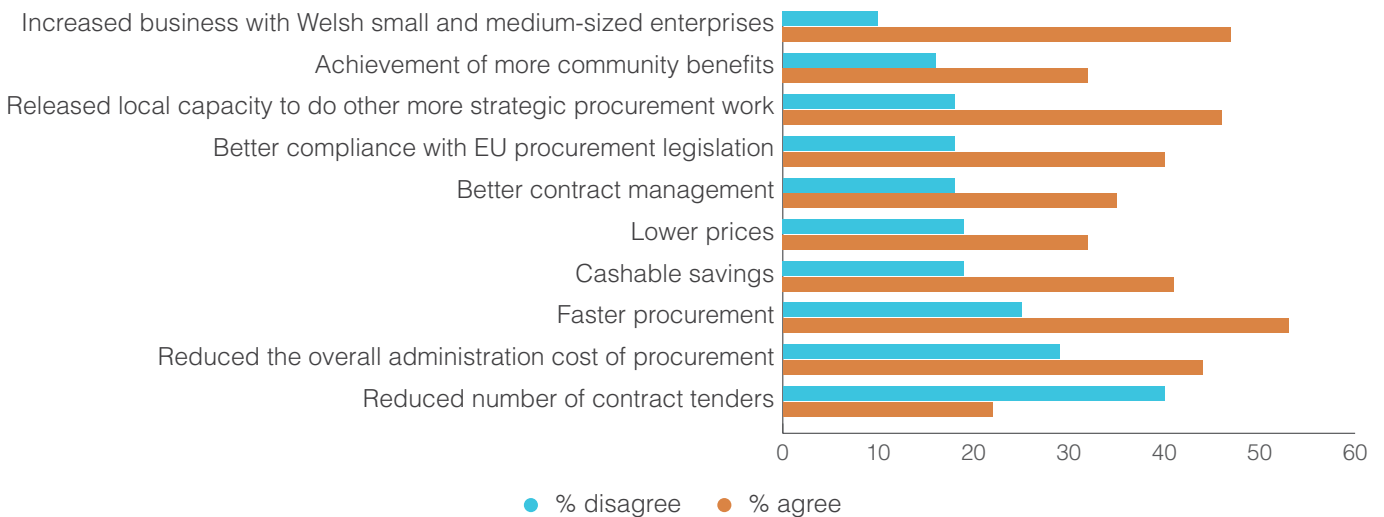
NPS offered to work with the two councils to undertake a benchmarking exercise but the councils have not provided the information to NPS to facilitate this.

Isle of Anglesey County Council opted-out of using the NPS framework for Supply of Liquid Fuels. Having benchmarked prices on several occasions and held meetings with NPS staff, the Council found that it could purchase cheaper through local suppliers. NPS is of the view that the majority of the fuel price (97%) is fixed by a price index across the market. The competition lies in the administration fees of up to 3%.

1.57 **Figure 6** shows NPS members' views on the impact of procuring through NPS, and helps further explain the overall levels of satisfaction. In addition to prices, a significant proportion of members had negative views on other matters. Members also expressed concerns through our survey and follow-up interviews about specific issues including:

- the length of time it has taken to set up some of the frameworks (for example, food and building cleaning) which has meant that some organisations have had to extend existing contracts beyond their legal time limit;
- the amount of time it takes to undertake mini-competitions once frameworks have been set-up;
- the extent to which individual organisational specifications can be achieved under some NPS frameworks, especially where more bespoke or specialist goods or services are required;
- some NPS frameworks being over-specified; and
- little being done by the NPS to initiate or encourage joint specifications or joint-mini-competitions.

Figure 6: NPS members' views on the impact of procuring through NPS



Note:

the difference between those that disagree and those that agree is public bodies that responded 'neither agree nor disagree'.

Source: Wales Audit Office survey of NPS members

- 1.58 In response to members' views on the impact of procuring through NPS, and to enhance flexibility, NPS has committed to ensuring that more frameworks have direct award options rather than necessarily having to stage a mini-competition. The NPS has also initiated an on-going programme of support for customers where mini-competitions are required and has delivered collaborative mini-competitions across several of its categories.
- 1.59 We found that local authorities were particularly concerned about their ability to support their local economy through NPS frameworks (**Box 8 and Case study 5**). In response to our survey, only 10% of NPS members agreed that using NPS had resulted in increased use of Welsh based small and medium-sized enterprises, with just under 50% disagreeing and the remainder neither agreeing nor disagreeing. In April 2017, the NPS reported that 270 (39%) of suppliers on its frameworks were Welsh small and medium-sized enterprises. The NPS also believes that a significant number of these businesses are providing goods, services and works through its frameworks as sub-contractors, although it is unable to quantify this. Although NPS has taken steps to reduce the barriers for local suppliers to win a place on its frameworks, the findings of our survey indicate that either NPS's approach could be more effective or that NPS needs to make members more aware of the provisions it is making.

Box 8 – quotes on supporting the local economy and use of NPS

- 'There appears to be little sensitivity to local needs / local economy and a push to - one size fits all'
- 'We could pay more for a standard/quality which does not exactly meet our needs whilst also damaging our local economy'
- 'Other Consortia have been successful in developing appropriate arrangements which do not threaten our local economy or the Welsh economy'
- 'Elected Members are extremely concerned at the impact on the local economy and are disappointed at the clear lack of any significant payback despite the threat to the economy'
- 'There are at times, conflicting priorities within the NPS where some sectors are under pressure to satisfy local suppliers at the expense of delivering value for money'

Source: Wales Audit Office survey of NPS members

Case study 5 – Carmarthenshire County Council's approach to the NPS frameworks for food

In August 2016, Carmarthenshire County Council informed NPS that it wished to opt-out of the forthcoming NPS food frameworks. The Council was particularly concerned that the food frameworks would cover the whole of Wales and whilst there are regional or local companies able to compete in their areas, they are likely to be unable to compete across Wales. Although the NPS Category Forum divided the food categories into regional lots, the Council still had concerns over the impact on local suppliers. For example, the lot for Groceries, Provisions and Frozen Foods was to cover Carmarthenshire and Pembrokeshire. At the time of the letter, a local company was supplying the Council who won the business against national competition and the Council understood that there was a similar situation in Pembrokeshire.

The Council stated its concern that the lotting strategy set up by NPS guarantees that either or both of these companies will lose business as the NPS would select only one supplier to cover the geographical zone. In response to these concerns, the proposed strategy was amended to reflect local economy concerns following further consideration by the NPS Delivery Group and the Council is named as a separate lot for five of the food categories. The Council is currently reviewing outcomes of the framework and considering the most appropriate way forward to procure goods in these categories.

Some public bodies have been concerned that the NPS is not sufficiently independent from the Welsh Government

- 1.60 Our survey of NPS members identified concerns over the clarity of the role of the Welsh Government regarding its relationship with the NPS. The current operating model for the NPS is that it is 'hosted' by the Welsh Government. The favoured option in the 2012 business case set out that an existing public body would host the NPS. The preferred delivery model was based on the premise that NPS would be independent from the host organisation's operation and with its own governance structure including appropriate representation from all sectors. The NPS would be responsible to the NPS Board and would operate as an independent entity governed through its own leadership and operational structure. The host organisation would provide the required facilities, employment and professional mentoring for the NPS.
- 1.61 Although the NPS was set up in accordance with this model, some member organisations have been concerned that the relationship between the NPS and the Welsh Government has become more than just a host relationship and that NPS will become a government department. Some of these concerns are based on the fact that the Welsh Government's Commercial Director is also the Director of the NPS and the Welsh Government's Head of Procurement is the Chair of the NPS Delivery Board²⁹. NPS is listed as part of the Welsh Government on the Welsh Government's organisation chart and the Deputy Permanent Secretary for Economy, Skills and Natural Resources has additional accounting officer responsibility for it. As noted in [paragraph 1.5](#), NPS no longer has its own finance function.
- 1.62 NPS senior officers considered that operating more at arms-length from the Welsh Government would have provided greater freedom in its procurement activity and in the recruitment of key staff. They have noted that it might also have encouraged greater buy-in from public bodies to NPS frameworks.
- 1.63 Although the NPS has a Board made up of officials representing its key stakeholders, some member organisations have commented on the fact that it had only one independent member, the former Chair of the Board who was a public appointment in February 2014³⁰. Because the NPS is hosted by the Welsh Government, it is not subject to regular independent scrutiny through, for example, its own audit committee. However, the Director of NPS has requested that the Welsh Government's Internal Audit Service undertake reviews in respect of its reported savings ([paragraph 1.5](#)).

²⁹ However, the Chair of the NPS Delivery Board had been appointed to that role before taking up the post at the Welsh Government in summer of 2016, having previously been the Head of Procurement at Natural Resources Wales.

³⁰ The Chair of the NPS Board left the post in February 2017 following the end of their three-year term. The Chair has not been replaced while the Welsh Government takes forward its plans to merge the NPS Board with the national Procurement Board ([paragraph 4](#)).

1.64 One of the main concerns amongst member organisations is that the balance of the NPS's focus is towards national issues rather than local priorities. We also found that member organisations are concerned with the Welsh Government having more influence over financial matters, such as the funding of the NPS, than the other member organisations. In September 2017, the Cabinet Secretary for Finance and Local Government set out that the Welsh Government intends to reposition the role of the NPS and of Value Wales to maximise the benefits of public procurement.

Appendices



Appendix 1 – Audit methods

The overall scope of our work

This report follows on from the Auditor General's October 2017 report on **Public Procurement in Wales**. That report set out the regulatory and policy context for public procurement in Wales. It considered how much public bodies in Wales are spending through procurement and on which goods, services and works, including through the main Wales-based procurement consortia and public buying organisations. The report also examined how individual public bodies are performing and how their procurement arrangements are developing in the context of changing policy and legislation.

During the early stages of that wider review, some public bodies expressed particular concerns about the development and performance of the National Procurement Service (NPS). This report considers the issues relating to the NPS in more detail.

There are 73 NPS member organisations. These bodies are the 22 Welsh local authorities, 14 further education institutions, nine higher education institutions, nine Welsh Government Sponsored Bodies, ten NHS bodies, four police authorities, three fire and rescue authorities, the National Assembly for Wales Commission and the Welsh Government.

Survey of NPS members

Between June and September 2016, we surveyed the 73 NPS members and received a 97% response rate. In relation to NPS, we asked public bodies for their opinion on:

- the difference using NPS had made to public bodies' purchasing;
- decisions around opting out of using NPS; and
- using other collaborative procurement arrangements.

The Royal Commission on the Ancient and Historical Monuments of Wales and the University of Wales Registry are members of the NPS but elected not to take part in our survey because their overall procurement spend is minimal and they did not use NPS frameworks in 2015-16.

Where necessary to clarify answers and to gain further information and case studies, we followed up on survey responses either by email, telephone or face-to-face interview. We sought views from the national Procurement Board on the design of the survey and discussed the survey findings with the Board in November 2016.

Analysis of procurement public buying organisation and consortia data

We analysed data provided by NPS on the use of, and spend through, its framework agreements in 2014-15, 2015-16 and 2016-17. Suppliers provide this data to NPS on a monthly basis. We also considered data reported by NPS on financial savings and other benefits from its procurement.

Interviews

We met with individuals representing various organisations including:

- the Welsh Government and NPS;
- Confederation of British Industry (CBI) Wales, Federation of Small Business Wales, the Construction Industry Training Board and the Engineering Employers Federation (EEF); and
- the office of the Future Generations Commissioner.

Literature review

To inform our work, we have reviewed a range of other audit and scrutiny reports relating to public procurement, including:

- National Audit Office, **Crown Commercial Service**, December 2016.
- National Audit Office, **Improving Government Procurement**, February 2013.
- Audit Commission and National Audit Office, **A review of collaborative procurement across the public sector**, May 2010.
- Welsh Government Internal Audit reports.

The December 2016 National Audit Office report on the **Crown Commercial Service** concluded that it is not possible to show that the Crown Commercial Service (CCS) has achieved more than departments would otherwise have achieved by buying common goods, services and works themselves. The report also drew a number of other conclusions that broadly reflect issues relevant to the development of the NPS that we have ourselves reported on. For example, the National Audit Office concluded that:

- the Cabinet Office severely under-estimated the difficulty of implementing joint buying across government;
- from the start of CCS's establishment, there was a rapid erosion in departments' confidence in CCS and a CCS survey shows that 6 out of 10 customers are satisfied with the CCS service;
- central buying should achieve very large savings, but it is not clear exactly what spending should be centralised;
- the strategic argument for joint buying remains strong. but that joint buying requires goodwill from departments;
- the Cabinet Office's plan to create CCS wrongly estimated both the activities and the amount of goods, services and works that were appropriate to be bought centrally; and
- by 2016, only seven departments had transferred the responsibility for buying common goods, services and works to CCS, amounting to £2.5 billion, well below the £13.4 billion envisioned.

Appendix 2 – Use of NPS frameworks in 2015-16 and 2016-17

Figure 7 shows the proportion of the 73 NPS member organisations that used live NPS frameworks in 2015-16 and 2016-17, including frameworks inherited by the NPS from other public bodies including the Welsh Purchasing Consortium (**paragraph 1.13**).

In some cases, the frameworks with no spend during 2015-16 were set up late in the year or were not established until 2016-17. NPS has not been able to determine whether this is because it has not received management information from suppliers or whether these frameworks have not been used. NPS is working to resolve this (**paragraph 1.11**). Similarly, some of the frameworks established in 2016-17 were not live until relatively late in the year. For the purpose of this report, we are treating the 2016-17 spend data as indicative only at this stage. In some cases demand may vary because public bodies have their own in-house services.

Figure 8 shows the overall spend through each live NPS framework during 2016-17, along with the number of members and non-member organisations using them and the variation in spend by organisation.

Figure 7: proportion of NPS member organisations using frameworks in 2015-16 and 2016-17¹

Framework	2015-16 (%)	2016-17 (%)	Date framework established
Printer Consumables III ²	93	82	Inherited framework established prior to NPS
Electrical Heating Plumbing and Associated Materials	8	74	September 2015
IT Products and Services	56	72	January 2016
Vehicle Hire	39	72	April 2015
NPS All Wales Legal Services By Solicitors Framework Agreement	33	69	September 2015
All Wales Printing Services	9	65	January 2016
Occupational Health and Associated Services	28	61	April 2015
General Building Materials	49	60	February 2015

Framework	2015-16 (%)	2016-17 (%)	Date framework established
Provision of Furniture Solutions	66	58	May 2015
Supply of Stationery and Paper	32	56	January 2015
NPS Stationery and Paper Bridging Agreement	31	53	July 2015
All Wales Media Agency Services Framework Agreement	29	51	Inherited framework established prior to NPS.
Construction Consultancy (Property)	27	51	December 2014
Wales Translation Framework	9	49	June 2014
NPS Managed Service For Agency Workers	44	47	April 2015
Supply of Liquid Fuels	32	46	April 2015
Cleaning and Janitorial Materials	2	46	September 2015
Managed Service for Employee Benefit Schemes	0	46	December 2015
Construction Consultancy Phase 2	13	44	October 2015
Business Travel and Accommodation	7	44	October 2015
Gas and Electricity	29	43	Gas framework April 2016 Electricity framework April 2017 ⁴
Fuel Cards	2	42	September 2015
NPS – Supply of Frozen Plated Meals, Tex Modified Meals, Soup and Side Dishes	N/A	42	November 2016
NPS Stationery and Copier Paper	N/A	42	January 2017
Postal and Courier Services and Mailroom Equipment	N/A	39	July 2016
Structured Cabling Services	N/A	38	August 2016
Waste Disposal Bags	N/A	38	August 2016
Prepared Sandwiches and Sandwich Fillings	N/A	36	November 2016

Framework	2015-16 (%)	2016-17 (%)	Date framework established
Corporate Training Learning and Development Services	N/A	36	September 2016
Construction Consultancy Phase 3	1	35	January 2016
Cleaning and Janitorial Services	1	35	June 2015
Social Care – Assistive Technology	0	35	October 2015
Resource Efficiency Wales ³	1	33	July 2014
Cash Collection Services	1	33	September 2015
Tyres and Associated Services and Supply	0	33	November 2015
Hand tools and small electrical equipment	N/A	33	September 2016
NPS Rock Salt	8	32	October 2015
Clinical Waste Bags	N/A	32	February 2017
Insurance Support Services	N/A	32	September 2016
Vehicle Spares	N/A	32	January 2017
Information Assurance Services	N/A	32	November 2016
Welsh Purchasing Consortium Managed Service For Agency Workers ²	39	31	Inherited framework established prior to NPS. Expired.
Library Management Systems	0	31	September 2015
Facilities Management Phase 1	0	1	January 2016
Community Equipment ²	29	0	Inherited framework established prior to NPS. Expired.
Supply of Biomass Fuels	0	0	January 2016
Mobile Telephony ²	0	0	July 2015
Facilities Management Phase 2	N/A	0	October 2016
Digitisation, Storage and Disposal	N/A	0	January 2017
Supply of Multi-Functional Devices (MFD) and Associated Services	N/A	0	January 2017

Framework	2015-16 (%)	2016-17 (%)	Date framework established
Insurance Services	N/A	0	July 2016
Network Services Framework ²	0	0	February 2016
Supply of Protective Clothing and Personal Protective Equipment	31	0	Inherited framework established prior to NPS. Still live.
IT Equipment and Associated Services III ²	69	N/A	Inherited framework established prior to NPS. Expired.
Supply, service and Maintenance of Fire Equipment ¹	0	N/A	Inherited framework established prior to NPS. Expired.
Rock Salt ²	8	N/A	Inherited framework established prior to NPS. Expired.

Note

- 1 N/A relates to frameworks that were not available during the period concerned.
- 2 Framework no longer live.
- 3 The 'Resource Efficiency Wales' framework covers services relating to energy efficiency advice and environmental consultancy.
- 4 These dates relate to the current contract arrangements. NPS has been managing gas and electricity procurement on behalf of some NPS members since October 2015 (Box 5 on page 23).

Source: Wales Audit Office analysis of NPS data

Figure 8: overall NPS framework spend, use and spend variance during 2016-17

Framework	Total spend	Number of organisations using the framework (members and non-members)	Highest spend by organisation	Lowest spend by organisation
Gas and Electricity	£68,332,715	31	£8,115,904	£1,748
NPS Managed Service For Agency Workers	£50,018,222	37	£13,875,992	£735
IT Products and Services	£37,439,394	63	£2,911,301	£87
Supply of Liquid Fuels	£17,751,779	32	£1,843,150	£467
Electrical Heating Plumbing and Associated Materials	£5,678,050	59	£2,925,029	£11
All Wales Media Agency Services Framework Agreement	£5,099,932	35	£3,935,802	£272
General Building Materials	£4,691,961	45	£1,840,218	£9
Construction Consultancy Phase 2	£4,380,757	27	£1,451,662	£915
Printer Consumables III	£3,315,075	75	£335,031	£234
Construction Consultancy (Property)	£3,258,915	29	£1,446,045	£940
Vehicle Hire	£2,929,782	57	£539,865	£50
Provision of Furniture Solutions	£2,608,422	44	£369,316	£924
Managed Service for Employee Benefit Schemes	£2,497,839	19	£895,122	£4,277

Framework	Total spend	Number of organisations using the framework (members and non-members)	Highest spend by organisation	Lowest spend by organisation
NPS All Wales Legal Services by Solicitors Framework Agreement	£2,378,411	59	£724,061	£941
NPS Rock Salt	£2,165,796	17	£529,705	£1,935
All Wales Printing Services Framework	£2,053,774	54	£586,137	£122
Resource Efficiency Wales	£1,995,637	8	£1,899,580	£1,100
Fuel Cards	£1,955,565	17	£610,506	£6,683
Facilities Management Phase 1	£1,812,741	2	£1,804,123	£8,618
Social Care – Assistive Technology	£1,739,555	31	£236,966	£7
Tyres and Associated Services	£1,723,578	18	£268,933	£3,201
WPC Managed Service For Agency Workers	£1,245,682	7	£406,004	£79,762
Supply of Stationery and Paper	£1,160,731	38	£167,627	£4
Welsh Purchasing Consortium Framework Agreement for the Supply of Fresh Frozen and Cooked Meats	£927,789	12	£177,871	£1,788
Cleaning and Janitorial Materials	£893,487	27	£278,199	£4

Framework	Total spend	Number of organisations using the framework (members and non-members)	Highest spend by organisation	Lowest spend by organisation
Occupational Health Associated Services	£872,466	40	£124,323	£4
NPS Stationery and paper Bridging Agreement	£871,867	34	£108,306	£30
Business Travel and Accommodation	£754,784	19	£405,289	£143
NPS – Supply of Frozen Plated Meals, Tex Modified Meals, Soups and Side Dishes	£544,587	12	£180,523	£437
Wales Translation Framework	£514,770	28	£299,615	£116
Vehicle Spares	£482,205	6	£200,596	£8,162
Construction Consultancy Phase 3	£436,874	11	£155,573	£2,106
Supply of Waste Disposal Bags	£345,371	14	£98,768	£274
NPS - Structured Cabling Services	£199,796	10	£69,649	£1,101
Library Management System	£196,872	9	£156,931	£2,599
Cleaning and Janitorial Services	£140,714	5	£86,704	£4,345
Cash Collection Services	£140,454	6	£41,202	£3,537
NPS – Supply and Distribution of Prepared sandwiches and sandwich fillings	£121,317	6	£62,526	£683
NPS Stationery and Copier Paper	£115,747	16	£37,475	£92

Framework	Total spend	Number of organisations using the framework (members and non-members)	Highest spend by organisation	Lowest spend by organisation
All Wales Postal Services, Courier Services and Mailroom Equipment Framework	£100,689	9	£30,077	£3,048
Supply of Clinical Waste Bags	£80,016	1	£80,016	£80,016
Information Assurance Services	£43,573	6	£11,238	£3,513
Corporate Training, Learning and Development Services	£29,530	10	£12,445	£300
Purchase of Hand Tools and Small Electrical Equipment	£17,954	18	£4,040	£54
Insurance Support Services Framework	£10,536	2	£8,636	£1,900

Note: There were 8 frameworks that were live during 2016-17 but with no spend recorded for members or non-members.

Source: Wales Audit Office analysis of NPS data

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Agenda Item 8



WALES AUDIT OFFICE
SWYDDFA ARCHWILIO CYMRU

Archwilydd Cyffredinol Cymru
Auditor General for Wales

Discussion Paper: The Governance Challenges Posed by Indirectly Provided, Publicly Funded Services in Wales

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We treat the English and Welsh languages on an equal basis. Mae'r adroddiad hwn hefyd ar gael yn Gymraeg.

The Wales Audit Office study team comprised Alastair McQuaid and Mike Usher.

Foreword by the Auditor General

Governance is at the heart of public services. It underpins how resources are managed, how decisions are made, how services are delivered and the impact they have, now and in the future. It also infuses how organisations are led and how they interact with the public. Governance needs to be robust but it must also be proportionate. Well-governed organisations are dynamic and take well-managed risks; they are not stagnant and bureaucratic.

Publicly funded services should be delivered by the organisations best placed to do so. Special-purpose public bodies and external contractors play an important role in Welsh public service provision and deliver many benefits. I encourage well-managed risk taking and recognise good practice wherever I come across it; but quite rightly, the public expects high standards of governance whenever public money is involved. Since I became Auditor General in 2010, I have published a series of audit reports that have focused upon governance failures. This paper includes examples from these reports and among the recurring themes are:

- a) ineffective oversight and monitoring
- b) a lack of transparency
- c) inappropriate conduct
- d) poorly managed conflicts of interest

Frequently, these governance failures have occurred within bodies that deliver public services 'indirectly,' at arms-length from their parent or client body. Many were associated with flawed procurement or disposal processes or were failed grant-funded projects. The impacts have included poor-quality services, losses of public funds, reputational damage and erosion of public trust and confidence in those responsible. The root causes of many of the audit issues that I have had to report on have included:

- a) insufficient consideration of arrangements for oversight and the appropriate balance between autonomy and intervention;
- b) a lack of clarity around how governance arrangements should operate in practice, contributing to reduced transparency and diluted public accountability; and
- c) the absence of a consistent and shared understanding of, and commitment to, standards of ethics and conduct to be observed by all those involved in public service delivery.

Unclear governance arrangements in public services create risk. The sheer diversity of governance arrangements that exist within and between bodies that operate at arms-length increases the inherent risks associated with them. If differences in perception and understanding are not recognised, then associated risks are often not properly assessed and so cannot be well-managed.

Meaningful consideration of the governance of indirectly provided, publicly funded services in Wales has to take account of the changing context within which they operate and the broader concepts that underpin them. It appears to me that there are no easy answers; attempts to impose order risk being inflexible and may constrain innovation. A proliferation of rules can be the enemy of good governance; the simpler and clearer the expectations, the more likely it is that those involved in delivering public services will be incentivised to aspire to them. Solutions must be realistic and must be grounded in the values and standards that remain at the core of public services, which are reflected in the principles of the Well-being of Future Generations (Wales) Act. However, there are opportunities to learn, not only from previous failures, but also from existing good practice and innovative ideas, in relation to accepting and navigating complexity.

This paper highlights learning points from my previous audit work. Its contents are relevant to policymakers, officials, practitioners and academics, as well as those who oversee, provide and receive indirectly provided services that are funded with public money. I hope that by stimulating debate, this paper will help to spread good practice, generate new ideas, support beneficial change and so contribute to the good governance of public services in Wales.

Huw Vaughan Thomas
Auditor General for Wales

October 2016

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Executive summary

- 1 Increasingly, public services are delivered through subsidiaries, partners or contractors, rather than directly by central or local government bodies or by the NHS. This paper uses the term ‘indirectly provided’ for such services and aims to encourage debate about the governance implications of emerging trends in indirectly provided, publicly funded services in Wales.
- 2 Such services can be provided by a wide range of public, private and third sector entities under various legal, administrative, collaborative and contractual arrangements. This diversity arises from the ways in which Welsh public services have developed over time and also because the pressures for change are complex and are increasing. Although diversity may reflect flexibility and pragmatism and has many advantages, there is also a danger that it can contribute to confusion and increased risk.
- 3 In Wales, as elsewhere in the UK and across the world, the traditional boundaries between the public, private and not-for-profit (third) sectors are also becoming blurred. Whilst the third sector has always played a significant part in delivering Welsh public services, the growth of third and particularly private sector involvement is accelerating:
 - a) as well as the significant role played by the private sector as a supplier of goods and services to public bodies, private entities are increasingly involved in providing services directly to the public, generating profits for their shareholders;
 - b) private individuals bolster the expertise and capacity of public bodies by participating on boards as non-executives, with responsibility for stewardship of public resources and for commissioning and delivering public services;
 - c) partnerships between organisations in the public and private sectors are used to assist delivery of a wide range of public policies and functions by leveraging-in private sector expertise and resources;
 - d) public bodies are engaging in partnerships with, and outsourcing services to, third sector organisations to supplement core capacity, plug gaps in services and better connect with communities;
 - e) some publicly funded bodies within the third sector are seeking to decrease their reliance upon grant funding and donations by engaging in commercial activities, including by providing paid-for services to businesses and to the public; and
 - f) many public bodies are seeking opportunities to generate income by establishing subsidiary bodies as arms-length companies to engage in trading activities.

- 4 As the public, private and third sectors have become increasingly intertwined in public service delivery, it becomes more of a challenge to ensure consistent application of terms such as: ‘the Welsh public sector’; ‘Welsh public services’; ‘public servants’; and ‘public money’. The scale, direction and pace of these changes also bring with them inherent tensions and contradictions, along with potential for conflicting priorities and for imbalances between risk and reward. Nevertheless, regardless of the legal status of an entity or individual involved in dealing with ‘public resources’ to provide ‘public services’; it is essential that their conduct and behaviour meets the high standards expected by the public.
- 5 In addition to individuals or entities involved in delivering public services, the public also has expectations of those who receive public money for other purposes. Significant public funds are paid to procure goods or services from the private and third sectors, or are advanced as grants or loans to support private enterprises engaged in commercial activities which support public policy objectives such as job creation. Although debate about ethics and conduct in relation to public funds beyond their use for public service provision is important, it is outside the scope of this paper.
- 6 This paper does not seek to assess the governance effectiveness of the Welsh Government, individual arms-length bodies or of contracted-out services in Wales. Neither does it evaluate the relative merits or risks of different models of indirect service provision or provide a manual for establishing new arms-length bodies, entering into partnerships or procuring services. Instead, it explores emerging trends and poses questions. Its objective is to prompt discussion amongst public service leaders and stakeholders about how to identify and learn from existing good practice, recognise potential problems and strengthen governance frameworks in order to ensure that the conduct of public business in Wales by all individuals and entities:
 - a) demonstrates appropriately high ethical standards;
 - b) meets public expectations;
 - c) underpins efficient, economic and effective service delivery; and
 - d) safeguards public resources and the well-being of future generations.

- 7 A debate about good governance in relation to indirectly provided, publicly funded services in Wales is necessary and timely because:
- a) new models for delivering services are being developed. Often these involve bodies at arms-length from government and arrangements for procurement, partnership and co-production, which may limit public scrutiny and accountability.
 - b) with increasing private sector involvement in service delivery, personal interests and the profit motive may come into conflict with public sector values of selflessness, user focus and wider public responsibility.
 - c) the administrative and legislative definitions of ‘public services’, ‘public servants’ and ‘public money’ are inconsistent; creating potential difficulties when applying governance rules and principles.
 - d) the provisions of the Well-being of Future Generations (Wales) Act 2015 (the WFG Act) directly affect 44 Welsh public bodies, but have wider implications for all bodies involved in Welsh public service delivery.
- 8 Whilst recognising the diversity and dynamism of Welsh public services provision, it is essential that governance expectations are clearly and consistently understood by all commissioners and providers of public services. However, compliance arrangements must not be so burdensome as to intrude unnecessarily, constrain innovation, compromise efficiency or undermine sustainability. Instead, they should help to build effective relationships, foster trust, provide clarity, support accountability, incentivise improvement and mitigate risk.
- 9 Governance exists to underpin the provision of excellent public services and the proper conduct of public business; it is not an end in itself, nor should it be seen as a drag or obstacle to effective delivery. On the contrary, well-governed organisations tend to be those which provide excellent public services. Organisations which neglect to establish the proper foundations of good governance will often, sooner or later, find themselves in operational difficulties.

Exhibit 1: a call to action

This paper proposes that:

An effective approach to the governance of indirectly provided, publicly funded services in Wales should:

- underpin expectations of the standards of ethics and conduct of all individuals or entities using public money to deliver services;
- enable individuals and entities to be held to account for their conduct and behaviour, as well as for service delivery;
- take account of the diversity and complexity of public service delivery systems;
- balance autonomy and timely, appropriate intervention;
- spread learning from good practice; and
- support implementation of the WFG Act.

We welcome debate on:

- how existing good practice and diverse approaches to governance can best inform a coherent and transparent approach to the governance of indirectly provided, publicly funded services for Wales;
- how good governance can be incentivised in indirectly provided, publicly funded services, without stifling innovation;
- how risk and reward can be appropriately balanced, and to what extent should senior pay and private profits be moderated when public money is involved; and
- how implementation of the WFG Act can best influence the ethical governance of indirectly provided, publicly funded services in Wales.

Part 1

1. Creating a shared understanding of the issues

- 1.1. Done well, public service governance should enable an organisation to deliver its objectives effectively and to live up to public service values at the same time. However, some difficulties arise in practice because of the absence of a clearly defined, commonly understood and consistently applied set of key terms and concepts.

Exploring key terms (1): the 'Welsh public sector' and 'Welsh public services'

- 1.2. Public services are hugely diverse, covering functions ranging from transport, health and education to economic development, culture and the environment. Some of these services are provided by private bodies, although they may use public funds. Not all public services deal directly with the public, some provide intermediate services between public bodies.
- 1.3. The Welsh public sector, in common with the UK as a whole, has evolved over many years, rather than being planned from first principles¹. Not all bodies providing what are commonly understood to be Welsh public services are devolved to Wales; some Welsh public service providers are not part of the public sector; not all employees of public authorities or bodies in Wales are 'public or civil servants'; and 'public funds' may be used by private organisations to engage in commercial activities. What is more, even within what is generally understood to be the public sector, different governance arrangements apply to central government, local government and health bodies².

¹ The National Audit Office report, **Departments' oversight of arm's length bodies: a comparative study**, July 2016, examines differences in arms-length delivery systems across four central government departments.

² In April 2015 the Auditor General for Wales published **Governance in the NHS in Wales Memorandum for the Public Accounts Committee** which looked in detail at governance in the NHS in Wales.

1.4. In 2014, the Williams Commission³ identified the Welsh **public sector** as comprising:

‘...the body of staff directly employed by publicly funded bodies.’

And Welsh **public services** as:

‘...services delivered for the benefit of the public; this can include services delivered through the third sector, social enterprise or that are contracted out.’

The Williams Commission also noted that:

‘There is no clear and agreed definition, however, of exactly what the Welsh public sector is, or which organisations it includes....the sector has evolved and that its structure lacks coherence... is highly complex, and may appear to lack an adequate overall rationale. There are several aspects of this which we believe cause serious problems for the governance of the public sector.’

1.5. In response to the Williams Commission’s report, the Welsh Government has begun listing all of the devolved public bodies in Wales and is also seeking to develop a classification system which categorises bodies according to their legal status and their arrangements for accountability⁴.

1.6. The list of devolved bodies in Wales prepared in response to the Williams Commission draws upon various sources of information, such as bodies that receive a remit letter from the Welsh Government, bodies subject to audit by the Auditor General or investigation by the Public Services Ombudsman, bodies whose members are disqualified from being assembly members, and bodies that are required to lay accounts before the assembly. However, these sources are not consistent with each other. In addition, legal definitions are inconsistent; the term ‘public authority’ is defined differently in the Human Rights Act 1998⁵, the Freedom

³ The Commission on Public Service Governance and Delivery, **Full Report**, January 2014

⁴ Following the Commission on Public Service Governance and Delivery (the Williams Commission) report, the Welsh Government has established a register of public bodies in Wales funded from the budget allocated by the UK Government to Wales (the Welsh Block Grant) which has identified 90 bodies in the main register as well as a further 736 town and community councils. Academi Wales quote an estimate of around 3,000 organisations in Wales ‘that deliver public services and/or manage significant amounts of public money’ [Academi Wales, **The Good Governance Guide: Doing it right, doing it better**, Draft, January 2016].

⁵ The Human Rights Act makes it unlawful for any ‘public authority’ to act in a way which is incompatible with the European Convention on Human Rights. ‘Public authority’ includes a court or tribunal and any person certain of whose functions are of a public nature.

of Information Act 2000⁶, by EU law, by case law and by the WFG Act⁷.

Furthermore, the terms often used to describe the various types of public body⁸ do not provide clear, mutually exclusive definitions.

- 1.7. The European Union (EU) requires the governments of member states to produce accurate public sector accounts according to an EU classification of entities into public or private sectors. The UK's Office for National Statistics (ONS) applies the EU classification⁹, based upon the level of government control over funding, appointments, and operations, and breaks the UK public sector into three areas:
 - a) central government, which in Wales includes the National Assembly, ministerial departments, non-ministerial departments, executive agencies and also Welsh Government sponsored bodies at arms-length from departments.
 - b) local government, which in Wales includes the 22 Welsh unitary authorities, their subsidiary bodies fire and rescue authorities, police and crime commissioners, national park authorities, community councils.
 - c) public corporations, which in Wales are controlled by the Welsh Government but have substantial financial, commercial and operating independence and derive more than half of their income from the sale of goods or services. Public corporations accounts are not consolidated within the Welsh Government department accounting boundaries.
- 1.8. Some of the public sector entities involved in providing services indirectly are included within more than one of the three ONS classifications and the tendency to establish new bodies on an individualised case-by-case basis has often created weak and inconsistent associations between function and form. For example, housing associations are recognised as public bodies for some purposes but are treated as third sector bodies for funding and accounting purposes¹⁰; universities

⁶ The Freedom of Information Act creates a public right of access to information held by 'public authorities'. Public authorities covered by the act are listed in a schedule which is regularly updated. Wholly owned public companies are covered by the act's provisions.

⁷ The Well-being of Future Generations (Wales) Act 2015 lists 44 bodies to which the act's provisions apply. However, the Public Services Ombudsman for Wales' remit extends to a wider range of Welsh public bodies.

⁸ The terms 'non-ministerial department' and 'non-departmental public body' are purely administrative.

⁹ The ONS classifies organisations for national accounts purposes according to categories set out in the 2010 European System of Accounts.

¹⁰ In September 2016 the ONS announced that Registered Social Landlords (RSLs) in Wales, commonly called housing associations, are to be re-classified as public sector bodies. This decision, based on the amount of Welsh Government control over RSLs, will result in over £2 billion of housing association debt being added to Welsh Government accounts and may restrict the ability of RSLs to access private finance.

are not recognised as public bodies by UK law, although they are by EU law¹¹. The situation is confusing for the public, who may not even realise that that some public services in Wales (such as Welsh-language broadcasting, policing and the criminal justice system) are not devolved to Wales.

- 1.9. Importantly, there is no agreed strategic approach to developing governance structures and systems for new public service models that consistently relate function to form and enable all relevant entities and individuals to be held democratically and publicly accountable for:
 - a) how well public resources are used
 - b) how well services are delivered
 - c) what outcomes are achieved
 - d) their conduct and behaviour
- 1.10. The particular form adopted when a new body is established will determine characteristics that influence the degree of real and perceived autonomy, the nature and extent of accountability, the extent and effectiveness of public scrutiny and also legal duties. When establishing a new body it is important to review the proposed form and function together and consider them in relation to resulting characteristics including:
 - a) whether the body's financial transactions and balances are consolidated into government accounts, subject to consideration of materiality, or accounted for separately. All UK companies, including those established by public bodies, are obliged to file annual accounts and other information with Companies House, which is publicly accessible. Subsidiary bodies established as limited liability partnerships are not subject to all of these requirements.
 - b) transparency and challenge; the extent to which the body is subject to public audit by the Auditor General, has its own audit committee, is subject to regulatory oversight and also to statutory provisions that enable public transparency (for example, the Freedom of Information Act 2000). Where a body is established as a charity, it will be subject to scrutiny by the Charity Commission to ensure that it is acting within its charitable objectives and in accordance with the Charities Act 2011.

¹¹ Further and higher education institutions receive public funding but are not classified as public bodies by law in England and Wales. In Scotland further education colleges are now classified as part of the public sector and, therefore, have less flexibility and autonomy than their counterparts in England and Wales. The Public Accounts Committee of the National Assembly recently identified a lack of transparency in relation to senior executive pay, including in relation to the further and higher education sectors. (National Assembly for Wales, Public Accounts Committee, **Senior Management Pay**, November 2014)

- c) the status of employees; whether the body's employees are civil servants, subject to the requirements of the Civil Service code; or other public sector employees subject to the requirements of a professional body; and whether they are public servants for the purposes of the criminal law.
- d) funding, individually or in combination, through the Welsh Government budget, through request for resources, through grants or grant-in-aid, or by income from fees or charges.
- e) financial flexibility and status in relation to requirement to break-even, treatment of financial surpluses, ability to borrow, tax liability and national non-domestic rates liability.
- f) whether EU directives apply, such as in relation to procurement of goods and services, requiring open tendering¹².

1.11. At present, there is some uncertainty about how the approach to governance in public bodies required by the WFG Act will be achieved in relation to indirectly provided, publicly funded services. We explore this issue in more detail in [Part 3](#).

'There were a range of legal and practical reasons for RIFW's governance arrangements:

- EU funding rules for the JESSICA programme required that RIFW should sit at arms-length from the Welsh Government (and therefore could not have its own Accounting Officer);
- RIFW investment decisions needed to be commercially based; and
- demonstrable managerial independence from political influence would be vital, particularly when seeking potential private-sector investment partners during the planned second phase of RIFW's existence.'

Source: **The Regeneration Investment Fund for Wales** (RIFW), July 2015

¹² Where public bodies procure goods or services, they are expected to follow EU law. To demonstrate that good value for money is achieved from public funding, EU law requires public bodies to advertise contracts above a certain limit in the Official Journal of the European Union. Although commercial, private sector bodies are not covered by EU procurement law, they are expected to use fair and open practices, including competitive tendering, when letting contracts related to public services and public funds.

- 1.12. Whilst this situation rightly allows for flexibility and pragmatism, it can sometimes undermine the consistent application of principles and compliance with standards, rules and guidance. It leads to significant and increasing levels of value for money and reputational risks to the Welsh Government associated with services provided to, and on behalf of, public bodies in relation to:
- a) service models: some delivery models such as consortia (and the legal basis for them) may inhibit transparency and dilute accountability.
 - b) ethical standards: the Welsh Government expects the highest ethical standards of itself, its subsidiaries and indeed all who are involved in delivery of public services in Wales; however, where private entities and individuals are involved, personal interests and the profit motive may conflict with selflessness, user focus and wider public responsibility.
 - c) oversight: the absence of clear and consistent guidance creates confusion in the minds of public officials as to the scope and nature of their responsibilities for overseeing the activities of arms-length providers of public services.

‘The history of the Welsh Government’s management of its relationship with AWEMA raises a more general question about how the Welsh Government can best exercise due diligence to satisfy itself that each of the organisations it funds operates in accordance with principles of good governance, while not interfering in the running of those organisations. This is not just about being able to demonstrate regular monitoring activity. It is also about ensuring that monitoring activity is appropriately targeted, proportionate and that it leads to robust action in response to any issues of concern.’

Source: **The Welsh Government’s relationship with the All Wales Ethnic Minority Association** (AWEMA), October 2012

‘...This degree of active involvement by the observer in the conduct of RIFW’s business potentially jeopardised the arms-length status of RIFW and also may have created the impression of tacit Welsh Government approval for the terms of the sale in the minds of the RIFW Board members and their advisors.’

‘A review commissioned by the Welsh Government has identified weaknesses in the governance arrangements that it established for RIFW that are also relevant to other arms-length agencies.’

Source: **The Regeneration Investment Fund for Wales** (RIFW), July 2015

Exploring key terms (2): 'public service governance'

- 1.13. Governance relates to how authority is exercised in pursuit of the body's objectives and also to how those who exercise authority are held to account for how they have exercised it by those who have entrusted them with assets and resources. A range of regulation in areas such as employment, health and safety, environmental and social responsibility affects both public and private sector bodies and so governance systems in both sectors need to ensure compliance.
- 1.14. However, governance, the arrangements associated with it and how effective governance can be demonstrated are generally broader and more complex matters for public service bodies than in private organisations. This is because public bodies are usually subject to wider forms of accountability to a variety of stakeholders (including parliaments, governments and taxpayers), than the directors of private companies owe to their shareholders and the wider community under Company Law.
- 1.15. The Chartered Institute of Public Finance and Accountancy (CIPFA) defines governance as:
'Governance comprises the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved.'¹³
CIPFA states that:
'To deliver good governance in the public sector, both governing bodies and individuals working for public sector entities must try to achieve their entity's objectives while acting in the public interest at all times.
'Acting in the public interest implies primary consideration of the benefits for society, which should result in positive outcomes for service users and other stakeholders.'
- CIPFA describes **public service governance** as:
'How public bodies ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. It comprises the systems and processes, cultures and values, by which public bodies are directed and controlled and through which they account to, engage with and, where appropriate, lead their communities.'
- 1.16. The Independent Commission on Good Governance in Public Services¹⁴ defined public service governance as:
'...the leadership, direction and control of organisations... the action, manner, or fact of governing; government... the exercise of authority through formal and informal traditions and institutions for the common good.'

¹³ CIPFA/IFAC, **International Framework: Good Governance in the Public Sector, 2014**

¹⁴ Quoted in the Commission on Public Service Governance and Delivery (the Williams Commission), **Full Report**, January 2014.

- 1.17. From a public audit perspective, the three pillars of public service governance are:
- a) **regularity**: acting reasonably¹⁵, fairly and lawfully within rules, powers and delegated authority;
 - b) **propriety**: conforming to standards of public conduct, behaviour or morals, including acting with integrity, exercising appropriate judgement and meeting expectations of transparency; and
 - c) **value for money**: achieving economy, efficiency and effectiveness in the use of public resources.

Exploring key terms (3): 'public service ethics'

- 1.18. Ethics relates to moral principles and rules of conduct which ascribe moral values to human actions within a social group or culture, with respect to the rightness or wrongness of actions and the goodness or badness of motives and outcomes. In public governance terms, ethical conduct and decision making are wider in scope than simply procedural correctness. The notion that actions and decisions should be based on what best serves the public's interests, as opposed to an official's personal interests, is fundamental to the concept of **public service ethics**.¹⁶
- 1.19. Public bodies are expected to adhere to an ethos based upon public sector values and standards, particularly in relation to openness and integrity in decision making, conduct and stewardship of money. Whilst these values and standards are not exclusive to the public sector, public service stakeholders have higher expectations of those whom they regard as being public servants, delivering public services or spending public money.

'These failings permeated the whole of the operations of the Partnership and suggest that those charged with responsibility for governance had little regard to recognised standards in public life or the need to achieve value for money from public funds.'

Source: **Plas Madoc Communities First**, March 2010

¹⁵ The 'Wednesbury reasonableness test' was established in case law by the Court of Appeal in 1948. A decision is unreasonable (or irrational) if it is so unreasonable that no reasonable person acting reasonably could have made it. Good public governance requires more than the minimum standard of reasonableness established by the Wednesbury test.

¹⁶ Institute of Local Government, **Understanding Public Ethics Law – Principles and California Law**, 2013

1.20. As well as serving the interests of a wider range of stakeholders than private bodies, public service bodies are required to deliver a wide range of political, economic and social goals and outcomes, many of which are qualitative and not directly measurable. In contrast, private organisations are driven by market forces and have a clearer profit motive, directly linked to the commercial interests of their funders and investors. Whilst private and public bodies both consider the interests of customers and staff as well as the organisation's reputation, private bodies primarily consider them in relation to their contribution to competitive advantage, profit generation and shareholder value, rather than to the public good.

Exploring key terms (4): 'public servants'

- 1.21. Employment status can affect whether in addition to their employer's terms and conditions, staff are bound by the Civil Service code¹⁷ or subject to a professional code of conduct. The employment and legal status of individuals involved in public services affects expectations of their conduct and also the potential consequences for them if their conduct falls short of the obligations placed upon them. The status of staff within the public sector who are performing similar functions can vary because they are employed by different types of public body. For example:
- a) administrative staff employed within the Welsh Government's Directorate for Health and Social Services are civil servants, whereas administrative staff employed by local health boards and trusts are not.
 - b) local health boards employ a range of health professionals. However, dentists, opticians, pharmacists and General Practitioners (GPs) provide services to the public under contractual agreements with the local health boards, but are not employed by them (although they are subject to external professional regulation).
 - c) where a local authority outsources a service, its employees will be transferred to a private provider. Although they may continue to perform the same function and role and aspects of their previous employment, terms and conditions may be protected; they will no longer be subject to the local authority's policies and procedures.

¹⁷ Staff of the National Assembly (Assembly Commission) are bound by the Staff Code of Conduct; Welsh Government staff are bound by the Civil Service code.

- 1.22. Offences under the Bribery Act 2010 apply to anyone, whereas the common law offence of misconduct in public office applies only to holders of public office. There is no simple definition of who is or is not a ‘public officer;’ each case is assessed individually, taking into account the nature of the role, the duties carried out and the level of public trust involved. Public functions can be carried out by private employees and therefore a private employee may be a public officer for the purposes of the offence. The courts recognise the potential for unfairness if a public employee would be subject to a legal sanction whereas a private individual exercising the same function would not. Factors such as how the individual was appointed and whether they are paid or unpaid do not necessarily determine whether they are considered to be a public officer. Statutory and crown appointees as well as trustees do not have contracts of employment but are considered to be public officers. A factor that may point towards an individual being a ‘public officer’ is whether they have responsibility for ‘public funds’. However, there is no clear definition of what constitutes ‘public funds’.
- 1.23. Individuals appointed to be non-executive board members of public bodies are not usually employees of the body¹⁸. Conflicts of interest may arise for individuals who are appointed as board members of public bodies established as companies or as limited liability partnerships. This is because under company law, directors of all companies have a primary duty to act in the best interests of the company and must put the interests of the company before those of the sponsoring body. In most cases, the interests of both parties will align but situations can arise in which they do not. This issue may be particularly problematic where civil servants are also board members because their duty to the company may conflict with their responsibility to a minister under the Civil Service code.

‘RIFW Board members’ legal responsibilities were insufficiently aligned with the Welsh Government’s expectations of their collective accountability to Welsh Ministers.’

Source: **The Regeneration Investment Fund for Wales** (RIFW), July 2015

- 1.24. The position of ‘whistleblowers’ (people who raise issues of public concern about wrongdoing, risk or malpractice that they are aware of through their work) and the degree of legal protection afforded to them under the Public Interest Disclosure Act 1998, is the same, whether or not they are an employee and whether or not their employer is in the public or private sector. It is good practice for public sector bodies to have whistleblowing policies. Where public bodies are commissioning health and social care services, it is also good practice to extend their policy to encompass their contracted private and third sector service providers.

¹⁸ The Wales Audit Office has a statutory board which includes two elected employee members.

1.25. However, well-publicised scandals brought to light by whistleblowers, such as the abuse of vulnerable residents at Winterbourne View¹⁹ and the failings at Mid Staffordshire NHS Foundation Trust²⁰, highlight issues about the treatment of whistleblowers. Without an appropriate organisational culture, people may be afraid to raise concerns and employers may fail to respond. Recent trends in employment practice towards zero-hours and fixed-term contracts may mean that due to the fear of victimisation, such staff could be less likely to raise issues of concern about working practices or inappropriate conduct by senior staff.

¹⁹ Department of Health, **Transforming care: A national response to Winterbourne View Hospital**, December 2012

²⁰ **Report of the Mid Staffordshire NHS Foundation Trust Public Inquiry** [The Francis Report], February 2013

Part 2

2. What are the key trends affecting the governance of indirectly provided, publicly funded services in Wales?

- 2.1. The growth of indirectly provided, publicly funded services in Wales is itself a response to wider political, economic, social and technological changes:
- a) the continuing climate of reductions in public spending is adding impetus to the already established trend towards exploring new models for delivering public services as a means of driving service improvements and reducing costs;
 - b) the dual pressures of rising demands and declining resources are encouraging policymakers to explore innovative ways of harnessing private and third sector expertise and capacity to meet these challenges; and
 - c) new information and communications technology provides opportunities for changing radically how services to the public or to government are accessed and how providers shape their organisations to deliver them, as well as raising ethical issues around information governance.
- 2.2. These changes interact to produce a dynamic and uncertain environment,²¹ which drives innovation and decisions across Welsh public services to:
- a) establish new entities
 - b) procure services under contract
 - c) engage in partnerships
- 2.3. In Wales, since 1999 there has been less emphasis on competition, ‘purchaser/provider’ commissioning arrangements and privatisation than has been the case in England. Instead, the Welsh Government’s focus on partnership working and co-production has led to an increasingly diverse range of entities and individuals becoming involved in delivering Welsh public services as subsidiaries, agents, contractors or partners. The range of such organisations includes:
- a) arms-length agencies, including Welsh Government-owned companies such as Finance Wales PLC and its subsidiaries;
 - b) agents such as private sector fund and investment managers;
 - c) third sector organisations in receipt of grant funding;
 - d) not-for-profit organisations, such as leisure services trusts; and
 - e) private providers, such as care homes.

²¹ The Auditor General set out the key financial challenges facing the Welsh public services in his report **A Picture of Public Services 2015**, published in December 2015.

- 2.4. The public services landscape in Wales is continuing to change, whilst at the same time public expectations are increasing in relation to service quality and also the standards of conduct exhibited by all organisations or individuals involved in public services and with public money. However, Wales is a small country and, in the complex landscape of public service provision, it is inevitable that actual or potential conflicts of interest will arise. Many individuals from the private sector participate in boards that commission and oversee publicly funded services; and because of their expertise, staff can move from holding policy or procurement responsibility within government to employment with private company suppliers.
- 2.5. Changes to policy and delivery system design increase the risk of that conflicts of interest may arise, for instance where both commissioner and provider functions are operated from within the same organisation. The Welsh Government has also emphasised local authorities' role in promoting social entrepreneurship, co-production and community initiatives, as exemplified in its 2015 draft Local Government (Wales) Bill. Such initiatives can result in local authorities entering into a variety of joint arrangements involving public, private and third sector individuals and entities. However conflicts, whether real or perceived, should always be managed effectively through measures that mitigate or eliminate them.

'The Welsh Government did not put in place effective compensating controls to mitigate a conflict of interest, and other governance around the decision to purchase was weak.'

Source: **The Welsh Government's acquisition and action to dispose of the former River Lodge Hotel, Llangollen**, June 2012

'Parties involved in executing the sale transaction had relationships with the buyer and the seller that gave rise to potential conflicts of interest.'

Source: **The Regeneration Investment Fund for Wales (RIFW)**, July 2015

'A conflict of interest was appropriately declared but this should have been handled more robustly by the Welsh Government.'

Source: **Establishment and oversight of the Wales Life Sciences Investment Fund**, February 2016

2.6. Well-managed risk taking is an important component in public service delivery systems. Overall, there is a pressing need for assurance that commercial approaches towards risk taking are being well managed when applied to using public resources and to delivering public services, regardless of the legal form of the entities involved or the status of their officers. Politicians, the media and the public all rightly expect that private entities and individuals involved in funding, procuring, managing, delivering and scrutinising publicly funded services will place the interests of service users and value for money in relation to public funds at the forefront. However, in some instances our audit work has indicated that the development of robust governance arrangements has failed to keep pace with innovation in delivery models and in working practices.

'We are concerned that high profile examples of poor grants management share common and recurring weaknesses. Key weaknesses we have identified have included a failure to adequately consider the viability, capacity and capability of recipients. In many instances, clarity of criteria and objectives has been lacking. We have also noted numerous instances of failure to adequately assess and mitigate risk. Weaknesses in ongoing monitoring also feature prominently in the list of recurring issues. Significantly, funders have failed to act on lessons learned when designing new schemes.'

Source: **Grants management in Wales**, November 2011

'The Welsh Government followed its procedures for approving and monitoring grant funding of the Project. However, the procedures at that time were less robust than those in place now and were unsuited to a project of this scale, complexity and risk. Although the Project achieved its main objectives, problems arose when the fish farm began operating which caused pollution and nuisance.'

Source: **Public funding of Penmon Fish Farm**, December 2013

'The project was always likely to fail because of flawed income assumptions and a lack of clarity over what the Centre was meant to offer, both of which were not adequately challenged by funders... Decisions to provide grant funding were based on highly flawed assumptions, particularly with regard to projected income levels... Funders did not identify and address all of the key risks and placed too much emphasis on the potential benefits of the project, and collaboration between funders was inadequate to support effective decision making.'

Source: **Public funding of the Cywain Centre, Bala**, April 2014

- 2.7. The Welsh Government seeks to learn lessons from individual governance failures, such as those highlighted in this paper, to ensure that they do not reoccur. However, the conceptual and practical difficulties involved in encouraging good governance in indirectly provided, publicly funded services indicate that a wider debate is timely.

Part 3

3. How might implementation of the Well-being of Future Generations (Wales) Act influence the ethical governance of publicly funded services in Wales?

- 3.1. Recent legislation has placed increased requirements upon the conduct of Welsh public bodies, public servants and public services. The WFG Act provides a governance framework for decision making which aims to strengthen governance in Welsh public bodies, which must improve:

‘The economic, social, environmental and cultural well-being of Wales by taking action in accordance with the sustainable development principle’. Acting in accordance with the sustainable development principle ‘means that the body must act in a manner which seeks to ensure that the needs of the present are met without compromising the ability of future generations to meet their own needs’.
- 3.2. The WFG Act requires the public bodies named within it to carry out sustainable development. The defining features which distinguish sustainable development from business as usual are:
 - a) an understanding of the long-term implications of decisions;
 - b) a recognition of environmental limits; and
 - c) an integrated approach to economic, social, environmental and cultural well-being.
- 3.3. The Act also places a well-being duty on those public bodies to set and publish well-being objectives in relation to their functions, designed to maximise their contribution to the seven national well-being goals. They are required to take all reasonable steps to meet those objectives, in accordance with the sustainable development principle. The sustainable development principle is defined through five ways of working. These are integration; collaboration; long-term thinking; involvement; and prevention.
- 3.4. The focus in decision making upon thinking long-term and considering prevention, whilst balancing resource pressures, will require a fundamental shift in the roles, skills and behaviours of many professionals. Public bodies must also involve service users and the wider public in taking an integrated and collaborative approach. All of these challenges pose ethical governance dilemmas, especially for those engaged in commissioning private sector providers to deliver public services.

Exhibit 2: the Welsh Government's objectives for the well-being of future generations



Exhibit source: Welsh Government, **Shared Purpose: Shared Future: Statutory guidance on the Well-being of Future Generations (Wales) Act 2015**

- 3.5. The WFG Act lists 44 public bodies delivering devolved services in Wales to which it applies, but the list is not comprehensive; for example, the Wales Ambulance Service Trust, Estyn and also the Public Services Ombudsman for Wales are not 'Welsh public bodies' for the purposes of the WFG Act. The four Welsh police forces are also not included, because policing is not a devolved function²².
- 3.6. The duties upon bodies named within the act do not extend explicitly to subsidiary bodies or to contractors. However, bodies named within the WFG Act will need to demonstrate that they are discharging their own statutory duties by acting in ways that are consistent with their well-being objectives. When providing funding, awarding grants or procuring services, a body named in the WFG Act may set remits, frame grant conditions or negotiate contract terms that are consistent with its well-being objectives and so have the effect of extending the WFG Act's scope beyond the public bodies defined within the WFG Act. However, it is unclear how implementation of the WFG Act will influence the ethical governance of:
- a) public bodies in Wales not named in the act;
 - b) subsidiaries of Welsh public bodies; and
 - c) private or third sector providers of publicly funded services.
- 3.7. An inherent tension exists between the WFG Act's requirement for the bodies named within it to take a longer-term view and annual funding, budgeting and accounting cycles in operation across Welsh public bodies. Implementing the WFG Act's requirements is likely to increase the internal and external governance focus upon and scrutiny of strategic plans and medium-term financial plans, as is already happening in NHS Wales. In order to meet their responsibilities under the WFG Act, many Welsh public bodies are pressing the Welsh Government to give them greater certainty in relation to future funding, as well as financial flexibilities similar to those of NHS bodies²³. Or at least, greater clarity in relation to funders' priorities and the range within which their funding decisions may lie.

²² Public service boards established under the WFG Act are required to invite the chief constable and police and crime commissioner to participate in the partnership for the local authority area covered by the board.

²³ Financial duties differ between the seven Welsh local health boards and the three Welsh NHS trusts. Local health boards must not exceed their spending limits over a three-year rolling period. Failure leads to a qualified external audit opinion. Trusts have a duty to break-even over a rolling three-year period but failure to do so does not lead to audit qualification. The financial duties for NHS bodies differ from those of most Welsh public bodies, which are required to break-even each year.

'NRW informed us it finds annual budget allocations from the Welsh Government restrictive but manages the impact through its financial planning and modelling. However, there is a risk that budget cuts require an even greater prioritisation of work with difficult decisions to be made, particularly given uncertainty over any additional funding for new statutory responsibilities. NRW considers that the expected level of budget cuts will require fundamental changes to the purpose and structure of NRW.'

Source: **The development of Natural Resources Wales (NRW)**, February 2016

- 3.8. Rising citizen expectations of Welsh public services, reflected in the WFG Act's seven well-being goals, require fundamental changes in all Welsh public bodies' processes, performance management systems and culture. The existing emphasis upon historical information based upon centrally driven performance indicators, budget administration and external financial reporting requirements will no longer be sufficient. Instead, there is a clear need for qualitative improvements in forward-looking performance and financial information that supports business cases, options appraisal, strategic planning and decision making. In essence, modelling the impacts of changes in activities, costs, incomes and demands, together with robust outcome monitoring, will be key to achieving each body's well-being objectives.
- 3.9. For private sector organisations engaged in commercial activity, the quality of management information is generally an internal matter, although business analysts and private investors take a keen interest. However, when private and third sector organisations are involved in providing public services, then sponsor access, quality assurance and the public transparency²⁴ of management information should be stipulated in:
- a) procurement contracts
 - b) partnership agreements
 - c) grant conditions
- 3.10. Accomplishing these changes is likely to require public bodies to acquire or develop the necessary skills, technology and capacity to gather, analyse and use the information. The growth of digital data technology presents many opportunities, but also raises information governance issues in areas such as the ethics of data capture, sharing, retention, use, transparency, access and security.

²⁴ The National Audit Office urges adoption of 'open-book accounting' practices which provide transparency of payments, performance and profits in relation to outsourced services, as a fundamental condition of doing business with the public sector. [National Audit Office, **Open-book accounting and supply-chain assurance**, June 2015].

'As an audit body, we are particularly concerned to encourage development of the finance profession in Wales. Some of our recent reports have commented on the lack of financial capacity and capability in many of the bodies we audit. The finance function has traditionally been about budget setting, control and compliance. In some cases, the finance function is seen as a barrier to innovation and change where it is averse to risk. In the future, finance professionals will have a greater role as a strategic partner to services, offering insight for example to support business plans for new ways of working. Finance and other professionals will need to take a long-term view of the costs and benefits of changes in the round.'

Source: **A Picture of Public Services 2015**, December 2015

- 3.11. There are also governance challenges in relation to sponsor, executive and non-executive oversight and scrutiny, as well as for regulation and audit. The WFG Act created the office of the Future Generations Commissioner (a corporation sole at arms-length from government). The commissioner's role is to support the 44 public bodies named in the act, including the Welsh Government, to work towards achieving the Welsh Government's well-being goals and to monitor and report on their progress. The WFG Act also set up new public service boards²⁵ to undertake a baseline assessment of local well-being, produce area well-being plans and to report on progress. In addition, the WFG Act placed a duty upon the Auditor General to provide a report to the National Assembly during each assembly election cycle, on the extent to which the bodies named in the WFG Act have applied the sustainable development principle in setting and meeting well-being objectives.
- 3.12. In order to mitigate the risk of increasing the quantity of regulation and assessment of public bodies, as well as the risk of conflicting or contradictory conclusions and recommendations, the Auditor General and the Future Generations Commissioner have agreed to co-operate in relation to their respective responsibilities under the WFG Act. This co-operation provides an opportunity to develop a more streamlined, seamless and coherent assessment of public bodies whilst also ensuring that everyone involved in these functions has the necessary skills and interpretive insight to critically appraise information placed before them and to judge how much reliance to place upon it.
- 3.13. Implementing the WFG Act will clearly impact upon the governance of the bodies named within it and has implications for audit and regulation. However, at present, the implications are less clear for public bodies not named within it, including subsidiaries, and also for private and third sector bodies who provide public services.

²⁵ Public service boards established under the WFG Act in each local authority area in Wales are statutory partnerships but are not entities in their own right.

Part 4

4. How can greater clarity be achieved in relation to the attitudes and behaviours expected of individuals and entities involved in Welsh public services?

- 4.1. The two traditional approaches to strengthening governance can be categorised as being primarily either principles-based or rules-based. These differing approaches are not mutually exclusive and may work in tandem; 'rules' can be used to specify when and how 'principles' should be applied. However, neither approach alone is appropriate in all circumstances because:
- a) principles set out broad expectations whilst providing flexibility in practice. However, it may be unclear whether they should apply, how they should be applied and how any tensions between different principles should be resolved.
 - b) rules are specific and prescriptive. Writing rules into regulations and agreements may be more easily enforceable than principles but, whilst rules leave less room for interpretation, they invariably give rise to some situations that are not explicitly covered.

Principles-based approaches to strengthening governance

- 4.2. Across the UK public sector, the principles-based approach to governance is encapsulated within the Nolan Principles²⁶ of:
- a) selflessness
 - b) integrity
 - c) objectivity
 - d) accountability
 - e) openness
 - f) honesty
 - g) leadership

²⁶ The Nolan Principles were set out in 2013 by the Committee on Standards in Public Life, chaired by Lord Nolan, in its **Fourteenth Report**. They are listed in full in Appendix 1.

4.3. Within Wales, Academi Wales has emphasised the importance of a public service ethos:

‘...whilst diversity and new ways of working are embraced and encouraged, common values and standards are understood and applied across the public service in Wales.’

Although Academi Wales recognises that:

‘There is no hard and fast definition of the Welsh public service...’

The academi endorses:

‘...the Welsh Public Service Values, the Nolan Principles, and Citizen-Centred Governance Principles for Wales.’²⁷

And it proposes that these:

‘...apply to any organisation that delivers public services to the people of Wales and/or utilises Welsh public funding directly or indirectly.’²⁸

4.4. Importantly, the Westminster Parliament’s Committee on Standards in Public Life has stated that there should be a wider application of the Nolan Principles of conduct in public life (hitherto applied to all appointed or elected public servants) and has invited debate on how the principles should be extended to all those involved in publicly funded services²⁹. The chair of that committee, Lord Bew, has also commented that:

‘...any organisation providing any public service should ensure that such [ethical] standards form part of its culture and behaviour and are demonstrated in practice from start to finish... It is the responsibility of the Welsh Government to ensure that this is achieved, regardless of who is providing the service.’

4.5. **Managing Welsh Public Money** (MWPM) is the Welsh Government’s primary guidance³⁰ on the proper handling of public funds. It aims to provide a reference guide to be applied by the Welsh Government and by the bodies it sponsors on how to handle public funds with probity and in the public interest. MWPM stresses the application of the Citizen Centred Governance Principles for Wales to public service organisations funded by the Welsh Government and the Nolan Principles to individuals working for the public service in Wales.

²⁷ These principles are set out in Appendix 2.

²⁸ Academi Wales, **The Good Governance Guide: Doing it right, doing it better**, Draft, January 2016

²⁹ The Auditor General’s February 2016 report on the Welsh Life Sciences Investment Fund cites both the January 2013 and June 2014 reports of the Committee on Standards in Public Life, which has identified this area as requiring further careful consideration.

³⁰ Updated and re-published in February 2016.

- 4.6. The Citizen Centred Governance Principles for Wales are aligned with the requirements of the WFG Act. The WFG Act adopts an approach based upon the sustainability principle³¹ rather than a prescriptive approach, which provides opportunities for Welsh public bodies (as defined in the act) to ensure that their response is proportionate, so that they can fulfil the WFG Act's requirements in ways which are tailored to the scale of the organisations' activities and expenditure.
- 4.7. In addition to the Nolan Principles and the Citizen Centred Principles for Wales, other principles are relevant to Welsh public bodies. These include NHS in Wales Core Principles and Values and also Procurement Principles³². The **Wales Procurement Policy Statement** sets out ten principles for procurement for all Welsh 'public sector' organisations. This policy adopts the Sustainable Procurement Task Force (in **Procuring the Future**, 2006) definition of procurement:
- 'the process whereby organisations meet their needs for goods, services, works and utilities in a way that achieves value for money on a whole life basis in terms of generating benefits not only to the organisation, but also to society and the economy, whilst minimising damage to the environment.'
- 4.8. The various sets of principles are not fully aligned but neither are they incompatible. It is left to bodies themselves to draw the various principles together from diverse sources. For example, the **Wales Procurement Policy Statement** (which contains the procurement principles) states that the Welsh public sector will promote fair payment terms; a commitment which is compatible with the public sector payment policy target and with the WFG Act. However, the public sector payment policy target itself³³, is not explicit within the policy statement.
- 4.9. The consistent application of principles is problematic, because there is no consensus about the extent to which the various principles can, or should be, applied in practice:
- a) there is a plethora of differing sets of principles, many of which aim to apply universally to the public sector, public services and/or public money (see **Appendices 1 and 2**);
 - b) terms such as 'Welsh public funding' and 'public services' are not defined consistently or clearly (see **Part 1**); and

³¹ See also Appendix 2.

³² Contained within the **Wales Procurement Policy Statement**, published by the Welsh Government in 2012, updated and republished in 2015. See Appendix 2.

³³ The standard terms for UK government contracts is for payment within 30 days. Whenever possible, central government bodies will pay within 10 days.

- c) the status of different sets of principles is variable and it is unclear which principles have legal status through either statute³⁴ or case law³⁵, and which are merely advisory.

4.10. There may be conflicts between different principles and sets of principles. For example, circumstances may arise in which there is a tension between value for money for the organisation and potential wider social benefits from sourcing within the local economy. In such cases, decision-makers will need to be able to demonstrate that they have taken reasonable steps to apply principles and have taken all relevant matters into account when reaching their decision, otherwise they may be exposed to the risk of successful judicial review.

Rules-based approaches to strengthening governance

- 4.11. Rules may be legislative, administrative, contractual or a combination of these. They can relate to how a body is established, how it operates and how individuals within it are held accountable for its performance and for their actions. The Companies Act 2006 places a statutory responsibility on the directors to maintain a reputation for high standards of business conduct, to avoid conflicts of interest, to declare interest in a transaction or arrangement and not to accept benefits from third parties for being a director, or for doing, or not doing anything as a director. The board, its directors, employees and those funded by the company must not act or take decisions in order to gain financial or other material benefits for themselves, their family or their friends. They must declare any interests and relationships. Whilst these responsibilities are applicable to companies in government and are analogous to the Nolan Principles, the prime responsibility of directors is to the entity, not to the wider public (see also [paragraph 1.23](#)).
- 4.12. At present, the UK Government is tidying up arms-length bodies, classifying them and producing rules for establishing new ones. In Scotland, the Scottish Government maintains a single register of all devolved public bodies, including details of their funding, staffing and chief executives' pay. In Wales, the Welsh Government is cataloguing public bodies, producing governance guidance and ethical standards for subsidiary companies and publishing MWPM along with principles for the public sector.

³⁴ For example, the WFG Act.

³⁵ For example, the principle of reasonableness established in case law by the 'Wednesbury reasonableness test' (see also [paragraph 1.17](#)).

4.13. Business cases under which the Welsh Government seeks to establish any new public bodies in Wales are reviewed by the Welsh Government's Corporate Governance Unit which provides financial and legal advice. The Corporate Governance Unit's review includes checking the rationale for setting up a new body. However, at present there is no clear framework within which new public bodies in Wales (whether by central or local government) must be established. Establishing new bodies within a framework of guidelines that are departed from only by exception and with clear justification, would allow for flexibility whilst increasing clarity, consistency and predictability.

'In establishing RIFW's governance arrangements, the Welsh Government failed to make explicit the oversight mechanism for RIFW as an arm's-length body.'

Source: **The Regeneration Investment Fund for Wales** (RIFW), July 2015

'In establishing RIFW's governance arrangements, the Welsh Government failed to make explicit the oversight mechanism for RIFW as an arm's-length body.'

Source: **The Regeneration Investment Fund for Wales** (RIFW), July 2015

'Plas Madoc Communities First [PMCF] is a company limited by guarantee and a registered charity... The audit investigation found a fundamental lack of financial control and governance at PMCF.'

Source: **Plas Madoc Communities First**, March 2010

4.14. In its 2013 publication, **Standards Matter**, the Committee for Standards in Public Life stated:

'Public servants designing and commissioning services should, in a consistent and proportionate way, address ethical issues throughout the procurement process. Contractors and others should acknowledge the particular responsibilities they bear when delivering public services, paid for by public money, to individuals who may not have the choice of going elsewhere. Unless the principles are clearly translated into contracts and clear guidance, it is unlikely that private contractors in particular will believe that they are unambiguously applicable to them (given the likelihood of conflicts between the motives of private profit and public service), or spend time deducing from the principles how they are supposed to behave. There is therefore a responsibility on public office-holders to specify particular and proportionate ethical requirements in the contracts they let on behalf of the public sector unless the public sector does specify ethical requirements in its contracts it is unlikely that the market will operate to drive up ethical as well as quality standards and value for money.'

- 4.15. Ultimately the only way of ensuring that organisations providing outsourced public services operate to the standards of conduct expected of public bodies is by introducing additional contractual requirements within procurement and commissioning processes. Public bodies can also write the requirement for private sector bodies to follow public sector practices into grant conditions and loan agreements.
- 4.16. The Welsh Government's standard grant conditions require applicants to comply with legal requirements and regulations, and also require all necessary permits and consents to be in place. However, Welsh Government grant conditions do not routinely include any general requirement for the grant recipient to comply with standards of conduct in business. If the Welsh Government was able to develop an enforceable condition that covered such requirements, its inclusion would help to safeguard public funds used for grant-funded projects. It would also mitigate potential risks to the Welsh Government's reputation, through association with recipients which did not meet the requirements of such a condition³⁶.

'The Welsh Government identified potential risks when it approved grant funding for the Project, but did not put in place grant conditions that would have helped mitigate the risks.'

Source: **Public funding of Penmon Fish Farm**, December 2013

All funders had recognised, to varying degrees, the unsupported and unrealistic assumptions that underpinned the business case for the Centre. However, they approved grant funding without putting in place fully effective measures to mitigate and manage the risks to the project they had identified... Grant conditions, the main mechanism for managing the risks identified, were not always comprehensive or realistic.'

Source: **Public funding of the Cywain Centre, Bala**, April 2014

³⁶ Auditor General for Wales, **Public Funding of Penmon Fish Farm**, December 2013

- 4.17. There is no particular obstacle to including contractual requirements for standards of conduct. The real difficulty lies in how to articulate public sector values as contractual requirements in a way which is unambiguous, measurable, capable of being monitored and enforceable. This is an area in which significant development is needed. The Westminster Parliament's Committee for Standards in Public Life outlined a number of procurement/contractual mechanisms which purchasers/commissioners should consider in relation to:
- a) contract design/tendering
 - b) contractual requirements³⁷
- 4.18. Model contract terms and conditions in respect of governance and accountability arrangements and anti-bribery and fraud and corruption have already been developed and are included in the UK Government's Legal Service Model Contract terms. The National Audit Office has recommended that to ensure transparency in relation to contracted-out services, a requirement for 'open-book accounting' should be written in to all contracts³⁸. Companies, social enterprises and charities wishing to bid for public service contracts above a nationally agreed contract size, value threshold and political sensitivity should accept this condition or simply not bid. However, it is important that transparency should not be a burden or a barrier to small organisations or result in disproportionate costs.

³⁷ These include The Merlin Standard which was designed to recognise and promote sustainable excellence within supply chains and provide guidance to those seeking to achieve it. It is built upon four fundamental and integrated principles: supply chain design, commitment, conduct and review. These principles were designed to examine key areas of the relationship between a prime contractor and its supply chain partners. The Merlin Standard was originally developed by the DWP. A large number of suppliers are already Merlin accredited and all accredited main contractors are required to ensure they and all subcontractors comply with the DWP code of conduct. [Committee for Standards in Public Life, **Ethical Standards for Providers of Public Services** – guidance, December 2015]

³⁸ 'Open-book accounting' provides the public with the same transparency of payments, performance and profits for outsourced services as would be the case if the services were provided 'in-house' by the public sector. [National Audit Office, **Open-book accounting and supply-chain assurance**, June 2015]

- 4.19. There are also a number of non-contractual mechanisms which the public sector can use to encourage providers of public services to comply with high standards of conduct. These include:
- a) ethical codes for providers
 - b) standards for, and assessments of, supply chains
 - c) 'mystery shopper' arrangements
 - d) analysis of user complaints
 - e) effective commissioner-provider relationships
 - f) process of corporate renewal and development of 'good corporate citizen'
 - g) open publication of contract availability
- 4.20. Regardless of whether governance expectations that reflect the public sector ethos are expressed as principles or as rules, mechanisms are necessary to embed them in all commissioners and providers of public services; to provide compliance standards and monitoring measures. These must not be so burdensome as to intrude unnecessarily, constrain innovation, drive down efficiency or to undermine sustainability. However, they must constitute a framework that provides clarity whilst embracing diversity and which supports accountability, incentivises improvement, and mitigates inherent risk.

Encouraging the right behaviours

- 4.21. Any governance system, whether based on principles or rules, will fail to be effective if those charged with governance are not familiar with what is expected of them or fail to give the area sufficient attention. Training, awareness and clear, readily available guidance are key in supporting all those who deliver public services to do so in a manner which enables them to achieve their objectives and to live up to the values expected of them.

Appendix 1

The Nolan Principles

In its **Fourteenth Report**, the Committee on Standards in Public Life (2013) emphasised that standards of behaviour matter and are particularly important where public money is being spent on public services or public functions. The principles are universal:

- **selflessness:** holders of public office should act solely in terms of the public interest.
- **integrity:** holders of public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must declare and resolve any interests and relationships.
- **objectivity:** holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.
- **accountability:** holders of public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.
- **openness:** holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.
- **honesty:** holders of public office should be truthful.
- **leadership:** holders of public office should exhibit these principles in their own behaviour. They should actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs.

Appendix 2

Welsh public service values and behaviours

Public service values and behaviours for Wales

The Welsh Government has set out an ambitious agenda to unify public service endeavour across Wales with a common set of values, bringing together the responsibilities of the Future Generations (Wales) Act 2015:

- behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law;
- ensuring openness and comprehensive stakeholder engagement;
- defining outcomes in terms of sustainable economic, social and environmental benefits;
- determining the interventions necessary to optimise the achievement of the intended outcomes;
- developing the entity's capacity, including the capability of its leadership and the individuals within it;
- managing risks and performance through robust internal control and strong public financial management; and
- implementing good practices in transparency, reporting, and audit to deliver effective accountability.

Procurement principles for Wales

The **Wales Procurement Policy Statement**, published by the Welsh Government in 2015, sets out ten principles for procurement for all Welsh 'public sector' organisations:

- **strategic:** procurement should be recognised and managed as a strategic corporate function that organises and understands expenditure; influencing early planning and service design and involved in decision making to support delivery of overarching objectives.
- **professionally resourced:** procurement expenditure should be subject to an appropriate level of professional involvement and influence, adopting the initial benchmark of a minimum of one procurement professional per £10m of expenditure across the wider public sector.
- **economic, social and environmental impact:** Value for Money should be considered as the optimum combination of whole-of-life costs in terms of not only generating efficiency savings and good quality outcomes for the organisation, but also benefit to society, the economy, and the environment, both now and in the future.

- **community benefits:** delivery of social, economic and environmental benefit through effective application of Community Benefits policy must be an integral consideration in procurement.
- **open, accessible competition:** public bodies should adopt risk based, proportionate approaches to procurement to ensure that contract opportunities are open to all and smaller, local suppliers are not precluded from winning contracts individually, as consortia, or through roles within the supply chain.
- **simplified standard processes:** procurement processes should be open and transparent and based on standard approaches and use of common systems that appropriately minimise complexity, cost, timescales and requirements for suppliers.
- **collaboration:** areas of common expenditure should be addressed collectively using standardised approaches and specifications managed by the National Procurement Service (NPS) to reduce duplication, to get the best response from the market, to embed the principles of this Policy Statement for the benefit of Wales; and to share resources and expertise.
- **supplier engagement and innovation:** dialogue with suppliers should be improved to help get the best response from the market place, to inform and educate suppliers, and to deliver optimum value for money.
- **policy development and implementation:** deployment of policy which supports the achievement of the seven well-being goals for Wales as set out in the Well-being of Future Generations (Wales) Act (2015).
- **measurement and impact:** in accordance with good management practice, procurement performance and outcomes should be monitored to support continuous improvement, and examples of good and poor practice openly shared.

Citizen Centred Governance Principles for Wales

- putting the citizen first: putting the citizen at the heart of everything and focusing on their needs and experiences; making the organisation's purpose the delivery of a high quality service.
- knowing who does what and why: making sure that everyone involved in the delivery chain understands each other's roles and responsibilities and how together they can deliver the best possible outcomes.
- engaging with others: working in constructive partnerships to deliver the best outcome for the citizen.
- living public sector values: being a value-driven organisation, rooted in Nolan Principles and Welsh Public service values. High standards of public life and behaviour, including openness, customer service standards, diversity and engaged leadership.
- fostering innovative delivery: being creative and innovative in the delivery of public services – working from evidence, and taking managed risks to achieve better outcomes.

- being a learning organisation: always learning and always improving service delivery.
- achieving value for money: looking after taxpayers' resources properly, and using them carefully to deliver high quality, efficient services.

The NHS in Wales – principles and core values

The NHS **Governance e-Manual** identifies a number of core values for the NHS in Wales, namely:

- putting quality and safety above all else
- integrating improvement into everyday working
- focusing on prevention, health improvement and inequality
- working in partnership
- investing in staff

These core values are designed to support good governance and the achievement of high standards of care. Alongside these, specific codes of conduct for board members and NHS managers have been developed which incorporate the Seven Principles of Public Life (the Nolan Principles). In addition, there are policies on specific areas, including whistleblowing and compromise agreements described within Openness and Business Conduct.

The NHS in Wales – standards for services

Doing Well, Doing Better – Standards for Health Services in Wales contains 26 standards that set out the requirements of all services in all settings in the NHS in Wales. These standards were introduced in 2010, replacing the previous ones launched in 2005.

The standards framework is underpinned by supporting guidance for individual standards and how to guides which give practical advice on how to implement them. A Governance and Accountability module provides NHS boards with a framework to monitor performance against the standards. This largely takes the form of self-assessment against maturity matrix descriptions.

At the time of preparing this briefing, the Welsh Government was undertaking a review of the Standards for Health Services in Wales.

The Standards for Health Services in Wales sit alongside a number of other mechanisms that set out what is required in delivering services to patients. These include a suite of delivery plans for specific conditions such as heart disease, stroke, diabetes, respiratory health and eye health amongst others. These plans typically set out the key actions that need to be taken to improve healthcare outcomes for patients. Many of these delivery plans have replaced national service frameworks that had previously been developed for these conditions.

Governance in the NHS in Wales

Other key mechanisms for setting out patient-care requirements comprise:

- the range of professional standards and regulations that apply to specific health professions and services.
- **Fundamentals of Care** guidance which was produced by the Welsh Government in 2003 and contains a set of indicators that cover fundamental aspects of quality that are important to anyone receiving health or social care.
- the National Institute for Health and Care Excellence standards, guidance and advice on a wide range of health and care service areas in Wales.
- the Quality and Outcomes Framework for GPs is a voluntary framework that aims to reward GPs for providing good practice. Practices are awarded points for providing evidence of good practice covering four domain of general practice: clinical, organisational, patient experience and additional services.

Notes:

- NHS Wales, [Governance e-Manual: Codes of Conduct](#)
- NHS Wales, [Governance e-Manual: Openness and Business Conduct](#)
- Welsh Government, [Doing Well, Doing Better: Standards for Health Services in Wales](#), 1 April 2010

Appendix 3

Selected further reading

Auditor General for Wales' reports:

- **Plas Madoc Communities First**, March 2010
- **Grants management in Wales**, November 2011
- **The Welsh Government's acquisition and action to dispose of the former River Lodge Hotel, Llangollen**, June 2012
- **The Welsh Government's relationship with the All Wales Ethnic Minority Association (AWEMA)**, October 2012
- **Public funding of Penmon Fish Farm**, December 2013
- **Public funding of the Cywain Centre, Bala**, April 2014
- **Governance in the NHS in Wales**, Memorandum for the Public Accounts Committee, April 2015
- **The Regeneration Investment Fund for Wales (RIFW)**, July 2015
- **A Picture of Public Services 2015**, December 2015
- **Establishment and oversight of the Wales Life Sciences Investment Fund**, February 2016
- **The development of Natural Resources Wales (NRW)**, February 2016

National Audit Office reports:

- **Open-book Accounting and Supply-chain Assurance**, June 2015
- **Department's oversight of arm's length bodies: a comparative study**, July 2016

National Assembly Public Accounts Committee report:

- National Assembly for Wales Public Accounts Committee, **Senior Management Pay**, November 2014

Publications produced or commissioned by the Welsh Government:

- The Welsh Government, **Wales Procurement Policy Statement**, 2015
- The Commission on Public Service Governance and Delivery [The Williams Commission], **Full Report**, January 2014
- The Welsh Government, **Shared Purpose: Shared Future: Statutory guidance on the Well-being of Future Generations (Wales) Act 2015**
- The Welsh Government, **Managing Welsh Public Money (MWPM)**, updated and re-published February 2016

Other relevant material:

- Department of Health, **Transforming care: A national response to Winterbourne View Hospital**, December 2012
- **Report of the Mid Staffordshire NHS Foundation Trust Public Inquiry** [The Francis Report], February 2013
- CIPFA/IFAC, **International Framework: Good Governance in the Public Sector**, 2014
- The Committee for Standards in Public Life, **Ethical Standards for Providers of Public Services – guidance**, December 2015
- Academi Wales, **The Good Governance Guide: Doing it right, doing it better**, Draft, January 2016

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