



**Cynulliad Cenedlaethol Cymru
The National Assembly for Wales**

**Y Pwyllgor Archwilio
The Audit Committee**

**Dydd Iau, 16 Gorffennaf 2009
Thursday, 16 July 2009**

Cynnwys
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Cofnodir y trafodion hyn yn yr iaith y llefarwyd hwy ynndi yn y pwyllgor. Yn ogystal,
cynhwysir cyfieithiad Saesneg o gyfraniadau yn y Gymraeg.

These proceedings are reported in the language in which they were spoken in the committee.
In addition, an English translation of Welsh speeches is included.

Aelodau Cynulliad yn bresennol
Assembly Members in attendance

Lorraine Barrett	Llafur Labour
Michael German	Democratiaid Rhyddfrydol Cymru Welsh Liberal Democrats
Irene James	Llafur Labour
Bethan Jenkins	Plaid Cymru The Party of Wales
Huw Lewis	Llafur Labour
Jonathan Morgan	Ceidwadwyr Cymreig (Cadeirydd y Pwyllgor) Welsh Conservatives (Chair of the Committee)
Nick Ramsay	Ceidwadwyr Cymreig Welsh Conservatives

Eraill yn bresennol
Others in attendance

Gillian Body	Swyddfa Archwilio Cymru Wales Audit Office
Jeremy Colman	Archwilydd Cyffredinol Cymru Auditor General for Wales
Emma Giles	Swyddfa Archwilio Cymru Wales Audit Office
Mark Jeffs	Swyddfa Archwilio Cymru Wales Audit Office

Swyddogion Cynulliad Cenedlaethol Cymru yn bresennol
National Assembly for Wales officials in attendance

John Grimes	Clerc Clerk
Abigail Phillips	Dirprwy Glerc Deputy Clerk

Dechreuodd y cyfarfod am 9.15 a.m.
The meeting began at 9.15 a.m.

Cyflwyniad, Ymddiheuriadau a Datgan Buddiannau
Introduction, Apologies and Declarations of Interest

[1] **Jonathan Morgan:** Good morning, everyone. I welcome Members to the last meeting of the Audit Committee before the summer recess. I will start with the usual housekeeping arrangements. I remind Members to switch off mobile phones, pagers and BlackBerrys. Participants are welcome to speak in Welsh or English. Channel 0 on the headsets is for the amplification of the sound, and channel 1 is for the simultaneous translation. If there is a fire drill, please follow the advice of the ushers.

[2] We have received apologies from Lesley Griffiths and Janet Ryder. I am assuming that Janice Gregory is unable to attend because the legislation committee that she sits on is meeting this morning.

[3] Before I move on to the first substantive item on the agenda, I remind Members that, in the autumn, we will be meeting on Thursday afternoons as opposed to Thursday mornings, because the schedule will change. With that change come a few other changes. There will be new officials working with the Audit Committee in the autumn. This will be the last meeting of the Audit Committee that Abigail Phillips will be attending as our deputy clerk, and this may well be the last meeting that John Grimes attends as our clerk. The two new officials who will be joining us in the autumn will be Siân Phipps, as clerk, and Dan Collier, as deputy clerk. We look forward to working with our new colleagues in the autumn. In case this is their last meeting, I want to place on record my heartfelt thanks to both John and Abigail for the huge amount that they have done as clerk and deputy clerk to the committee. Although I have been here as Chair for only a couple of months, I have valued their advice, support, and the huge amount of hard work that they have put into serving the committee. On behalf of the committee, I wish them both all the very best for the future.

[4] Before I move on to the Communities First briefing, I ask Members whether they have any declarations of interest.

[5] **Huw Lewis:** Yes. In relation to the next item, as a former Deputy Minister with oversight of the Communities First programme, and as someone who reviewed Communities First back in 2003, I declare an interest. I will therefore withdraw from the discussion on that item, if I may.

[6] **Jonathan Morgan:** Thank you. We look forward to seeing you again for item 3, which is on the Red Dragon project.

9.18 a.m.

Cymunedau yn Gyntaf: Briff gan Archwilydd Cyffredinol Cymru Communities First: Briefing from the Auditor General for Wales

[7] **Jonathan Morgan:** The first substantive item is a briefing from the Auditor General for Wales on the Communities First report, which was published last week, on 9 July. Let us turn to the Auditor General for Wales.

[8] **Mr Colman:** I will make a few opening remarks. My colleague, Mark Jeffs, will then speak in more detail. Emma Giles is here to answer any questions that are beyond me, which most of them probably will be, and beyond Mark, which some of them might be. That is why there are three of us.

[9] As the title of the report makes clear, it is about Communities First and the Assembly Government's management of that programme. We have not specifically audited individual Communities First partnerships as part of the study. When we were tackling it, we had to bear in mind several factors. One is that Communities First was a very ambitious programme, and there is nothing wrong with being ambitious. It was a programme that, by its nature, was experimental, and there is nothing wrong with being experimental. The intention was to learn as they went along, and there is nothing wrong with that either. The questions that we looked at were therefore to do with whether learning had taken place over quite a long period, and whether there was evidence that the programme was meeting its objectives, which are very long-term ones. So, methodologically, it was quite a demanding study.

9.20 a.m.

[10] You are probably all familiar with the way in which Communities First works, which is that the Assembly Government funds local partnerships that are substantially free to

organise themselves as they think best to deliver local activities of their choosing. There is great diversity and, although it is a regeneration programme, the regeneration is not funded directly by the Assembly Government, but indirectly through partnerships and through what is known in the jargon as ‘programme bending’. The idea is that the local partnerships’ activities have the potential to cause major national programmes to be bent or diverted slightly towards the areas that they represent. You would also expect the Assembly Government itself to bend programmes directly.

[11] We found that there was some evidence that local benefits had been derived. Most of the money locally has been spent on employing staff, who have been active doing various things. Clearly, in some cases, they have delivered local benefits. However, we also found that there were no real mechanisms by which the Assembly Government could show that programme bending had taken place. They point to individual examples of programmes that appear to have become bent, but the causation was much harder to prove.

[12] As for learning as they went along, the programme definitely had a difficult start: there were weaknesses in planning before its launch, in assessing applications, and in guiding the programme after its launch. We found that the Assembly Government has improved how it manages partnerships, but there are still quite significant risks in how they are set up, particularly in relation to governance and monitoring the impact of the programme.

[13] On programme bending, we found little evidence that public services are bending their programmes as a result of Communities First. Even those programmes that are controlled directly by the Assembly Government are not being bent in a consistent way to favour Communities First areas. So, my conclusion is that unless the Assembly Government takes a much more robust approach to programme bending—that is, takes it seriously and directs that centrally—the Communities First programme is unlikely to meet its objectives.

[14] We make 11 recommendations in the report with a view to improving matters, and we will see what the Assembly Government makes of those after the committee has completed its own consideration of this matter. I will now ask my colleague, Mark, to explain it in more detail.

[15] **Mr Jeffs:** I will start off with some facts and figures about Communities First before I go into the detail of the conclusions of our report. The Communities First programme started out with 142 communities, which covered the most deprived areas of Wales. Since then, it has expanded to cover 188 areas. Every local authority has at least one partnership within its area. The cost of the programme to date has been around £214 million, with most of that going to support partnerships, local projects and activities.

[16] The report is in three parts, which I will summarise briefly. The first focuses on progress made in delivering the objectives of the programme; the second focuses on the Assembly Government’s management of the programme through the partnerships; and the third focuses on the Assembly Government’s efforts to encourage programme bending across public services in Wales.

[17] Part 1 of the report concludes that there have been local benefits from Communities First but that progress towards meeting the objectives remains unclear. We have reached that conclusion because Communities First has ambitious objectives and, at a broad level, it is supposed to deliver wholesale change in the most deprived communities in Wales. The specific objectives are listed in paragraph 1.5 on page 19 of our report. They include softer objectives, such as building the confidence and self-esteem of people living in Communities First areas, as well as harder regeneration objectives, such as creating job opportunities and increasing local people’s incomes.

[18] We found that, in designing the programme, the Assembly Government did not have a clear idea of how Communities First would deliver those objectives. It had commissioned a review to inform the programme of good practice in community development, but it did not have a clear idea of how that community development work would lead to changes in mainstream funding for public services, even though it was a core aspect of the programme.

[19] As for its impact, we found that Communities First has delivered some local benefits. Most areas now have a partnership and staff, and they are busy getting on with a wide range of activities, examples of which are set out in part 1 of our report—we saw lots of examples on our case study visits to 10 partnerships around Wales. They include such things as health and wellbeing projects, which involve healthy eating, community fitness clubs, local training schemes, and environmental clean-ups, and particular partnerships are doing a lot of work with young people. We also heard at first hand how Communities First has engaged with local people to help them to build their confidence and engage in community activities.

[20] On the other hand, we found limited evidence of programme bending, as Jeremy said. There are examples of a small number of national schemes that are supposed to focus on Communities First areas, such as the children and young people's scheme, Cymorth. There are also examples of local programme bending, and that is where services change or respond to the demands of Communities First partnerships. The report gives the example of a local bus route that was changed in response to representations from the Communities First partnership in Caia Park in Wrexham. There is also the example of changes to the youth service in Llanhilleth in Blaenau Gwent.

[21] More broadly, we found that public services were already targeted at Communities First areas. That is perhaps because they have their own objectives of social inclusion or engagement with communities, or because Communities First areas are those that have the highest level of need anyway. So, while public services are targeting Communities First areas, they are not generally doing so because of the Communities First programme. Despite our findings, the Assembly Government told us that Communities First has had an indirect impact in that it has influenced the culture of public services so that there is a greater focus on tackling deprivation and targeting deprived areas, and that would not have existed without the Communities First programme.

[22] With regard to the programme's outcomes, we did not find much evidence that the programme itself is regenerating Communities First areas. On some key employment and skills indicators, Communities First areas have improved more rapidly relative to other parts of Wales, but it is not clear how much of this, if any, is directly due to the Communities First programme. There are weaknesses in the Assembly Government's monitoring—which I will go into in a bit more detail later—and they mean that the data that the Assembly Government gathers cannot be relied on to demonstrate the contribution that Communities First is making. Many partnerships have yet to get to grips with the harder economic problems facing their areas, so we think that Communities First's contribution to those improved outcomes is likely to have been limited.

[23] Part 2 of our report concludes that, after a difficult start, the Assembly Government has improved its processes for managing the partnerships, but that fundamental challenges and risks remain. I will run through some of the key reasons why we have reached that conclusion.

[24] Looking back, we found some serious weaknesses in the processes in the early years, and these have caused ongoing difficulties for the Assembly Government. Before the programme was rolled out across 142 areas, the Assembly Government did not know how much the programme would cost, and nor did it have a clear idea of how many staff it would need to direct and manage the programme centrally and to run it locally. In the programme's

early years, the Assembly Government was not robust in assessing and challenging applications for funding from the partnerships. In general, the partnerships got what they asked for. That has meant that funding has been allocated more on the basis of partnerships' capacity to bid for funding than on a robust evaluation of the quality of the projects and local need. That has led to widespread variation in the amount of funding that goes to local areas, and you can see that in figures 6 and 7 on pages 41 and 42 in our report. That has also led to variation in the types of things that are funded through Communities First, and this variation has contributed to the perception that funding was not shared equitably among the partnerships.

[25] The Assembly Government has taken steps to address the problems caused by its earlier funding decisions. From April 2009, it has introduced a population-based formula for core funding to cover the minimum cost of running a partnership. It has required all existing projects that are not deemed to be core projects to submit an expression of interest to ascertain whether they will continue to receive funding and at what level. The Assembly Government has also introduced a new outcomes fund, and that will match-fund projects that involve working with mainstream service providers.

9.30 a.m.

[26] The new approach to funding should ensure more consistency and transparency in the allocation of funding but there are challenges that the Assembly Government will need to manage in rolling it out. For example, it wants Communities First to stop wholly funding things that could and should be funded by mainstream service providers, but it has to balance that goal against the risks involved in just taking away services and projects that communities and individuals have come to value and rely on.

[27] One of the other areas where the Assembly Government is addressing earlier weaknesses is around the monitoring of the partnerships. In 2007, the Assembly Government introduced a new annual monitoring system that requires the partnerships to sit down with the Assembly Government to agree desired outcomes, together with activities that are designed to contribute to those outcomes, as well as SMART targets to measure progress. So far, this seems like a very sound approach. The problem is that the Assembly Government requires the partnerships to report progress against the outcomes, rather than the SMART targets. Some partnerships have identified ambitious outcomes: things such as a healthy community or reducing economic inactivity by 3 per cent. These are good outcomes, and they are consistent with the Assembly Government's objectives for the programme. They are also outcomes that partnerships can aspire to work towards with service providers, but they are not outcomes that partnerships that are largely made up of volunteers and community representatives can deliver on their own. We think that they are therefore not outcomes that partnerships themselves should be held to account for through the monitoring system.

[28] In practice, we found that many of the agreed outcomes are not outcomes at all. Some are cover activities, such as running local projects, and some are little more than the process of administering the Communities First programme locally. While the fact that partnerships are setting targets and being monitored shows some progress, we think that further improvements are needed around the monitoring. There are also fundamental challenges around the governance of the partnerships. Communities First is a complicated programme. The Assembly Government provides the funding for the partnerships, but, in most cases, the local authority manages the funding on the partnership's behalf and also manages the staff. There are various permutations. In some cases the partnership itself manages the money, the staff, or both; in other cases it is another public body or a volunteer organisation, or a private company. We found that, in all of the approaches that we came across, there are tensions around who owns the programme locally and who manages the performance of the partnerships and the staff.

[29] Looking to the future, many partnerships intend to take on more of the financial and staff management responsibilities for themselves, and the Assembly Government acknowledges that this involves risks. Where local authorities manage the money, they are subject to a robust audit regime overseen by auditors appointed by the auditor general and the Assembly Government and we at the Wales Audit Office have been, and are, working together to ensure that all partnerships are subject to the same robust audit standards.

[30] Part 3 of the report concludes that unless the Assembly Government adopts a more robust approach to programme bending, Communities First is likely to struggle to meet its objectives. It is probably worth explaining again that programme bending is about redirecting resources towards Communities First areas, as well as making the services in those areas more responsive to local need, as expressed through the partnership. I will take you through our conclusions on programme bending in terms of the different levels and different types of public services before looking at some of the key issues and challenges going forward.

[31] We found that the Assembly Government itself has not made Communities First a priority for its own departments; it does not have clear mechanisms for ensuring that its programmes, services, strategies and funding prioritise and target Communities First areas. There are examples of programmes that work with Communities First, but there is no co-ordinated approach to prioritising the programme. Throughout the life of Communities First, the Assembly Government has announced various initiatives to join things up across the Assembly Government to target Communities First, but we found no evidence of these being put into practice. The Communities First part of the Assembly Government is stepping up its efforts to encourage programme bending across the Assembly Government, but there remains no formal requirement for departments to respond to or to prioritise Communities First. We also found that the Assembly Government has not effectively encouraged local authorities to bend their programmes. There are a number of barriers here, particularly around the idea of a culture of equality of service in local government, in which people are supposed to get the same service regardless of where they live. That is seen as being at odds with the programme-bending approach of favouring certain areas. Many local authorities also cited a lack of clear direction about programme bending, whether they were required to do it, and how to go about doing it.

[32] On public services more widely, we have heard a consistent message about a lack of clear direction on whether and how to prioritise the Communities First programme. The Assembly Government's sponsored bodies are all told in their remit letters that they should work with Communities First, but they are not given clear direction on how to do that, and there is little monitoring of what they are doing to support Communities First. Providers of important non-devolved services, such as Jobcentre Plus and the police service, told us that they work locally with Communities First, and we saw many examples of that on our case study visits, when we met with local police officers and local Jobcentre Plus representatives. However, the key issue is that there is not a strategic role or that level of strategic engagement. In the absence of clear direction from the Assembly Government in respect of public services, programme bending has largely been left to partnerships or, more specifically, to the co-ordinators of the partnerships to try to deliver, but they do not have the authority or the clout to tell service providers what to do and how to change. They generally struggle to overcome the significant barriers to change that exist within, and between, public services with regard to bending programmes. While the outcomes fund, which I mentioned earlier, is intended to encourage programme bending, the actual amounts involved are relatively small. When you average it out, it is worth about £56,000 a year per partnership. As the report says, that is significantly less than what has been made available for Neighbourhood Renewal, which is the closest equivalent programme in England.

[33] The Assembly Government has not developed a clear performance framework for

public services to support programme bending. England uses what are called ‘floor targets’, which make UK Government departments, their agencies, local authorities and local partnerships responsible for reducing the gap in key outcomes between deprived areas and the rest. What that means is that, while there will be a target for improving the average on key indicators, such as, for example, the number of pupils who get five GCSEs, there will be a floor target that requires the performance in the most deprived areas to improve even faster so that it bridges the gap over time, and that helps to drive programme bending. In England, the local strategic partnership is also accountable for delivering the floor targets that it agrees with the UK Government. The closest equivalent bodies in Wales, the local service boards, do not have those well-developed links with Communities First. Instead of placing targets and accountabilities on public services, Communities First is placing increasing accountability for improving outcomes in deprived areas on the partnerships themselves. As I said earlier, the partnerships alone cannot be expected to deliver those outcomes.

[34] Many of the report’s recommendations are aimed at encouraging more and better programme bending. To do that, the Assembly Government needs to provide clear direction to the public services that Communities First is a priority, and needs to more robustly encourage public services to bend their programmes and deliver improved outcomes for people living in Communities First areas. We hope that the Assembly Government will seriously consider these recommendations as it moves forward with the programme.

[35] **Jonathan Morgan:** I thank the auditor general and, in particular, Mark and Emma for being with us this morning. I will open this up to Members, who may have a number of questions to try to tease out some additional detail.

[36] **Michael German:** I will start by looking at paragraph 1.5 on page 19 of the report, in which the objectives of the Communities First programme are given. I presume that they have not substantially altered from the original objectives. The objectives are listed in sub-paragraphs (a) to (g) in paragraph 1.5. From what you have said, as I understand it, only the objective in sub-paragraph (a) is one that could be achieved—and possibly not even that—without a degree of programme bending, because all the rest require funding and decision making from a large number of people above them in the public services. Is that a reasonable assumption? If that is true, do you believe that this is a hierarchy of objectives? Is the objective in sub-paragraph (a) potentially the most important, (b) the next important, and so on? That is my first question. I then want to move on to something else, Chair, if I may.

[37] **Jonathan Morgan:** Fine.

[38] **Mr Jeffs:** I am not sure that it is so much a hierarchy. My understanding is that it was always intended that Communities First and programme bending were to be one and the same. So, the intention was always for these outcomes to be delivered partly through the partnerships’ work, but also to use the partnerships to encourage programme bending to deliver the objectives. The intention was not for the partnerships to be funded to deliver these objectives, but for the mainstream services to be funded through programme bending. That has always been a core aspect of this. So, if you are talking about what partnerships can do, there are elements that they can contribute, but it is clear that the confidence and self-esteem part was always seen as a precursor to enabling communities to engage better with service providers, to start working on those harder regeneration objectives and to start improving outcomes.

9.40 a.m.

[39] **Michael German:** If that is the case, you could probably achieve objective (a) in paragraph 1.5 without a huge degree of programme bending. The remaining objectives would require a more substantial degree of it. What evidence do you have of any departmental or

ministerial guidance given to local authorities on what role they should play? You say that they are not paying enough attention to this, but what guidance currently exists to civil servants, Assembly public bodies, local authorities, and so on?

[40] **Mr Jeffs:** Part of the issue with this, as we say in part 3 of our report, is that the guidance on Communities First comes from one part of the Assembly Government structure, namely the part that deals with the Communities First programme and it is generally read by those people involved in the programme, but the services involved in delivering these objectives do not necessarily fall within that field of policy. This issue came up in our meetings with local authorities particularly. The people involved in regeneration under Communities First see the guidance that states clearly that the Assembly Government expects local authorities to bend their programmes, but the people who are running local services are not bound by that guidance. So, this is about joining them up. For example, while the director of regeneration may be aware of the Communities First guidance, because it falls within his remit locally, Communities First does not feature on the radar of the directors of social services or of education because they are looking to the relevant Assembly Government policy division to steer them on how to develop their programmes. So, that is part of the issue with the guidance. Although the Communities First part of the Assembly Government is speaking to the Communities First people in public services, it is not providing direction to the broader public service on Communities First.

[41] **Jonathan Morgan:** I would like to ask a supplementary question on that back of that, because this is an interesting area. In your report, you say that, from the outset, there were clear weaknesses in financial planning and that there was no clear rationale for funding decisions. What were the issues relating to those initial weaknesses on financial planning, bearing in mind that this is not exactly the first major programme managed by the Assembly Government? It is not unusual for a Government to come out with large-scale programmes for how moneys are to be spent to achieve a particular end. I find it quite astonishing that these weaknesses were identified in a major plank of Government policy that all Government departments should have been signed up to. What accounted for those weaknesses? This is as a supplementary to Mike's question.

[42] **Mr Colman:** Could I make a general observation before asking Mark or Emma to reply in more detail? Inherent in this whole concept is the fact that the programme is to be energised by local activity that is not centrally directed. That might be a good approach, and part of the idea is that areas that are not deprived get more than their fair share of resources because they are active and energetic in community life. However, that involves the combination of a very devolved and hands-off approach with a need for major programmes to have central direction, and we found a mismatch between the two. Therefore, if you ask the question, which is always a good question to ask when looking at Assembly Government policies, of what the Assembly Government's actions would look like if it was serious about implementing this policy, you would conclude that, frequently, the answer is that there would be actions across all Assembly Government departments. What we find, however, is that the actions are confined to the lead department, and that is a situation to which we have repeatedly drawn attention in our reports. I know that the Permanent Secretary is well aware of this issue, and I understand from her that that is one reason why she has chosen the sort of structure that she has in restructuring the top of the Assembly Government, but it is still early days for that structure to make an impact.

[43] I now ask Mark to come in on the specific question.

[44] **Mr Jeffs:** It is probably worth saying at the outset that this was one of the first policies to be rolled out by the Assembly Government, and so, many of the weaknesses that we found occurred during that early phase. It started development in around 1999—

[45] **Jonathan Morgan:** Sorry, Mark, but the point that I was making was that this may have been one of the Assembly Government's first big programmes, but many of the Government's officials would have worked at the Wales Office beforehand, so this could not have been the first major piece of work for them to be engaged in. I was surprised to see the level of weakness that you identified, bearing in mind that there would have been some people there with a degree of experience of how these programmes would and should be run.

[46] **Ms Giles:** They might argue that it was a new and innovative programme, that they were doing something different, and that a new response was required to tackle these long-standing, chronic problems. It was therefore quite hard for them to plan for the future, because they did not know what those communities would want. As Jeremy said, it was to be a bottom-up programme, so the expectations and demands of the communities were unclear. It was also unclear what would be needed to run a partnership. There was a notion of its being an experiment—almost a leap of faith, in some respects. That brought with it all sorts of uncertainties about what would be required to deliver the programme, at Assembly Government level and at the local level within the partnerships.

[47] **Michael German:** I want to chase up the point that the guidance did not come with sufficient clout—it was not from high enough in the pecking order, as it were. The comparator that you made in your statement was that, where there are English equivalents, they have done it differently. Can you provide a bit more detail about the procedure that has been adopted in England where a different approach has been taken, and whether the outcomes have been better?

[48] **Mr Jeffs:** We have not looked in detail at the outcomes of the English approach; it is more to do with the different structures that they have there. As I explained, one thing that is clearer there is the centre driving the top-down element of programme bending: they use the floor targets to encourage service providers to change how they deliver their services, and that runs right through from UK Government departments down to local service providers. So, they are focused on improving outcomes for the most deprived areas at a faster rate than they are on improving the average across the piece. The structure there is to get people to change how they do things by the use of incentives, targets and funding to support and reward improvements in those areas, and so that is very different in neighbourhood renewal. It has that clearer top-down structure.

[49] **Michael German:** Finally, do objective (a) in paragraph 1.5 and the top-down approach that you have just described mean that it is impossible to do this work and reconcile the bottom-up and the top-down approaches?

[50] **Mr Colman:** We would not say that it is impossible, but we would certainly say that it has not been achieved in this case so far.

[51] **Michael German:** Thank you.

[52] **Lorraine Barrett:** Where to start? Some of us remember this from the beginning, and its teething problems. I recall that, because Cardiff at that time had a community of interest with the black and minority ethnic community and two wards in my constituency, the council felt that the money that was coming through was not really enough to deliver what it felt was needed, and it already had some programmes in place that it was hoping would achieve the same sort of outcomes. There were also issues to do with various groups in all sorts of communities—and I know that this happened across Wales, really. How would we find community representatives? How would we find the people to come forward? The 'usual suspects' was a phrase often mentioned and, over the years, we have all seen situations in which there are community activists but the rest of the community feel that those people do not really represent them. So, at the start, it was difficult to identify who the right people

would be to deliver what was needed.

9.50 a.m.

[53] I know that Cardiff got off to a very rocky start, because the Government was very keen for it not to be seen as a local authority initiative, but as something that was to be from the people, by the people, for the people. It got delayed for quite some time, but things have settled down now in those areas. We could have a whole debate on this, but I think that I need to focus on a couple of questions. That is just a little background to show that it was very difficult for the local authority to deal with, as it was for citizens. They had huge expectations—and that was the other issue with Communities First—when they realised how much money would be going into it and that it was not just a matter of saying, ‘We will build you a community hall’. It was about other things empowering the citizen.

[54] Do you think that the communities of interest concept has worked? I know the difficulties that surrounded the Cardiff BME community of interest, as with the whole of Cardiff. It is such a disparate group and different BME communities all have different challenges and needs. Do you think that it worked generally—not necessarily the Cardiff community of interest, but the whole idea? I suppose that there are some league tables here, but can we say that Communities First has worked? Has it really achieved? What do you feel can be shown? Are people really empowered? We can say that x number of people benefited by gaining qualifications from the courses that were run, but will there come a day when the Government can say, ‘Yes, it worked’? We have Communities Next now, and I suppose that it is an impossible question to answer, but how do you measure the empowerment of communities? Will there come a time when it can end, or do you think that it should just be a matter of mainstreaming that extra money into all Government departments and all local authorities? Will there come a time when that programme bending is almost the natural way of delivering it? That was probably a very long-winded question, but I am just trying to get to the end point. Where will it go? How will it end?

[55] **Mr Colman:** I can make two points in response to that. When we look at any programme, particularly a complex and ambitious one, we do not like to try to judge the criteria by which success could be measured. We would expect the Assembly Government, in this case, to have established its own criteria to know whether it is doing well. In this case, we found no evidence of any system set up to effectively track the progress of this programme. That is a weakness in itself, and so we are left to speculate about what the measures should be, and the report discusses some of them.

[56] As for whether it will ever end, I think that you put your finger on an aspect of programme bending that I personally found very difficult to understand. If you look at any individual programme in the Assembly, such as in health, you will see that the people responsible for it would claim to be focusing its activities on the people who need it the most, and there is an undue concentration of those people in Communities First areas. So, why would the Assembly Government set up another system to distort a programme that is already supposed to be addressing these issues? That seems to be, if not a flaw in the concept of programme bending, then an oddity because you are bending something that is supposed to be that shape already, if you see what I mean.

[57] The fact that the Assembly Government feels that it is necessary to do that suggests that it is not confident that its normal processes of programme design work in addressing those areas that have the greatest need.

[58] So you could stop doing something like Communities First if you were confident that, left to themselves, the programmes would address that issue. As I say, you could argue that programme bending is completely unnecessary because the programmes already bend. The

Assembly Government obviously believes that that is not true. You might say that the remedy is in the Assembly Government's own hands, and so why set up the framework of local activity? The answer to that is that it was considered that there would be benefits from generating local activity—that that would be a benefit in itself.

[59] **Nick Ramsay:** I have a slightly different question from the question to infinity on Communities First and Communities Next. I am looking at paragraph 3.6 on page 57 of the report, which relates to the whole question of how the areas of deprivation were identified at the outset. The general feel of the report is that different departments, funding streams and funders have been used for different classes of deprivation, which, I am sure, are all very good in their own way and reveal different aspects of deprivation, but you seem to have highlighted a lack of co-ordination from the start in identifying where those areas are. I notice that European Union funding, which is critical and a very important area of funding, does not necessarily match up with the Assembly Government's rationale. If that was not there from the start, how can we have confidence, whatever the problems are in providing assistance in those areas, that those were the right areas? I am sure that in many cases they were, but your report has questioned the basis for the areas.

[60] Secondly, on the back of that, there is a map in the report that distinguishes between the deprived wards and the pockets of deprivation. Generally, how do you feel about the success of dealing with the deprived areas? Do you think that there has been a greater level of success in the pockets of deprivation or in the electoral wards?

[61] **Ms Giles:** That goes back to what the auditor general said previously. Given the absence of a robust monitoring system that the Assembly Government has itself put in place, we would be unable to answer a question that asked us to rate, as it were, whether the communities of interest, the pockets of deprivation, or the ward-based partnerships, had done better or worse. We are not really in a position to do that.

[62] **Mr Jeffs:** On the areas that have been identified, each part of the Assembly Government has a different approach and its own rationale for that. I understand that, with regard to Objective 1, it is because Communities First areas are relatively dispersed, whereas for a major regeneration programme you need to have hubs of activity and regeneration that spread out. So, inevitably, if you are targeting a town centre, there will be parts that are covered by Communities First and parts that are not. The issue is that that is not just the case with Objective 1; other programmes use their own, different approaches. Going back to what Jeremy said, if you were to imagine this being taken seriously and taken forwards in a way that was designed to prioritise the programme across the piece, every opportunity would be taken to ensure that, if anything covers deprivation or is about targeting funding towards deprivation, Communities First will be your starting point and you will then divert by exception, rather than coming up with a different approach each time.

[63] **Nick Ramsay:** The reason why I asked my question was to go back to something that Lorraine said earlier about the history of the programme, and she, as one of the original Assembly Members, has seen it from the start. Of all Assembly Government programmes, it is clearly the one that people out there would recognise the most. If you asked my constituents to name an Assembly Government funded programme, Communities First would be among those that are named the most. You said, auditor general, that, in many respects, you did not expect this to be a glowing report, because you are trying to deal with something that is so overwhelmingly large that you will not address all the various parts. I was just trying to tease out whether there were particular aspects—flaws and problems aside—that had worked better than others, and whether in the next phase lessons could be learned from that.

10.00 a.m.

[64] In my area, there is a pocket of deprivation in Abergavenny. Having dealt with my Communities First officer, I have seen examples of good work, but I have also heard feedback that went, 'If only we'd had this extra bit of support, and if only this had been thought of at the start, then I could do a lot more'.

[65] **Mr Colman:** You could perhaps say that it is reasonable to be experimental at the start of a programme of this kind. The crucial thing, however, is to learn from the results of those experiments. So, where things are working well, you would expect others to be encouraged to follow that practice, and where things are not working well, you would expect discouragement. Some of that has happened; there has been learning as they have gone along. However, although it is called a programme, it has not really been managed as such from the Assembly Government's point of view. If you take any textbook in programme management and look at the things you would expect to have in place, they are not all there in this case. In particular, machinery for learning from experience and passing that on through this extremely diverse structure is not consistently present.

[66] **Mr Jeffs:** That has been one of the big learning points throughout. There have been learning points to do with the management of processes and funding and detailed issues around the programme. We can see lots of progress on those, and things have changed, although, as we say, further progress is needed. However, the programme-bending element has proven a major challenge. Every review of the programme that I have read has pointed to weaknesses in securing programme bending, and that has still not been fully addressed. It remains the major learning challenge for this programme.

[67] **Bethan Jenkins:** In your report, you mentioned local authorities taking over the management on many occasions. Did you perceive tensions in the delivery because of them wanting to put out schemes that were mainstreamed and based on equality and then having to consider how they managed the Communities First programmes?

[68] How successful can programme bending be given that the Assembly Government, as you know, does not hypothecate funding or otherwise specify where money should be spent? How feasible is programme bending when local authorities are given that flexibility in where they deliver services?

[69] How do you see the Welsh Assembly Government's other strategies feeding in to this programme and Communities Next? You can tell me whether that is something that you can answer or not. On the financial exclusion strategy, have you perceived the benefit uptake schemes that are being delivered by Brian Gibbons's department as being important to programme bending, or are they more to do with equality issues?

[70] Touching on Nick Ramsay's comments about deprived areas, that is probably a policy issue for the Welsh Assembly Government, but when you looked at the local areas and how they delivered services, did you see the tension—as I certainly did—between communities in Communities First areas and those that lie outside those areas, which, despite being equally as deprived, do not benefit at all from the projects that are delivered locally?

[71] **Mr Jeffs:** To pick up on the last point, when we speak to local authorities, they repeatedly make the point that a Communities First area might be barely worse off than an area that is outside the programme. Some local authorities have adopted different approaches. One in north Wales has taken the top—or bottom, depending on how you define it—20 per cent of its poorest performing electoral wards on various indices of deprivation. So, that authority is not only targeting Communities First, but setting its own definition, which partly comes back to what is in paragraph 3.6. There are particular challenges to do with that, especially in some of the Valleys areas where a high percentage of the wards is covered by Communities First. There are discussions about how you programme bend when most of your

areas are within Communities First, and you have to bend from a relatively small number of areas that are not within Communities First. There are inevitably local tensions around programme bending.

[72] **Ms Giles:** Caerphilly has adopted a model in which it has sought to mitigate some of the issues that you are talking about. It has identified a number of areas in Caerphilly, and each of those areas has a partnership, whether or not it is a Communities First area, which manages the area in the same independent way, whether it is a Communities First partnership or not. Each local area in Caerphilly will have a co-ordinator in the same way as there would be one in a Communities First area.

[73] **Mr Colman:** On the question of whether programme bending is possible for local government programmes, because, as you rightly say, funding is generally not hypothecated, you are, formally, right that it is possible for a local authority to spend unhypothecated money in the way that it thinks fit. Emma has given you an example of a local authority deciding to spend in other areas to bring them up to the Communities First level, which it is perfectly entitled to do. As I said, that is, formally, the position. In practice, this could be made to work by engaging local authorities with the Assembly Government in a common purpose. With the common purpose identified, they would be able to take local decisions consistent with that common purpose. Whether a common purpose can be identified is more of a political question than one on which auditors can comment. However, unless you have a common purpose, the chances are that programme bending will not work as well as it otherwise would.

[74] **Mr Jeffs:** It is also fair to say on that relationship between local government and the Assembly Government and spending decisions that local authorities operate within a strategic framework that is set, in many ways, by the Assembly Government. For various services and sectors around education and social services there is normally a strategy. So it is about joining up at the Assembly Government end and ensuring that, if Communities First is the priority, those strategies reflect that, and then you have a link between the way that decisions are made about services within the general national strategic frameworks and Communities First featuring as a priority in influencing local decisions. So, rather than coming from a small part of the Assembly Government, it would be integrated within its broader planning for public services, including local government.

[75] You also asked about how other Assembly Government strategies fit into programme bending, which links to the previous point. I think that you cited benefits uptake and financial inclusion. That is exactly what we are talking about when we talk about programme bending across the Assembly Government, because it is about when it brings out these programmes. We say in the report that the Assembly Government has announced, on various occasions, that it will require such strategies and funding programmes to demonstrate the impact on Communities First, but that has not been a requirement. It is about developing those mechanisms to ensure that those kinds of strategies prioritise Communities First and link in with the Communities First programme, because that is what Communities First is supposed to do.

[76] **Jonathan Morgan:** I see that there are no further questions on the report. Have Members given any thought at this stage as to how they wish to proceed? I will remind Members of the four options. The first option is that we do nothing additional, but write to the Assembly Government asking for a formal response to the recommendations. The second is to write to the accounting officer, or to invite the accounting officer in, seeking further information. The third is to refer the matter to another Assembly committee, and the fourth is to initiate an inquiry of our own. I have made a preliminary check with the Chair of the Culture and Communities Committee, and she has written to me saying that it will be unable to take the report. So, that leaves us with three options. Are there any particular views at this point?

[77] **Lorraine Barrett:** We should write a letter and get a response from the Minister in the first instance. It would be appropriate at some point to hold a short inquiry, but I would like to see the Minister's response first, as long as it is full and detailed.

10.10 a.m.

[78] **Michael German:** I was not putting words in the auditor general's mouth, and he managed to skirt the question quite reasonably. The issue, I think, is whether there is an inherent problem in the top down meeting the bottom up, While it is not impossible, it is very difficult. I paraphrase what he said, but I think that that is what he meant. It is a massive issue because it has an impact on a range of services and bodies in the public sector. While actions may be required from the Assembly Government, there are also actions that need to be taken by local authorities and other public bodies, and there also needs to be an understanding of the structures and delivery mechanisms if the programme is to meet those alternatives. I think that that warrants a further inquiry.

[79] I would have liked to see the other committee doing it because I think that there are some very big issues here. If this is a flagship project—and I absolutely support the first bullet point and everything else that follows in the objectives—we have to make it work. An inquiry would not be a sign of its failure; it would be a way of helping to make it work better. I believe that it would be wise to plot out a programme of inquiry that would allow us to get access to the Assembly Government and much more. I do not know how much time it would take, but we certainly have to look at the comparators, the deliverers, and the people who are managing the next tiers up. I think that we ought to go for an inquiry at some stage.

[80] **Jonathan Morgan:** Auditor general, do you have a comment to make on this point?

[81] **Mr Colman:** I hesitate to recommend any particular course of action for committees, because that is a matter for you, but, speaking as an auditor and therefore not having any regard for the merits of the policy at all, it seems to me that there are questions that you could put to the accounting officer about the arrangements for this programme. Accepting that it is very difficult and ambitious, our report shows that, hitherto, the arrangements that ought to have been in place for any large programme were not effective or were not in place at all.

[82] I referred earlier to the restructuring of the Assembly Government civil service machine. That restructuring was intended to enable that organisation to join up activities more effectively than ever before. It seems to me that the Permanent Secretary might well have evidence that would be helpful to this committee in giving assurance or otherwise on the future ability of the Assembly Government to deliver this programme.

[83] **Jonathan Morgan:** Irene James has a question on this point. I will bring Lorraine back in after Bethan and Nick have had a say.

[84] **Irene James:** Perhaps I am wrong, but I think that Lorraine's suggestion was similar to Mike's. Lorraine said that we needed a response from the Minister before we looked at how to move forward, but I would like to take into account what Jeremy said about taking evidence from the accounting officer, because I think that we need to look not just at one of the three options but possibly at one and then move on through the rest of them.

[85] **Bethan Jenkins:** I do not want to undermine the Chair of the Communities and Culture Committee, but I do sit on that committee, and so I know that we have just been asked for our ideas for future inquiries. I see a lot of policy in this, so it could be the subject of an inquiry. However, I am not quite sure yet whether such an inquiry should be carried out by this committee or by a more policy-based committee. I certainly agree with contacting the

accounting officer, however.

[86] **Jonathan Morgan:** I will give my own view at the end, but the Chair of the Communities and Culture Committee has said that that committee is currently engaged in an inquiry into youth justice in Wales and so does not anticipate any time being available in the short term to consider the report. Therefore, if it did do any work—

[87] **Bethan Jenkins:** It would be from October or November, probably.

[88] **Jonathan Morgan:** Okay. What is your view on this, Nick?

[89] **Nick Ramsay:** It is not really my place to talk about another committee given that I do not sit on it. However, I am slightly puzzled, because, as Mike German said, this has been a flagship policy of the Government's. There is a lot of meat in this report. It has highlighted areas where, if improvements were made, the programme could still benefit a lot of people in its next stage. I would be happy to do an inquiry, as there are relevant elements in the report. We should probably get the Minister's response first, but we should also put time aside to look at it in more detail. It is a flagship policy, and it needs to be made to work.

[90] **Lorraine Barrett:** This goes back to the question of the role of this committee compared with that of the subject committee. Jeremy made the point earlier that, as long as we are looking at its value for money and at whether the money is being spent in the best possible way for the greatest benefits, that would be fine. Could we do it in conjunction with the other committee? I do not know. Perhaps that is a bit messy. No, forget that. However, I would like to request a letter from the accounting officer, the Minister or both. After that, what would our programme be? What timescale would we be looking at if we were to go for an inquiry?

[91] **Jonathan Morgan:** It will be difficult to write to the Minister and to expect a quick response to the recommendations, because it takes time to respond to each recommendation. We would then have to consider that response and decide whether to write to or invite the relevant accounting officer. My view is that there is sufficient in the report for us to do further inquiry work. We have to be careful, however, as, going back to what I said before about the role of the committee, we must look at the aims and objectives of the programme, the money that has been allocated, and what has been achieved within the time frame of the programme on which the work of the Wales Audit Office and the auditor general is based. Our role is to ensure that the policy, regardless of what it is, has delivered the outcome that the Government expected, that public money, in pursuit of that policy, has been well spent, and that the delivery mechanism and strategic directions of Government officials and agencies have all been tied together in a way that delivers that outcome.

[92] There are several issues in the report that we would want to consider. The Permanent Secretary should, at some point, come to the committee to explain and to talk through the issues and problems of cross-departmental work. The programme has a lead department, and I suspect that that is Brian Gibbons's department, as Minister for Social Justice and Local Government. I suspect that the accounting officer in his department is probably Dr Emyr Roberts. The Permanent Secretary, Dame Gillian Morgan, would have the broader strategic role of getting departments to work together. There was strong concern in the report about getting Government departments tied in to delivering programmes that were a part of the Communities First agenda. So, it is important that the Permanent Secretary comes here to answer questions about that aspect and about other aspects of the report.

[93] There are clear issues about the delivery of the programme. The first concern raised in the report was about the Assembly Government's not being able to demonstrate that the programme had succeeded in meeting its objectives. From an audit perspective, we ought to

be concerned about that, and we ought to be teasing out whether systems are now in place for the future that ensure that this programme and any other of this magnitude have sufficient monitoring procedures and measurements in place, as well as ways for the Government physically to demonstrate that a programme is succeeding. Engagement with local government is another issue, namely the problem of getting local authorities to bend their programmes to maximise Communities First.

[94] My personal view—and this is not about me telling you what I think ought to happen—is that writing to the Assembly Government and asking for a response will just delay the real work that we have to do. That response could take quite a while to be forthcoming. It is a detailed report, and we would expect a detailed response from the Government. Merely writing to the relevant accounting officer or inviting the accounting officer in would also miss some of the issues about the delivery of the programme by the partnerships, and also about the engagement of local authorities. My view is that, in the first instance, we should invite some of the partnerships in to talk about their experience. I would also like to hear from the Welsh Local Government Association how it was engaged in the programme, because it is certainly a part of the delivery mechanism. At the end of that, I would certainly wish to take evidence from the Permanent Secretary and the accounting officer in Brian Gibbons's department. My view is that that would be the most appropriate way of dealing with this. It would be a thorough way of teasing out that additional information. If we left all that until we got a response from the Assembly Government, we could be many months off doing any detailed work in teasing out that additional information.

10.20 a.m.

[95] **Lorraine Barrett:** Do you see that as an interim measure or as an entry into a wider inquiry? Could that just be the start to give us the building blocks to go on to a bigger inquiry?

[96] **Jonathan Morgan:** I suppose that I am suggesting that we initiate option 4, which is the inquiry. What I have just outlined to you is an inquiry, in effect. My concern is that, if we do nothing but write to the Assembly Government and wait for that response, we will not know when that response is forthcoming, when we would consider it and decide to do something further. I think that it is better at this stage to explore the issues raised in the report. From an audit perspective, this is not about deciding whether we think that Communities First is the right programme or incorporates the right set of policy objectives, because it is the objective of the Assembly Government; this is about further examining the issues raised by the auditor general to consider how this programme has operated, locally perhaps, and to ask the Welsh Local Government Association why there have been difficulties with bending their programmes towards the delivery or certainly the engagement of Communities First, as well as to ask about issues at a strategic level of how the project was managed. That would be an extremely valuable use of our time—unless Members disagree, and I know that there is a variety of views.

[97] **Lorraine Barrett:** I asked my question because I pictured an inquiry as quite a big piece of work. However, when you just set out your approach, I had pictured one meeting with the people whom you named as a preliminary to a wider inquiry. I imagined that we could go out to look at some Communities First partnerships. I do not mind if you think that it will take that long to get a response from the Minister or the accounting officer.

[98] **Jonathan Morgan:** In all fairness to the Assembly Government, it is a detailed report and we could not expect a detailed response to each recommendation and perhaps to some of the concerns in the report within a matter of weeks. We would have to allow the Government the time in which to respond. A better use of our time would be to invite representatives of the local government association and some partnerships to an early meeting, when we have

returned from recess, to give us their perspective on, and opinion of, how the projects have been run. We could then invite the Permanent Secretary here to answer a range of questions. That could be done in two, but certainly no more than three, meetings of the committee. I was not anticipating that we spend the next six months on a huge piece of exploratory work, but there are many issues in the report that require further exploration at different levels. This is principally about managing the programme, but there are also issues about the delivery of the programme by partnerships, how it has worked at a more practical level, and the engagement of other organisations.

[99] **Michael German:** I want to establish the role of this committee, because I started by saying that this may well be the role of another committee. Paragraph 1.5 of the auditor general's report lays out the objectives, and if we were to take that as our policy bible, it would seem to me that the role of this committee is to take the work that Jeremy's body has undertaken and see whether those objectives have been delivered. We now have enough information to say that the objectives have not been delivered, as well as what needs to be altered in the delivery mechanisms to ensure that they are delivered in future. So, this is really about trying to ensure that the programme achieves the objectives that have been set for it. That is a reasonable fit with what this committee is supposed to do.

[100] It seems to me that one should do two things in an inquiry: first, talk to the actors involved—and I love that word, because it can mean anyone who was on the stage, as it were, so anyone involved in the delivery of this at any level—and, secondly, try to see whether there are comparable examples of better delivery elsewhere, or other experiences that could help us to understand what requires changing.

[101] We should just keep those two very simple objectives in mind. I have no idea what sort of timescale we are talking about, but it certainly would be worthwhile helping. That is what I think that this process would do; it would assist the Government in reaching its conclusions. The Government does not necessarily go around in that way; it might take evidence in a consultative way, but this could perhaps be a way of getting under the skin a bit, which the Government may not be able to do. I regard it as being a helpful mechanism, not one that is trying to hinder it.

[102] **Jonathan Morgan:** That is very useful.

[103] **Irene James:** We are all in agreement that more work is needed. All I would say to you is that there is quite a lot of time between this and our next meeting; therefore, surely that would be enough time for the Government to put a detailed response together so that we could have both.

[104] **Jonathan Morgan:** I would like to check on a matter of process and perhaps the auditor general could advise me on it. If the committee resolved this morning to undertake an inquiry of its own, is there anything stopping the Assembly Government from merely issuing an interim or even a full set of responses to the recommendations in your report, or is the Government bound to wait until we have concluded our work?

[105] **Mr Colman:** It is not bound to wait. It would certainly be open to the committee to ask for a response to the recommendations. The historical practice has been completely different, however. That has been for the Government to respond to reports from this committee and to this committee's recommendations—not my recommendations. However, in recent years, this committee has cunningly been recommending that my recommendations should be applied, which is a way of bringing them within the scope of the formal reply. The Assembly Government has seen my recommendations during the development of our report and I am not aware that it sees any particular difficulty with the recommendations. I think that the issue that will make the difference between the recommendations working and not, is the

determination with which the Assembly Government applies them. You can accept a recommendation and do a bit, or you can accept a recommendation and adopt it wholeheartedly. I would suggest that you can only judge that by talking to the Permanent Secretary.

[106] **Jonathan Morgan:** That was very helpful; thank you. My recommendation therefore is that we proceed as I have outlined. I think that that would be the most valuable use of our time: to take evidence from the actors on the stage, as Mike German helpfully put it, and then to take evidence from the Permanent Secretary about how this is being addressed, how the Assembly Government has responded and how it is going to address the issues in the report. Are Members happy with that?

[107] **Michael German:** I also used the words ‘comparable examples’. I think that that is important. We did hear about England having some experiences that might be relevant, so we could look at those processes as well.

[108] **Jonathan Morgan:** We will do some research in the meantime. Are Members happy with that approach? I see that you are.

10.28 a.m.

**Prosiect y Ddraig Goch: Ymateb y Swyddog Cyfrifyddu i Lythyr gan y
Cadeirydd
Red Dragon Project: Accounting Officer Response to Letter from Chair**

[109] **Jonathan Morgan:** We now move on to the Red Dragon project and the response of Dame Gillian Morgan to a letter that I sent to her after our committee meeting on 14 May. The committee, at the time, concluded that we would write to the accounting officer, seeking further information on the areas of concern and that if the response was inadequate a full inquiry would be launched. We have had a detailed response. I know that the auditor general has had time to consider it. If we can go through the response from Dame Gillian Morgan, perhaps you, Jeremy, could indicate where you think we have received a satisfactory response and where we have not.

[110] **Mr Colman:** Certainly. I will go through the questions one by one. The first question, which is in paragraph 3a, asked why the project was not taken forward as a joint venture rather than on a commercial basis. The problem with the answer that the Permanent Secretary has given to this question is that she has answered precisely this question, rather than the thought behind the question. So, she has given reasons as to why a formal joint venture would not have worked. There are quite good reasons why a formal joint venture would not have worked—the complications of a joint venture tied on to a private finance initiative would be horrific. So, she is right about that. However, the thought behind the question concerned why it was not seen as a joint activity, and that goes to the heart of the problems that we identified—in this case, ‘we’ is the National Audit Office and us—in our report.

10.30 a.m.

[111] I would like to make a general observation about collaboration between public bodies. During the course of my career, I have seen a move from a system in which public bodies were expected to collaborate and have a view for the public service as a whole, and for public expenditure in totality—that was the position in the early 1970s—through a period in which public bodies were encouraged to be very commercial and to operate at arm’s length from each other, and for the market to sort out issues that arose. Now in this case, the Welsh end and the Ministry of Defence end behaved very much according to the latter model. Our

report points out the disadvantage of doing that, and, as we go through the replies, you will see that we keep returning to that issue, that the MOD side and the Welsh side never saw this as a joint effort. It was a commercial negotiation, with joint aims, but not a collaboration. So, the answer to 3a is technically correct, but probably not quite to the point.

[112] Question 3b is about the work to determine the cost and benefits of the aerospace park. In my view, this response is fine. The appraisals of something at a very early stage did, in our view, indicate that sufficient demand existed to justify taking the plans to the next stage. So, I do not think that a detailed appraisal would have added much at that stage.

[113] Turning to 3c, which comes to the point that I recall making at the previous hearing on this matter, the response is not satisfactory. The Treasury's guidance, through this long period of 40 years that I referred to, is the one thing that has remained consistent, and that is that in appraising public projects that involve work between different public bodies there should be an appraisal of the totality. In this case, that might not have changed the decision to go ahead, but it would have drawn out the differing assumptions that, it turns out, the MOD and the Welsh authorities were working on. The advantage of a joint appraisal in this case would have been to alert the Welsh authorities to the different assumptions that the MOD had.

[114] Now, it would be speculation to say how they would have reacted, but one can say that there would not be the feeling that certainly exists this side of the River Severn that Welsh authorities were misled in some way by the MOD. That would not have been possible had a joint appraisal been carried out as the Treasury's Green Book states.

[115] The next one, 3d, is about the Welsh authorities' assumptions about the Defence Aviation Repair Agency's entry into the civil repair market. This is an example of an assumption that differed between the two sides of this transaction, and that would have been brought out by a joint appraisal. The reply shows that the assumptions that the Welsh authorities made were based on evidence and were not unreasonable, but they perhaps did not reflect fully the internal complexities in MOD, which was simultaneously pursuing two strategies that were not completely consistent with each other.

[116] Again, this is speculation, but, supposing that the Welsh authorities had asked and had been told the truth, they might not have acted differently because not to proceed with the project would have killed off any chance of beneficial economic activity at that site. Proceeding has retained that chance. However, that is speculation.

[117] There is a similar issue in relation to the response to question 3e as to the break clause. The Welsh authorities assumed that the five-year break clause was a formality, but, of course, it was exercised. Again, would that have changed anything? I do not think that the reply is unsatisfactory.

[118] To turn to question 4a, which looks forward to future projects, this is a general response, but the question that the committee asked was a general one, and I think that it is a satisfactory response. It is clear that the Assembly Government has now been alerted to the issue of looking at transactions of this kind as a whole, rather than from a narrow Welsh point of view. Question 4b is a further question on that, and we think that the response is satisfactory. It is right to look at the memorandum of understanding, so I have no further comment on that.

[119] To turn to question 4c, this answer shows that the Assembly Government has not, to use informal language, quite got it. Some of us have lived with the Treasury Green Book for many decades, and have, by now, absorbed thoroughly the concept of an appraisal that looks at matters from the point of view of the public sector as a whole. The Assembly Government's response talks, pretty narrowly, about looking at it from a Welsh point of view.

So, I hope that, in practice, the Assembly Government will pay more attention to the relevant parts of the Treasury Green Book than this reply suggests.

[120] Finally, question 5 is a long question to do with the way that the project is now being run. The response is comprehensive and appears to be satisfactory. It is certainly plausible that the lessons about the need to collaborate, rather than compete, with the MOD have been understood. If it does not seem too grudging, however, I would point out that it is relatively easy to say things like this in response to questions like that, but what matters is what is happening day by day in the relationship between the individuals involved. We have no way of knowing whether their behaviour is in line with the excellent sentiments expressed in this reply. To sum up, the replies are reasonably satisfactory, apart from the fundamental issue of looking at transactions of this kind from the point of view of the public sector as a whole, where the answers showed that the Assembly Government has not fully grasped the importance of that.

[121] **Jonathan Morgan:** You indicated in your response that the Government response to two particular questions, 3c and 4c, was not entirely satisfactory. I know that the issue is how the project should have been appraised according to UK Treasury guidance. Do Members have a particular view on that? The initial intention was to pose these questions to the Permanent Secretary. We have had a response, which has been analysed. In the main, it is satisfactory, but there are a couple of questions about which we can safely say that we are not satisfied with the response. Do Members wish to make any recommendations as to where we take this? Again, I have my own view—

10.40 a.m.

[122] **Michael German:** May I ask a question?

[123] **Jonathan Morgan:** Yes.

[124] **Michael German:** Annex 2 is about asking whether you have learnt the lessons for the future, which is part of what you would look for in anything of this nature—what went wrong and what goes forward now. It is a matter of taking on board the lessons learnt from the Red Dragon audit report in progressing the defence training college and aerospace park project. Does the project appear—as the auditor general has said before—to have not quite got it right?

[125] **Mr Colman:** One of my colleagues may have a comment to make on that point.

[126] **Mr Jeffs:** In examining this, we have not audited the defence training academy looking forward; therefore we are relying on what it has said. However, as Jeremy explained, it has given a relatively comprehensive response. On establishing a good infrastructure, it specifically states that it is now having meetings at a senior level to specifically focus on addressing the previous weaknesses in relation to the lack of common goals and objectives. According to this, the measures that it has been putting in place seem to be satisfactory and have covered the key lessons. However, as Jeremy said, whether that is being implemented in practice is a different question.

[127] **Jonathan Morgan:** Are there any other views? Are there any questions that you want to put to the auditor general, or does anyone who wishes to pursue this matter want to express how that should be done? I think that there are probably a couple of options. In light of the fact that the responses, in the main, are satisfactory, there are a couple of issues where the response is not entirely satisfactory. Therefore, either I write back to the Permanent Secretary or we ask the Permanent Secretary to come to the committee when we return after the recess to answer questions specifically on those areas where the response does not meet our

expectation, and then perhaps use that to tease out further information. What is your view?

[128] **Bethan Jenkins:** The fact that the rules were not adhered to in respect of the Treasury, and the fact that DARA was unwilling to share the information are key points that need to be scrutinised. Whether that is done through another letter or whether the Permanent Secretary comes before the committee is another issue. Also, on the cost, I will repeat what was said in the previous meeting: a substantial cost is incurred here and more scrutiny has to be undertaken to justify why that happened because it failed, ultimately, and we do not want to see something similar happening in the future.

[129] **Jonathan Morgan:** What is your view on whether the Permanent Secretary should come to the committee, or whether I should write to her?

[130] **Bethan Jenkins:** I would prefer to see her coming to committee to give evidence.

[131] **Jonathan Morgan:** What is your view, Nick?

[132] **Nick Ramsay:** I agree with that, Chair. I think that it would be more helpful to have him here because I think—

[133] **Bethan Jenkins:** The Permanent Secretary is a ‘her’.

[134] **Nick Ramsay:** I am sorry. I meant to say ‘her’. We are happy with elements of the report, but with regard to the elements that we are not happy with, if you tried to raise those points in a letter, you would end up with issues ping-ponging back and forth, whereas Members can ask her if she is here.

[135] **Jonathan Morgan:** We will invite the Permanent Secretary to come to committee to answer questions on areas where we feel there are further answers that need to be given. I think that we will have done this piece of work justice. The Government has given a fairly detailed response but there are some outstanding issues on which we could usefully quiz the Permanent Secretary. We will make arrangements for the Permanent Secretary to come to the committee in the autumn.

10.44 a.m.

**Rheoli Cyflyrau Cronig gan y GIG yng Nghymru: Y Newyddion Diweddaraf i'r
Pwyllgor gan y Swyddog Cyfrifyddu
The Management of Chronic Conditions by NHS Wales: Accounting Officer's
Update to the Committee**

[136] **Jonathan Morgan:** We have had a response from the Minister, which is found in paper 3 on the agenda. Does the auditor general wish to express a view on the response?

[137] **Mr Colman:** The Minister's paper raises more questions than it answers. In particular, if you look at the first two pages, you will see that there is a series of recommendations, each one of which is relevant and consistent with our report. The aim that is expressed in each recommendation is fine, but the interesting question is how the Government is going to achieve them. The committee may feel that a letter should be sent to the Minister—and I would be happy to suggest a draft—that asks for more detail about how those admirable aims would be achieved in practice.

[138] **Jonathan Morgan:** That is a useful suggestion. Do any Members wish to express a view on that? Sending a letter back to the Minister would be useful. I see that Members are in

agreement. We will ensure that a letter is sent as soon as possible.

10.45 a.m.

**Gwasanaethau Therapi Ocsigen yn y Cartref: Ymateb gan y Swyddog
Cyfrifyddu
Home Oxygen Therapy Services: Accounting Officer's Response**

[139] **Jonathan Morgan:** We have had a response from the Government. There are some issues here. Would the auditor general like to comment?

[140] **Mr Colman:** The response is admirably brief. [*Laughter.*] It accepts a number of points, and addresses the main concerns arising from the report and the committee's report. We find a couple of them to be a bit puzzling, but they are generally fine. However, the question that the committee asked was primarily to do with learning lessons from this experience for the future, and the letter is brief to the point of silence on that. That brings us back to the earlier discussion about issues that affect the whole of the Assembly Government machine arising in one department. The situation that occurred, as it happens in connection with health, provides lessons for application throughout the Assembly Government machine. The Minister for Health and Social Services, possibly understandably, has been unable to answer questions about learning the lessons across the whole of the Assembly Government machine. So, you could consider writing to the Minister, asking the question again specifically about lessons and transmitting those lessons throughout the Assembly Government machine. It is not within her responsibility, but it is the responsibility of Welsh Ministers to ensure that that happens.

[141] **Michael German:** Would it therefore be more appropriate to write to the First Minister, or the Permanent Secretary, in order to get an answer to the lessons-learnt question, rather than simply—

[142] **Mr Colman:** You could certainly write to the Permanent Secretary. There might be something to be said for that.

[143] **Jonathan Morgan:** That could be the way forward. My first instinct, when I read the letter from the Minister for Health and Social Services, was to say that we would expect the Director General of Health and Social Services to come to the committee to answer further questions. With regard to the recommendation that lessons be learnt across Government, clearly the health Minister does not have responsibility for lessons being learnt across the Assembly Government, but the Permanent Secretary does. So, it would be advisable, on this occasion, to write to the Permanent Secretary, asking her to respond to the recommendations of the Audit Committee. Are Members agreed? I see that we are.

10.48 a.m.

**Cynnig Trefniadol
Procedural Motion**

[144] **Jonathan Morgan:** I would ask that the remainder of the meeting be held in private session.

[145] I move that

the committee resolves to exclude the public from the remainder of the meeting in accordance with Standing Order No. 10.37(vi).

[146] I see that the committee is in agreement.

Derbyniwyd y cynnig.

Motion agreed.

Daeth rhan gyhoeddus y cyfarfod i ben am 10.48 p.m.

The public part of the meeting ended at 10.48 p.m.