



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

**Y Pwyllgor Cyfrifon Cyhoeddus  
The Public Accounts Committee**

**Dydd Iau, 25 Tachwedd 2010  
Thursday, 25 November 2010**

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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'r pwyllgor yn bresennol**  
**Committee members in attendance**

Lorraine Barrett	Llafur Labour
Peter Black	Democratiaid Rhyddfrydol Cymreig Welsh Liberal Democrats
Jeff Cuthbert	Llafur Labour
Irene James	Llafur Labour
Ann Jones	Llafur Labour
Jonathan Morgan	Ceidwadwyr Cymreig (Cadeirydd y Pwyllgor) Welsh Conservatives (Chair of the Committee)
Nick Ramsay	Ceidwadwyr Cymreig Welsh Conservatives
Janet Ryder	Plaid Cymru The Party of Wales

**Eraill yn bresennol**  
**Others in attendance**

Alan Morris	Swyddfa Archwilio Cymru Wales Audit Office
Trefor Owen	Cyfarwyddwr, Comisiwn Coedwigaeth Cymru Director, Forestry Commission Wales
Nick Selwyn	Swyddfa Archwilio Cymru Wales Audit Office
Richard Siddons	Comisiwn Coedwigaeth Cymru Forestry Commission Wales
Ceri Stradling	Swyddfa Archwilio Cymru Wales Audit Office
Huw Vaughan Thomas	Archwilydd Cyffredinol Cymru Auditor General for Wales

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

Alun Davidson	Clerc Clerk
Joanest Jackson	Uwch-gynghorydd Cyreithiol Senior Legal Adviser
Andrew Minnis	Dirprwy Glerc Deputy Clerk

*Dechreuodd y cyfarfod am 1.29 p.m.*  
*The meeting began at 1.29 p.m.*

**Ymddiheuriadau a Dirprwyon**  
**Apologies and Substitutions**

[1] **Jonathan Morgan:** Good afternoon and welcome to this meeting of the National Assembly's Public Accounts Committee. First, I will make the usual housekeeping

announcements. I remind Members and guests that we are a bilingual institution and therefore participants are welcome to speak in English or Welsh. If you require translation or amplification, headsets are available. I ask you all to switch off any mobile phones, BlackBerrys and pagers because they will interfere with the electronic system. If the fire alarm sounds, please follow the advice of the ushers. We have received apologies from Sandy Mewies, Alun Davies, and Bethan Jenkins, but Ann Jones will be substituting for Alun Davies for the remainder of this term. Ann will be joining us shortly, I hope.

1.30 p.m.

**Comisiwn Coedwigaeth Cymru—Arian Cyhoeddus ar gyfer Coetiroedd Ffynone  
a Chilgwyn: Tystiolaeth gan Gyfarwyddwr Comisiwn Coedwigaeth Cymru  
Forestry Commission Wales—Public Funding of Ffynone and Cilgwyn  
Woodlands: from the Director of Forestry Commission Wales**

[2] **Jonathan Morgan:** We discussed the auditor general's report on the public funding of the Ffynone and Cilgwyn woodlands, and the committee decided that it wished to ask questions of Forestry Commission Wales. I therefore welcome our witnesses here this afternoon. Before we move into questions, I ask them to identify themselves for the record.

[3] **Mr Owen:** Good afternoon, I am Trefor Owen, the director of Forestry Commission Wales. I am joined by my colleague Richard Siddons, the head of grants and regulation in Forestry Commission Wales.

[4] **Jonathan Morgan:** Thank you very much. If it is okay with you, we will proceed directly to questions. Paragraph 3 of the summary and paragraph 1.4 of the main report show that the Cydcoed programme was meant to be for community groups to participate in woodlands. Why, therefore, was the grant awarded to a private company, where decisions were limited to a small management board, and before checking that the company, and its plans for the woodland, had the backing of the community?

[5] **Mr Owen:** The Cydcoed programme was designed in the early part of the last decade, and it was very much a creature of its time. At that time, forestry in Wales was embarking, perhaps for the first time, on engaging in social forestry in a meaningful way. The Cydcoed programme, as the committee knows, was funded through the Objective 1 process, as well as receiving Welsh Assembly Government funding.

[6] The programme was deliberately designed at that time to encourage a very broad range of organisations to engage in community development using woodlands. It was deliberately aimed at high-capacity groups as well as low-capacity groups, because there was a feeling that the same small number of groups were involved in community forestry at that time and that we were dealing with the same people. The aim of the programme was to broaden the opportunities for groups, particularly those who might not have considered using woodlands in a meaningful way for community development, to engage in the programme. So, the scheme criteria were deliberately set to be very broad and were not restrictive. As far as the scheme was concerned, the applicant in this case, which was a not-for-profit company, limited by guarantee, and a workers' co-operative, satisfied the criteria at that time.

[7] **Jonathan Morgan:** So, for the future, will you ensure that the awarding of grants does not take place unless there can be evidence of a wider community involvement? How will you ensure that that is evidenced before money is made available?

[8] **Mr Owen:** Community involvement and engagement in woodlands has now become much more mainstreamed. Looking back at the lessons from the last 10 years or so, and

looking at the Cydcoed programme, we would now ensure in work with communities that one of the first checks done before any funding was given to community groups is that a group has open membership, for example. So, it would be very easy for anyone in the locality to get engaged and have a real say in decision making within that particular community group. So, one of the lessons that we have taken away is that we need to be smarter in defining the criteria for supporting community groups. By now, having worked with others, we have a much greater understanding of the constitutional arrangements involving community groups.

[9] **Irene James:** There is a range of evidence to show that, in the case of the grant to Calon, procedures that were in place to assess grant applications, risk and value for money were not robustly applied. What steps will you now take to ensure that the public investment in the woodland will represent good value for money to the public purse?

[10] **Mr Owen:** You have touched on a number of the learning points that the report has brought out. I will start with risk management, which is something that I have looked at across the whole of the organisation during my time in this particular role. Once again, we have moved a long way over the last 10 years. If I were to give you a feel for how risk management is applied across the whole of my organisation, perhaps it would give the committee some assurance. We have broken our risks down to two levels, the first of which is the operational level. Each of my board members is responsible for operational risk registers that are relevant to his or her particular area of work. Sitting above that, there is a corporate risk register, which reflects some of the highest risks in the operational risk registers and anything else that my board or my audit and risk committee feel that we need to consider beyond the operational side of things as well. All projects have a risk register as well and I review each operational risk register with the appropriate board member monthly. The corporate risk register is considered six times a year by my audit and risk committee and management board. So, we certainly have a culture where risk management is firmly embedded in the way in which we think about our business. We also have that capability and the right culture in terms of risk management.

[11] On your other questions about value for money, any future projects—and, indeed, some of our current projects—would be designed with value for money in mind. For example, we would relate the outcomes that we seek from a particular programme or a project not only to our corporate plan for the next three years, but also to the Welsh Government's 'Woodlands for Wales' strategy, which covers a 50-year period. So, we have a clear alignment between the outcomes that we are looking for from particular programmes and the overall societal outcomes that we are looking for.

[12] What was the third element that you asked me about?

[13] **Irene James:** My question was: what practical steps could you take to ensure that the public investment in woodland will represent good value for money to the public purse? I think that you have covered that in your answer.

[14] **Mr Owen:** Yes, I covered that in my last answer.

[15] **Irene James:** Originally, I asked about grant applications, which you have also covered.

[16] **Mr Owen:** Yes. So, as I said, we do not have that many projects nowadays, but they are managed according to best practice and the best project management principles. Each has a risk register and clear responsibility sits with each board member, who reports back to the main board.

[17] **Nick Ramsay:** Given that the auditor general's report has shown that there are not

complete safeguards in the contract with Calon to protect public investment, have you considered whether there is any scope to renegotiate the existing contract in order to ensure greater protection for the public purse?

[18] **Mr Owen:** We have made attempts to renegotiate the contract. As I am sure that the committee will understand, we have a legal contract in place. At best, all we can do is to invite the contract holder to engage with us and to renegotiate. We have not been able to persuade the contract holder to do that. On the other hand, I am pleased with the way in which the contract holder has responded to our advice to reach out to the local community and people with an interest locally to try to get more public involvement in this particular project. I am very happy to say a bit more about that.

1.40 p.m.

[19] **Nick Ramsay:** If you could, please. As I understand it, were Calon to go into administration, the public money that has been put in would be at risk, would it not?

[20] **Mr Owen:** Yes. I will answer that question and I will then answer the other supplementary question. We relied on the articles of association and the fact that we have a 20-year contract to secure the public asset. We realised, when we did some legal checks, that this was not sufficiently robust. So, in the future, if there were similar schemes, we would be looking to ensure that a registered land charge is placed against the land so that, if an individual who had received public funds for land purchase was looking to transfer or sell that asset, it would not be possible or legal without reference to the funding body. That is a lesson that we have taken away from this particular situation.

[21] As far as the current situation with this particular scheme is concerned, technically, there is nothing to stop the owner from changing the articles of association. The only safeguard that we have is that there is a contract in place with us for the next 20 years. That gives us some opportunity to maintain a relationship with the landowner, giving us the opportunity to continue to exert our influence.

[22] To go back to the point that I did not finish earlier, I have been very pleased with the way in which the woodland owner has made genuine attempts to engage the local community. I am aware of at least three public meetings being held this year. This is part of a process to try to gain Forest Stewardship Council certification for those woodlands. Certification is a measure of sustainable forest management. To give the committee a feel for what that really means, all of the Assembly Government's woodland estate meets that internationally recognised standard of sustainable forest management. All the products from those woodlands could, technically, carry the FSC label. The woodland owner in this case is aspiring to meet that internationally recognised standard of forest management. To get that certification and to maintain certification, you have to demonstrate to independent auditors that you are engaging local interest and local communities.

[23] **Lorraine Barrett:** Calon's application stated its intention to reinvest surpluses back into the woodland. Have you been able to monitor the extent to which Calon is reinvesting any surpluses back into the woodland and, if so, are you content with the level of reinvestment?

[24] **Mr Owen:** The question of reinvesting the proceeds from woodland management was certainly not a material consideration in awarding the grant. So, we have not been able, and we are not required, to examine the detail of how it runs its business. We are interested in whether it is meeting the terms of the contract that we have in place on land purchase, public access, the conversion of the plantation of conifers to broadleaf woodland, community engagement and public access. Those are the things that we agreed would be measured. We

did not take into material account in awarding the grant the question of how the surpluses would be used or how the forest management would take place.

[25] **Lorraine Barrett:** However, it was part of the application, and it stated that it would reinvest. I know that you have said that it would not, but would that have had any material influence in the awarding of the contract?

[26] **Mr Owen:** It was not a material consideration in making the award.

[27] **Lorraine Barrett:** Is it something that you could, or would, look at as time goes on?

[28] **Mr Owen:** We could obviously invite the owner to share that information with us. It is not obliged to, but I hope that it would do so. We can see evidence of that reinvestment in some of the other outputs and outcomes that we are pursuing in terms of public access. Do not forget that the grant was for the land purchase; there is obviously a woodland grant for certain elements but, over time, there will be a requirement for the woodland owner to maintain the paths and the signage, and to maintain any regrowth, for example. If that is happening, then we have sustainable forest management and we also have compliance with the terms of the bid, which is obviously sustaining the outcomes that we agreed at the start of the process.

[29] **Janet Ryder:** I understand that Calon has made a commitment to dedicate the woodland as access land under the Countryside and Rights of Way Act 2000. Will this arrangement guarantee unfettered public access in perpetuity, regardless of whether the land is, in time, sold on? I see that you are nodding, but please could you respond for the record?

[30] **Mr Owen:** I will say 'yes', but I will also say a little more, so that the committee has an idea of what dedication means. To give you a parallel, most of the public forest estate in Wales is dedicated for open access, as a result of the Countryside and Rights of Way Act 2000. You might have heard of open access land in non-woodland areas. We are very supportive of the owner's intention to pursue dedication, because once the land is dedicated, it allows access on 365 days of the year in perpetuity. That cannot be taken away; it sits with the land. So, we would be very supportive of the owner achieving dedication. We are aware that the woodland owner is pursuing dedication, but there are a few disputes over boundaries, which are frustrating the process. However, I am aware that the owner is able to take that through the Land Registry's dispute resolution process. However, the small areas of dispute should not stop the vast majority of the land being dedicated at this time, with perhaps a small percentage in dispute being dedicated later.

[31] **Janet Ryder:** When would you expect those disputes to be settled?

[32] **Mr Owen:** I am unable to answer that question, as it is a third-party dispute between the woodland owner and some of the neighbours. That is something that the woodland owner and the neighbours will need to work through, hopefully through the Land Registry's dispute resolution process.

[33] **Janet Ryder:** What if they are not resolved?

[34] **Mr Owen:** If they are not resolved and if the land is not dedicated, we could regard this as a possible material breach. One of the commitments that the applicant made in its bid was to provide public access. We would need to take legal advice if we reached that point, but dedication secures one of the main conditions that we attach to the grant, which is why we are very supportive of the aim to achieve dedication. However, if that is not, or will not be, possible, that is something that I will need to look at again.

[35] **Janet Ryder:** So, there could be position where a vast portion of the land could be

dedicated, but not all of it. Would that still satisfy your grant conditions?

[36] **Mr Owen:** If a very high proportion was dedicated at this time, I am certain that that would satisfy the main condition of the grant, assuming that the balance would follow at some point after the dispute has been resolved.

[37] **Jonathan Morgan:** Before I move on to the next question, you said that the boundary disputes related to a small percentage of the overall figure. What sort of figure are we talking about?

[38] **Mr Owen:** We are talking about 1 to 2 per cent of the boundary area along the length of the boundary.

[39] **Peter Black:** You have said that the boundary dispute is with the Land Registry for dispute resolution; is that happening now or is it about to go to the Land Registry?

1.50 p.m.

[40] **Mr Owen:** I cannot give you the precise position. However, I am aware that the landowner has made contact with the Land Registry because things have reached an impasse.

[41] **Peter Black:** My understanding of the Land Registry's dispute resolution is that, if it cannot resolve it, it will end up in the courts.

[42] **Mr Owen:** That may well be possible. I am sure that we all hope that the dispute can be resolved amicably through the normal process.

[43] **Nick Ramsay:** Is it the case that the Forestry Commission Wales did not validate the land valuation obtained by Calon and, contrary to your own procedures, you paid out a grant based on the sale price, which was £6,000 more than the valuation obtained by Calon?

[44] **Mr Owen:** That is correct, and that is drawn out in the auditor general's report. To go back to what I said earlier about the scheme design, it asked, in cases coming forward for land purchase, for the applicants to obtain an independent valuation of the land as a de minimis, and that happened in this case. We were obviously satisfied that the applicant took independent advice from an independent chartered forester. Best practice would certainly suggest that that should have been validated by our own qualified surveyors or even through, perhaps, taking two or three valuations. That would be deemed to be best practice. Officers complied with the minimum requirements in the scheme at that time, but I am of the opinion that we should have gone further than that in order to meet best practice at that time.

[45] To pick up the second part of your question, we made an error; we paid the value that was quoted as the sale value and not the valuation by the independent surveyor, so we overpaid by £6,000. That is regrettable and that was missed in our own checks and in earlier audits.

[46] **Nick Ramsay:** Did you get that back?

[47] **Mr Owen:** We will try to get that back, but my colleagues believe that it is unlikely that we would succeed in court. However, that is something that I want to pursue further.

[48] **Nick Ramsay:** It seems very strange. If Calon had come forward with a valuation that was higher than you would have liked, I could understand you seeking your own costings, but given that its valuation was lower and, as you have said yourself, it went through all of the proper processes, it seems particularly strange that that was not picked up and that



this error was then made.

[49] **Mr Owen:** I agree. It does seem strange. It was not picked up by my officials and it was not picked up by at least two audits during the period. It was only picked up, I am pleased to say, through this very in-depth investigation that we are talking about today.

[50] **Jonathan Morgan:** On what basis did Forestry Commission Wales decide that the valuation provided was £6,000 lower and therefore decided to pay a sum of money that was £6,000 higher than the valuation? Did you have it independently verified?

[51] **Mr Owen:** I am sorry, I do not quite follow your question. Forgive me.

[52] **Jonathan Morgan:** On what basis did you determine to pay a sum of money that was £6,000 more than its valuation? Was it plucked out of the air or was it independently decided upon?

[53] **Mr Owen:** The people involved were dealing with two figures. There was the valuation figure obtained by the surveyor and the sale value, which was £6,000 higher than the valuation. Somehow, an error took place and we paid out on the higher figure, on the sale value. So, it was obviously an administrative error.

[54] **Jeff Cuthbert:** You acknowledge that it was an error, but have you made attempts to claw it back? Do you have any recourse to do so, as it is public money?

[55] **Mr Owen:** We will try to recoup that money—

[56] **Jeff Cuthbert:** Are you currently trying to do so?

[57] **Mr Owen:** We have not started the process yet, but the initial advice that I have had is that it may be difficult to pursue that. So, I need to get further advice before we decide whether to spend more public money pursuing this, perhaps unsuccessfully. If we are on strong ground, that would be something that we would take forward.

[58] **Jeff Cuthbert:** I have one final question. Have you identified the cause of this error?

[59] **Mr Owen:** We have not been able to identify the cause. Obviously, there were two figures in play and, somehow, the higher figure translated into what was paid out.

[60] **Ann Jones:** I am slightly confused. If the valuation was set, how could you go over that figure? I know that you said that this was the sale price, but if you have been given a valuation, and if you are operating with public money, then in the best interests of the public purse, you do not go any higher than that valuation. So, why have you been allowed to do it?

[61] **Mr Owen:** It was not a case of anyone being allowed to do this. We made an error. There were obviously two figures in play, the sale figure and the valuation figure and, somehow, we paid out on the higher figure. That was unintentional; it was an error.

[62] **Ann Jones:** Who was the officer responsible for doing that? Given that you had a valuation, a set figure, I cannot believe that, when public money is being used, you can go a penny over that valuation. You have been found out now and you cannot even tell us whether that has happened since. You seem to have made no attempt to stick to common practice for public bodies when you are talking about the sale of land.

[63] **Mr Owen:** I should say that there were nine land purchases in the project, and this was by far the biggest. There is no evidence that we paid out more than the valuation in the

other schemes. This was an error.

[64] **Ann Jones:** That makes it all right, does it, that we have paid £6,000 more on one scheme, but you did not go over the odds on the other eight? I am sorry, but you cannot use that as a defence.

[65] **Mr Owen:** I am certainly not saying that it is right. I have been quite candid with the committee this afternoon in saying that this was an error, I regret that error, and we will see if we can recover those funds.

[66] **Jonathan Morgan:** I think that the committee needs to be aware—and I am sure that you are—that the payment was made in 2006, was it not? So, four years have passed and it is only now that you are saying that you are considering what action might be taken in order to respond to the error that was made. It throws up questions about your internal processes for ensuring that these details are checked and double-checked. What is the process that is set out for organisations that come to you in similar circumstances, where they bring a land valuation? Are they supposed to be independently checked by your own valuers?

[67] **Mr Owen:** I will answer your question in two parts. The £6,000 overpayment became apparent only through the in-depth investigation that is noted in the report before us today. So, it was not picked up in 2006 by our checks or those undertaken by others. It was picked up only when the auditor general's team looked at things in significant detail.

[68] **Jonathan Morgan:** I accept that, but my concern is that, as an organisation, you ought to have some sort of internal process that allows these things to be checked and picked up if a mistake has been made without the auditor general having to do some sort of in-depth investigation, otherwise it means that we can be confident that, whenever the auditor general does an in-depth investigation, problems will be discovered. My concern is that there is the potential for this to have happened in relation to the awarding of other grants in similar circumstances.

[69] **Mr Owen:** I have to emphasise that the grant-aiding of land purchase by Forestry Commission Wales is highly unusual. This particular scheme, which is now closed, included land purchase as part of it. We have not managed a scheme since then that involves land purchase. Our normal practice is that, if we are transacting in land, we pay no more than the valuation. That is the normal practice. However, we have not grant-aided any purchase of land beyond the closure of the Cydcoed scheme.

2.00 p.m.

[70] **Peter Black:** You have made two statements that give me cause for concern. First of all, you said that you have not been able to pinpoint the cause of the overpayment. Secondly, when you were asked whether that had happened on other schemes, you said that there was no evidence to show that there had been other errors. The reason why both of those statements give me cause for concern is that they indicate to me that you do not have an audit trail and a proper process for paying out the grants. Could you comment on that?

[71] **Mr Owen:** Yes. Again, I have to emphasise that we are talking about a scheme that has closed, so anything that we do now is retrospective. I talked earlier about the way in which we have strengthened and improved our risk management and project management approach, and that has taken us forward in the past few years, since the scheme closed. As I am sure you can appreciate, it is difficult to do things with the benefit of hindsight, particularly when the schemes have closed. However, I am confident that we have robust audit procedures in the organisation as a result of this investigation. You will note from the correspondence that I have shared with the committee that we have strengthened and

improved our internal written procedures for staff who deal with project design and project management, and that includes audit.

[72] **Peter Black:** However, in the case of this scheme, there was no audit trail.

[73] **Mr Owen:** There was an audit trail, but it was not good enough in today's terms.

[74] **Peter Black:** Was there a responsible officer, who signed off those grants?

[75] **Mr Owen:** Yes. There was a programme executive who signed off the majority of the grants, and grants of a certain level were signed off by the main management board.

[76] **Peter Black:** Has that officer had been interviewed to find out why the error took place?

[77] **Mr Owen:** Yes. The officers involved, where they are still in our employ, were interviewed by the auditors and by colleagues. We have not been able to identify precisely why the higher figure was paid for the land purchase. There were two figures, and the higher figure went through.

[78] **Janet Ryder:** Paragraphs 1.44 and 1.45 describe how Forestry Commission Wales accepted an inadequate business plan as meeting the special condition for awarding the grant. Although you requested a more robust plan, there seems to have been a gap of a couple of years before the more robust plan was submitted in early 2009. Why did you accept a business plan that you clearly regarded to be inadequate as meeting the special condition of the grant?

[79] **Mr Owen:** The original business plan came in after the award was made, I believe. We felt that that business plan would be used to set out how the owners would prepare for the woodland management elements of their project, which would be subject to a separate woodland management grant. We did not feel that the first business plan was sufficiently robust, and so we asked the owners to go back and strengthen their business plan, so that we could gain a clearer understanding of how they were going to prepare themselves for taking on some of the woodland management aspects.

[80] **Janet Ryder:** I thought that, as part of the special condition for receiving the grant, a business plan had to be submitted and then accepted by you. Are you telling me that you accepted the grant without the business plan, and that you allowed them to submit the business plan later?

[81] **Mr Owen:** Richard has just corrected me; the first business plan was submitted with the application for the grant. So, I was mistaken. However, it was inadequate, and we decided to ask for an additional business plan.

[82] **Janet Ryder:** So, you agreed to award a grant, knowing that the business plan was inadequate.

[83] **Mr Owen:** No specific conditions were attached to the submission of a business plan. In other words, the awarding of the grant was not conditional on a business plan meeting a certain standard. As I said earlier, the purpose of the business plan was to help to prepare the ground for the woodland management proposals that would come subsequently.

[84] **Janet Ryder:** Are you satisfied that the revised business plan that has been submitted will meet all your requirements?

[85] **Mr Owen:** The second business plan was stronger, and it enabled the applicants, the woodland owners, to prepare themselves for a 'Better Woodlands for Wales' woodland management grant, which they have obtained. So, they went through the process and put in place a woodland management plan that met our requirements.

[86] **Janet Ryder:** When the first business plan was submitted and you awarded the grant, did it meet all the conditions that you had set out for it?

[87] **Mr Owen:** We did not specify clearly the standards that we were looking for from the business plan. It was not material to meeting the criteria and, therefore, to the awarding of the grant. We recognised that it was not good enough to prepare for the woodland management element, but that did not affect the decision to award the grant for the land purchase.

[88] **Peter Black:** You had the discretion to award the grant or not. Why did you award the grant if the business plan was not acceptable?

[89] **Mr Owen:** As I said, the business plan was not a material consideration in awarding the grant; it was not absolutely essential to have that in place.

[90] **Peter Black:** Without a business plan, how could you determine whether the objectives of the grant would be met?

[91] **Mr Owen:** The application was straightforward: it was for purchasing the land, and there was a commitment to bring the woodland into active management and to open up access and so on. Most of the grant was simply for the land purchase.

[92] **Peter Black:** How do you monitor whether the terms of the grants have been met if you do not have an adequate business plan?

[93] **Mr Owen:** A key condition attached to the grant was for the applicant to make a commitment to bring the woodland into active management through the 'Better Woodlands for Wales' grant scheme. The owners have obtained a 'Better Woodlands for Wales' grant, and the woodland is now in active management, which means that the key condition for awarding the grant for the land purchase has been met.

[94] **Jonathan Morgan:** Before I pursue this point further, there is one point of clarification that it is important for the committee to have. Is it not the case that, as an accounting officer, you are required to ensure that any business plan follows the five-case model that is set out in the Assembly Government document 'Managing Welsh Public Money'? Was it followed in this case?

[95] **Mr Owen:** It was not followed in this case. The scheme design was put in place in the early 2000s, and we ran the scheme from 2003 to 2008, when the scheme closed. We have learned a number of lessons from the programme, and I would hope that, when you look at the Forestry Commission's business today, you will see that those lessons have been embedded in the way in which we do business.

2.10 p.m.

[96] **Jonathan Morgan:** Can we therefore be confident that the requirement of you as accounting officer to follow the five-case model in business cases has been met in every other circumstance? From what you are saying, it was not on this particular project.

[97] **Mr Owen:** That is right. We follow best practice today as far as risk management,

business planning and business cases are concerned. I am talking about where we were a number of years ago. We have made significant changes and improvements since that period, and particularly so during my short time as the accounting officer in this organisation.

[98] **Jonathan Morgan:** Nick, do you want to follow up on this?

[99] **Nick Ramsay:** Yes, it has been largely covered, but you are saying that the awarding of the grant was not dependent on the business plan. The business plan was for running the scheme post that. Looking at your procedures now, would you say that, if you were in a similar position again, namely that you had awarded a grant and then a business plan for running the scheme came in post that, which was clearly sub-standard, you have a mechanism in place so that the alarm bells would ring and you could look at whether the grant was awarded in the right way?

[100] **Mr Owen:** Absolutely. If we were in the hypothetical situation that you described, in addition to the other lessons touched upon in our response to this report, we would expect a business plan to be prepared and agreed in advance of any award of grant. It would have to meet, as the Chair of this committee has suggested, our best practice model in Wales.

[101] **Peter Black:** The auditor general's report shows that no verification of the statements made by Calon in its application was undertaken, as Forestry Commission Wales maintained that those statements, for example regarding previous woodland management experience, did not affect the awarding of the grant given the land purchase nature of the application. Are you satisfied that the information provided by Calon in its application was accurate, particularly given the concerns since raised by the petitioners?

[102] **Mr Owen:** I will again start my reply by reference to the scheme design. This scheme was aimed at building the capacity of community woodland management in Wales. One of its key elements was the allocation of a project officer to work with groups on their plans from the bottom up. The Calon scheme at Ffynone was allocated a project officer who had a good prior working knowledge of the applicants. So, we were able to get a feel for their background in that respect.

[103] Interestingly, the scheme design did not make it an essential requirement for applicants to have forestry knowledge. If we had said that, it would have been difficult for many groups to get involved. This particular group had experience of woodland management and some woodland-related groups sent in letters of support. I should also add that the commitments by the bidder to seek a 'Better Woodlands for Wales' management grant for the woodland post purchase provided strong checks and balances to ensure that sustainable forest management would be practised. So, we had the grant for the land purchase and the 'Better Woodlands for Wales' grant, which is a mainstream woodland grant for sustainable forest management, and that has a number of significant checks and balances to ensure that woodlands are managed sustainably. Best practice would suggest that you would try to get full public consultation before entering into this sort of exercise. Regrettably, that did not happen on this occasion. It was not a prior requirement, strange as that may seem, because the view was taken in the scheme design that extensive public consultation could build unrealistic expectations, and if the grant was turned down at some point, it would set people back in respect of their confidence in engaging in community work and development. So, although there were some positive elements designed into the scheme on the surface, because they tried to encourage a broader range of people to get involved in community woodland management, that allowed people, if they were so minded, to short-circuit it and do very little, if any, community engagement beforehand, simply relying on providing us with references from third parties. There was no requirement for us to follow those up. Best practice would suggest that that should happen. I have looked at the list of people who sent letters of support in respect of this particular case, and I know that they would have been known to the project

officer, because that community is fairly small.

[104] **Peter Black:** So, you are essentially relying on the personal knowledge of the project officer.

[105] **Mr Owen:** That is certainly so in this case. The project officer knew the locality and knew this applicant.

[106] **Peter Black:** Was that project officer also responsible for signing off the grant?

[107] **Mr Owen:** No. As you would expect, there was clear blue water between making the recommendation and making the decision. The decision would have been taken by the project programme executive or the management board.

[108] **Peter Black:** The situation as it stands is that you will check on references and any statements made in support of an application before you sign off on it.

[109] **Mr Owen:** With the value of hindsight and best practice, if a similar scheme was before us, we would rely more on public consultation to give us the evidence beforehand, rather than letters of reference from third parties. The value of feedback from public consultation would be more secure and richer, I suspect, than letters of support.

[110] **Ann Jones:** Some £20,000 of the 'Better Woodlands for Wales' grant is outstanding because Calon did not comply with all or part of the schedule of works. What is the latest position regarding the recovery of this money, and how realistic is it that you will get back the £20,000?

[111] **Mr Owen:** I referred earlier to the 'Better Woodlands for Wales' grant being very much our mainstream grant scheme. It is also much more recent than the Cydcoed scheme, and it provides a series of checks and balances. People do the work first before they get paid. It is a capital grant scheme in that respect, so it makes it easy for us to go along and check whether the work has been done. When the report was drafted, it picked up on the fact that we were investigating a potential reclaim of more than £20,000. That was under investigation at that time, and I am able to update the committee that the sum involved, after verification on the ground, is in the order of £5,000 for works that have not been done to the right standard. We are actively pursuing that, and we are very confident that we will be able to reclaim that sum.

[112] **Ann Jones:** So, the figure is only £5,000. How has the £15,000 been accounted for if the figure to be reclaimed was shown as being some £20,000 in the auditor's report? Where has that £15,000 gone?

[113] **Mr Owen:** When the report was being drafted, the investigation was under way and we did not have a concrete figure. Our investigations have concluded that, as things stand, the amount of overpayment is not £20,000 but in the order of £5,000. We are pursuing the reclaim of £5,000. I should say that grant reclaim is relatively uncommon because most people do what they are contracted to do, but, occasionally, things do not work out and we may not be satisfied with standards. We do grant reclaim as part of our normal business. It happens every year, and this is not an exceptional case.

[114] **Ann Jones:** Although the figure is only £5,000, it is still £5,000 paid out for work that has not been done. Does that give credence to the general concerns raised by those petitioners in the first instance, and what assurances can you give this committee that there are no wider systemic issues with this and other schemes that you are dealing with?

2.20 p.m.

[115] **Mr Owen:** As I just commented, grant reclaims are not common, but they are not that unusual either, and they occur as part of our normal business. Some of the reclaims go back to schemes that have now closed. Obviously, we run the contracts that we hold with people for a number of years after the grant payments had been made. For example, if it is a tree-planting grant, we will go back after five years or so to ensure that the trees are all there and all growing, as agreed in the contract. So, I would not take the fact that there is a small element of grant reclaim here as exceptional. What my inspectors' inspections have shown is that the 'Better Woodlands for Wales' contract, by and large, is being implemented as agreed. We are seeing active woodland management. We are seeing shade-bearing plantations of conifers being replaced with native woodland. We are seeing continuous-cover forestry. We are seeing streams being opened up from dark shading. That is exactly what the 'Better Woodlands for Wales' grant scheme aims to do—to bring that woodland into active management so that the quality of the environment is enhanced for local people to enjoy.

[116] **Nick Ramsay:** When you say that grant reclaim is not unusual, do you mean that, in the history of your organisation, you have successfully reclaimed grant money?

[117] **Mr Owen:** Oh, yes—every year. They are not large amounts, because we take great steps to ensure that the contracts that people enter into are reasonable and have every chance of success.

[118] **Nick Ramsay:** Do you reclaim the full grant?

[119] **Mr Owen:** No. It is only for work that has not been completed to the correct standard. In the worst-case scenario of a grant being given for woodland creation and all the trees dying after five years, with no attempt being made to re-establish or replant that woodland, we would reclaim the full amount. So, we can reclaim for elements that have not been done to the right standard or the full amount, depending on how bad the situation is. However, I must give the committee the assurance that the sums involved are in the tens of thousands per year, and we pay out more than £3 million a year in grants.

[120] **Jeff Cuthbert:** The auditor general's report on your operations, which was issued in November 2008, drew attention to the need to improve project management and risk management arrangements. Given that we have heard about this, shall we say, additional payment of £6,000, the reasons for which are inexplicable at this moment, and given the issue of the inadequate business plan for the project, are you satisfied that risk management is now an embedded part of your business processes? For example, in managing risks, are you satisfied that staff are fully briefed and aware of the need to declare interests and offers of hospitality, for example? Is there a process in place now to ensure that that is done?

[121] **Mr Owen:** I touched on risk management earlier, but I will mention the written response that I sent to the committee on the action plan following that report. I hope that the committee will note that we have not only changed our internal procedures with regard to the guidance that we give to staff, but invested significant moneys in training on good project management, particularly for our senior staff. We have a number of large complex projects on the go—much bigger, in some cases, than the one that we have been talking about today. As the accounting officer, I am certainly very comfortable with the approach that we are now taking to actively and demonstrably manage projects and risk manage them. One of the things that we have brought in, for example, as best practice in terms of our project management, as I said earlier, is that we always insist on having one of the board members as the senior responsible officer. Very often, depending on the size and the complexity of the projects, we will bring people in from other parts of the business who are not directly connected with that part of the business, just to provide that external perspective, but obviously from within the

organisation. If it was a much more complex project that straddled other departments or a third party, I would expect some of my non-executive officers to play a part in sitting on project boards.

[122] I touched on risk management earlier. We have completely overhauled our approach to risk management, which has included taking a look at risk appetite so that we do not end up responding negatively to a challenge on risk management by being over-cautious and risk averse. I am keen to make sure that we have very good controls on one hand, but that we do not lose our appetite to manage risk where it is appropriate.

[123] In terms of the record-keeping of the interests of staff, you will see from the action plan that we have put in place a system to make sure that there is an annual declaration and a checking of all interests that staff may have outside their business interests. We have a process that can be audited for the recording of any offers of gifts or hospitality. Those were already in place; they have been in place for some time, but we did not have a formal process to be able to demonstrate once a year that we had records to prove that we were complying with our procedures, and we have put that right.

[124] **Jeff Cuthbert:** We have already identified that the £6,000 was associated with this project that we are discussing and that you have not yet been able to identify the cause of the error, as you said earlier. I presume that you will do so. Nevertheless, you are confident now that there is very little chance of anything like this re-occurring.

[125] **Mr Owen:** Absolutely. I do not have a programme of this nature in play. I think that we have changed our approach to developing the community woodland agenda. Through our corporate programmes and our corporate planning process, we are now actively working much more in partnership with others on community woodland development. Putting the financial situation to one side, it is highly unlikely that we would want to use this model again to achieve the outcomes that we are pursuing in terms of community woodland. I think that we would be looking to work much more closely with other people, as we are doing in the strategic regeneration areas, for example. We are looking at programme bending and also working with experts in community development, alongside our experts in community woodland development.

[126] **Jeff Cuthbert:** Finally, before I forget, in terms of this £6,000, as I have said, I presume that you will identify how the error occurred at some point. For the sake of completeness, will you be able to inform the committee of your findings?

[127] **Mr Owen:** Absolutely. I pledge to do that.

[128] **Irene James:** The auditor general's report shows that the management board sub-group identified several of the fundamental risks that have since come to light, but that they were not followed up. Why was that the case? What lessons have been learnt and what action has been taken to ensure that, in future, concerns of this nature will be followed up appropriately?

2.30 p.m.

[129] **Mr Owen:** Of the sensible questions asked by the management board members, some were followed up, some were partially followed up, and some were not, which I am very disappointed about. I believe that if those concerns had been followed up, we would have stopped and reflected at that point, and we would not have ended up making the award at that time. It is regrettable that the management board dealt with the issue by e-mail. It was the holiday season, but that is no excuse for not having proper governance procedures in place for an award of this size to be dealt with by people sitting down and discussing it around a table.



So, with regard to lessons learnt, I commented on the fact that we have changed and strengthened our project management procedures, so that the situation that the auditor general describes of decisions, particularly decisions of this nature, being considered through correspondence, will not happen again.

[130] **Irene James:** Can you assure us that it will not happen again?

[131] **Mr Owen:** Yes, I can give you a full assurance that that does not happen with our current projects and it certainly will not happen with future projects because those sorts of procedures are unacceptable in my opinion.

[132] **Peter Black:** Paragraphs 1.51 to 1.63 of the auditor general's report refer to weaknesses in the way in which targets for the Cydcoed scheme, and for the grant to Calon in particular, were set and subsequently monitored. Guidance that these arrangements should make long-term benefits simple and easy to monitor neglected to include any reference to the fact that the targets and long-term benefits identified should, at least in the Wales Audit Office's view, also have been robust and challenging. How are you learning from this, both for the ongoing monitoring of Cydcoed projects and in terms of your arrangements for target setting and the monitoring of other schemes?

[133] **Mr Owen:** I would certainly say that the targets for the Cydcoed programme reflected the level of understanding, not just within my organisation, but more broadly in the community woodland area at that time. It was an Objective 1 scheme, which was really about getting people involved in woodland management. It was about building that capacity, starting from a very low base. So, looking back today, with over 10 years-worth of hindsight and experience in performance management, we could concur that it is of no surprise that the targets were not particularly hard and were quite difficult to verify in many cases, certainly over a 20-year period.

[134] We have made a commitment to monitor the Cydcoed elements over the next 10 to 20 years, depending on the contracts that are in place. We commissioned an evaluation of the Cydcoed programme from our research agency. I wanted to do that before the end of the programme so that we would at least have captured an understanding of the programme's outputs, not only with regard to the length of the paths that were constructed or the number of new community groups involved, but to get a feel for how people felt after being involved with Cydcoed's 163 projects across west Wales and the Valleys. Some of the high-level targets for Cydcoed related to building capacity and people's health and wellbeing, which are very difficult to get a feel for at the end of a five-year project. So, we commissioned that work, and we have an evaluation report that gives us a baseline for how people felt, as well as some of the quantitative outputs at that time. We will monitor what progress we are making, not only against the slightly soft Cydcoed targets that were set at the start of the scheme, but also against some of those qualitative aspects.

[135] There is no doubt that the whole area of social forestry has moved on tremendously in the last 10 years. I am confident that our corporate programmes in community forestry are among the best in the UK, if not the best in Europe by today, based on the experience that we have gained and the hard lessons that we have learned through projects such as Cydcoed over the last 10 years. We have also become a little more sophisticated on target setting. We recognise that we must measure some of the hard targets, such as whether the money was spent on what we thought that it would be spent on, and we must use social research, not only in our area, but in other areas to see whether we can get a better handle on how woodlands are making a real and qualitative difference to people's lives.

[136] **Janet Ryder:** You submitted two action plans, the second of which relates to the committee's recommendations, but you have only responded to two of the five

recommendations. Why is that?

[137] **Mr Owen:** For me to be clear, forgive me if I am not, I submitted two action plans—

[138] **Janet Ryder:** You submitted two action plans, the second of which relates to our previous report. That report made five recommendations, but you have chosen to respond to only two of them.

[139] **Mr Owen:** Forgive me for the numbering. The recommendations that are shown in the second action plan are specific actions for the Forestry Commission. There were a number of recommended actions in the value-for-money report for the Welsh Assembly Government. I have reported today only on the actions that relate to me directly. For example, there was a recommendation about improving the forestry strategy; that was obviously a recommendation for the Welsh Assembly Government. It has been discharged, because we assisted the Welsh Assembly Government in its preparation of a new forestry strategy. I have just highlighted the specific actions for the Forestry Commission in the second action plan that you have before you today.

[140] **Janet Ryder:** So, you took it that three out of the five recommendations did not apply to you at all and, therefore, did not need a response from you. Is that what you are telling us?

[141] **Mr Owen:** I believe that I have given the committee a response on all the actions that were allocated to Forestry Commission Wales.

[142] **Janet Ryder:** One recommendation was for the development of costed plans and exit strategies at the outset of all new projects, as well as exit strategies to maintain existing projects where evaluation confirms their effectiveness. I cannot see that that would apply to anybody but the Forestry Commission.

[143] **Mr Owen:** Yes, you are absolutely right. If that is not there, forgive me; that is an omission—

[144] **Janet Ryder:** What about the recommendation on developing clear plans to communicate the new strategic direction to forestry staff and to embed that through line management, objective setting and appraisal arrangements so that staff understand their contribution to the strategic direction? Is that not for you?

[145] **Mr Owen:** That is for me. I must apologise to the committee. There is obviously more that I need to report on this. Will you please allow me to resubmit this action plan, giving you the full and comprehensive position on the actions from the value-for-money report, because there is a good story to tell and I want to ensure that you get the full story?

[146] **Jonathan Morgan:** That would be extremely useful from the committee's perspective. As we understand it, the auditor general's report on the operation of Forestry Commission Wales contained a further 13 recommendations. It might be wise for you to consider which of those recommendations apply directly to you and include that as part of your response.

[147] **Mr Owen:** Yes, I will do that.

[148] **Jonathan Morgan:** Are there any further questions? I see that there are not. I thank Trefor Owen and Richard Siddons for being with us this afternoon. The committee will return to this matter in private session later on. Thank you for your attendance.

2.40 p.m.

**Ymdopi â'r Her Ariannol sy'n Wynebu'r Sector Cyhoeddus yng Nghymru:  
Crynodeb o Asesiadau Corfforaethol Llywodraeth Leol  
Meeting the Challenge in Welsh Public Sector Finance: Summary of Local  
Government Corporate Assessments**

[149] **Jonathan Morgan:** I welcome the Auditor General for Wales, who is being supported by Alan Morris, one of the engagement partners. The committee will recall that we took evidence from the Welsh Local Government Association on 10 June 2010. Following that session, the auditor general offered to provide the committee with a summary of the local government corporate assessment work that was being conducted. This was to provide the committee with further evidence in relation to the preparedness of local government in Wales to deal with the financial challenges ahead. I invite the auditor general to brief the committee, and we will then proceed with some questions.

[150] **Mr Thomas:** As you say, this stemmed from the evidence that you took in June 2010. As a result, you wanted more evidence to help to assess how well prepared local government bodies were to meet the challenges ahead. One option that you considered was to write to all 22 local authorities with specific questions. We have produced, for you, the findings that emerged from the corporate assessment work that we had been undertaking at each local authority over the previous six months. Basically, as I set out in my letter, these corporate assessments, which form part of our new approach to local government performance audit work, have considered arrangements at local authorities, looking at how they put arrangements in place to support improvement, particularly with regard to leadership in government, policy and strategy, people management, resource management, partnerships and business processes.

[151] The report that you have before you now is one that we prepared and presented to the local government partnership council earlier this month. The minutes of that meeting are not yet available, but I presented the report. The discussion on it focused partly on the role of the regulatory regime in terms of burdens that are placed on local government and, secondly, on issues to do with workforce planning for local authorities. We have been invited to look at doing some more work, spanning not just local government but also other sectors of public employment in Wales, to see whether work can be done to make the movement of staff easier, particularly at a time when staff need to be shed by some bodies.

[152] I am aware, of course, that it is not this committee's place to hold local government to account, but I would very much hope that the information presented in the report is a useful addition to the inquiry in which we are engaged. As I said, it sets out broad findings based on preliminary corporate assessments. We have deliberately not sought to provide a specific commentary on the arrangements within individual authorities, but rather to identify some of the better practice that we have seen in individual councils.

[153] I will hand over to Alan Morris to say some more about the issues raised in the summary report, to put this in the context of the latest financial position facing councils, and to update you on the latest position with regard to the annual improvement report that is part of the Proposed Local Government (Wales) Measure.

[154] In my letter of 14 October, I stated that we would be producing those reports by the end of November. We have obtained an extension of two months from the Minister for this, mainly because we are still waiting for a component part. As with the corporate assessments, the improvement assessments are intended to look not just at our work but also at the work of the other inspectorates. We are waiting for some of that to be completed so that our report,

when it is eventually prepared—it will now be prepared by the end of January—will be sufficiently comprehensive.

[155] **Mr Morris:** The corporate assessments, on which our overview is based, were carried out in the summer, and our report was produced before the comprehensive spending review, the Welsh Assembly Government draft budget and the provision of local government revenue settlements. We are much clearer today about the overall revenue impacts, and the individual settlements to local authorities were published this week. We now know that councils will face a total cash reduction of around £57 million next year, which will mean a real terms cut of around £125 million.

[156] In the report, we refer to councils having planned on the basis of a 3 per cent cash cut in revenue over the next three years, which would be about 5 or 6 per cent in real terms. Following this week's provisional settlement, the position is considerably more positive. In cash terms, budgets will be cut by an average of 1.4 per cent in 2011-12, which equates to 3.3 per cent in real terms. That is an average; most councils will face a 1.7 per cent cut next year. However, the plans for 2012-13 and 2013-14 will currently mean cash increases of 0.2 per cent and 1.3 per cent respectively. So, in real terms, the revenue grant will be approximately 6.7 per cent less in 2013-14 than it was in 2010-11. In addition to the revenue, capital spending will fall by 14 per cent next year, with further reductions to follow.

[157] While the picture is a bit more positive, the financial challenges are, nevertheless, still significant and the impacts of projects, grant schemes and so on, on local government programmes and other changes from UK and Assembly Government budgets, are still to become clear. So, we still believe that the key messages in our report remain relevant and our overall conclusion is that, while many councils are becoming reasonably well placed to respond, almost all need to make progress with detailed financial and workforce planning to reduce costs. A few authorities need urgent action in some of these areas.

[158] We base that conclusion on five areas. First, we looked at the extent to which councils had identified the financial challenge that they faced. Our analysis shows that councils face significant and rising funding gaps, but, because of the different calculations used, it is not possible to produce a consistent comparison. Nevertheless, the forecasts ranged from between £3 million and £23 million year-on-year reductions over the next three years. However, councils will now be able to refine these forecasts based on the provisional settlement.

[159] Secondly, we looked at medium-term financial planning. Most councils are making reasonable progress with financial planning, but a minority have considerable progress to make. I stress that, in looking at this, we did not just look at the plans. Medium-term financial planning is a process; it is not just about having a document in place. We looked at the quality of the evidence and thinking that informs councils' planning in the medium term and their ability to respond. We found that just two councils had medium-term financial plans that linked to wider corporate and service planning. Both those councils recognised the need for further work to refine those plans, to bridge the likely funding gap. There were 10 other councils with a plan in place, but those plans tended to just describe the budgets for the medium term. Regardless of whether they had a document called a 'financial plan', almost all councils were carrying out a detailed analysis and were planning to respond to the challenges. While they are at different stages, most are making reasonable progress, although a small minority face considerable challenges if they are to plan effectively.

[160] The third area was workforce planning, which we found to be underdeveloped, representing a major risk to councils as they aim to reduce staffing costs without a well-evidenced strategic approach. Workforce planning is not just about numbers; it is about ensuring that you have the right people in the right place at the right time with the right skills.

Achieving that balance, while also achieving major cost reductions, is a major challenge. We found only one council that had a formal workforce plan linked to its financial plans, priorities and services. The vast majority of councils were in the process of developing workforce plans, but five had made little progress over recent years and did not have a clear approach at this stage to enable them to have a full understanding of the workforce implications of the financial situation.

[161] The fourth area was collaboration. All councils have a clear commitment to collaboration, and regional collaboration is gathering pace in response to the financial challenge. However, there is a lack of evidence about the cost and the impact on citizens. We found many examples of councils working to share services and staff, with merged services, joint appointments, shared buildings and so on, but we found limited evidence that councils routinely monitor the impact of collaboration with regard to outcomes and cost. Many councils have assumed that increased collaboration will lead to improvement and significant cost savings, but, generally, they do not have the evidence to show how their collaboration will deliver those results.

2.50 p.m.

[162] Finally, we looked at performance information, and again, this links to measuring outcomes. The councils generally do not have the information that they need to understand and manage the impact of reduced funding on citizens. It is important that councils have reliable information on service quality and outcomes so that they can make informed decisions about priorities and funding. Most councils rely heavily on national performance indicators, which provide a helpful overview of key areas, but do not necessarily reflect local priorities or provide a sufficiently detailed set of management information. Indicators and measures that are often used focus on process and activity rather than on quality of service and the outcomes achieved. With tighter budgets, it is essential that councils make full use of this information to manage and improve services. As the auditor general said, we have identified a number of case studies of good and positive practice in the report, and we continue to work with councils to share that through our good practice exchange and shared learning seminars. The annual improvement reports will update the situation and, as the auditor general said, they will be published early in the new year. We expect to see progress in many of these areas since the assessment based on this work.

[163] **Jonathan Morgan:** Looking at the issue around underdeveloped workforce planning, you say in paragraph 18 that there is a significant risk that, without a robust approach to workforce planning, councils will cut staff and posts without a clear understanding of the impact on citizens or the services provided. If you look at that and also take into account the fact that councils do not yet generally have the performance information that they need, would you have expected local authorities to be more advanced than where they are now? How quickly do you anticipate, if it is possible to predict, local authorities getting into a position where these two fundamental issues will be resolved?

[164] **Mr Morris:** As you point out, there is a significant area for development here. The positive side is that there is an increasing recognition of the importance of more informed workforce planning. An increasing focus on outcomes and examination of how they impact on services and citizens can be better measured. There is a lot of activity and work going on at the moment. In terms of predicting at what point we achieve that, I think that we will see some progress in the annual improvement report, but I would not want to underestimate the challenge. These are difficult issues to tackle, and it is quite a significant issue for local authorities to challenge. The bigger concern, perhaps, is that there are some authorities where this has been particularly underdeveloped, and they have a considerable agenda ahead if they are to move from where they are now to this rounded assessment and base of information and performance, linking that to their service planning.

[165] **Jeff Cuthbert:** Thank you for this report and the oral statements that have just been made. My particular question is on the collaboration agenda, especially paragraph 23, which is on page 12. You say that work has found that all councils have a commitment to collaboration, which I am pleased to hear, but later on in that paragraph you say that some councils tend to be less clear about the purpose of collaboration. I find it incredible that they do not know why it is a good thing. I may be slightly misconstruing that, but I think that you get where I am coming from. Are we talking about one or two councils? Even that would be amazing. Is it a fair number? Could you amplify that sentence?

[166] **Mr Morris:** What is behind that sentence is that we often come across the notion that 'Collaboration or partnership working must be a good thing, so we must do it', without a full understanding of what it means, and what the benefits are. Does partnership working or collaboration bring a cost saving? Is it improving the service that you deliver, or is it just seen as a good thing to do because everyone says so? That is the concern—that there is insufficient evidence to demonstrate the cost benefits and service improvement benefits to justify collaboration and prove that it is delivering outcomes and results. That is what is behind it—that weakness in evidence. It may well be that it is there, but the evidence is weak at the moment.

[167] **Jeff Cuthbert:** Or is it—I hope that I am not being too cynical—the desire to keep things for themselves? Is it that silo mentality: 'This is what we do and we're not going to surrender anything'?

[168] **Mr Morris:** Going back a few years, I think that that was very much the attitude. My experience is that that is very much less the case now. There has been a realisation that this is essential to move forward and meet the challenges that are faced. To a large extent, I think that that silo mentality has gone away, certainly compared to my recent experience.

[169] **Peter Black:** I wanted to try to get a better understanding of some of the processes that you are talking about here. For example, on workforce planning, I think that you make the point in paragraph 17 that it is not just about numbers, but ensuring that councils have the right people with the right skills in the right place at the right time. It is not just about reducing the head count but looking at innovative ways of reducing staff costs. When you have councils with staff in the thousands—10,000 or more in some cases—who often belong to many different trade unions at different levels, achieving that is not an easy process. You just have to look at what Rhondda Cynon Taf and Neath Port Talbot have done recently, effectively issuing notices to their staff to change their terms and conditions, which is part of what this is all about. Are there obstacles that councils are finding it difficult to overcome to do with the issues of collective bargaining and negotiation with staff, which are slowing this process down? Do you have any ways around those obstacles?

[170] **Mr Morris:** Those obstacles are certainly there. The sort of things that you have just described are an issue. Many authorities have still to complete their job evaluation and single status processes. Again, those are obstacles to taking this forward. However, we see examples of where this is being done well. You will see from the good practice examples that a couple of the larger councils in Wales with the largest workforces are some of those making really good progress. So, there is evidence that it is possible, even in a very large and complex local authority, to establish a good workforce planning framework. The challenge is for those other authorities to learn from that good practice and apply it. It is not easy, but it can be done, and we are seeing examples of that already.

[171] **Peter Black:** Equally, looking back to the paragraph that Jeff referred to, with regard to understanding why authorities collaborate—and I sometimes think that the Minister has the same issue in that he wants collaboration but does not fully understand what the outcome of

that will be—I know of a number of examples of this. My area is South Wales West—I am based in Swansea—and I know that authorities there have tried to collaborate on legal services. It has taken years to negotiate between the various councils. There are so many conflicting interests, not to mention the fact that lawyers basically oversee every full stop and comma of the agreement. Is there a way of getting past those particular obstacles to make that collaboration process work more quickly? Is there good practice or guidance or some intervention that might help those collaborative ventures come about more quickly?

[172] **Mr Morris:** There are certainly some examples of good practice, and we will be working over the next few months to identify more of those and get more of them on our good practice exchange. There is a bit of a dilemma here in that, on one hand, you want to move quickly and smoothly to a new, more productive arrangement, but, on the other hand, it is important that, if you are setting up a collaborative arrangement, it is based on solid governance arrangements, with clear accountability, so that it does not run into problems further down the line. There is always a tension between ensuring that the business case is sound and the governance arrangements are solid and moving forward quickly. It is a tension that authorities are having to manage. In my experience, that sometimes causes conflict between one partner who wishes to move forward quickly and another who is saying, ‘Wait a minute; let’s make sure we’ve got all the arrangements in place’. It is quite a challenge to strike the right balance between the two so that it is not held up for years or undermined by weak arrangements.

[173] **Mr Thomas:** I wish to add to that, because the issue is that you have collaboration and partnership. They need two things behind them. First, they need a lot of trust to have been built up over the years. If you are trying to do a quick fix against a background where there have been tensions in the past, it is not easy to move to that first stage. Secondly, the collaboration needs to be owned by the whole organisation. It is very easy to have one or two people who are really dedicated to work together, but unless they are carrying the organisation behind them, and have the authority to commit that organisation, then it runs into difficulty. It is, as the report indicates, an area where progress is being made. It is not, however, likely to be an area where you will get quick fixes in the short term. That is what this report underlines, and what the evidence that we heard from June Milligan underlines, in terms of the work of the efficiency and innovation board.

3.00 p.m.

[174] **Nick Ramsay:** Thank you for your report, which was very detailed. You have painted a picture of quite an uneven situation across Wales in terms of local authorities that are better placed for dealing with the obvious cutbacks that are coming. In terms of workforce planning, could I ask for the specific details? You referred to some case studies of councils, and I think that you mentioned that two councils have medium-term financial plans, and one has linked workforce planning formally with financial planning. I just wondered which councils those were, because that is obviously good practice, which could be replicated.

[175] **Jonathan Morgan:** Before we open up a can of worms, I would not mind shying away from trying to unpick those local authorities where there are particular problems. Otherwise, we may be accused of acting as judge, jury and executioner with regard to those authorities that are struggling.

[176] **Nick Ramsay:** Okay. However, one council has linked workforce planning to financial planning, which is a good thing. Could we have that information? Or do we not want to go into this at all?

[177] **Mr Morris:** That is one of the good and promising examples. It is the Cardiff people strategy—that is the one that we highlighted there as good practice. That is where we have

seen the most comprehensive framework in place at the moment.

[178] **Nick Ramsay:** I will not ask for any further details, as I see that the Chair is looking at me menacingly. [*Laughter.*]

[179] **Jonathan Morgan:** There is a consequence, otherwise, that we end up trying to name and shame. What we want is a general picture of where local government is placed so that we can compare this with the evidence that we received from Steve Thomas, the chief executive of the WLGA, when we come to draw our report together. Highlighting good practice is one thing, but highlighting bad practice is another.

[180] **Nick Ramsay:** To be fair, the report has highlighted different positive things across different authorities. There are positive things in a lot of the areas. Specifically on the workforce planning, you mention on page 10 that five authorities need to take urgent action. I assume that that is because, as finances become stretched, if those issues are not sorted out, then they could be headed for difficulties. What sort of timescale do you have in mind? How urgent is the need to deal with those issues?

[181] **Mr Morris:** As they now know the result of the settlement, they will need to work through the implications of those cuts on their budgets. It is essential that they do that in an informed way and see what the workforce implications are. Simple cuts can result in poor service if you are not looking in a smart way at how you can adjust your workforce to meet that. We would be expecting them to do this now as part of their detailed planning for the 2011-12 budget and beyond in the light of the much clearer information that they now have and the implications. We are seeing progress this on now and we will continue to monitor it closely.

[182] **Janet Ryder:** Are there examples of where councils that are working collaboratively have joined up their workforce planning?

[183] **Mr Morris:** I am not aware of any examples of that, beyond situations where you might have a service merged between two authorities.

[184] **Janet Ryder:** The merged service idea has not linked in to how they plan their workforce, has it? Presumably, if you merge a service, that will have implications for the workforce.

[185] **Mr Morris:** It will. What I am trying to say is that, those are the few cases where we are seeing some joined-up workforce planning—where merged services, or a joint head of services, are beginning to look at how they can develop a workforce that meets the joint need of the two or more authorities. That is beginning to emerge as these collaborative ventures gather pace. We are seeing that being looked at currently, because many of these joint services and mergers and joint heads of services initiatives are still at the early stages.

[186] **Janet Ryder:** Councils now know what their settlement will be, and can start to plan according to what that means for them, and if they have not already done that workforce planning, they still have to set their budgets. Therefore, are we likely to see what could be termed short-term, knee-jerk reactions that could jeopardise good workforce planning in the future?

[187] **Mr Morris:** That is our concern for the authorities that have less developed planning arrangements, rather than plans; it is having those arrangements that enable you to be agile, to move and to adjust your workforce. So, we are concerned that, in those authorities where those planning arrangements are weak, it will inhibit their ability to respond to the reductions in the most appropriate way.



[188] **Janet Ryder:** One of the points that you have raised previously relates to the single status and equal pay for women. We know that a number of councils still have to move on that. How will that hamper them? Are there any councils that will not be able to meet that now?

[189] **Mr Morris:** I cannot answer that specific question. It is an inhibitor, because if you are still working through those negotiations and making adjustments based on that, it would limit your ability to adjust your workforce in the light of the cuts. Therefore, it is clearly a constraint. I am afraid that I cannot answer the question as to exactly where we are at the moment in terms of those that are still outstanding.

[190] **Mr Thomas:** I do not think that we have information to answer that, but I know that it was a major issue of discussion at the partnership council. Once the minutes of that meeting are available, I think that the committee ought to include those in its evidence.

[191] **Lorraine Barrett:** I wanted to ask a question earlier when Jeff discussed the collaboration agenda. The auditor general said that it involves everyone in the organisation. We talk about councils, but there are officers, that is, the workforce, and there are councillors. Is there a general feeling that councillors are engaged with the project as opposed to the officers, or just the executive, which, ultimately, has to make these decisions?

[192] Looking across the whole agenda, with regard to the workforce in general and trade unions, are they all involved in this consultation? I am thinking particularly about sharing ideas, because sometimes, if you are doing a job, you may have an idea of how you could get the best value. We do not want the workforce to be like turkeys voting for Christmas, but it is not just about councillors, the executive, and senior officers; there is a whole raft of workers who do the job day to day. Do you have a feel about whether there has been any real involvement at that level? It is such a huge issue to deal with that everyone should be involved.

[193] **Mr Morris:** It is difficult to generalise. You see some examples where there is very effective engagement and others where it is less so. Shared learning and sharing good practice is certainly an area for development. We often see examples of good practice—sometimes even within organisations, where one service has an effective workforce planning arrangement, but a service in the same organisation is far less developed. So, there is more to do between organisations and within them to share that. We try to support that through good practice exchange in our work, but that is a major area for development, because all authorities are facing the same challenges. Where there is good practice, let us share that and learn from it. It may not apply everywhere, but there are lessons to be learned.

[194] In terms of the engagement of councillors, generally, we see a lot of positive engagement, particularly through the regional partnership boards, where leaders, as well as officers, are heavily involved in taking the issues back to their members. So, my experience is that there is quite a positive engagement of councillors in the collaboration process. When you are looking at accountability, and governance arrangements around collaborative ventures, they have to be involved because of the implications for their role as councillors.

[195] **Jonathan Morgan:** I see that there are no further questions. We will return to this matter in our private session at the end of this meeting so that we can consider what more we wish to do with this and how we want to include it as part of our consideration on our draft report. I thank Alan Morris for his assistance this afternoon. The auditor general will stay at the table for the next item.

3.10 p.m.

**Tai i Oedolion ag Anghenion Iechyd Meddwl: Sesiwn Frifffio gan Archwilydd  
Cyffredinol Cymru  
Housing for Adults with Mental Health Needs: Briefing from the Auditor  
General for Wales**

[196] **Jonathan Morgan:** The auditor general and the Wales Audit Office published a report on Tuesday entitled 'Housing services for adults with mental health needs' and the auditor general will brief the committee on it. We will then ask a number of questions on the report, which has generated a significant amount of press attention.

[197] **Mr Thomas:** As you said, this report was published earlier this week. Before turning to the report, it would be helpful to indicate the background and how this relates to some wider work that we are doing.

[198] In 2005, the Wales Audit Office published a baseline study review of mental health services for adults. This was at the request of the Welsh Assembly Government to inform its implementation of a national service framework, and to act as the benchmark against which future progress could be measured. The review at the time concluded that the overall way in which adult mental health services were planned, organised and funded did not support the delivery of a national service framework, so we flagged up some concerns. In response to that, the Welsh Assembly Government published a revised adult mental health national service framework called 'Raising the Standard', together with an action plan for Wales that covers the period that we are now in up to 2012-13. It also gave an additional £5 million in recurring funding for mental health services, and asked each of the 22 local multi-agency health planning groups to produce action plans to manage the implementation of the targets contained in the revised national service framework.

[199] Over the past year, the Wales Audit Office has carried out a follow-up review to this broad baseline review to assess the progress being made in addressing the gaps and the variations in service provisions that were identified at the time of our first review. We intend to publish the findings of this follow-up review in a national report in the new year.

[200] However, in carrying out the follow-up work, it became clear that there were issues relating specifically to housing and the related support services that warranted separate consideration, hence the report that you have before you.

[201] This report looks specifically at the planning and delivery of housing services for adults with mental health needs, and whether there have been any improvements since 2005. It focuses on three key issues, namely the progress made by local authorities in delivering the housing targets set out in the national service framework, whether the weaknesses that were identified in 2005 in respect of multi-agency working between health, social care and housing in assessing needs, planning and commissioning of services had been remedied, and to form a judgement on how far front line housing, homelessness and temporary accommodation services for people with mental health needs had improved.

[202] The report sets out the findings from that study, and the eight areas in which we make recommendations. Our general conclusion is that despite the clear expectation set out in the national service framework, there has been little progress since the baseline review in 2005 in improving the planning and delivery of housing services for adults with mental health needs. I will pass you over at this stage to Nick Selwyn to comment on the recommendations and to explain the background in more detail.

[203] **Mr Selwyn:** As the auditor general said, we looked at three sections in the report

around housing specifically. Part 1 of the report looks at the progress made by local authorities in delivering the nine housing targets that were set in the revised 'Raising the Standard' national service framework. Our field work identified that, generally, there had been poor implementation and poor progress by local government in delivering these particular targets. The targets were set in relation to three key areas: to gain a better understanding and a better working relationship between agencies to improve multi-agency working; to look at how organisations plan and identify needs to support the development and planning of new supported housing and support services; and to improve the way in which people who may have had a mental health need and were vulnerable at that time could access services.

[204] The targets were set for delivery from March 2006 to April 2010. At the time we undertook our field work, we were looking at how well they had delivered against eight of the targets, with one of them due for completion in April 2010. Overall, we found that no local authority had delivered all the targets set. Only two authorities had met and delivered half the targets. None of the targets had been delivered in one authority, and generally there had been poor performance in terms of delivering the targets.

[205] We also looked at the arrangements in place to support the management and delivery of the national service framework that was set by the Assembly. We found that, in terms of the national service framework, there were quite good and clear governance frameworks in place. It had stipulated the processes to be used by local agencies to manage, plan and deliver services; however, we did identify some weaknesses in this. Generally, among housing organisations, there was low awareness of the commitments that they were required to deliver against. They were very often seen as health and social care priorities rather than housing-specific targets. In terms of promotional activity, we identified that the Assembly Government had undertaken a number of activities to ensure that housing agencies were aware of their commitments, but generally, these were viewed by the organisations charged with delivering them on the ground as ineffective and not really raising their awareness of what they were expected to do.

[206] When looking at the specific targets that were in place, we found that the key guidance that determines and delivers how local authorities should plan and provide their housing services had not been amended to reflect the requirements of the national service framework. Important documents such as the code of guidance on allocations and homelessness, the planning arrangements for supporting people, and the regulatory code for housing associations had not been updated to reflect the commitments set out in the national service framework. It is therefore quite understandable that the local organisations were not really aware of what they were required to do.

[207] We looked at how local organisations were managing the delivery of the specific targets, and we found that, in each case, there was a local action plan within the local authorities. However, in only nine of the 22 local authorities were the housing targets included in full. In two local authorities, no information was included on the housing targets specifically. We also found that the updates on the action plans and how they were being managed in terms of delivery varied considerably. In the case of eight councils, nothing had progressed since 2006. Three years on, when we were doing our field work, there seemed to be a stop in time and nothing really happening. We found that the systems for the Assembly Government's checking and monitoring of delivery, while very clear in the national service framework, were not necessarily being followed through in practice. One of the requirements was for quarterly self-assessment reports by local agencies to be delivered to the Assembly Government, setting out how they were progressing in delivering the targets. We found very few examples of these reports being provided and, generally, where they were provided, they did not make clear links to the national service framework. So, it was very hard to pick up on which targets were being progressed and whether any activity was actually benefiting people

on the ground.

[208] We found that the reports, when they were received by the Assembly Government, were not necessarily subject to any challenge or scrutiny. It was not very clear how well managed this was and how well co-ordinated it was, centrally, to ensure that the specific targets and commitments were being picked up and delivered.

[209] The second part of our report, as the auditor general said, looks at the processes that were used to determine and plan strategically for new supported housing and housing services—

[210] **Peter Black:** Chair, could I ask at the end—

[211] **Jonathan Morgan:** I would prefer us to hear the presentation first. I will bring you in first.

[212] **Mr Selwyn:** Overall, we concluded that, since 2005, there had been no real progress since the baseline review. We found that all authorities were producing Supporting People operational plans, but in four instances, these were not subject to annual updates and changes, so they were not really reflecting the current needs position within the authority. We also identified that there were some gaps in the information sources used to plan and determine services in 75 per cent of the local authority plans. The sorts of things that we came across were instances of double counting of clients, in which individuals were picked up through more than one process to plan and identify need. A number were still using manual systems to manage co-ordination of the needs mapping exercises, which made the analysis and planning of priorities quite difficult to develop. Some local partner agencies that were seen as key in terms of identifying and planning the support needs of individuals were refusing to participate in the system. This was uneven across Wales, but in a number of areas, it did affect the quality of the information being provided. We found that links to other good sources of information, which would support local authorities to plan effectively in terms of supported housing, were not being used—information held in unified care assistant systems run by social services and the care patient assessments held by health were not integrated in the Supporting People framework.

[213] We found that while SPOPS—the Supporting People operational plans—were produced and submitted to the Assembly, there was no real national assessment taking place centrally to identify the total level of supply and demand for supported housing in Wales, what the current pressure points were in terms of the individual client groups, what information could be used to determine policy direction and revise current policy around supported housing, and whether there was any good practice that could be shared with local authorities to improve the overall information base that was being provided.

3.20 p.m.

[214] The second part of the report is on the integration of planning and how agencies work together. We found that in the Supporting People planning groups that were in place and statutorily required to have representation from health, housing, social housing and probation, only a third of authorities had full representation in place on a consistent basis. These were felt to be operating particularly well and allowing the Supporting People planning groups to identify and agree their priorities.

[215] We identified that some recent changes in NHS reorganisation, and the results of stock transfer, may have caused some of these difficulties with regard to the planning groups bedding in and being able to operate effectively. However, the issue that we identified in 2005 about housing often being seen as a service area quite peripheral to the development and

agreement of policy around health and social care still remains. Many of the officers we spoke to in local authorities in particular and in housing associations referred to the difficulties that they experienced to get housing to the table and recognised as a key partner in delivering support services.

[216] The third part of the report is probably the most important element, because it looks at the impact on individuals, particularly those with low-level mental health needs, of accessing housing services. In the original baseline study, we identified two strands that raised concerns: first, how homelessness services were provided to individuals and, secondly, how those individuals accessed social housing. One of the main benefits that we picked up was that there has been a significant reduction in statutory homelessness in recent years, with an overall fall of around 40 per cent in the numbers accepted by local authorities, and a fall of around 50 per cent in the total number of those with mental health and learning disabilities. That notwithstanding, we identified some areas where there could be improvements for homeless clients. Temporary accommodation is one such area, and while it has seen some improvements in quality and standards through the Homelessness (Suitability of Accommodation) (Wales) Order 2006, our fieldwork still identified ongoing problems of homeless people being placed out of county, often quite far from the host authority. That brought with it its own difficulties for them in trying to make the transition from temporary accommodation to permanent accommodation.

[217] We also found issues of concern in the systems used by local authorities to risk-assess individuals and to determine the best placements for clients. In 13 of the 22 authorities, there were no structured systems in place to support them to identify the particular needs of a vulnerable person and how best to rehouse them. We also found that there were ongoing problems were picked up in to do with discharge from institutions, such as prisons and hospitals, and local authority homelessness staff were often still finding it difficult to gauge the particular needs of the individual. People were still presenting as being homeless, but there was no pre-planning in place.

[218] With regard to access to social housing, we undertook a survey in which 310 clients with mental health needs responded about their experiences of the services that they received around social care, health and housing. Specifically to housing, approximately 6 per cent reported that they had been refused accommodation by landlords due to their vulnerability, and a further 23 per cent felt that they would have benefited from assistance from health and social care specialists in resolving their housing needs. We found that there were still ongoing practices whereby some local authorities were adopting exclusion policies, which basically did not allow certain groups of clients to get onto waiting lists, even though guidance provided by the Assembly Government requires authorities to operate suspension policies that are more focused on allowing someone to manage their particular needs. We also found that there were still some issues for housing associations that operated exclusion schemes from the waiting lists.

[219] The final part of the report tells us that while we acknowledge the work done, there were many issues that had not been improved in 2005, but because of the absence of a well-structured, focused performance management framework, it is very difficult to gauge the level of the problem. While information is provided by local authorities and housing associations on housing services and homelessness services, it is not always possible to gauge the specific impact on clients with mental health needs, because there is no requirement for them to report specifically on a vulnerable client's needs. So, we are not certain about the scale of the problem, but judging from the rest of the information, we suggest that things have not improved significantly since 2005.

[220] The report itself makes a number of recommendations, as the auditor general said. Eight recommendations are set out, and they are aimed at ensuring that the national service

framework's targets are delivered; improving multi-agency planning by health, housing and social care; safeguarding vulnerable people who may occupy temporary accommodation; removing barriers faced by people with mental health needs in accessing social housing and sustaining tenancies; requiring that stock transfer associations that now take on that direct management role in those local authorities where the stock has been transferred have a greater say in delivering the NSF targets; improving the range and scope of national performance information on housing and support; addressing weaknesses in the quality of data in Supporting People operational plans; and requiring agencies to work better together to provide better services locally for people with mental health needs.

[221] **Jonathan Morgan:** That is extremely helpful. The graph in figure 2 of your report shows that 13 local authorities did not achieve any targets within the NSF timescale, although it says that they are being progressed, and that one authority, Cardiff, is not only not progressing any targets, but is not attempting to progress targets within the national service framework timescale. As one of two members of this committee who represent a Cardiff constituency, I find that a scandalous position for the capital city to be in, particularly considering the large number of people who receive their mental health care services in Cardiff. On those two particular issues, as this is part of the national service framework, what, if anything, has the Assembly Government done to try to challenge all local authorities, and certainly the 13 that are progressing, but not within the timescale, to improve their performance to meet the expectation in the NSF? This is a Government target; therefore, I would imagine that the Assembly Government should have some handle on this. Secondly, with respect to Cardiff, where no target has been progressed, what is the risk to those vulnerable adults who leave mental health care services and, as a consequence, need to access housing support?

[222] **Mr Selwyn:** To deal with the first question on the Assembly Government's monitoring to ensure that the targets are delivered, our fieldwork identified that little activity was taking place in this specific area. So, while there was a requirement for organisations to supply the Assembly Government with monitoring reports, which were very much self-assessments and not audited independently, it was not happening. We found no evidence, certainly in Cardiff's case, that it had supplied anything that showed how it had progressed the specific targets. At this point, no-one is holding the individual authorities to account.

[223] On the second question on the specific services in Cardiff, work may be taking place currently in these areas, because it has been raised as an issue since we did the fieldwork, but at the time of the fieldwork, there was little activity on these particular points. In Cardiff's defence, in the report, we identified one example of good practice in the risk assessment processes that it used. That is recognised as the best example of that particular process in Wales. So, it was doing something positive, but on the specific targets, you are right that no progress was being made.

[224] **Jonathan Morgan:** There is quite a variation between the authorities. If we look at the best performing authority, namely Swansea, we see a marked difference between that and the worst performing authority.

[225] **Peter Black:** I find this report absolutely shocking and I do not know where to start. I have four or five issues that I want to ask questions about, so, bear with me. What came out of this report for me was a question about who takes responsibility for delivering these services for adults with mental health needs. A whole range of agencies is involved. Even within the council, you have the housing department and the social services department, which do not always talk to each other. You also have several support groups, and I think that Gofal Cymru is mentioned as one of them. It is a group that operates in my area as well as in Bridgend. How do you pin down who takes responsibility in a local council or a local council area for ensuring that all this provision is delivered? That is the first question.

[226] Secondly, the Supporting People plans should pull all this together. You have identified that that is not happening and that the Assembly Government does not appear to have a sufficient overview of how that is working. A review of Supporting People by Mansel Aylward has just been published. Do you know whether that and its recommendations will make any difference to that situation?

3.30 p.m.

[227] Thirdly, I was wondering about the provision for adults with mental health needs. Did you look at that transition period from child and adolescent mental health services, which has been identified as an issue so many times before? When moving from child and adolescent services to adult services, is there a gap that people are falling through? I would guess that temporary accommodation might be part of that issue.

[228] Finally, is there any evidence, when you look at homelessness services, that councils are failing in their duty to take vulnerability into account when considering homelessness priorities? I am concerned about the reference to the quality of temporary accommodation, because that was meant to be addressed as part of the phasing out of bed-and-breakfast accommodation. It is quite clear in the Homelessness Act 2002 that they have to take that into account.

[229] **Mr Thomas:** I will start with the generality, and the whole delivery of a national service framework that, by its very nature, is dealing with a group of people who need multi-agency support. Yes, you can say that we should pin down who is responsible for what in particular areas, but because the national service framework itself is a recognition of this multi-agency work, we would have expected greater drive from the Welsh Assembly Government to ensure that it was receiving updates. The updates that were being provided by some should have been seriously being looked at, and questions asked. However, in a sense, there is almost a picture of a strategy being produced and then it being hands-off. In that regard, multiple agencies that have pressures on them from other directions as well will not remain focused. The graph that shows progress on delivering this suggests that there are real deficiencies of overall drive and co-ordination.

[230] **Mr Selwyn:** If I deal with the specific technical aspects, we were aware that a review was being commissioned on Supporting People, and that was brought to our attention. My understanding is that the findings of that review pretty much echo some of the issues that we have identified in this report. We are aware that it picked up concerns around the quality of needs information, and planning groups were not necessarily operating as well as they could have. The sorts of things that were being identified are consistent with those issues.

[231] In terms of CAMHS, we did not look specifically at that level of engagement. I know that we published a report last year that picked up on CAMHS, but this specific project did not address that.

[232] On your final question, about temporary accommodation being of sufficient quality to ensure that vulnerable people are supported, in terms of the specifics set out in the 2006 report, we would say that, yes, for those under 18, that was a consideration that was being taken on board. We were trying to draw attention to the fact that some individuals with mental health needs who are extremely vulnerable are not included in the groups that are specified in the 2006 Order. We identified that 13 of the 22 councils did not have risk assessment processes in place and were not necessarily considering the specific vulnerability issues of the individual, or how best to place them. That raised concerns. In terms of the quality of temporary accommodation, we were told that authorities were providing accommodation consistent with the standards, but there was nothing to independently verify that, I am afraid.

[233] **Lorraine Barrett:** You would have expected me to pick up on what you picked up, Chair, because that graph is startling in relation to the position of Cardiff. My colleague, Jeff, and I have just been discussing who is responsible and I have written down councils, the NHS, social services and the police for those areas where ex-offenders are re-settling and there are issues to be dealt with. I did not really want to add the police to the list, but my criticism of case study 4, and something that features generally through the report, is that I am saddened when I hear of people of mental health issues being bracketed with offenders when it comes to housing need. These case studies are very helpful. Case study 7 about the lady in Wrexham is very sad, and I know that Ann Jones would take an interest in that case, as it involves a deaf homeless lady. I would like to make a couple of general comments about the lack of joined-up thinking and working. Nick Selwyn covered that in relation to the question that Peter asked, but Peter did not mention the NHS. How big a part does the NHS play, or should the NHS play, in this multi-agency work?

[234] The other area that I am interested in is sensitive letting because, like many other Members, I have quite a few constituents who are vulnerable. They are often offered the flats that no-one else will take and they are then targeted because they are vulnerable. That cycle continues. They cannot continue living where they have been living and they do not have the support mechanism that should follow them once they have been offered accommodation. I do not know, Nick, whether you could say something about that. I appreciate that councils do not have enough accommodation for it to be easy. We accept that. Available accommodation is not abundant, but the issue of sensitive lettings is important in some cases.

[235] **Mr Selwyn:** In terms of the engagement with health, we would say that the NHS has two or three key roles to play in this. First, as identified in the report, it provides and collates a lot of detailed information on needs, and it can support the local Supporting People planning groups to quantify accurately what is required.

[236] Secondly, as Alan said earlier, collaboration is critical within local government, but it is also important across sectors, with health and housing services. Health services have access to resources and ways of working that could assist local agencies, housing associations, housing departments and social services to develop innovative solutions that would address some of the risks and the problems that we have identified. However, we did not see many examples of that.

[237] Thirdly, on a local level, one of the risks that we identified, which has continued since 2005, relates to discharge planning. Health services have access to detailed information. Sadly, the integration of information systems and the way in which that information is made available does not necessarily take place in all cases. We identified examples where people were presenting, pretty much, straight from the hospital to the homelessness service for assistance with no information being provided beforehand.

[238] The report picks up on one issue in relation to sensitive lettings, but this may be a bit technical in its phraseology, so I apologise for that. This is about the tailoring of services. We asked whether organisations understand the particular needs of a vulnerable person and how best to provide a service to them to ensure that they are supported to maintain their accommodation and whether they think of ways to engage with them to help them to sustain that property. We found that no local authority had any systems in place to tailor services, so that was generally not being considered. There were local variations, where officers may undertake certain duties in a particular way, but that was not in place as a standard policy and you are quite right to say that sensitive letting is a big issue.

[239] **Ann Jones:** The graph shows clearly that, for example, Cardiff has not attempted to do anything, but few of the others have attempted to do much either. Is there any evidence



that councils have access to cheap private lets, so that they could push someone down the private letting route in cheap accommodation? I am referring to bedsit-land. Cardiff has a huge number of bedsits, and my own area is not without its problems in that area. So, do councils feel that, because there is an abundance of cheap accommodation, that they can do that? In addition, the housing benefit of vulnerable people used to be paid directly to a landlord. Is it more likely that those private landlords will take more vulnerable people for a period of time, then get fed up with them and put them back out into the council's domain? Is there any evidence of that in your work?

[240] **Mr Selwyn:** In terms of the use of the private rented sector to rehouse vulnerable people, we did not pick up on any specific issues around that directly. The national service framework is clear that the responsibility rests with the social housing landlords to make the first provision, so the expectation is that housing associations and local authorities—

[241] **Ann Jones:** Social landlords, but not private landlords.

[242] **Mr Selwyn:** No.

[243] **Ann Jones:** If councils are directing people to private accommodation that is, in many cases, substandard, but where the landlords will take them because the housing benefit would be paid directly to them, these vulnerable people become more vulnerable when the landlord gets fed up with them and puts them back out on the streets. I am trying to find out whether there is any evidence about that.

3.40 p.m.

[244] **Mr Selwyn:** We did not get anything specific on that particular point.

[245] **Peter Black:** It strikes me that the key issue with regard to stock transfers is that, once a local council transfers its stock, it becomes far more important that it acts in a strategic way, particularly with regard to the delivery of its statutory duties on homelessness and vulnerable people. Of course, they do not always have to work with the stock transfer company, because there will be a number of other housing associations that they can work with in that regard. I noticed that you picked up on some of the issues that I have come across in some of the areas that I represent, such as councils failing to put in place adequate arrangements in that regard. However, rather than concentrating on the stock transfer company, do you not think that we should be recommending that the Government reinforces its guidance on those strategic aspects of housing provision in relation to stock transfers, so that councils understand their duties and how to behave in that situation?

[246] **Mr Selwyn:** My understanding is that, as part of the approval process for stock transfers, one requirement is that the authority transferring the stock must demonstrate that it has set aside sufficient resources to establish the maintained housing service to undertake those statutory duties. I think that that has already been picked up. We must bear in mind that this is looking back over a period of four years, before that particular requirement was introduced. So, in some ways, that has already been addressed by the Assembly Government.

[247] **Jonathan Morgan:** As a committee, we now need to decide how to proceed with the report. One of the options that I considered was reporting jointly on this and the forthcoming report on mental health services. However, I have been informed that, because of timescales, that may be a bit on the tight side. So, I suggest that, at the very least, we need to ask the relevant accounting officer to appear before the committee to answer questions, because there are clearly issues here that we need to explore with the Welsh Assembly Government. The accounting officer is Clive Bates, who is the director general for sustainable futures. My preferred option would be to ask him to appear before the committee in the new year.

[248] **Peter Black:** Which Minister does the accounting officer report to? Would it be Gwenda or Jocelyn?

[249] **Jonathan Morgan:** I presume that it would be Jocelyn. Initially, I thought that this might be another one of Paul Williams's appearances, but Clive Bates is the accounting officer who signed off the report.

[250] **Janet Ryder:** When we have asked accounting officers to committee before, there has been a slight tendency to delegate it to the officers or say, 'I've done my bit and I can't do any more'. I accept that this is the officer who signed off the report, but if an awful lot of this pertains to health or housing, are we satisfied that he is the one who will be able to bring influence to bear?

[251] **Jonathan Morgan:** Following the appearance of an accounting officer some time ago at the Public Accounts Committee, I sought assurances from the Permanent Secretary that accounting officers who sign off reports, where there is clear crossover between one, two or even three departments, would be fully briefed to be able to answer questions in relation to more than one department. So, there would be an expectation that Clive Bates would be able to answer questions in relation to more than one department—in relation to the operation of the health service or local government. So, there should be no problem with that at all. I am sure that we will make that clear when we invite him to appear before the Public Accounts Committee.

[252] Are Members happy with the suggested approach? I see that you are. I thank Nick Selwyn for being with us this afternoon.

3.44 p.m.

### **Cynnig Trefniadol Procedural Motion**

[253] **Jonathan Morgan:** 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).*

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

*Derbyniwyd y cynnig.  
Motion agreed.*

*Daeth rhan gyhoeddus y cyfarfod i ben am 3.44 p.m.  
The public part of the meeting ended at 3.44 p.m.*