



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

**Y Pwyllgor Archwilio  
The Audit Committee**

**Dydd Iau, 1 Hydref 2009  
Thursday, 1 October 2009**

**Cynnwys**  
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Procedural Motion

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

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

**Aelodau Cynulliad yn bresennol**  
**Assembly Members in attendance**

Lorraine Barrett	Llafur Labour
Bethan Jenkins	Plaid Cymru The Party of Wales
Huw Lewis	Llafur Labour
Jonathan Morgan	Ceidwadwyr Cymreig (Cadeirydd y Pwyllgor) Welsh Conservatives (Chair of the Committee)
Nick Ramsay	Ceidwadwyr Cymreig Welsh Conservatives

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

Gillian Body	Swyddfa Archwilio Cymru Wales Audit Office
Jeremy Colman	Archwilydd Cyffredinol Cymru Auditor General for Wales
Ian Gibson	Yr Uned Llywodraethu Corfforaethol, Llywodraeth Cynulliad Cymru Corporate Governance Unit, Welsh Assembly Government
Gareth Hall	Cyfarwyddwr, Adran yr Economi a Thrafnidiaeth, Llywodraeth Cynulliad Cymru Director, Department for the Economy and Transport, Welsh Assembly Government
Y Fonesig/Dame Gillian Morgan	Ysgrifennydd Parhaol, Llywodraeth Cynulliad Cymru Permanent Secretary, Welsh Assembly Government
Rob Powell	Cyfarwyddwr Astudiaethau Arloesol, Swyddfa Archwilio Cymru Director of Innovative Studies, Wales Audit Office

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

Daniel Collier	Dirprwy Glerc Deputy Clerk
John Grimes	Clerc Clerk
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. Welcome to the National Assembly's Audit Committee. This is our first meeting of the new term. Before I go through the usual housekeeping arrangements, I welcome our guests and those giving evidence this afternoon: Dame Gillian Morgan, Permanent Secretary, and Mr Gareth Hall.

[2] The housekeeping arrangements are fairly standard, but I remind people that we operate in Welsh and in English. There are headsets for translation or for amplification. I remind people to switch off mobile phones, BlackBerrys and pagers because they will interfere with the electrical systems. If there is a fire alarm, please follow the advice of the ushers. I have not been warned of a drill this afternoon, so if the fire alarm does sound please follow the advice of officials.

[3] I have received apologies this afternoon from Janet Ryder, Mike German, Lesley Griffiths, Janice Gregory and Irene James. Huw Lewis will be with us, but he will be slightly late.

1.30 p.m.

**Prosiect y Ddraig Goch: Sesiwn Dystiolaeth y Swyddog Cyfrifyddu  
Red Dragon Project: Accounting Officer Evidence Session**

[4] **Jonathan Morgan:** The first substantive item on the agenda is to receive evidence from the accounting officer on the Red Dragon project. Before we start with the questions, could you formally identify yourselves for the record?

[5] **Dame Gillian Morgan:** Thank you. I am Gill Morgan, Permanent Secretary of the Welsh Assembly Government, and I am the principal accounting officer.

[6] **Mr Hall:** I am Gareth Hall, director general of the Department for the Economy and Transport at the Welsh Assembly Government.

[7] **Jonathan Morgan:** Thank you very much. I warmly welcome you to the Audit Committee. I will start with a couple of questions, and Members will also wish to come in.

[8] In the written response that you provided to the committee, Dame Gillian, you clearly set out why there was not a legal joint venture in the Red Dragon project. Do you accept that there could and should have been a more collaborative rather than competitive approach in developing the project? If so, how might that have been achieved?

[9] **Dame Gillian Morgan:** It would be fair to say that I think the report is interesting and makes a lot of helpful conclusions, but, on the ability to develop a joint project, some things could have been done in a much more joined-up way. Clearly, that is the learning that we are trying to build into what we do in the future.

[10] Several things are very difficult. The first is the issue of what you apprise. What is a joint project? Is a project joint or is it two aligned projects? Are projects the same? Do they have to have a single definition and boundary?

[11] In this case, two specifically separate projects worked together on the issues that were aligned, but worked separately within their own departments. The very interesting thing about that is not what happened with Red Dragon but the questions that you will want to ask me about going forward. There are a number of issues that devolution will highlight that will make some of the lessons from the Red Dragon project the sorts of things that potentially could recur in the future, where getting Whitehall departments and the Welsh Assembly Government to work together on truly joint projects may be less and less usual as we move into the future.

[12] **Jonathan Morgan:** You said that there are clearly ways in which you can learn from the experiences of the Red Dragon project. What specific things have been learned and what changes have now been made to ensure that the potential for joint working is examined, if

ever a project of this nature is to be entered into in the future?

[13] **Dame Gillian Morgan:** There are a number of things that you can do to make projects of this nature more effective, and some of them are evidenced in literature. There is a very good review in the *Harvard Business Review* that talks about good and effective partnership working. We are trying to build in the sort of things that it talks about. The first thing that you should do in a joint project is be sure which bits of the project are joint, which bits of the project are separate, and have some idea of the common understandings. So, with that, the audit report has pointed out that understanding of the common assumptions.

[14] The second thing that you should do is be very clear about the dispute resolution process before you enter the project. Many projects work very well when everything goes wonderfully well, but they fall apart when things begin to get difficult because there are no established routes to resolve tensions and problems. There are some issues around that that sometimes cause us, in our relationship with Whitehall, to find it difficult to get proper resolution. We can do our best if both parties are willing to take that type of approach.

[15] The next thing that we can do in project management arrangements is be very clear that we have people who are properly trained to do project management. That is not just an add-on; it requires a range of specialist skills that we are now pushing forward quite hard within the Assembly Government to make sure that, for all major projects—and not just building projects, but policy projects—we have an individual who manages the programme as a whole, from the beginning to the end, and makes sure that all the right people are played in at the right sort of time.

[16] The next thing we can do is make sure that we use the best and the right range of information in the assessment that we make of every project. It is already mandatory for our capital allocations, but what we have now introduced for the way we do more and more business in the Welsh Assembly Government is the five-case model, which requires us to collect a lot more information in a much more systematic way, so that when we come to reach judgments we do so in a consistent and shaped format from episode to episode.

[17] Those are the main things that we are doing, and you can see examples in how we handle the debate with the Ministry of Defence, which indicates some of those characteristics as we go forward.

[18] Another thing that I am very keen to do—and we are working on developing our ability to do these assessments—is use the modeller that the Office of Government Commerce has, which is called Gateway. It looks at big projects throughout their history. At various stages in their history, it gives managers some sort of assessment of whether those projects are working well or whether they are having difficulties, so that you have an early warning and a peer review all the way through the process. So, if things are going out of kilter, you can identify that. We will shortly be going into a Gateway review of the St Athan project. We see it as so fundamental to what we want to do as an Assembly Government that we are working on getting our own accreditation, so that we can be a Gateway reviewer and we will have the ability to challenge ourselves with this particular technique, which is used for all really large UK projects.

[19] **Jonathan Morgan:** On whether it would have been possible for this to be a joint legal venture, there have been a series of protocols developed between the Welsh Assembly Government and the United Kingdom Government over the past 10 years, so was there no framework in place to set out the possibility of a joint legal venture from our perspective, or was it simply a case of looking at what was being proposed and deciding on the best way forward?

[20] **Dame Gillian Morgan:** Neither the memorandum of understanding nor the individual concordats between Whitehall departments and us talk about true joint ventures. We can do that, as can every Whitehall department, but I am not aware of a large number of truly joint ventures between Government departments. So, I would not expect to see that as we move forward. The reason it is up for consideration, looking at it retrospectively, is because the initial body was the Welsh Development Agency, which could have been considered had the project been seen as a truly joint one. We have given you evidence—and Gareth can comment further—on the specific reasons why a joint venture was not felt to offer the optimum benefit to either party.

[21] **Mr Hall:** Looking back at the Red Dragon project, there was a contractual relationship between the Ministry of Defence, Barclays Bank plc and a consortium for the construction under a private finance initiative. That was a contractual arrangement. There was also a legal and contractual arrangement between the MOD and the WDA regarding the land transaction and the head lease for the site.

[22] In your earlier question, you asked about how these lessons have been learned and translated to subsequent schemes. One such scheme is the defence training college, also at St Athan. On learning the lessons, as soon as the Metrix consortium was appointed as the preferred bidder, we entered into an arrangement very quickly, establishing governance structures between the parties. So, robust governance structures were put in place. Overarching it was a ministerial steering group, with Ministers from the Welsh Assembly Government and senior officials from the MOD, and that structure was mirrored at different levels of the organisation, right down to the project level.

[23] The terms of reference for that joint governance structure were enshrined in heads of terms, which were agreed legally, and they will be the basis for the legal agreement going forward. So, we have applied the lessons learned to the current project.

1.40 p.m.

[24] **Jonathan Morgan:** On that point and looking to the future, in which circumstances do you think it would be a good idea to develop projects between public bodies on the basis of commercial negotiations rather than on collaboration?

[25] **Mr Hall:** There is a mix between the two. The defence training college contract started out very much as a commercial procurement by the Ministry of Defence. It had simple terms of reference: to go out and find a PFI partner to deliver multiservice training in the UK. That could have gone anywhere in the UK. So, that was a commercial transaction.

[26] As soon as it came to Wales and we knew that there were synergies from having a defence training college and an aerospace business park, we put the governance structure and a heads of terms agreement in place to derive those synergies and benefits from joint procurement and joint planning applications. However, underpinning all that, the decision to go ahead with the defence training college was a matter for the Ministry of Defence, not the Welsh Assembly Government, because it was not a part of our remit or our budget. Equally, it was not proscribing anything regarding our aerospace business park because that is very much an economic development matter, which is fully devolved to the Welsh Assembly Government.

[27] **Dame Gillian Morgan:** It is also important to recognise that we have daily contact and we run very large numbers of collaborative programmes with Whitehall departments. For example, we work in collaboration, by joint management and by a proper understanding of the shared purpose on work relating to unemployment and jobseekers, and criminal justice. However, what we have not had yet is a situation in which we have undertaken to deliver

something to terms of reference established entirely by the UK Government. We have always wanted to bring our own political view on the best way to deliver those programmes in Wales because, after all, that is what devolution is really about.

[28] **Bethan Jenkins:** I want to raise a point for clarification. You said that you put legal terms of reference into practice—‘heads of terms’, I think you called it. I ask for clarification because, in annex 2, you say that you cannot be a part of a legal joint venture because the MOD has established this through the private finance initiative. Does that supersede the legal document that you have signed as a Welsh Assembly Government? Where does that sit as regards whether it can go ahead or if there are problems with its viability in the future?

[29] **Mr Hall:** Applying what you just said about how we do business together to the defence training college and aerospace park, to make sure that we were joined up—and that is the real essence of the report, so that the left hand does not go ahead without the right hand—we set up a hierarchy of steering groups so that we are continually appraising the situation. It would be simple to have a legal joint venture if we both commissioned the procurement of a project on our site. That would be easy to do because you would agree what you were going to procure and how you would deliver it. However, there were two sets of objectives, one of which was for the military, which wanted the military training. We saw the benefits of that coming to Wales with £13 billion-worth of investment and the jobs to go with it, and we saw the complementarity with the aerospace business park. So, at the top of this, we have what I described as the heads of terms of how we do business. Underneath that, there will be separate contractual arrangements, one of which will be between the MOD and Metrix to deliver it, but also a separate one between us and the MOD regarding how we deliver the land and the infrastructure to service them. So, there is a question of degree here. Heads of terms is about the *modus operandi* and then you get down to the very fine detail of a contractual legal agreement with commitments and penalties and costs and suchlike.

[30] **Dame Gillian Morgan:** The heads of terms agreement tries to put a framework to stop us getting into the difficulty that we have been in before. It is about mitigating factors rather than truly a joint venture. You are absolutely right. Even though we have the heads of terms between us, either party could walk away and do things differently, but this is the best we can do to try to drive people into continuous collaboration, which is what we want. We want to work effectively and in partnership because it is good value for public money, even though we recognise that there are times when there will be significantly different objectives between us in Wales and in the UK.

[31] To take the defence academy as an example of that, when the Metrix consortium won the bid, we were in competition. The two consortia were in competition to get the bid. We have to face facts—and this becomes one of the challenges of *The Green Book*. The MOD needs to look across the whole of *The Green Book* to find the best investment, but, if we were to do that and see that it would be much better if those jobs went to the west midlands, we would still fight tooth and nail to get those jobs into Wales, because our primary consideration is to get jobs to this area and to improve the living standards and wellbeing of the citizens of Wales. So, you could potentially see us in conflict with *The Green Book* and the unified view of public expenses because we would rather have the jobs in Wales, even if they cost the whole of the United Kingdom more money, potentially. That is what a devolved Government and administration should do: ensure that it fights on behalf of its citizens as well as take into view the issue for the whole of the United Kingdom. We are here for the citizens of Wales.

[32] **Bethan Jenkins:** I just want to come back on that. You say that a certain party could pull out at any moment. Do you think that that is an argument for the concordat or the memorandum of understanding between the Welsh Assembly Government and Westminster to be looked at again or to be strengthened so that those predicaments do not play out?

[33] **Dame Gillian Morgan:** Indeed, you are absolutely right. That is the process that is going on. The memorandum of understanding is more than 10 years old now and there is a political process under way to review it. That will be done by the joint ministerial committee made up of the UK Government and the Governments of Wales, Scotland and, increasingly, Northern Ireland. There are discussions as we speak about the content of a new and revised memorandum of understanding. That has been slightly delayed in its production, and so we are not waiting for it to be completed. We are pushing forward with reviewing our bipartisan concordats with each individual department while waiting for the overall framework to be agreed on the political net. However, you are absolutely right.

[34] **Lorraine Barrett:** The Permanent Secretary's response to the committee's question 3(c) states that there was no overall appraisal of the Red Dragon project because it would have gone beyond the Welsh Development Agency's remit to look at the investment of the MOD. The Auditor General for Wales advised that Treasury guidance clearly states that, where a project crosses organisational boundaries, there should always be an overall assessment of the impact for the UK as a whole, not just for the individual bodies. Can Gareth Hall tell us whether officials were aware of that Treasury guidance about an overall assessment being needed in the cross-organisational boundaries? If so, why was it not carried out at the time?

[35] **Mr Hall:** Yes. We were familiar at the time with *The Green Book* requirements, but the lesson to be learned was that there was very much a focus on the Welsh authority's side. We were keen to secure the future of the Defence Aviation Repair Agency and the 2,000 jobs. We saw an opportunity for it to go onto new premises, which would streamline its operations and get it more competitive—if it was to become a training agency, it would have to stand on its own two feet and win contracts. It was very much a part of a sectoral priority for the economy of Wales, because south and north Wales have a major aerospace sector, working on maintenance, repair and overhaul, and not just at St Athan. You can see the British Airways maintenance hangars at Cardiff Airport, and we also have engine overhaul plants around the Caerphilly area. So, we were very keen to make DARA as competitive as possible. We knew that the Red Dragon project would give it premises that would deliver that, and we also saw that as a catalyst for creating critical mass for an aerospace business park around it.

1.50 p.m.

[36] I agree totally with the Wales Audit Office's report. With the benefit of hindsight, if what we just described as the modus operandi—which we now have with the defence training academy—had been in place at that time, we would have had that fair and open sharing of information. We were getting information from the Welsh side about DARA and the competitive position that we had to put them in, but unbeknown to us, another part of the Ministry of Defence was starting to think about this end-to-end approach. We now have a system through which such information is shared, but, at that time, it was on an exclusively need-to-know basis. So, that is the big lesson to be learned and I assure you that such systems have now been put in place.

[37] **Jonathan Morgan:** Before we move on, that is an important point because the Treasury's guidance is pretty clear. Does it state at any point that it can be ignored, provided that you can justify it?

[38] **Mr Hall:** No, the Treasury guidance refers to projects, particularly in paragraph 5.5. These were not joint projects because they could have stood alone and independently, which I think was the point that Gill made earlier. However, we should have realised that a definite alignment could have been created between the two projects and that we could have benefited from that and from sharing the open background information, particularly on the wider issue



that the MOD was pursuing, namely the end-to-end approach, which was contemplating taking the repair of the fast jets away from St Athan.

[39] **Dame Gillian Morgan:** I have the benefit of looking backwards, but without doubt the conversation about whether these were a single project—and if there is a single project, then I read *The Green Book* to say that it becomes mandatory—becomes very difficult for us in Wales because we have information only about Wales. Therefore, we have to interpret *The Green Book* for Wales and I think that, with devolution moving forward in Wales, we have to ensure that we are fully cognisant of the impact of every decision on all the money that we control in Wales. That becomes the part that we can play effectively.

[40] The Whitehall departments, which have to think about all this, have to be responsible in a way that we cannot be because we cannot get information about the impact on the whole of the UK. The lack of an agreement at the beginning on whether this was a single project or a series of aligned projects, set up a governance arrangement that was neither one or the other and we, therefore, fell into the trap that the auditor general has identified.

[41] Our current position is that our ability to comply with *The Green Book*, as currently phrased, would have a best endeavour attached to it. It was written at a time when there was no devolution, very little regionalisation and very little competition between UK regions for jobs and so on; it was written 40 years ago. In light of some of the learning from this, *The Green Book* needs to be reconsidered in light of how the new constitutional arrangements in the UK fit within it. For example, what is an appropriate boundary for a devolved Government to be interested in and to be sharing, when we could very well be in competition with Scotland, Northern Ireland and the west and east Midlands, and so we should be because that is what we have been set up to do? So, the phrasing of *The Green Book* is now out of date, and I will raise that with the Treasury.

[42] **Jonathan Morgan:** Lorraine, do you want to come back on this?

[43] **Lorraine Barrett:** In a way, we have covered the next part of my question, which was to say to you, Dame Gillian, that you suggest that even if you wanted to do the overall assessment, the MOD's unwillingness to share information would have prevented you from doing so. Do you feel that with hindsight something should or could have been done to encourage the MOD to share that information?

[44] **Dame Gillian Morgan:** I would want to generalise; we are talking about the MOD purely because this issue has arisen, which means that we have to go back to look at the MOD. I put the same sort of provisos on work with any Whitehall department now, given our ability to understand the expenditure and the commitment of the full amount of UK resource when what we know is what we know about what we know. So, on the willingness of every Government department to work with us in an open-book way, we can be committed to that, but that also needs the full commitment of every Whitehall department and every political appointment.

[45] **Jonathan Morgan:** It seems from my reading of this that a decision was made not to follow the guidance from the Treasury because of how you had viewed the project itself. As you said, you had seen it not as a single project but as a combination of projects.

[46] The advice with which we have been provided suggests that there should be an overall UK assessment on a project that crosses organisational boundaries. So, on the basis that you did not think that it was appropriate for that to happen from this end because of the WDA's remit, was any request given to the Ministry of Defence or to any other official in Whitehall for an overall UK assessment?

[47] **Dame Gillian Morgan:** I cannot comment on that, going backwards historically. Was there a question on that, Gareth?

[48] **Mr Hall:** There was not. In fact, we have asked the question of the MOD: if there were a joint appraisal along the lines that were recommended in the report, and with the benefit of hindsight, would there have been a different outcome. It wrote to us this week—because we posed the question and it is a legitimate one—and it said that, with the benefit of hindsight, it did not think that there would have been a different outcome

[49] **Dame Gillian Morgan:** Going forward, because obviously going forward becomes very important to us, I will raise this issue with the Treasury. I do not understand what the expectation on a devolved Government is in relation to *The Green Book*.

[50] **Jonathan Morgan:** Okay, thank you very much. Nick, you are next.

[51] **Nick Ramsay:** My question is mainly to Gareth Hall, although Dame Gillian may also have some views on it. On the MOD's requirement for the five-year break clause, I do not think that your response directly answers the question as to why the Welsh authorities did not verify their assumption, at the scale of the MOD's financial commitment, that it would not exercise that clause. As I understand it, you took verbal assurances and believed those to be adequate. Obviously now, with the benefit of hindsight, do you think that it was a mistake to purely rely on verbal assurances on the MOD's financial commitment in that clause?

[52] **Mr Hall:** If the alternative to verbal assurances is written assurances, you get to the heart of the whole values of civil servants. I work for the Assembly Government. Other civil servants work for the Ministry of Defence. We are all members of the home civil service and the civil service code says that you operate in an impartial and honest way and show integrity and professionalism in your work.

[53] I would not want a situation to arise where absolutely everything that we do, particularly given our current modus operandi and our day-to-day relationship with the Ministry of Defence—which was not the case with the Red Dragon project, but is now very much the case with the defence training academy—led to a situation where I would have to say, 'Could you confirm that in writing?'. The whole culture of the relationship could be—

[54] **Nick Ramsay:** Would you rely on those verbal assurances now?

[55] **Mr Hall:** I would rely on verbal assurances; I would take tremendous comfort from the fact that they were underpinned by the heads of terms, which were enshrined in an agreement and would form the basis of a future legal agreement. So, in that context, I would.

[56] **Nick Ramsay:** It seems to me that you are saying that it is very much their fault.

[57] **Mr Hall:** No, I am not saying that it is their fault at all. The question you asked me was whether I would rely on verbal assurances. At the time, I did so with the integrity of dealing with other civil servants and with the assurance that Ministers had also given the First Minister on what they, at the time, believed to be the longevity of the project.

[58] **Nick Ramsay:** Much of this seems to be based on internal codes and the need, as you have said, to update the code to reflect our devolution settlement. Would you have acted differently if you had not been working internally with another Government department, but had been working with a commercial organisation from the start? Would that have affected your approach to this?

[59] **Mr Hall:** The majority of relationships with the commercial sector are contractual

joint ventures because they are invariably a different scenario. I think that, without exception, every agreement that I have had with a commercial organisation has had legal underpinnings. You have a defined project, you have defined outcomes, and you have a contractual relationship with regard to who pays for it, who procures it, and who is responsible for cost overruns.

2.00 p.m.

[60] The difference is that, in a contractual joint venture with a commercial business, at the very outset, you nail down what the project will be. However, in both the scenarios we have talked about it was a moveable feast. The Red Dragon project began with our procuring a new building, and then the MOD, with its wider terms of reference, introduced this much bigger issue, which was overseeing a complete review of aircraft maintenance. I do not think that that is a scenario that you would have with a commercial organisation.

[61] **Dame Gillian Morgan:** If I broaden it to the whole of Government and the relationship now between us and the UK Government, yes, on many issues we rely on verbal assurances and commitments. We have so many packages of joint work that a system where every single joint commitment was documented would, first, slow the system and, secondly, involve cutting down the rainforests of the Amazon just to provide the information flow.

[62] It comes back to this phrase: 'best endeavour'. If one of my permanent secretary colleagues says to me that they intend to do something, I rely on that. I have never been let down by a permanent secretary. There have been occasions when they have not been able to deliver what they have committed to because of the political process, but I would be worse than mortified if I could not rely on the integrity of people at the level of seniority that we are talking about.

[63] **Jonathan Morgan:** May I interrupt at this point? This is an important question. The fact that Nick has asked the question does not demonstrate any lack of confidence on the part of Members in the integrity of civil servants, but there is an interesting question about the point at which you rely on verbal assurances. Is it at every point in a negotiation?

[64] **Mr Hall:** No.

[65] **Dame Gillian Morgan:** No.

[66] **Jonathan Morgan:** Are there points in a negotiation on projects where you have something in writing?

[67] **Mr Hall:** Absolutely.

[68] **Dame Gillian Morgan:** Absolutely.

[69] **Jonathan Morgan:** The report is very clear that the Welsh authorities assumed that the MOD would not exercise its break clause simply because of the financial commitment that the MOD was making. Now, if you are telling us that we rely on verbal agreements for everything I will accept that, but I suspect that that is not the case. So, it is right to pose the question concerning the point at which verbal assurances are sufficient and the point at which you may need something a bit more concrete.

[70] **Mr Hall:** I would say that we do not rely totally on verbal assurances—far from it. They are part of day-to-day business, but important milestones or key facts are documented, quite often in a contractual legal agreement.

[71] **Dame Gillian Morgan:** With regard to the relationship that we are trying to develop with Whitehall, we would always want to do things in an open-book way. That is the principle and what would be ideal, so that both sides understand what is going on. The reality is that, as a separate Government, that is not always possible. Looking back over the 16 months that I have been here, it sometimes feels as though that is more difficult now that some of the constitutional implications of devolution are wending their way through the political process. It is highly likely that, in future years, we will be moving to a situation where more is put in writing than has been the case in the past, but that it is part of this development between us and the devolution settlement, which we are all still getting our heads around.

[72] **Nick Ramsay:** I recognise what you say about the verbal assurance issue, and I am glad that the Chair developed that question further. I am also pleased to hear that you do not rely on verbal assurances alone—or that you do not think that you can. However, in this case, you clearly did rely on it at a point when it could not be relied upon. Furthermore, certain assumptions were made. You made an assumption, for instance, about DARA's entry to the civil repair market, which the MOD did not share. That was a pretty major assumption.

[73] **Mr Hall:** That assumption was not just based on oral discussion. It was well documented. The chief executive of DARA, on several occasions, in very public situations, set out with great clarity his aspirations to turn DARA away from being a department of the MOD to a trading company that would not only win business from the MOD but from commercial airlines. He even gave us details of the dialogue that he was having with at least half a dozen major players in the private sector. Furthermore, there were assurances at ministerial level, and, on the particular issue of the break clause, at the time, the WDA consulted the Welsh Assembly Government, which took advice from the Treasury.

[74] **Dame Gillian Morgan:** Looking back and having read everything, the bit of the jigsaw that would have changed some of the behaviour, and which no-one was sensitive to, was the challenge within the MOD to DARA. There were many relationships and conversations going on that assumed that DARA was a strong, fully supported part of the system with the full commitment of the MOD. That was the assumption. However, what was going on in parallel was that a set of questions was being asked about whether that was the best model. It was the assumption that DARA was speaking to, and was close to, the MOD that, I think, led to our not getting some of that assurance. If we were talking to the top of DARA it seemed that we were talking to the top of the MOD, but that just was not the case.

[75] **Nick Ramsay:** I want to come back on that. Thank you for that. From what you said earlier, we hope very much that the situation is different, but do you feel that the code still needs to be overhauled in light of the devolution settlement?

[76] **Dame Gillian Morgan:** Well, to put everything in the context of best endeavours, civil servants work in a political context and political priorities can change at any time. So, we can try to ensure that every system and process we put in place militates against that or, if it does not, gives us early warning so that we can find out the best way of managing the impact of political decisions.

[77] **Nick Ramsay:** This could still happen again, could it not?

[78] **Dame Gillian Morgan:** If you had a change in political priorities, yes, this could happen again.

[79] **Nick Ramsay:** What do you mean by 'change in political priorities'?

[80] **Dame Gillian Morgan:** If, for example, there was a major review of defence

expenditure across the United Kingdom, with a range of different priorities as a result, you could have a complete change of political direction from the UK Government. We have no reason to think that that will or will not happen, but that is the realpolitik of working in the civil service process. We are there to serve Ministers, and Ministers will change their priorities as new and extra information becomes available to them.

[81] **Huw Lewis:** I want to focus on paragraph 4c of the committee's letter which posed the question of how, in future, the Assembly Government would take a long, hard look at the overall impact of projects rather than that of their constituent parts. We regard that as a key issue. The committee feels that, in your response to that, although you highlighted some good practice in your own appraisal processes, you did not really get to grips with the key issue of what will happen in future, what the approach will be for such projects to gauge the overall impact—the whole rather than the constituent parts. What is your response to that?

[82] **Dame Gillian Morgan:** You are back to the fact that the very first thing you need to define is whether you have a single project or a series of multiple projects. If you have a single project—something like this, which was a single project involving the UK Government and us—you would expect it to be completely open and very easy to appraise from end to end because it would be an open-book joint project.

[83] The reality is that many projects are not truly joint projects. They are projects that are aligned, but which have slightly different purposes at the end of the day, and, therefore, part of the process of setting up the governance arrangements that we have talked about has to be defining very early on how you look at each component of the project and who is responsible for looking at each component of the project. Under the devolution settlement, it is very difficult for us to get information about the whole impact of a project that goes beyond the boundaries of the devolution settlement unless we are given that information by other Whitehall organisations.

[84] That is why the phrasing of *The Green Book* needs to be thought about in devolution terms as doing what it is acceptable to ask the Welsh Assembly Government to do. Clearly, we need to know about the impact on anything in the devolution settlement, we need to establish whether we have an interest, and we need to consider whether we have a legitimate view on all the money spent in Wales.

2.10 p.m.

[85] I think that that has to be defined, because many Whitehall departments would feel that we do not have that legitimate view. I do not have the figures for how much money the Department for Work and Pensions spends in Wales, for example, or for how much is spent on solicitors' advice for legal aid in Wales. Those figures are not routinely available to us. So, if you have projects that are aligned, it would be very difficult for the Welsh Assembly Government to commit itself to look at them from end to end, but it can look at the components for which it is responsible. That is why I think that paragraph 5.5 of *The Green Book* needs to be updated in view of the devolution settlement, to define how these cross-border projects are managed in the future, because if this is happening with us, exactly the same thing will be happening with Scotland and England and Northern Ireland and England. We have to find a better way of dealing with these really big things where open books are not necessarily made available to the devolved administrations.

[86] **Huw Lewis:** You are saying very clearly, then—and you couched it in the phrasing of *The Green Book*—that the relationship is not working as it should. This is not serving the people of Wales well, and we need to renegotiate the terms of debate on how these large projects are rolled out. At the end of the day, if things go wrong, the people of Wales and the communities of Wales pay the consequence, do they not?

[87] **Dame Gillian Morgan:** Absolutely. Earlier on, I was saying that if you get into the situation whereby you have an end-to-end assessment of a project and, for the UK, it would be better to put the project in the west midlands and we are an alternative, I promise you that we would be fighting at the barricades to get that project in Wales, even if it cost a little more for the UK, because that is the nature of the devolved settlement. So, I am not saying that what we have at the moment is bad for the citizens of Wales; I just do not think that it has been thought about in the light of the evolving devolution settlement. I think that it needs a review because of where we are 10 years on, not because it is fundamentally biased against the citizens of Wales.

[88] **Mr Hall:** I will add to that, if I may. Citing the example of the defence training college, the Ministry of Defence said that, in light of its new close working relationship and sharing of information, the first thing that it would say about the viability of the project was that it was about £300 million short. So, now that we were partners, could we give it £300 million. I said that we were not in that sort of partnership relationship, and it said that, with regard to trimming the costs, the Welsh Assembly Government standards for housing were higher than those in England, which are based on the Building Research Establishment environmental assessment method code. I said, 'Well, if you are building married quarters in Wales, you must meet Welsh Assembly Government policy and it does not matter how much it costs'. So, picking up on Gill's theme, we must update all this because we have had 10 years of devolved government, and what goes on at England/UK level is not necessarily replicated in the devolved administrations, and there should be mutual respect for that.

[89] **Dame Gillian Morgan:** We need to develop the case law, because we are only just beginning to get examples of the real-life difference as policy diverges.

[90] **Huw Lewis:** So, what else is out there at the moment? Are there other major projects on the radar that are currently being worked on with other UK public bodies of significant size that are potentially going to run foul of these issues?

[91] **Mr Hall:** None comes to mind, which is a reflection of the current economic situation, particularly with property projects.

[92] **Huw Lewis:** Let us say, for example, that a Minister announces a week on Wednesday that we go with the Severn barrage. Is the situation now any different from that which we are picking apart with regard to the Red Dragon project? Will we be tripping over the same obstacles and facing the same pitfalls all over again?

[93] **Dame Gillian Morgan:** Again, that has been set up from the beginning with regard to people looking at it and working in a joint way. At present, it is an open book with assumptions on both sides. So, I think that, with a project of that magnitude, which has benefits for both sides of the Severn, we would be in an absolutely joined-up set of arrangements. It would have to be, to deliver that type of project. The problem with this project was that there were two separate sets of purposes, as the auditor general says. It was fulfilling different things for each organisation. Once you have exact commonality in what you want from it, the problems go away, because all the mechanisms are there to do it truly jointly.

[94] Rather than having joint projects, you can see that there would begin to be difficulties or differences with large amounts of the services that are delivered to citizens in Wales every day—and which, in financial terms, are far more valuable to the citizens than this—if there were a different emphasis between policy in Whitehall and policy in Wales. We have a policy and a view in Wales about long-term sickness and the support that we like to give with regard to that; there are emerging policy themes in England showing a completely different view

about what you do with employment with regard to people who have been sick for a long time. So, we could very well be in a position of tension, where we have a policy ambition that is very clear, worked out and stated and which differs from that of, say, the DWP.

[95] So, there are lots of examples of where tensions between the emerging policy and the philosophical and political objectives are going to get more rather than less, but that is the purpose of devolution: to allow us to have that separate flavour that is uniquely Welsh and allows us to deliver according to the aspirations of the citizens of Wales. I regard that, paradoxically as a good thing, not a bad thing.

[96] **Huw Lewis:** I have one more question. I take your point on that. Creative tension, I suppose, is a phrase that we have all used from time to time about devolution. The point is that the public wants us to get this right. It does not want us to drop the ball on these issues. We want to get best value for the people of Wales. So, what will change before the next large project comes along? You have talked about the phrasing of *The Green Book*. Is that all that needs to be done? What else need we do?

[97] **Dame Gillian Morgan:** We have talked about defining the governance structures very early on, and that is much more complex with regard to the St Athan project, which gives us a model. The big, important thing is defining, early on, what you do when things go wrong. All the evidence says that, with successful projects, much of the early time is spent talking about what you do when it fails and how you handle problems. We have talked about the end-to-end project management skills that we are putting into this organisation. It becomes very important not to add to the complexities of the project by having individual silos with regard to how we do things.

[98] We have a new business case model for the way in which we assess programmes to see whether they offer us value, namely the five-model business case. That is part of how we now do business. In fact, the Treasury is adopting it as an example of good practice. So, there are things that we can do at a political and an organisational level, but a lot of it is also to do with upskilling and bringing new competencies into Wales to manage some of these complex projects, which have always been there, but they have never been as difficult as when you have this cross-border set of issues.

[99] **Bethan Jenkins:** Many of the arguments over what to do for the future have been rehearsed throughout this discussion, but I want to probe further the not wanting to be here in another three years, with a report saying that there were deficiencies in how the St Athan programme was delivered. There has been news that it may not happen now because of the economic situation, because we are not clear about how many jobs would come to Wales, and because of the reallocation of jobs from elsewhere to Wales. What jobs will be created in Wales? Defence Aviation Repair Authority jobs and a huge financial benefit was promised but did not come about. I know that you have said that the memorandum of understanding and so forth needs to be strengthened, but what would be the catch-all that would ensure that we are not here again, discussing these type of issues for another project of this kind?

[100] **Mr Hall:** Well, in the case of the defence training college project, I described to you the heads of terms.

2.20 p.m.

[101] The next stage is translating that into a contractual agreement with the Ministry of Defence. Only when that is signed will the further financial commitments go forward. We are prepared to do preliminary work, but we have a written contractual undertaking from the MOD that if it withdraws, those costs are reimbursed.

[102] **Nick Ramsay:** I have a couple of questions relating to Dame Gillian Morgan's last answer in which she spoke about the importance of upskilling. First, what level of upskilling is required? Secondly, it seems that that does not sit very easily with your previous answers on the need to reform the structure, and *The Green Book*, and so on, which I fully accept is a problem. Are you saying that if we had had an appropriate level of upskilling before that, then people would have been able to deal with the issues that you said were all-important?

[103] **Dame Gillian Morgan:** No, because we are always looking at this with the benefit of what in the medical profession they call the retrospectoscope, which sounds very nasty. We are always looking back historically, and the issue of the development of project management skills in particular is fairly new within the civil service. Over the last five years it has been going through a programme of looking not just at what people need to be good general civil servants, but also looking very much at the full range of skills for civil servants.

[104] We need people who are high-powered doctors, dentists and road engineers. So, there is now a series of 27 individual skills and professions recognised by the Cabinet Office, and every Whitehall department and each devolved administration is working on developing those skills within their context. Project management is one of those key skills. There are others. For example, if you go back eight years, not every department had an accountant running its finances. So, moving to a fully accountant-driven financial system is part of the upskilling of the civil service.

[105] Where we are in Wales—because this is an area where peer review is used—we have just had a peer review of the Whitehall departments and the two devolved administrations of Scotland and Wales, and we came third in the development of skills for professional government. So, we are right at the top end in our investment in ensuring that we have this range of skills that you need to be a 21st century business, and which the civil service now recognises as fundamentally important.

[106] **Jonathan Morgan:** Are there any further supplementary question?

[107] **Bethan Jenkins:** I want to come back on the contractual issue. Can you give me the timeline for when that is to be signed? Will it cover your costs so far as a Government?

[108] **Mr Hall:** Yes, it will cover our investment to date, including acquiring the site, the sharing of the infrastructure costs, the timelines, and a cap, so there are no cost overruns; that is borne by the Ministry of Defence. When I checked yesterday, we were 80 per cent of the way there in translating this into a comprehensive legal document. I can see it being in place within the next month.

[109] Part of the heads of terms is that there is agreement by both parties to use their best endeavours to meet an agreed timetable to get these documents concluded.

[110] **Bethan Jenkins:** Are both parties agreeing to sign? Is there any conflict within the contractual agreements as to what will be delivered?

[111] **Mr Hall:** No. We are 80 per cent there; the remaining 20 per cent includes some points of detail to work out. I go back to the point that Gillian has made throughout: that at the end of the day, the decision to go ahead with the defence training college will be a matter for the Ministry of Defence and it alone. What we have done, working in collaboration, is put in place all the necessary agreements to help deliver that, but also derive the benefits, and this is about looking in the round at all the benefits of having the two projects come together. Because they are complementary, you can derive mutual advantage from that.

[112] **Jonathan Morgan:** Thank you very much indeed to both Dame Gillian Morgan and



to Gareth Hall for being with us this afternoon. We are very grateful to you.

[113] We will reserve our judgment on this particular matter until we go into private session a bit later on.

2.25 p.m.

**Galw Iechyd Cymru: Cyflwyniad Briffio gan Archwilydd Cyffredinol Cymru  
NHS Direct Wales: Briefing from the Auditor General for Wales**

[114] **Jonathan Morgan:** We will move now to item 3 on the agenda, which is the report by the Auditor General for Wales. It is his latest report on NHS Direct Wales. I welcome the auditor general and his team. Before we ask questions about the report, I will ask the auditor general whether he would like to introduce the report and the findings and then we can make a decision, as is our usual practice, on how to respond.

[115] **Mr Colman:** I will make some general points and my colleague, Rob Powell, will then give a bit more detail.

[116] This report is one of a series that will collectively address the important topic of unscheduled care, so it should not be seen in isolation. Unscheduled care is an important subject for us to look at because we have evidence, and it is well known that the secondary care system in particular spends a great deal of resources dealing with unscheduled care that many people believe should not be in the secondary care system at all. So, we decided to produce a series of reports that would, collectively, throw light on this important issue.

[117] NHS Direct Wales is organisationally quite distinct from NHS Direct in England and NHS 24 in Scotland, but I mention England and Scotland because both those administrations have had problems of one kind or another. So, there is a specific issue about NHS Direct that we wanted to look at but as part of a study of unscheduled care overall.

[118] With that, I will pass to Rob for a bit more detail on this report.

[119] **Mr Powell:** Thank you, Jeremy. I will amplify what Jeremy has just said and give you some detail on the main findings of the report.

[120] Members will be aware that NHS Direct Wales was established in 2000, just after NHS Direct in England and just before NHS 24, which is the Scottish equivalent. It was initially part of what was then the Swansea NHS Trust. From 1 April 2007, it became part of the Welsh Ambulance Services NHS Trust, so there are some potential synergies there in the control function of the ambulance trust in particular.

[121] It does not just provide its primary service, as a national confidential telephone helpline—that is, the 0845 46 47 telephone advice and information line about health and healthcare. That is the core service. There are some additional services including a dental helpline for 13 of the 22 former local health boards, call handling and triage for GP out-of-hours services in three local health board areas, telephone assessment and triage for six accident and emergency departments, and one or two ad hoc telephone helplines for things like smoking cessation and other public health information, as well as a fairly comprehensive web-based service with a new website launched in 2007.

[122] NHS Direct cost just under £9 million in 2008-09. The cost of each call to the service was about £26 in the same year. The cost for contact when you take into account the hits on the website was £14.60, and per head of population it costs each person in Wales £3.36, which gives you a sense of the scale of the operation. Ninety-one per cent of the costs of NHS

Direct relate to the 202 staff, about half of whom are quite senior specialist nurse advisers who deal with the medical calls that come in.

[123] The cost of NHS Direct is lower since it became part of the Welsh Ambulance Services NHS Trust. That is generally because of the movement of some of the overhead elements, particularly around ICT and telephone infrastructure.

[124] Each year NHS Direct Wales has about 350,000 calls. The number of hits on the website has risen quite substantially and, at about 450,000, is now higher than the number of calls. There have been some concerns at falling call volumes given the cost of the call, but that has to be seen in the context of an increase in the volume of web-based contact with the service.

2.30 p.m.

[125] The report looks at two things, really. It looks at NHS Direct itself as a service, which is in part 1. Part 2 looks at NHS Direct in the context of the unscheduled care system. As Jeremy said, that is the key element of this, because this is one of several reports that we have produced or will produce on unscheduled care that flow out of the work that we did on the ambulance service. The part of the report that looks at NHS Direct in the context of the wider unscheduled care system is particularly important. We looked at whether NHS Direct is a valuable part of the unscheduled care system, and our overall conclusion was that NHS Direct Wales provides a valuable service, but that there is considerable scope to add further value if there is greater clarity about how it fits into the strategic and operational elements of the unscheduled care service.

[126] To take you through the two parts of that conclusion, part 1 is the part of the report that looks at NHS Direct Wales. We benchmarked the costs of NHS Direct Wales with the costs of the service in England in particular. NHS 24 in Scotland provides a much wider range of services, because it handles every call out of hours. So, NHS 24 in Scotland is a much wider service and a much more expensive service, which you could not really use to benchmark. The proportion of out-of-hours calls that NHS Direct handles in England is similar to that handled in Wales, so the cost comparisons are reasonable on that basis. We concluded that the costs are broadly comparable with England, although they are slightly higher in Wales, but we also found that there was scope for further efficiencies.

[127] Some of the detailed findings related to the cost per head of population and the cost per call. The volume of calls is falling, and that may reflect the slightly higher costs compared with the costs of each call in England. We also identified some scope for specific efficiency improvements. The rate of sickness is higher than the target and has perhaps not come down as much as the management of the service would have wished, although more recent signs are encouraging. Staff attrition rates are relatively high within NHS Direct Wales. More could be done to improve call lengths and effectiveness in handling calls, although it is also important that the management of the service does not focus too much on target times and run NHS Direct Wales like a simple call centre, because that could lead to some strange outcomes and unintended consequences. There is a real trade-off between the efficiency measures and the actual effectiveness of the service, which I will come to in a moment.

[128] We also looked at the processes for running the service and we found that there were broadly sound processes to manage clinical and operational performance and to support users appropriately. There is rigorous performance management of individual members of staff at NHS Direct Wales and of individual calls. There are decent systems for managing complaints and compliments and to try to learn from adverse incidents, and the quality assurance of advice and information was well supported.

[129] We looked then at satisfaction with the services and there was evidence of user satisfaction, but the key thing is the variable take-up of NHS Direct Wales's services. While the service generally met its quality and safety targets, there was a mixed picture on satisfaction with services. One of the key benefits was the consistency of advice because it is very much an algorithm-driven service that is built around clinical safety. However, there were concerns, particularly among GPs, that it was effectively a service that redirected patients elsewhere in the system, which might be an additional step rather than something that prevented people from accessing the wrong part of the system. That is a very difficult thing to measure and track through, but there were concerns about that, which may reflect reality but which may also reflect misunderstanding of what NHS Direct Wales is for and what it does, which comes up again in part 2 of the report.

[130] There was a real issue about variable take-up and awareness of the service in different parts of Wales and among different groups in the Welsh population. General awareness was high at around 86 per cent, but 38 per cent of people who were involved in a piece of academic research did not know how to access NHS Direct, which is a significant figure. There were particular issues about older people. Only 42 per cent of those aged over 75 knew how to contact NHS Direct, which compared with 70 per cent of those aged between 18 and 49. So, there is a real issue about older people, and when you think about the challenge that the health and social care system in Wales faces with chronic conditions, that is potentially a significant issue moving forward. There was also quite a marked difference in awareness between the most deprived areas of Wales and the most affluent areas of Wales, with a 10 per cent difference in the awareness of the service and how to access it. There is some evidence in Communities First areas, where there have been some efforts to market the service, of growing awareness.

[131] Finally, figure 15 gives you a benchmark of take-up in each of the 22 localities in Wales. Take-up is much lower generally in the rural areas, but that is not explained purely by the proportion of older people. Powys has a very low take-up, but Conwy has a similar proportion of older people to Powys and a higher take-up, so it is a more complicated picture. Certainly, figure 15 suggests that there is a real issue about marketing the services and trying to raise awareness in some specific localities in Wales.

[132] So, that is part 1 of the report. Part 2 is the part of the report that tries to locate NHS Direct Wales within the wider system. We found that it has potential to add further value within the wider system. Some positive news is that NHS Direct Wales has significantly improved its contribution to the wider system of unscheduled care, but it has not fully done so. Between April 2006 and March 2009, NHS Direct Wales doubled the proportion of those who called it to self-care, to make a routine GP appointment in hours or to go to a pharmacy, and that rose from 24 per cent of symptomatic calls to 49 per cent, which is quite a significant step change. NHS Direct can add a lot of value if it can help people to meet their own needs, or direct them to the scheduled care part of the system or to the pharmacy rather than simply passing them on to a GP out-of-hours service, accident and emergency services or a 999 call if they do not really need it. That is a significant change in the service.

[133] There are also some examples of innovative models of service delivery, in which NHS Direct's specialist workforce—and I should emphasise that these nurses are highly skilled, highly expert nurses—have provided services in new ways, which appears to have reduced demand in other parts of the system. Case study 3 sets out the clinical desk pilot scheme in the ambulance control room, in which NHS Direct nurses have been used to triage and provide advice to category C calls to the 999 service. That has led to standing down a large number of ambulance responses and alternative strategies being put in place for those callers. Indeed, the report sets out that there may be scope to extend that into some of the category B calls, subject to the evaluation of the pilot scheme, and we think that has real potential. At the moment, NHS Direct Wales nurses in south-east Wales are in the control

room of the ambulance trust in the same room as the GP out-of-hours service, but the IT systems for the different services do not yet talk to each other. That limits the serious potential for improvement that that offers; IT systems are a real barrier in this respect.

[134] We did a lot of work to find out how the former local health boards, NHS Direct and the ambulance trust engaged with each other at a strategic level both to make the most of the core NHS Direct service in each local area but also to tailor it where that was appropriate. It was clear that the NHS needed to determine how best to use NHS Direct's services both nationally and locally. We found that the strategic contribution of NHS Direct Wales was not as well defined as it could have been.

[135] Local health boards perceived NHS Direct Wales's services to be bolted on, rather separate to the rest of the system and not consistently linked in with local care pathways. Obviously, NHS Direct Wales can be at the hub and at the centre of someone's journey through the system, but NHS Direct Wales needs to understand the local care pathways, and the local care pathways need to understand how NHS Direct can contribute to that. I do not think from the evidence that we picked up that that engagement and embedding of NHS Direct within the wider pathways was anywhere near as good as it could be, and a key priority, moving forward, is to ensure that NHS Direct Wales plays as full a role as possible.

[136] The local health boards did not commission NHS Direct Wales's services; that was done nationally through Health Commission Wales. They did not have any real take on whether NHS Direct Wales was providing good value for money locally. They did not understand the costs or the volume of activity and the outcomes, crucially. There is considerable scope for engagement and sharing of information, because the nature of calls to NHS Direct and the outcomes of those calls is a key issue when you come to plan health and social care services within a locality, particularly the nature of the presenting problem. That sort of information was not being as well used strategically as it should be.

2.40 p.m.

[137] There are a number of opportunities to increase that engagement and also to think differently about how NHS Direct Wales could be used within the wider system. NHS Direct Wales has a very high quality, Wales-wide ICT and telephony infrastructure, and that could be used within the primary and community care strategy to provide a healthcare hub. Certainly, NHS Direct Wales could be used in different ways to support the management of chronic conditions and to support others with health and social care needs to live independently, particularly older people and frail people. As I said earlier, there is real scope to use the data that NHS Direct Wales holds to inform better and more effective planning and management of demand across the system.

[138] So, the crucial part of this report I think is the fit with the rest of the system, and we will explore that further in our forthcoming report on unscheduled care, which will draw on this report, the patient handovers report and various pieces of work that we have done to do with ambulance services.

[139] **Jonathan Morgan:** Thank you, Rob. We are grateful to you and the auditor general. Before I ask the couple of questions that I have, do members have any observations?

[140] **Lorraine Barrett:** Thank you very much. It pretty much reflects my general view. Before I say any more, can I have clarification of figure 7 on page 20? It gives you trends in the number of calls offered to NHS Direct, and then there is another table in appendix 3 on page 48 showing the numbers of calls answered by NHS Direct. The figures are different for each year. What is the difference between those tables? What does 'number of calls offered to NHS Direct' mean?

[141] **Mr Powell:** This one has taken me some time to get my head around as well.

[142] **Lorraine Barrett:** It is not just me, then.

[143] **Mr Powell:** A call 'offered' is when somebody stays on the line beyond the message, so it is a measure of demand. An 'abandoned call' would be when callers stay on after they have heard the message and put the phone down while they are waiting. A call that is 'answered' is when they speak to somebody.

[144] **Lorraine Barrett:** I am interested in the points that you have made in this report, particularly those about the scope for more joint working, where services might be shared, and who is talking to whom, given that different areas of the health service seem to be working in silos, as it were. Something you said, Rob, that I picked up on was the patients' confusion about who to call. We have all been there: you call NHS Direct, you go through the whole thing, and they are all very helpful, telling you that someone will call you back, and so you wait, and then the doctor or nurse goes through it again and says, 'You had better call the out-of-hours service'. So you do that, and then they say, 'You had better come in', or, 'You had better go to accident and emergency', or, 'Take some paracetamol and go to bed'. At the end of that, you often feel—and I suppose we have all felt this at one time or other—that you could have worked that out for yourself. We sometimes look for answers that NHS Direct, to be fair to them, is not there to give us; it is there to direct us. That recalls something else you said, and one GP in particular said this, about it being like a redirecting service. However, I do appreciate—and I do not think that I had appreciated it before—that NHS Direct also offers other services. When we think of them, it is, 'I am feeling ill. I am going to ring them for advice', but there are a lot of other services.

[145] For me, the message that I get from this report is that it is a good service, and a lot of good stuff is going on there, but it could be streamlined more, it could be more cost effective, and it could be a better service for patients if it were joined up a bit more. I still do not understand why it might be better to ring NHS Direct than to ring the out-of-hours service if it is 9 p.m. or 2 a.m.. I know that some patients do not want to take up the time of what they see as their own doctor, so they will call this anonymous NHS Direct and not feel quite so guilty, maybe, about using the service at what is, as they see it, an awkward time.

[146] It is a very good report. I will leave it at that. For me, the messages are about the misunderstanding of what it does and that its role needs to be clarified to patients, and that more joined-up work is needed within the NHS with the other services that are available. There is a lot of duplication there.

[147] **Jonathan Morgan:** Are there any points you want to pick up there before I bring Nick in?

[148] **Mr Powell:** There is one, Chair, which is the point about helping the public to make the right choice of unscheduled care service provider. There is a case study on our website—and this will be reflected in the forthcoming report—about some work in Knowsley in the north-west, where they have run a campaign called 'Choose Well', which has attempted to set out a continuum of needs to help to direct patients to the right part of the system for their needs, so that they do not call NHS Direct if they really need to be seen by somebody, and equally they do not go to see somebody when they could get telephone advice. That has had some real impact on where people have gone and the functioning of the system as a whole, so that is a key point, and it is reflected here and in our other work.

[149] **Nick Ramsay:** Thanks, Rob. I agree with Lorraine Barrett on this. It is a very helpful report.

[150] I have three main questions, or rather, some points and a question. First of all, we in the committees often talk about the problem of people working in silos. The issue crops up again and again in relation to the Beecham way of thinking. The calls are being made, so people are clearly using the NHS Direct service, and there is a huge benefit to that, but at the same time, however, there is this apparent ‘silo-isation’, and this seems to be one of the biggest silos when you look at how it interacts with the rest of the NHS. On page 41 at 2.13, that most revealing paragraph starts with the sentence,

[151] ‘Most LHBs we spoke to were unable to comment with any confidence if they felt NHS Direct Wales provided good value for money.’

[152] In paragraph 2.14, the dental helpline is given as a good example of the misunderstanding, as it shows that local health board officials were unaware of the sorts of enquiries being made and the answers being given with regard to dental services. So, that is one question I have for you: how do you think we can break down what seems to be a total silo?

[153] On page 7 of the report, there is a different issue: call volumes. More people are using the web-based NHS Direct service now than are telephoning it, and as you said, that is in many respects a good thing, but there is also a cost implication, is there not, because they get the money from the calls, but not from the website? I am interested to know, if people are increasingly using the web-based service—I have used that myself; I have never made a call to NHS Direct, but I have used the internet side of it, so I can see the advantages—what the cost implications are.

[154] **Mr Colman:** Could I comment on the point about silos? It is, of course, absolutely right. If you look at the origins of NHS Direct in Wales, England, and Scotland, you can see that its origin followed the line of thinking it must be a good thing to create a telephone helpline. The strategic thinking about NHS Direct really stopped at that point, because it was obviously a good idea, and this report shows that it, indeed, does good things. However, during the formulation of this report, I found myself asking a rather brutal-sounding question, but it is a question that has not really been answered, which is: to what problem is NHS Direct the solution? Until that has been decided, the silos to which you refer, or this particular silo, will remain. If you look at the summary of our report, the picture on page 6 shows the many services that comprise unscheduled care. The issue of silos and defective communications arises really throughout that very complicated picture. So, there is an opportunity here, particularly with the creation of the new health boards, to rethink entirely how all these parts fit together. That is, of course, why we decided to publish a series of reports culminating in one later this autumn.

[155] **Bethan Jenkins:** I have a small question based on some of the recent requests in Plenary for the Minister to commission a review of the ambulance trust in Wales—the Minister has now committed to a review, I believe. What do you see as the implication for NHS Direct if that is reviewed? Just touching on what you have just said about the report for October, is it too late now for NHS Direct to be incorporated into the new health boards’ care pathways given that they will be starting work imminently?

2.50 p.m.

[156] **Mr Colman:** No, I do not think that it is too late because the new health boards have been set up to operate the NHS in a completely new way, but that new way has not been devised yet. A great deal of work is going on to look at the whole system. So, I want to say this was all very well planned by us, but the timing of our report is quite good because it fits in with the development of new thinking on how the new health boards will operate.

[157] **Jonathan Morgan:** Are there any further comments at this stage? I see not. In reading the report and in listening to Rob's presentation earlier, there are examples of where a service is being delivered and people appreciate the information that they are getting, and there are obviously a good number of calls. How concerned does the committee need to be about some of the inefficiencies that currently exist? I would like at some point to reflect on the question that the auditor general posed, which is to what problem is NHS Direct Wales the solution, because I am not clear in my mind as to what it is there to achieve. From a strategic perspective, that could be an interesting question that we may wish to pursue.

[158] On the inefficiencies that exist—and you said that there is scope for efficiencies—how concerned should the committee be about those inefficiencies?

[159] **Mr Powell:** They are in three groups. One of them is about the length of calls, and I would advise you to be quite cautious about that as a measure, because it depends on whether the citizen had a good service and whether their problem was safely and satisfactorily resolved.

[160] On sickness absence, there is some work to be done but the trend is getting better latterly. On staff attrition rates, which was the third area for efficiency, it is not necessarily about whether there is a reasonable amount of turnover in and out of a service such as NHS Direct for professional development reasons, and it is quite difficult to judge whether that is unreasonable.

[161] The other element to this is that the costs have come down since the merger with the ambulance trust, and I am sure that the NHS Direct management and the trust management would feel that they were delivering efficiencies through the synergies of the merger. So, I do not think it is a desperately significant thing, but there is scope for improvement.

[162] **Jonathan Morgan:** Okay. As usual, there are four options to the committee, one of which we can pursue. The first is to write to the Assembly Government and request a response to the recommendations of the auditor general. The second is to write to the relevant accounting officer to seek further information and do as we did today, whereby if we are not satisfied with that information we are fully within our right to ask the accounting officer to come to the committee.

[163] The third is to refer the matter to another Assembly committee. I have written to the Chair of the Health, Wellbeing and Local Government Committee to ask whether it wishes to examine this from a policy perspective as to where NHS Direct fits within the whole system, bearing in mind the recommendations and the analysis in this report. We have not received a response, but I understand that it is probably unlikely that it would have time to consider this report.

[164] The final option is to launch an inquiry of our own. Are there any particular thoughts one way or the other at this stage?

[165] **Bethan Jenkins:** We should write in the first instance to get a response on the report. I do not think that I would want to undertake a fully fledged investigation at this stage.

[166] **Jonathan Morgan:** On that, there are two particular ways in which we could do it; we could write to the Assembly Government asking it to set out the response, and then after receiving the response we decide whether we are satisfied. However, if we think that there are particular issues in the report that need to be teased out at this stage, we could write to the Assembly Government and ask for a response on those particular issues. Perhaps Bethan's solution might be the best approach.

[167] **Nick Ramsay:** Bethan mentioned the new health boards coming into play, so I want to know exactly what the Government could do to break down that barrier between the health boards, which seems an absurd barrier to exist. There are fewer local health boards now, but if it is anything like the relationship with the previous health boards, which seemed to be non-existent, it goes against all that we have talked about, with seamless care and so on. So, if we are going to contact the Minister or the accounting officer, I would like something specific about the new health boards and how this fits in with that.

[168] **Lorraine Barrett:** We should write to the Minister or the head of the NHS—I am not sure which. There are some issues that would be difficult to respond to in a letter—they need to be teased out in a two-way conversation. We should write to the Minister initially, but I cannot see that the response would answer some of the deeper questions that I wish to probe about taking the opportunity now. As the auditor general said, we have the new local health boards, and it would be a shame to let a year or two go by before anything is done. Something may be happening—the department may be looking at ways of taking the opportunity to streamline some of this work and bring it together. We should write to the Minister first in general terms about her response to this, but maybe picking out some of the points that have been made. I would be of a mind to have some sort of inquiry afterwards.

[169] **Jonathan Morgan:** It is a possibility for us to write to the accounting officer and say, ‘These points were raised in committee as a matter of interest; however, at this stage we would like you to reply to this particular report’, and then we can come back to that if need be.

[170] **Bethan Jenkins:** If we did an investigation, we could base it on unscheduled care from the audit report in October as opposed to doing one directly on this particular issue. It would seem more viable for us to do that as a committee, than to purely specify this. Although it is important, we should look at it in the whole mix.

[171] **Jonathan Morgan:** There is clearly a whole-systems issue here which, as the Wales Audit Office pointed out. It is publishing volumes of work in the direction of unscheduled care but is focusing on certain aspects of that. Huw, are you happy with that?

[172] **Huw Lewis:** I am content with the proposal to write in the first instance.

[173] **Jonathan Morgan:** We shall compile a letter. We will point out what we have discussed in our deliberations, seek a response, and then we can look at that and decide whether we need to do anything further.

2.57 p.m.

**Trais ac Ymddygiad Ymosodol yn y GIG yng Nghymru: Ymateb Llywodraeth  
Cynulliad Cymru**  
**Violence and Aggression in NHS Wales: Welsh Assembly Government Response**

[174] **Jonathan Morgan:** The Minister has accepted all the recommendations, and I understand that the auditor general has no particular comments on the response of the Assembly Government. The recommendations include a request for a progress report at the end of the year, which gives us an opportunity to come back fairly quickly if we feel that insufficient progress has been made. Does the auditor general or his staff have any particular observations at this point?

[175] **Mr Colman:** No. The report in December will be an important milestone, and we



will watch it with interest.

[176] **Jonathan Morgan:** Are there any further comments? I see that there are not.

2.58 p.m.

**Gwasanaethau Ambiwylans yng Nghymru: Ymateb Llywodraeth Cynulliad  
Cymru  
Ambulance Services in Wales: Welsh Assembly Government Response**

[177] **Jonathan Morgan:** In this case, the Government has not accepted all the recommendations, and a letter from the auditor general examines the Minister's response in some detail. He is generally supportive of the Government's arguments on these points, although he suggests that we write to ask for an update in due course in relation to recommendation 16.

[178] One thing to note is that this report is different from most previous reports, and it is the second one produced under the new arrangements. Do you wish to make any observations, auditor general, before I ask the committee?

[179] **Mr Colman:** My letter is unusually lengthy because I found myself in the unusual position of agreeing with the Assembly Government—I do agree with the Assembly Government from time to time—in rejecting two of the committee's recommendations. The reasons given by the Assembly Government for rejecting those recommendations are good reasons. Not only is the reasoning good in itself, but it also shows that it is thinking along what strikes me as the right lines to get a swifter handover at accident and emergency departments, which is what we all want as an outcome. So, I have fully set out my support for the Assembly Government's conclusions on those recommendations. Those that have been accepted are fine.

3.00 p.m.

[180] This is an area that we will continue to watch very closely because it fits in with our overall work on the whole system of unscheduled care. It is a very good illustration of the fact that interfaces between organisations are frequently a source of trouble. I know that 'interface' sounds like a horrible technological term, but in this case the interface is the unfortunate patients who have to endure a longer wait than is reasonable.

[181] **Jonathan Morgan:** Do Members have any views? The auditor general suggests with regards to recommendation 16 that we might pursue an update from the Government on that in due course with regards to business cases to redesign accident and emergency departments in need of modernisation.

[182] **Bethan Jenkins:** The other comment was on the alternative ways of collecting data. We just have to recognise as a committee that those recommendations came from the unions who saw the way in which it was done. Perhaps a mixture of the case notes and the terminal would have been a way forward. I recognise why the Minister has given this reply, but it should not stop us from hearing those opinions in the future and acknowledging that it is important for us to have the background, which we potentially did not have in previous investigations, although I would say that there was a strong argument for that. However, the recommendation has been rejected, so I do not see where we can go from it.

[183] **Jonathan Morgan:** If you are content, we will note the response from the Government and then perhaps in due course pursue certain aspects of the report, particularly where the Government has partially accepted or accepted the recommendations to ask for a

progress report. That would be justified from our point of view.

3.01 p.m.

**Cynnig Trefniadol  
Procedural Motion**

[184] **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).*

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

*Derbyniwyd y cynnig.  
Motion agreed.*

*Daeth rhan gyhoeddus y cyfarfod i ben am 3.02 p.m.  
The public part of the meeting ended at 3.02 p.m.*