



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

## **Y Pwyllgor Cyllid** **The Finance Committee**

**Dydd Iau, 20 Hydref 2011**  
**Thursday, 20 October 2011**

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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**

Peter Black	Democratiaid Rhyddfrydol Cymru Welsh Liberal Democrats
Christine Chapman	Llafur Labour
Jocelyn Davies	Plaid Cymru (Cadeirydd y Pwyllgor) The Party of Wales (Committee Chair)
Paul Davies	Ceidwadwyr Cymreig Welsh Conservatives
Mike Hedges	Llafur Labour
Ann Jones	Llafur Labour
Ieuan Wyn Jones	Plaid Cymru The Party of Wales
Julie Morgan	Llafur Labour

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

Helen Birtwhistle	Cyfarwyddwr, Confederasiwn GIG Cymru Director, Welsh NHS Confederation
Reg Kilpatrick	Cyfarwyddwr, Llywodraeth Leol a Gwasanaethau Cyhoeddus Director, Local Government and Public Services
Carl Sargeant	Aelod Cynulliad, Llafur (Y Gweinidog Llywodraeth Leol a Chymunedau) Assembly Member, Labour (Minister for Local Government and Communities)

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

Dan Collier	Dirprwy Glerc Deputy Clerk
Tom Jackson	Clerc Clerk

*Dechreuodd y cyfarfod am 9.14 a.m.*

*The meeting began at 9.14 a.m.*

**Cyflwyniad, Ymddiheuriadau a Dirprwyon  
Introduction, Apologies and Substitutions**

[1] **Jocelyn Davies:** Welcome to this meeting of the Finance Committee. I will make the usual announcements. Headsets are available for translation on channel 1 and for amplification on channel 0. Please check that your electronic devices are switched off, because they interfere with the broadcasting equipment. We are not expecting a fire drill, so if you hear an alarm, it is a genuine emergency and the ushers will show you a safe exit and where to assemble outside.

9.15 a.m.

**Cyllideb Ddrafft Llywodraeth Cymru 2012-2013: Craffu ar waith y Gweinidog  
Llywodraeth Leol a Chymunedau  
Welsh Government Draft Budget 2012-2013: Scrutiny of Minister for Local  
Government and Communities**

[2] **Jocelyn Davies:** We move to our first substantive item. I welcome the Minister for scrutiny of the Government's draft budget. Minister, would you like to introduce yourself and your official? Do you have any introductory remarks?

[3] **The Minister for Local Government and Communities (Carl Sargeant):** Morning, Chair and committee members. It is good to be with you this morning in the second of three committee meetings this week, so I am getting used to it. You will be aware of the statements that I have made in the Chamber over the past month on public service transition. There is a new dimension to the agenda for delivering public services. That is at the forefront of the programme for government and we are keen to progress it. I am sure that you have many questions for me this morning and I am happy to respond to them as best as I can. Reg, would you like to introduce yourself?

[4] **Mr Kilpatrick:** I am director of the local government and public service department.

[5] **Jocelyn Davies:** I will start, Minister. Do you expect to achieve the targets set out for public sector efficiencies during 2011-12, and will that have an impact on the services delivered for the public?

[6] **Carl Sargeant:** I expect the changes to services to be achieved. The changes to services that I have requested from the entire public sector, not just local government, are to do with delivering a better service, cheaper, through collaboration or individually. We are seeing signs of that already happening. I assume that this committee has questioned, or will be questioning, Leighton Andrews. He is working on a school-improvement programme where cost-benefits have already been seen, just by doing things differently. It is a better service and we are saving millions of pounds. That must be a good thing for public service delivery. There is an expectation that change will be delivered, through various methods such as the public service boards and the Welsh Local Government Association's regional groups.

[7] **Peter Black:** How do the WLGA priorities on collaboration match with the Welsh Government's priorities on future collaboration?

[8] **Carl Sargeant:** You will be aware of the Simpson compact, which we hope to sign off with local government shortly, before Christmas. They are pretty much in line with that. We have had many discussions with the Welsh Local Government Association about how it can deliver that, and it is achievable. The compact will be signed off very soon. How do we reconcile what Simpson says with the priorities of the WLGA? The sub-groups of the WLGA, including the finance sub-group, tell us regularly what the pressures in the system are, and we react to that. The relationship is relatively good. They tell us what the pressures are and we try to find a collective solution for them. It is not always to do with money, as we do not have any additional money; it is about looking for opportunities to do things differently, and they are pretty responsive to that.

[9] **Peter Black:** You will be aware that the WLGA has publicly rejected the six regions in which you want future collaboration to be based. Is that a source of friction, or have you moved on from that?

[10] **Carl Sargeant:** I do not recognise that position at all. In fact, after raising the matter at the partnership council, only three local authorities have directly expressed concerns to me.

I have met with them all, and they have gone away feeling—well, I would not say very happy but, perhaps, content. I have asked them if there are any issues that they wish me to clarify further, and they have not come back to me at all. They left my office in relatively good spirits. You stated that the WLGA has publicly opposed this, but I do not recognise that statement.

[11] **Peter Black:** Well, that should teach me not to believe everything that I read in the press.

[12] **Jocelyn Davies:** Minister, should we consider therefore that the reports that appeared in the press were unfounded, based on your experience with individual local authorities and with them collectively?

[13] **Carl Sargeant:** In our field of work, politics is always played. There are individuals who oppose change in public service delivery, for whatever reason, but, there has been clear support for this, including from the leader of the WLGA, John Davies from Pembrokeshire. At the WLGA conference, he publicly said that he supported the principle of regionalisation. The concept of how to work differently has been around for a long time. The WLGA has been asking me for a long time to demonstrate a model of regionalisation; we have done that and it has been broadly accepted in terms of delivery. As I said, only three authorities have questioned what we meant by some of it. One of those authorities was Bridgend, because its operation faces both ways, in a sense. What I have said is not to unpick services, but to ensure that future service planning is based around these regions.

[14] **Jocelyn Davies:** So, what Bridgend wanted was clarification on how this would affect them.

[15] **Carl Sargeant:** Absolutely. One of the others was the Vale of Glamorgan. The meeting only lasted 5 minutes; without breaking any confidences, they came in, explained their concerns, we clarified the position, and they went away relatively happy. The other one was—I cannot remember, but if you need that—

[16] **Jocelyn Davies:** A couple of Members have supplementary questions on this point. Ann wanted to come in, and then Mike.

[17] **Ann Jones:** I was going to ask a question about the boundaries, and now is probably the time to do it. How did you decide on the boundaries for the six geographical areas? You started to touch on that. They cross the boundaries of other services, such as the police and the fire service, which will now have two different areas in which to deliver public services. I just wondered what thought process lay behind that. We are a small country, but we have so many different boundaries for different things. A former official produced a collection of maps of Wales according to different boundaries, and it was so thick that it was unbelievable—there are boundaries for one thing, and different boundaries for another of the public services. How will this sort itself out?

[18] **Carl Sargeant:** We had a similar exercise with a set of maps, looking at the different boundaries, with lots of acetates that produced a fantastic multi-coloured Wales when they were overlaid on the desk, but this was about the best fit for what we do now. We recognise that there is a strong relationship between local government and local health boards in terms of their social service elements, which is extremely high-cost, so that relationship was really important. We have 22 authorities. If we were to redraw the map, would we create 22 and would we have them in the same places? There is always room for change in the way that we design services, but what we said was that there was a synergy between the boundaries of local health boards and local government which fitted in quite nicely with those systems and operational relationships. You raised the emergency services, and there is no confusion about

what they do, as they already work across boundaries. We are saying that local authorities, even after the establishment of these regions, can work across boundaries. We do not see this as a barrier to operation; it is just a clearer framework for what we expect them to do. It is what they asked for, really: some clarification around service delivery.

[19] **Jocelyn Davies:** Mike and then Julie want to come in here.

[20] **Mike Hedges:** I have two very brief points. Would you agree that collaboration should also improve services? It is not all about saving money, but also improving services. Secondly, why do boundaries matter at all in terms of back-office services?

[21] **Carl Sargeant:** They do not. On your first question, I agree with you—the tests that we are trying to apply are whether this will save money and deliver a better service. Those are the key tests that we should explore when considering this. It is not the case for all authorities. Some authorities may not get cost-benefit savings, but they may have improved public services. That will be tested with the broader relationship with colleagues. In terms of back-office staff, there are lots of functions within the Simpson compact that give opportunities for different ways of operating. Trading standards is a non-devolved function, but we are ramping that up to a national service. Part of the reason why the 22 authorities are investing, sometimes heavily, in external support for specialist services is that we have those services spread across Wales. We should deliver those services across boundaries. The boundaries are a framework, but they should not mean that we do not work outside them.

[22] **Julie James:** This seems an appropriate point to ask about democratic accountability. How will that work in terms of local authorities? Are we going to get that link with the public?

[23] **Carl Sargeant:** Democratic accountability is really important. I have said in the Chamber, often, that I genuinely believe that 22 authorities can work in terms of service delivery, but they have to operate in a different way. Anglesey is an example; I have often said that the sovereignty of an organisation is important. We are doing some work in Anglesey, which is, again, keeping that democratic accountability element.

[24] Operationally, the Local Government (Wales) Measure 2011 provides provision for joint scrutiny with other authorities, so more than one authority can scrutinise. This is already happening in some areas—I have examples in Cardiff, Monmouth, Newport and the Vale of Glamorgan on the waste partnership. It works well; all the councillors—over 50 of them, I think—come to a collective agreement on that service provision for that area. So, it does work, but it is new, and we have to support it. My team is looking at how that can operate. We are already seeing good examples in north Wales. The frailty model project in Gwent is also a good example. Where there is a will, there is a way with regard to delivery. The scrutiny element of that can also make a fundamental difference, and it is very important.

[25] **Julie Morgan:** I thoroughly support this, and I think that it is absolutely the way to go. I wonder how the people who put their cross for the local council know what they are voting for.

[26] **Carl Sargeant:** We are aiming to demonstrate improved public services. If we park the politics for a second, we need to get people to understand that there is a difference between no service provision and good service provision, even if it may mean that it will be operated on a different level. We have to demonstrate how we are able to maintain services with reduced finances that will be good for the public. The public are very savvy in understanding these issues. If they understood the delivery process, I believe that they would be happy with the democratic process.

[27] The scrutiny element is the important issue. We need to demonstrate why we should do this so that local councillors are able to scrutinise this. I am trying to present the arguments to people. It is not that I have some grand model of transformation for local authorities because I do not like them; the reason is that we have to deliver more with less. That is the key thing for me. Do we want local services or good services? That is the big difference.

[28] **Jocelyn Davies:** The scrutiny element, which is part of the democratic accountability, is more complicated when you have variable geometry. Are you satisfied that the draft budget allows that to happen? I remind Members that we are here to talk about the draft budget as well. Are there implications with regard to resources?

[29] **Carl Sargeant:** Yes, there is certainly opportunity for savings, Chair, with regard to this process. We included the opportunity for remote attendance at committees in the Local Government (Wales) Measure 2011, so there is opportunity to make savings with travel and so on. We also have an opportunity for savings with regard to collective responsibility. If we have collective responsibility across authorities, do we need 10 members scrutinising from each authority on those services? We may only need four or five of each. There is an opportunity to downscale but to increase the capacity level of scrutiny to a different level in a cheaper way. Is there provision in the budget? Yes, there is; I believe that it is reasonable.

[30] **Jocelyn Davies:** Julie, I think that you wanted to ask a question about the public service leadership group.

[31] **Julie Morgan:** Yes. I believe that the group has met and that you chaired it. How will it build on the work of previous groups, such as the efficiency and innovation board? How has it gone so far? What do you see being achieved?

[32] **Carl Sargeant:** It has been really encouraging. We have only had one meeting, but there have also been meetings behind the scenes. It might be helpful if I explained the structure and the difference between this group and the EIB. The EIB was a group of individuals with a mission from Welsh Government to transform public services wholesale. It was based on a Wales element of specific projects. We have tightened that group up now to the public service leadership element of this, where it now has the high-level element that was contained in the EIB, looking at work streams and changes in specific projects. Just below that, still sitting within public services, are the regional leaders.

9.30 a.m.

[33] So, for all of the regions across Wales, we have a stakeholder from across the public sector—from the health boards, local authorities, the police and fire services—who all sit on this board and drive this change agenda through the regions. It is structured differently, so that there is a driver for change in each region. We can share the best practice. Gwent, for example, is already working well and we can lift that up from Gwent and, potentially, transfer it into north Wales, if it is appropriate to do that, through the leader in the public services board.

[34] Again, it is quite an exciting transformation. We went out by open invitation to the leaders across the public sector and a lot of people volunteered to take part in this; we just did not have enough spaces or chairs around the table, so we have had to draw that back. However, what we are not doing is wasting that talent that is open to change. We have said that there is work to be done alongside this, but we intend to perhaps rotate some of the chairs and so on at the appropriate times when we need to refresh the programme.

[35] **Peter Black:** The previous Finance Committee did some detailed scrutiny of the efficiency and innovation board, and I believe that the conclusion that many of us came to

was that it was most productive in producing meetings, and that there did not seem to be any clear work programme, targets or timeline to it. In that regard, how does this new group differ from that? Does it have specific targets that it has to meet and does it have a specific work programme? Is it possible to make that public, so that we can scrutinise its work through you and the Minister for Finance?

[36] **Carl Sargeant:** You raised a couple of really important points there. The public service leadership group is part of the jigsaw of driving public service improvement. There is that element of the professional side of delivery across the public sector, as I have explained. The north Wales regional chair is Mary Burrows, the chair of the Betsi Cadwaladr University Local Health Board, who holds the largest budget for public sector spend in Wales; she is sitting around the table to discuss service transformation. That is one element. We are refreshing the local government partnership council, which is the political element of this delivery, and linking this together is the local government Simpson compact. So, there are three parts to this programme of service delivery, and that is very different from where we were before. I believe that this is a much more focused approach to delivery. I hope that you support that principle; I think that you do.

[37] In terms of measuring that, we are working with the Wales Audit Office on the measurement framework; again, it is about the delivery and what we are achieving from this. I am driving a very hard bargain with these volunteers, saying 'Look, we can't just have meetings and talk about change; we've got to do this'. They are up for that. So, there are some opportunities that can be measured through the measurement framework programme. I would not like to think that we would be hiding any of this from any committee, and I am certainly up for the scrutiny element of that, along with Jane Hutt. It is early days, but I expect them to hit the ground running, because we can pick up some of the work that the EIB did, transform that into this new programme and get on with it. There are some great pieces of work on procurement, and we should be looking now to refresh the top 10 procurement deals from Welsh Government and the public sector. We need to try to renegotiate them, because I think that we could get a huge cost benefit from that. That is part of group's work programme. It is a moving feast, and I am glad of that, because new opportunities are presenting themselves all the time. I would certainly be happy for the scrutiny of this group to happen.

[38] **Peter Black:** Are there targets in the work programme that we can see and scrutinise?

[39] **Mr Kilpatrick:** Just to give you an idea about where we are going next, we have had the first meeting of the leadership group itself. We have a meeting of all public service leaders, all 40 or so, who, between them, account for 80 per cent of public expenditure. We will be challenging them to identify some of the issues and solutions to public service reform. We hope then to have another meeting of the PSLG towards the end of November. At that, meeting we are expecting to see the work plans of each of the three work streams. We have said from the beginning that those would be published and would be available principally to other public service partners, so that they can see what they are trying to achieve, to understand their outcomes, but also to enable wider scrutiny from you and the public.

[40] **Peter Black:** Will we see those as well?

[41] **Mr Kilpatrick:** We can make sure that they are available when they are finalised and signed off.

[42] **Jocelyn Davies:** To clarify, is the 80 per cent of public expenditure in Wales that you referred to devolved expenditure?

[43] **Mr Kilpatrick:** Yes, I should say 'devolved expenditure'.

[44] **Jocelyn Davies:** So, we are not talking about any non-devolved services.

[45] **Mr Kilpatrick:** No. We took a conscious decision that we would look at the leaders able to deliver change within Welsh public service. We understand that there are some quite significant non-devolved elements, but, for the moment, we are sticking with Welsh Government expenditure.

[46] **Carl Sargeant:** There is the caveat to that, Chair, that the police sit around the table with us in terms of this service delivery. There are elements of service improvement in which they are engaged with service delivery as well, though it may not be the financial elements.

[47] **Jocelyn Davies:** Thank you for that clarification.

[48] **Paul Davies:** The Welsh Local Government Agency has said that the pace and extent of collaboration needed would require financial investment. Do you agree with that? If so, is there sufficient funding available to achieve success?

[49] **Carl Sargeant:** I do and I do not. It depends on what pace of change you are seeking to make. If you throw lots of money at things, you can make changes quickly. If we were in the position of having lots of money available, that could be a track that I would take on some different approaches to operation. Simpson is not about an add-on to services. Simpson is about looking at the services that we deliver differently. So, there is an opportunity to save there. It will take a little longer sometimes to make those changes. Notwithstanding, there are some elements that need pump-priming in terms of delivery. We have done various projects that needed a little support, usually in office-function service support, to get that momentum going. We have to remember that chief executives of organisations have a day job as well, and we are asking them to do this on top. Sometimes, it is about making small investments to help support this transition, and we have funds to do that within the budget.

[50] **Paul Davies:** There seems to be some evidence that there is organisational resistance to the handing over of control of certain functions. Do you agree with that? What role do you play as Minister, in trying to break down those barriers?

[51] **Carl Sargeant:** There are two elements to this. There is politics: because I say one thing, they will say the other. That is natural. However, as I said earlier, we have lots of volunteers and high-level strategic decision makers and policy makers wanting to be part of this transformation because they know that, with less money, if we do not do things differently we will have service failure. No-one can contradict that. It is great if people are on the train, but if they are not we leave them behind and carry on with this agenda. It is important for me to drive public service investment for the better public services that people deserve. You, me and everyone else who pay their way in Wales deserve good-quality services. That has to be the right agenda. I try to articulate to colleagues who have doubts in some areas that, if we can demonstrate the reasons why we should change, for better or cheaper services, we should forget the parochialism of who delivers it and where it is from. We want good, effective and cheaper services for people. There are people, not many, who still doubt this programme; they are always going to be there.

[52] **Paul Davies:** You mentioned earlier that collaboration is not just about savings, it is also about delivering better services. You have touched upon targets and the measurement framework programme that you will use to measure outcomes. Is that the only vehicle that your department will use or will you set other targets in your department to measure success?

[53] **Carl Sargeant:** There are lots of programmes of measurement in terms of improvement. It is not the case that, when you change a service, that is it and everything is parked. It is about continually looking for savings or an improvement in services. You will be

aware of the outcome agreements with local authorities and of the audit inspection regime of the Wales Audit Office and that, following some of its more difficult reports on some local authorities, we have had to intervene in some areas. You will be aware of those interventions, which were because of authorities' failure to deliver services. On the toolbox, this is about driving that agenda forward, and most authorities are on board with that agenda; however, should there be some reluctance to change, for whatever reason, that is wrong and there is evidence that it is wrong, there are things that I can do through the Local Government (Wales) Measure 2011 to cajole or force local authorities to reconsider the issue. So, there is a measurement structure, but there is also an effect if the measurement structure seems wanting.

[54] **Paul Davies:** To clarify, if organisations fail to collaborate, you will take action as Minister.

[55] **Carl Sargeant:** Yes, if it is the right thing to do. It is not about an ideology of forcing collaboration; it is based upon evidence. We have seen organisations that, despite savings and public service delivery staring them in the face, still do not want to do that. That mood is changing; I can sense that out there. However, let me assure you that, if we need to step in, for the right reasons, then we will.

[56] **Jocelyn Davies:** Chris has a supplementary question on this point.

[57] **Christine Chapman:** The wording that you used then was interesting, Minister. You said that this is chief executives' day jobs—I think that that is what you said.

[58] **Carl Sargeant:** Yes.

[59] **Christine Chapman:** To me, that sums it up. If local authorities see their main purpose as one thing but then collaboration as something that is added on, there is a conflict, is there not? It seems as if they are not taking on board the wider picture about better public services, because their first loyalty—I am not knocking that, because it is what happens—is to their organisation. The bigger picture about better public services is seen as an add-on.

[60] **Carl Sargeant:** To clarify what I was trying to say, at the top level of all these organisations, these people who play a part in the collaboration agenda also have a day job to do, and it is an important job, in their organisation. To release them to work on the broader collaboration agenda, whether that is regional or national, takes more time, and that is why I said that we sometimes need to stimulate that with a little more financial support to help them. They may have the concept, but cannot always deliver it directly. We need to help them to do that. However, I am impressed by the amount of additional work, beyond their day job, if I may put it like that, and the commitment that a lot of these leaders across Wales are putting into this new style of working. It is new and it is a new agenda, and many of them are stepping up to the mark.

[61] **Jocelyn Davies:** Mike, you had a supplementary question on this.

[62] **Mike Hedges:** We talk a lot about collaboration and I am very much in favour of that, but have you identified any services that would not benefit from collaboration?

[63] **Carl Sargeant:** No, I have not looked at that. Our team looks at the opportunity for better delivery. I am sure that there are things that should be delivered locally, and we should not move away from that. However, to give you an example from social services, some social services activities can be based on a regional model, but, of course, they will have to be delivered locally. That is an interesting question, but I have not given much thought to the things that we should not do compared to the things that we should.

[64] **Mike Hedges:** Where I was coming from is that I think that those services that were identified under the Local Government Act 1972 should be run by district authorities. I was just explaining where I was coming from.

9.45 a.m.

[65] **Jocelyn Davies:** The Minister will send us a note on that. I am not sure that he knows the 1972 Act off by heart in the same way as you, Mike.

[66] **Carl Sargeant:** I would be happy to do that.

[67] **Jocelyn Davies:** Chris, you had some questions about the approach of Ministers.

[68] **Christine Chapman:** It was interesting, Minister, that you used the word ‘cajole’ earlier on. The Welsh Local Government Association gave us evidence some weeks back, but I know that in an interview with the spokesperson for the WLGA, he talked, with regard to collaboration, about the confrontational approach of Ministers. You say ‘cajole’, they say ‘confrontation’, so that it is interesting. How has the public sector reacted to the Welsh Government’s proposed collaboration programme?

[69] **Jocelyn Davies:** Is it a matter of interpretation, do you think? They say ‘confrontation’, you say ‘cajole’?

[70] **Carl Sargeant:** I think that I recognise the person who you are talking about with regard to the comments he may have made. I do not believe that is the wholesale position of the WLGA. I spoke to the leader of the WLGA and the chief executive after that press statement. They did not share the WLGA spokesperson’s position. So, I believe it was a personal interpretation. We play politics.

[71] However, as I demonstrated earlier, a lot of people willingly wanted to take part in this public service transformation. I recognise that one of the more difficult tasks to tackle is that people outside the executive of a council, backbench council members, do not always get fully engaged in this process. What we are trying to do, as a team, is engage all of the council, not just the executive level, in change. We will explain the reasons again, the rationale of why we need to change these services. As a former councillor a while back, I know that it is easier to say, ‘No, let’s not do this’, because, sometimes, it would grab some headlines. However, it is not always the best thing to do in the transformation of services. We have to try to create the narrative as to the reasons why we should do this. We can do that, but it is important that we get the message to the council as a whole as well.

[72] **Christine Chapman:** I agree with that. It is easy to demotivate staff because you may not be having these discussions with them, but backbench councillors or people working in the front line are the ones who can make or break this. It is important that those people are engaged, because the messages are not always clear. Are you having discussions with the leaders to say that they must involve the workforce and the backbenchers, for example?

[73] **Carl Sargeant:** There was a good example, about three weeks ago, in north Wales, where the leaders had an open session with council to explain what collaboration meant for the six local authorities in north Wales. It was well attended. It is about that dialogue. If we go back to why we are doing this, it is not because I want to make people do things differently, but because there are financial pressures, beyond our control, that we have to deal with. I could let this run for three years: we would have a reasonable financial settlement for local authorities, do nothing about it and carry on pottering away. However, in three years’ time, if we have not changed the way that services are delivered, many people will be losing their jobs, because we will not be able to afford service delivery or staff to deliver them. We have

to do things differently, cheaper, and more effectively to protect jobs. That is my prime aim.

[74] **Peter Black:** I was interested in your comments about backbench members of council. One of the issues with the current cabinet model is that many backbencher members feel disempowered anyway. However, when you add collaboration and partnership on top of that, which takes some services out of the accountability of the local council, they feel even more disempowered. If you are going to be pursuing collaboration, how do you do that and at the same time retain accountability and transparency in service delivery?

[75] **Carl Sargeant:** I am not aware that we will be taking the accountability for services away from local authorities.

[76] **Peter Black:** In setting up partnerships, and so on.

[77] **Carl Sargeant:** I think that I understand your question. To go back to the Chair's earlier question on scrutiny, that is the important bit: how we engage backbench members in good scrutiny, because that generally delivers good governance and good services. That is what we are trying to do, and the Local Government (Wales) Measure 2011 supports that principle. I have asked the Welsh Local Government Association to look at elements of training for cross-border scrutiny as well. So, engaging backbenchers in scrutiny is really important. That is already missing within local authorities with regard to their own operations. There are sometimes poor scrutiny and poor support services. Once again, the Local Government (Wales) Measure 2011 gives us a democratic services role, separate from the executive, to support backbenchers in this process.

[78] **Peter Black:** You are right; scrutiny needs to improve, and it has been improving. However, I also think that if you work jointly with another body, you might set up a partnership or an arm's-length company or some other form of body and sometimes such bodies are more reluctant to come in and talk to councillors.

[79] **Carl Sargeant:** We are looking at the listing for the designated persons for scrutiny with regard to external bodies—who the council can call in. If you have any thoughts on that as a committee, I would welcome your input.

[80] **Jocelyn Davies:** I remind Members that we have only around eight minutes left and some Members have not had an opportunity to ask their questions. Chris, you have a question on the third sector.

[81] **Christine Chapman:** I will try to be brief on this, Minister. What role do you see for the third sector in public service reform? I would like to mention a comment that was made to us by the Wales Council for Voluntary Action. It told us that local government is putting more contracts out to commercial tender, which it says puts small charitable organisations at a disadvantage in gaining funding. Do you have a view on this with regard to achieving the best value from public funds? It is about where you see the third sector in this.

[82] **Carl Sargeant:** The third sector is a critical part of service delivery. That is why we are looking to legislate in order to seek a compact between local government and third sector organisations. Where there are financial pressures, it tends to be the third sector that drops off the edge. Often, the service need does not go away, it is just transferred somewhere else. So, you do not solve the problem, you just move it elsewhere. So the third sector has an important part to play. It has a seat on the public service leadership group, and is taking part in the public service transformation agenda. I see it as being a fundamental part of transformation in terms of delivery for the future. I would like to think that our relationship with the WCVA is good as well.

[83] **Christine Chapman:** It is also about local authorities' relationship with the third sector. That is the key thing, really.

[84] **Carl Sargeant:** I have written to every local authority insisting that, prior to legislation, they seek to arrange a compact with the third sector. Some authorities do this very well, but some not so well.

[85] **Mike Hedges:** How successful have local authorities been at accessing invest-to-save funding?

[86] **Carl Sargeant:** That may be a question for the Minister for Finance. With regard to the local government aspect of that, I believe that we have done very well in that process. I think that around half of the invest-to-save bids were from local government.

[87] **Mr Kilpatrick:** Some 20 out of 48 have gone to local government.

[88] **Jocelyn Davies:** Was there any geographical bias in relation to the local authorities that have been successful? This is a bidding process, and some local authorities are very good at bidding, but the need for the investment might very well lie in local authorities that are not. So, what is the geographical spread of that funding? Would you be prepared to supply the committee with a list of the local authorities and the projects for which the bids were successful?

[89] **Mr Kilpatrick:** I cannot see any problem with doing that. I would like to come back on that point, if I may. We have not—or at least, I have not—done an analysis of the geographical spread of bids. It is a bid-based exercise and good-quality bids are more likely to succeed. However, the invest-to-save process is not just about receiving bids, ticking a few boxes and identifying those that are successful. In the past, there was a process—which was not quite mentoring—of going back to help those people who had good ideas to help them to express them in a way that was likely to increase their chances of success.

[90] **Carl Sargeant:** I will follow that up, Chair, if that is helpful, with a note to committee on the geographical spread of that. It may be an issue that you will also want to pursue with Jane Hutt.

[91] **Jocelyn Davies:** We will certainly bear that in mind.

[92] **Peter Black:** Do you have any further information on how the outcome agreements are working and whether they are likely to succeed in refocusing the allocation of funds towards outcomes, rather than inputs?

[93] **Carl Sargeant:** I am pleased so far with the outcome agreements that I have signed off. I have signed off 11 outcome agreements and they have all been fully paid. I have some concerns about the delivery of some of the remaining outcome agreements, but local authorities have been working with us to try to ensure that they get full payment from them. They are not under any illusions and they were not under any illusions from the beginning. These are achievable outcomes, agreed by the local authority. In some cases, the reasons for not meeting some of the targets are beyond their control—such as the economic circumstances and the downturn in the economy—and we will take that into consideration when we are reviewing them. However, there are some elements that have not been achieved because of failure within the authority. Is it something that I am keen to progress? Absolutely, because it drives a different style of delivery.

[94] **Peter Black:** At one stage, the outcome agreements were considered to be an alternative to hypothecation.

[95] **Carl Sargeant:** Yes, Ann might welcome that. If there are failures in relation to outcome agreements that the local authorities have created, that is evidence that it is better that they were failures in relation to outcome agreements rather than in terms of the revenue support grant, because, with the RSG, the service would not have been delivered and we would have still given them the money.

[96] **Ann Jones:** We have been doing that for the last 12 years.

[97] **Mr Kilpatrick:** Another dimension to outcome agreements is that this is the second year that they have been in place and we have seen an improvement in authorities' ability to plan for what they want to do and to express what they want to achieve in outcomes. That has a more significant benefit to their wider corporate performance. Looking at the way that they respond to the outcome agreement programme has shown us a different slant on their wider corporate ability. Those who respond quickly and clearly to the agenda are generally those that have strong corporate centres and good strategic planning. As for those who respond less quickly, it helps us to understand what the rest of their business is like.

[98] **Ieuan Wyn Jones:** Mae rhaglen gyfalaf y Llywodraeth yn wynebu sialens o ganlyniad i'r toriadau enfawr mewn arian cyfalaf. Yr ydych chi, Weinidog, yn wynebu un o'r sialensiau mwyaf oherwydd mae gan eich adran rhaglenni cyfalaf mawr ar yr ochr drafnidiaeth. I ba raddau yr ydych yn fodlon cydweithio gydag awdurdodau lleol i ddefnyddio eu pwerau benthyg, gan nad oes gan y Llywodraeth hon yr un hawl?

**Ieuan Wyn Jones:** The Government's capital programme is facing a challenge as a result of the huge cuts in capital funding. Minister, you are facing one of the biggest challenges because your department has major capital projects in the field of transport. To what extent are you willing to collaborate with local authorities to use their borrowing powers, since the Government does not have the same right?

[99] **Carl Sargeant:** That is an important question that recognises the pressures that we are under. Thank you for the question. The issue for Government is to find additional capital methods, working with local authorities. We are already having dialogue with the Minister for Finance and local authorities regarding using the borrowing powers that they have, where we can support that. The technical problem that we have found is that when you support the borrowing of local authorities, the debt may, in some circumstances, come back onto Welsh Government spreadsheets, so potentially impacting on the block grant that we receive from Westminster. It is quite complex. We are trying to find a different way of doing supported borrowing with local authorities without having the debt on our books. That is the complexity of this.

10.00 a.m.

[100] **Ieuan Wyn Jones:** Mae gennyf ddau gwestiwn atodol. Y cyntaf yw: faint ydych chi wedi bod yn trafod gydag awdurdodau lleol? Pan yr oeddent yn rhoi tystiolaeth i ni, yr awgrym oedd nad yw'r trafodaethau hynny wedi mynd yn bell iawn ar hyn o bryd. Felly, gyda phwy yr ydych chi wedi bod yn trafod a pha mor bell mae'r trafodaethau wedi mynd?

**Ieuan Wyn Jones:** I have two supplementary questions. The first is: how much have you discussed with local authorities? The suggestion that they gave when giving evidence to us was that those discussions have not gone very far at the moment. So, with whom have you been discussing and how far have the discussions gone?

[101] Yn ychwanegol at y ffaith y gallai'r ddyled hon fod ar eich llyfrau, mae'n rhaid ichi hefyd ganfod llwybr refeniw. Ni fedrwnch ddisgwyl i awdurdodau lleol gymryd y

In addition to the fact that this debt could be on your books, you must also find a revenue stream. You cannot expect local authorities to shoulder the responsibility for borrowing the

cyfrifoldeb am fenthlyg yr arian a disgwyl iddynt dalu'r llog ar y benthyciad. Felly, pa mor bell a ydych wedi mynd yn y trafodaethau, ac a ydych wedi rhoi addewid iddynt, pe byddech yn defnyddio'r llwybr honno i godi cyfalaf, y byddech yn fodlon eu helpu gyda'r llwybr refeniw?

money and expect them to pay the interest on the loan. So, how far have those discussions progressed, and have you promised them, if you were to use that stream to raise capital, that you would be willing to help them with the revenue stream?

[102] **Carl Sargeant:** I have had direct discussions with the WLGA and I know that the Minister for Finance has done so, so they are ongoing. As you will appreciate, it is a complex area with regard to what we are and what we are not allowed to do, and also in offsetting the risk. I have asked lead officials within my department to start considering the transfer of capital spending to revenue so that we can project longer term revenue—

[103] **Ieuan Wyn Jones:** It has to be the other way round; revenue into capital.

[104] **Carl Sargeant:** No, it is for supported borrowing.

[105] **Ieuan Wyn Jones:** Oh, yes, I am with you.

[106] **Jocelyn Davies:** To get this straight, when you make payments to local authorities to repay their capital investment, you would have to do that under a revenue stream.

[107] **Carl Sargeant:** Absolutely, and we are looking at how we can do that. However, we must remember that we are a Government for a term and we are talking of borrowing terms of 20 to 25 years, so we have to make sure that this is right for the future as well. We are potentially committing Governments of the future to investments in supported borrowing. There is only one pot of money, whether it is capital or revenue, and you have to balance that in terms of getting the distribution right. The key is maximum delivery. There are also issues around transportation, which is quite interesting. We recognise that there is possibly an opportunity to invest a revenue stream for supported borrowing in road maintenance, which would give us a long-term opportunity to fix all of the roads in Wales quite easily if we could get supported borrowing from local authorities as well. However, saying that is easier than delivering on it.

[108] **Jocelyn Davies:** A number of Members have supplementary questions on this. I will call Peter and then Mike.

[109] **Peter Black:** I am a bit confused because when we had the briefing on the local government settlement, I was told that there was an element of supported borrowing in there already, and that local authorities can borrow up to just over £100 million as a result of the capital side of that settlement. So, you are clearly already doing supported borrowing. How do you determine the balance between what you give as supported borrowing and what you give as direct capital funding?

[110] **Carl Sargeant:** We are in a very different place in terms of finances: local authorities have had a cut in the twenty-first century schools programme; there is big pressure on local government delivery; and the transport budget was hit extremely hard in terms of its capital spend element. We have to look at the maximum potential for local authorities to borrow. If they would have found it to be affordable, I expect that they would already done that. However, the fact of the matter is that they cannot because it is not yet affordable. We have to look at the relationship between what we give in capital or revenue to maximise that full potential. This is not a quick piece of work—it is extremely complex. I know that the Minister for Finance is working with her team, local authorities and WLGA finance officials to see what the best outcome will be for the delivery of this. However, you are absolutely right,

Peter: if we transfer capital into revenue, it is a long-term commitment that you cannot switch in three years' time. That is a commitment, and once the money is invested somewhere else, it is gone. So, there is a balance to be struck.

[111] **Peter Black:** So, it is something that you are doing already.

[112] **Carl Sargeant:** Yes, absolutely.

[113] **Jocelyn Davies:** From the evidence that we have had over the past few weeks, we know that those discussions with local government are at a very early stage. Mike, you will have to be brief, because we will run out of time before you run out of questions. If there are any questions that we have not asked, we will send them to the Minister in a note, if that is okay with him.

[114] **Carl Sargeant:** Yes, of course.

[115] **Mike Hedges:** You are still paying 30-year-old basic credit approvals in your current budget, and you talk about supported borrowing from here going on your books. Does that mean that local authority prudential borrowing will also go on your books?

[116] **Carl Sargeant:** Prudential borrowing is a national spend, is it not?

[117] **Mr Kilpatrick:** Prudential borrowing is for local authorities to determine themselves.

[118] **Mike Hedges:** We are actually talking about the technicalities around how you can support prudential borrowing.

[119] **Mr Kilpatrick:** It is supported borrowing.

[120] **Mike Hedges:** Yes, but if you support prudential borrowing, then it does not count against you.

[121] **Carl Sargeant:** It is a technical issue—

[122] **Jocelyn Davies:** Yes, but it appears on your balance sheet—

[123] **Carl Sargeant:** Yes, if it is not prudential.

[124] **Mike Hedges:** So, you make the payments for prudential borrowing, because that comes out of the funding that local authorities have. They do not have an additional pot for it, so it is coming out of your funding anyway.

[125] **Jocelyn Davies:** Yes, but I think that the Treasury rules would say that it counts against the block grant. Minister, with regard to your discussions with local authorities, not all local authorities will be in a position to borrow, so is it likely that local authorities would be prepared to incur a debt for a capital investment that might be in another local authority area? Is that part of the discussions that you are having?

[126] **Carl Sargeant:** That is quite a detailed question, Chair, which would be better explained by the Minister for Finance. Let us look at this in a new light by asking, 'What are the opportunities for us here?'. There are benefits for us and authorities to deliver. I am not ruling anything out with regard to that process, but we must work within the boundaries of Treasury rules, which are the bits that are complicating this more than they perhaps need to. However, that is something that the Minister for Finance is working on.

[127] **Jocelyn Davies:** From this committee's point of view, at this stage, there are no predicted implications for this draft budget with regard to the discussions that you are having, because there are too many questions that remain unanswered.

[128] **Carl Sargeant:** That is absolutely right.

[129] **Jocelyn Davies:** These things are fascinating, but this committee's job is to scrutinise the draft budget and the implications of it. Thank you very much, Minister. I know that we have overrun by almost 10 minutes—

[130] **Carl Sargeant:** Will I get less time in the next committee, Chair? [*Laughter.*]

[131] **Jocelyn Davies:** I know that you have a busy committee timetable this week, Minister. We will send any further questions to you, Minister, and we will appreciate receiving the notes that you have promised to send to us. As usual, we will send you a transcript of the committee's proceedings, so that you can correct any factual inaccuracies.

[132] **Carl Sargeant:** That would be my pleasure. Thank you.

10.09 a.m.

**Cyllideb Ddrafft Llywodraeth Cymru 2012-13: Tystiolaeth gan Gonffederasiwn  
GIG Cymru  
Welsh Government Draft Budget 2012-2013: Evidence from the Welsh NHS  
Confederation**

[133] **Jocelyn Davies:** We now have the Welsh NHS Confederation to help us with our scrutiny. We have one witness this morning, Helen Birtwhistle, who has kindly sent us written evidence. Thank you very much for your attendance this morning. We have a range of questions for you, but, before we begin with those, you have an opportunity to introduce yourself and to make any introductory remarks that you may have, for which we would be grateful.

[134] **Ms Birtwhistle:** Bore da. Mae'n **Ms Birtwhistle:** Good morning. It is a  
bleser i mi fod yma heddiw. pleasure for me to be here today.

[135] I am Helen Birtwhistle. I am the director of the Welsh NHS Confederation, which represents the seven health boards and the three NHS trusts in Wales. Thank you very much indeed. Diolch yn fawr iawn. I am very pleased to be here today to answer your questions in respect of the draft budget and how it affects healthcare in Wales.

[136] In the current economic climate, we would not presume to do anything other than welcome the fact that the Minister for Finance has outlined an additional £280 million for health services over the next three years. It will be well used, it is very welcome, and it will make a difference to patient care. We are also very pleased that the Minister for Health and Social Services is making available £100 million this financial year to help the NHS to meet the intense financial pressures that it faces. It is important for me to emphasise that the NHS takes its financial responsibilities extremely seriously indeed. We understand the constraints faced by everyone in the public sector. The NHS in Wales has already achieved a great deal in making changes, in developing services and in making services more efficient to achieve the best possible value for money. We need to remember that the NHS in Wales is a success story. We are doing a huge amount of very good work every single day.

[137] In that vein, it is important to bear in mind the extraordinary work that is being done

every day by the national health service in Wales. It may be a cliché, but it makes a difference to hundreds of thousands of individuals throughout Wales every day. The members of the Welsh NHS Confederation, including managers, who, I think it is fair to say come in for a fair amount of criticism from time to time, are committed, hard-working, intelligent, and dedicated to making the most of the resources the NHS has and to doing the very best for the people we serve. They have one key priority, which is to drive improvements in the health and wellbeing of the people of Wales, through continuing to develop a modern, safe, high-quality, well-staffed health service that is cost-effective and that meets the ever-changing needs of the people whom the NHS serves. To make those changes, the NHS needs support—it needs political support at all levels. Obviously, we have a responsibility to encourage the public, to inform the public and to keep the public involved in the changes that we are making.

[138] **Jocelyn Davies:** Thank you very much for that. It was not you personally who appeared last year, but the confederation did send witnesses to the committee last year. The evidence was that the local health boards were confident that they could make the necessary savings and that the financial settlement was adequate to undertake transformational changes. Would you like to tell us what went wrong?

[139] **Ms Birtwhistle:** I do not think it is a case of what went wrong. Just to explain, I have been in post for about six months, so, obviously, I was not here last year. As I said, I do not think that it was a case of what went wrong, but of recognising that lots of things are changing that are outside the control of the NHS, and, indeed, the public sector and services generally. The economic climate is changing. There are increasing pressures all the time in the health service in terms of demand for services, changing demographics and an increasing elderly population. In one sense, that is a huge success story—people are living longer, and many people are living healthier and longer lives. However, some people are not and, with an increasingly elderly population, people have a number of different illnesses that put extra demands on the health service. The cost of drugs is increasing, the cost of different types of telemedicine is increasing, and a great deal of the health service estate is old-fashioned—it is not fit for purpose and in need of intense maintenance. So, the pressures are ever increasing. The NHS is working hard. I cannot overemphasise how much the health service has done—it has done a huge amount to make the most of the resources that it has.

[140] **Jocelyn Davies:** Yes, but with respect, had you been here last year, I do not think that you would not have been able to foresee every single one of the issues on the list you have just given us. The evidence given last year was that the confederation was confident that, within the money it was going to receive last year, as set out in the draft budget, it could achieve those efficiency savings and deliver for the public without material change to the services that were being delivered. Did something happen over the year that you could not foresee at the time that the evidence was given last year, to make that statement not stack up?

10.15 a.m.

[141] **Ms Birtwhistle:** I am not aware of that. All I can comment on is the position that the NHS is in now and the work that it is doing now. In real terms, it has to make savings of at least 5 per cent every year to meet those increasing cost pressures. There are obligations on the NHS to break even at the end of each financial year and it is working very hard to do that. That is the situation that the NHS is in at the moment.

[142] **Jocelyn Davies:** I do not think that anyone is suggesting that the NHS is not working hard. However, it was said that over the next three years, despite budget reductions, it was possible for local health boards to finalise and continue the change required without material change to the delivery of services to the public.

[143] **Ms Birtwhistle:** I am not aware of that statement. I am obviously not disagreeing with you, but I am looking at it from now. To meet the demands on the health service, it needs to change and we need support for it to change.

[144] **Jocelyn Davies:** We will send you the transcript of last year's evidence. I was not on the committee then, but I am sure that a number of Members here were.

[145] **Ieuan Wyn Jones:** Before I get to my questions, you have obviously spoken to the press before coming today—

[146] **Ms Birtwhistle:** No, I have not spoken to the press.

[147] **Ieuan Wyn Jones:** Oh, right. I will read to you what you are quoted on the BBC as saying—

[148] **Ms Birtwhistle:** They have taken it from the evidence, have they not?

[149] **Ieuan Wyn Jones:** No, we have seen the evidence and the wording is different.

[150] **Ms Birtwhistle:** Oh, right.

[151] **Ieuan Wyn Jones:** You are quoted as saying:

[152] 'If the NHS continues to do the same things in the same way but with less money then it will fail.'

[153] **Ms Birtwhistle:** That is in my evidence to you, is it not?

[154] **Ieuan Wyn Jones:** Okay; I could not find that. Anyway, what do you mean by that?

[155] **Ms Birtwhistle:** In the penultimate paragraph of the evidence that I presented to the committee, I said that part of the responsibility of the NHS in Wales in these economically straitened times is to be open and honest about the difficult choices that we face. We have just gone into some of the pressures, so I will not repeat the issues of demographic trends, costly medical advances and the challenges of providing equality of services across Wales. That is another important point that we need to underline.

[156] **Ieuan Wyn Jones:** What do you mean by 'fail'?

[157] **Ms Birtwhistle:** They all have an impact on healthcare resources. I then say:

[158] 'If the NHS continues to do the same things in the same way but with less money then it will fail.'

[159] What I mean by 'fail' is that the NHS will not continue to meet the demands on it to provide good services, to meet targets and to continue to make many of the improvements that have already been made. For instance, cancer survival rates are increasing, cardiac services are having an impact and people are living longer with illnesses that, at one stage, they would not have been able to live with. They are being helped to manage those long-term conditions. So, if we continue to do the same things in the same way, then we will not be able to continue to provide equality of service for the people of Wales. It is as simple as that.

[160] **Ieuan Wyn Jones:** But to say that it will fail is quite a dramatic statement.

[161] **Ms Birtwhistle:** I thought long and hard about it, but we have to make everybody

realise the seriousness of the situation that the health service and all other public sector services are in. I do not think that I am being over-dramatic by saying that. We are saying that the NHS cannot continue to provide a good, modern service that meets the increasingly changing needs of the people of Wales if we continue to, for instance, concentrate all our resources in hospitals or if we equate the success of the NHS with numbers of beds rather than different types of services. We have to look at doing things more creatively and providing services nearer to people's homes where that is possible. We also need to look at the clinical evidence that shows us that some specialist services need to be concentrated in specialist centres.

[162] **Ieuan Wyn Jones:** In next year's draft budget, you have been given £83 million up front, of which £20 million goes to one local health board. The rest is distributed among the others. As far as I am aware, in every previous financial year, in order to break even, money had to be found from the Government reserves to ensure that local health boards did not go over their budgets. Are you confident that if the health boards are given an extra £83 million at the beginning of the year, they will not be back before the end of the year to ask for more money from reserves?

[163] **Ms Birtwhistle:** That is the deal. Until now, what has happened is that the NHS has struggled to meet the demands made of it within its allocated budget year on year. The fact that this budget signals that we will have recurring moneys over three years allows a significant element of forward planning, which is incredibly useful and welcome. The £100 million this year enables the NHS to go a long way towards tackling its difficulties and deficits at a much earlier stage in the financial year. To know that it has this recurring extra funding over three years, in an increasingly straitened climate for everybody, enables the NHS to deal with some of the immediate pressures, to take stock, and to be in a position where it can look forward and start to consider and pursue the changes that need to be made. We are not saying that this extra money is going to allow us to make massive, sweeping changes straight away; we are saying that it allows us to get on an even keel, to take stock, and to plan better so that we are not just looking at in-year funding, but can look at funding going forward and plan a bit better.

[164] **Ieuan Wyn Jones:** Transformation means that the service will have to change. Everybody is putting that forward as a proposal. What the Minister has said—and this is also in the report—is that she rules out the closure of any district general hospital in Wales. Do you agree with that?

[165] **Ms Birtwhistle:** What we are saying on general district hospitals is that the services within them might change and that they will be required to work more closely with other district general hospitals to provide services. For example, the NHS is currently working hard at looking beyond its health board boundaries, where that is appropriate, so that we are not just looking at one health board with one budget and one way of delivering services within that square mileage.

[166] **Ieuan Wyn Jones:** So, for example, there could be centralisation of an accident and emergency unit in one hospital rather than in all hospitals.

[167] **Ms Birtwhistle:** There could be, though I do not want to be prescriptive about that at this stage.

[168] **Ieuan Wyn Jones:** That is an example.

[169] **Ms Birtwhistle:** That is an example. It may be that, if you had a number of district hospitals—where we are now is a good example—within a fairly short travelling time of each other, and 10 services were provided in every one, then you might consider providing four of

those services in one hospital, four in another and two in another. You might go to different district general hospitals for different services, but those services would still be provided. Hospitals will always be important for some services, and part of the reasoning behind the strong statement that I made in my evidence is that we have to get beyond the idea that hospitals are the be-all and end-all. I am a patient and a member of the public, so I do not like change either. If changes are put forward for my children's schools, or the health service, or whatever, that concerns me, because that is the natural response. We must help the public to recognise that, and demonstrate the good work and good examples that are already happening to give the public, and you, as politicians, confidence that the NHS can do things, is doing things and will continue to do things in a different way.

[170] **Ieuan Wyn Jones:** Are you satisfied that any politician would be prepared to see services removed from their local hospital?

[171] **Ms Birtwhistle:** I am being realistic. We understand and know that politicians have particular responsibilities to their constituents, and I understand that. However, there has to be a recognition that we cannot continue in exactly the same way as before. We have a responsibility as the health service to explain changes, and to work with our clinical colleagues to get the evidence for changes, but we also have to talk to the public. Again, members of the public know the situation that we are in financially. It is Wales-wide and UK-wide—it is a global economic downturn. People understand that spending patterns have to change, and we have a responsibility to explain that and to take some responsibility. I have an example that might seem a bit whimsical, but it is something that I have been talking about with my colleagues in the London confederation, which is about developing something called a care footprint, in the same way that we now have our own carbon footprints. That is, I know, if I run a car and do this, that and the other, the impact that I have on resources. There may be a similar way of helping the public to understand what we are trying to do with health services by developing individual care footprints, so that I know, as a patient, if I attend the hospital for a certain thing, the impact it has on the way that services are delivered. In Wales, £1 million a week is spent on health services to deal with alcohol abuse, and another £1 million on services dealing with obesity problems. There is a two-way track here. We have to start taking responsibility as well, and helping the public to understand the real and difficult challenges that we are all facing.

[172] **Jocelyn Davies:** I hope that the NHS does not develop a blame culture with regard to patients. Paul, you wanted to come in, and then Chris.

[173] **Paul Davies:** You have made it clear that major changes need to take place within the health service, but I am unclear from your paper as to what those changes need to be. You mentioned that changes might need to happen in certain places, but you have not been specific. Surely, you need to provide clear direction as far as changes are concerned. Perhaps you would like to expand on that. You have also touched on investing in services locally and closer to people's homes. Do you accept, therefore, that resources need to be invested in those services? How will that be achieved?

[174] **Ms Birtwhistle:** Yes, of course, resources have to be invested. We are not talking necessarily about services saving huge amounts of money. They probably will in the long term, but things have to change in the meantime, and there has to be investment. I would like to go back to the earlier point, if I may—I would not want a blame culture with regard to patients. People need health services, and we are there to provide them, but we have to recognise that, as individuals, we have some responsibilities, too, for the way that we expect services to be delivered, and the choices that we must make.

[175] To address directly your question about services closer to home, there are some fantastic examples, and, again, we must take responsibility, sometimes, for not always sharing

these fantastic examples and not spreading good practice from area to area. That is why I was saying that it is important to recognise that the health boards are working closely together beyond boundaries and beyond sectors. I can give you an example from your own area: the Hywel Dda Local Health Board acute response team has just celebrated its first anniversary. It helps keep people out of hospital or allows them come home early, and has helped nearly 1,300 people in its first year, with 1,000 people avoiding admission to hospital, and 300 people leaving early. Those might seem like relatively small numbers, but, to those individual patients, this was a fantastic achievement. It equates to saving nearly 13,000 bed days, which are freed up to be used by other patients. So, sometimes, efficiencies and using services more efficiently do not necessarily save money. However, we have a responsibility to use the resources as best we can and, in that case, it means that patients can stay at home or in their communities.

10.30 a.m.

[176] The team is made up of nurses and healthcare support workers. It is a 24-hour-a-day rapid response treatment for patients in their own home. It means that treatments that were previously only available in hospitals can now be performed in the community, for instance, intravenous drug administrations, so that people can stay at home and do not have to go to hospital.

[177] People, generally, do not want to go to hospital. Although hospital staff are marvellous and we get good treatment, if people are given a choice, they will always say that they would rather stay at home. For example, if you have ever been—as I have—with an elderly relative or neighbour who is poorly, they will ask, ‘Can you help me to stay at home?’ That is what some of these schemes are doing. There are examples of people being treated more locally in their communities where that is possible. However, they may have to travel further to access some of the more specialist treatments and expertise—we need to concentrate expert and specialist staff and their peers in places where they will get lots of experience of treating those conditions. That, in itself, is shown to be clinically much more effective.

[178] **Christine Chapman:** On that point, I think that all of us are realistic as to how difficult it is, sometimes, when cuts are proposed to services and so I wanted to pursue that issue, Helen, about the local versus the specialist centres. How well is that issue understood by the public? Obviously, money is very important, but it is not just about money, but about the most modern, safe service under clinical governance rules, for example. How much work needs to be done with the public? Is it being done adequately?

[179] **Ms Birtwhistle:** We still need to do a lot of work. You raised a good point in saying that it is not just about money. It clearly is not just about money; in the current climate, the finances are a real driver. There is nothing like a very tight budget to concentrate your mind on what needs to be done. However, these changes need to happen anyway. If we want a modern, effective, twenty-first century health service, then we need to make this change.

[180] As I said at the beginning, the NHS has a responsibility to involve the public. The public is a huge asset; people feel so strongly and passionately about the health service. I think that there is a bit of a mismatch, and it is our responsibility to deal with this, in that, on an individual basis, members of the public will, most often, speak very highly of the NHS—not always, of course, as things do not always go according to plan, but, on the whole, they say things such as, ‘My GP cannot do enough for me’, ‘The nurse was wonderful’, ‘The community nurse comes every day’, and so on. However, they then see the NHS as this sort of mass that takes money. They read the headlines and see the difficulties. We must address that mismatch between that and the very good practice; I do not think that we are there yet.

[181] We are currently putting plans in place to engage the public and, as I have said on a number of occasions through publications and in meetings with some of you personally, we need support to do that. You, as Assembly Members, have a huge role to play in helping to get messages across to the public. We are not asking you to say anything that you obviously do not support or that we cannot demonstrate is a good way forward. However, we have to foster a real environment of trust. It is true that people in the health services work very hard. They are committed and dedicated, and they go to work wanting to do a really good job. That is true at all levels of the NHS, whether they are seeing patients directly or having to take on and manage massive change programmes. They are committed and very dedicated.

[182] We have a role in the NHS. We still have work to do and we are beginning to do it, but we recognise that we need to do a lot more to involve the public and harness the huge affection that the public has for the health service. The public wants a good, thriving health service, and so do we. There are very difficult choices to be made, and we are going to do our best to make them. However, we have to be honest and make it crystal clear that there are going to be difficult choices to be made about some services. We are going to have to explain what those are and demonstrate that what we are trying to do is for the best in terms of quality and safety, and that is something that perhaps I have not accentuated enough. As I said, we would have to make a lot of these changes anyway, but quality and safety are the top priorities, and our aim is to provide high-quality, safe services as locally as possible, rather than to provide local services as safely as possible.

[183] **Julie Morgan:** You gave us a good example in the Hywel Dda LHB area, but in the Heath hospital in my area, I think that the figure is that, on any one day, over 100 beds are taken up by people who do not need to be in hospital. Obviously, that links with the local authority and the local councillors. What comments do you have about that link? The financial implications of that are obviously very great.

[184] **Ms Birtwhistle:** Cardiff and Vale University Local Health Board has a similar scheme to the Hywel Dda scheme, and it is beginning to show a good impact and effect. However, there are people in hospital who do not need to be there. It is simply not the best place for them, and—

[185] **Julie Morgan:** They are there because there is nowhere for them to go.

[186] **Ms Birtwhistle:** Exactly, and that is not of their making obviously; they do not want to be there either. Again, it is not a case of pointing the finger at them; it is about joining up services. The NHS is very mindful that much of what it does, particularly with regard to older people and in the context of an increasing elderly population, cuts across professional boundaries and any boundaries that we might have put in place at any time. We recognise that there has to be work with social services, for example, and there are already some outstanding pockets of excellent practice. It is a case again of ensuring that we share that, spread those messages and talk to the right people and join services up. We cannot work in isolation. The health service is not there simply to provide hospital beds, and we have to get away from that. With regard to a lot of community work, again, talking from my personal experience with elderly relatives, if there is too much of a demarcation between health services and social services, they may be seeing three or four different people, when, if there were more joint working, it could be one or two. So, we are very mindful of that; it is very high on our agenda and it is a major part of our plans.

[187] **Paul Davies:** Just to come back briefly to what you said earlier about the need to engage with the public, in order to achieve major change, you need to take the general public with you. I am interested in what specific work you are doing around that.

[188] **Ms Birtwhistle:** Most of the health boards have local communications and

engagement programmes. However, at the moment, we are developing a much more focused way of supporting local engagement. We have to be careful about engagement; I think that we tend to use the term ‘engagement’ when we perhaps mean communications. Engagement is much more focused—it is about asking for views and support, and we have to be open and honest about that as well. We want views and we have to ask for them and we have to be prepared to hear the answers and to be prepared to not necessarily like the answers that we might hear and take those into account. So, we are, at the moment, developing plans. We have a role within the confederation to support our colleagues throughout the NHS to look at a focused engagement programme. It will involve you as well; it will involve Assembly Members, local authorities and the voluntary sector, but, very importantly, it will involve patients and the public, as well as, of course, the staff. There are 70,000 directly employed NHS staff in Wales. Hardly a family in Wales does not have someone within the extended family who works for the NHS. They, too, are an important part of our engagement process. We need to help explain to them and we need them to be ambassadors for change too. We have not developed that as much as we could have done.

[189] **Jocelyn Davies:** We have only reached question 2. All Members will want to ask you at least one question.

[190] **Ann Jones:** Following on from your first question, because we moved away from that, I find it strange that you did not look at the evidence that the NHS Confederation gave us last year on the budget; you were unable to tell the Chair that you had seen that. I find it strange that, as director, you have not looked at what was said last year in view of the fact that we knew of the financial situation. I doubt whether you will answer this question: last year, the confederation stated that the LHB service delivery plans were still under development, so they could not be presented to the committee for us to look at. So, have those plans now been developed, and, if so, have you seen them? Do you think that they will have to be adapted in light of this new draft budget?

[191] **Ms Birtwhistle:** The plans are being developed.

[192] **Ann Jones:** So, they are still being developed.

[193] **Ms Birtwhistle:** The Minister said in Plenary that plans are being developed. Plans are changing. There are a number of different levels of plans. There are immediate plans and an ongoing planning process within all NHS organisations all the time, forward planning and the process of responding to the demands, requests and issues that we are being faced with. I would not like you to think that I have not done my homework and had come unprepared. I am aware of the issues that were raised last year. I am here to develop and talk about what we are doing now. That was the perspective from which I was looking at things.

[194] **Jocelyn Davies:** It was not just last year; the evidence was similar the year before as well. As a marker for the future, the NHS Confederation does not come here every year with a blank piece of paper and say that what happened the year before does not exist. It does exist, and that is the evidence on which this committee based its consideration of the draft budget last year. I appreciate that you have come to us with your honest and open answers today, but you have to accept that, last year, the confederation gave entirely the wrong impression. It said without doubt that there would be no material change to the delivery of services to the public, and now you are asking for political support for changes that you—not you personally, but the confederation—probably knew full well last year would have to be made. So, you can understand why politicians, in their local areas, will point to that and ask why material changes are being made, when this commitment was given.

[195] **Ms Birtwhistle:** Of course. I am trying to put it in the context that we are working in now.

[196] **Jocelyn Davies:** We accept that. I do not think that our anger is with you; it is with evidence that has been received by this committee before. I am sorry, Ann, I interrupted you.

[197] **Ann Jones:** That is fine. It is obvious that we are not going to see these plans, although for the past three years we have been expecting to see them. It makes it difficult.

[198] **Jocelyn Davies:** They are supposed to be three-year plans.

[199] **Ann Jones:** They were, but we have not seen the first three-year plans, and we are at the end of the third year now. It makes it difficult for us, as the Chair has said, when you come along and ask for political support. I am not going to give political support to anything for which I have not seen a plan, or any view forward. So, do not come knocking on my door asking for political support if you cannot provide me with the evidence that you were supposed to provide.

[200] **Jocelyn Davies:** There will be considerable suspicion about secret plans.

[201] **Ms Birtwhistle:** Absolutely. I accept what you said. I am not here to say, 'Please support us, because of something that we might say in six weeks' time'. This is an ongoing process; there is an awful lot of work going on. A lot has already been achieved. The NHS is a success story in Wales. It is doing fantastic things.

[202] **Jocelyn Davies:** We accept that.

[203] **Mike Hedges:** Everyone accepts that the health service is doing a wonderful job. What we are looking at is how it is doing financially. You have talked about reassessing service priorities and all these changes that need to be made. How does that all fit in financially? Does it mean that you will have better control over what is being spent? Will you be able to work within budget? Will local health boards manage to get financial planning? I have never served on a local health board, but I served on a former NHS trust, and I always knew that, at the end of three months, we were in trouble. I do not think that local health boards are in a different position. Will this enable them to be more controlled in their expenditure?

10.45 a.m.

[204] **Ms Birtwhistle:** As I said, but perhaps did not express clearly, the draft budget announcement of the extra £288 million and the extra £100 million this year from the Minister for Health and Social Services will allow the NHS to get itself on a much better, sounder financial footing. It will then allow the NHS to deal with the issues, some of the pressures and deficits that it is facing at the moment, to plan forward. So, financial planning, cost-effectiveness and looking at what is affordable are critical. However, in the NHS, that must be put into the context of clinical effectiveness, clinical evidence and quality of services. It is a juggling act, and I take my hat off to the financial directors and controllers who manage that, because we are asking them to do a massive task. So, financial planning is high on the agenda and no-one is under any illusion about the importance of meeting the financial challenges. That is why, in the current climate, where finance is having an impact on every single aspect of our lives, we welcome the support contained in this draft budget for health.

[205] **Julie Morgan:** You have mentioned the additional funding that has been given this year, but there have to be savings of around £250 million each year. There were savings last year and there are savings down for this year, but is it realistic to think that such levels of savings are sustainable for the future?

[206] **Ms Birtwhistle:** It is tough, and I do not want to be in a position in 12 months' or two years' time when you are quoting me as saying that I could do something. We are sort of looking into a crystal ball. Some of it will depend on the longer-term changes that the NHS is allowed to make. If the NHS is allowed to make transformational changes, cost will be involved as well; we are not so unrealistic that we do not appreciate that. However, if the service is allowed, with proper consultation—I am not asking for a carte blanche or for you to say that everything that we do is fantastic—to make changes that we can demonstrate need to be made that are clinically more effective and will improve the quality of services, we have a good shot. This will be along with the efficiency savings, because we still have to make them. We are still looking at making real-term savings of at least 5 per cent year on year. It is hard, and it is getting harder; there is no question about that.

[207] **Julie Morgan:** Can you give us examples of some of those savings?

[208] **Ms Birtwhistle:** Some of the savings that are being made at the moment? More day care is being provided, which is making quite a big difference to some costs.

[209] **Julie Morgan:** Do you mean instead of admissions?

[210] **Ms Birtwhistle:** Yes, instead of having longer admissions—

[211] **Jocelyn Davies:** So, you go in on the day of your surgery, rather than the day before.

[212] **Ms Birtwhistle:** Yes. There is a lot of surgery, because the techniques have improved—I am sure that we all remember when people used to go in to hospital for five days for a procedure, whereas now you are out within three or four hours, where it is safe and possible to do so. That is one element—

[213] **Julie Morgan:** Is that an element that is growing so that you can get continuous savings?

[214] **Ms Birtwhistle:** I am not a surgeon and I do not know where the cut-off point comes. Again, this is based on clinical evidence and safety. There may be other impacts as well. To go back to your question about joining up services and social services—

[215] **Jocelyn Davies:** Could you let us have a note on efficiency savings, so that we have some examples? Maybe you could put some figures to that.

[216] **Ms Birtwhistle:** Absolutely. I would be very happy to do that.

[217] **Christine Chapman:** The Welsh Government's programme for government sets out a number of commitments, namely improving access to GPs, instigating annual health checks for the over 50s, improving cancer, cardiac and stroke services and children's health, improving ambulance response times and reducing unnecessary attendance at emergency departments. Obviously, everybody was keen on that. I wonder whether you feel there are sufficient resources in the system to enable your members to deliver these commitments.

[218] **Ms Birtwhistle:** We have been through, in some detail, as you might expect, the manifesto commitments. Again, there are going to be areas where we do not pretend that finances are not tight, and it is going to be difficult in some areas. However, they are manifesto commitments and when we have gone through them it has been interesting to note that, for many of them, there is not such a huge stretch—a lot of the work is already being done. So, it is easy to look at the manifesto commitments and think 'Wow, a long list of commitments that relate to health', and that they are all new, different and on top of everything that we are doing at the moment. Most of them, to some degree or another, are

being done at the moment, even if not in the most formalised sense.

[219] **Peter Black:** To come back to the savings, we are in a situation now where you have to make savings of £250 million this year. The Minister has said that there is no more money and legally you cannot go into deficit, yet you are giving us the impression that you are not quite sure whether you are going to do it. I am getting the impression that, when this budget was set, someone put their finger in the air, someone else crossed their fingers and that was it. Is that a reasonable impression of how this budget has been put together?

[220] **Ms Birtwhistle:** Not from my perspective. From where we are sitting in the confederation and from our members' point of view, the new money does not make everything okay. We are not saying 'That is fantastic, we can all breathe a sigh of relief, take our foot off the pedal, we do not have to make changes; it is not going to be as difficult as it was before'. We are saying that we still have to keep our foot on the pedal, we still have to keep up with our efficiency savings, we still have to find new and more creative ways of doing things and we still have to join up services. What I am saying is that we have been given money and we have been told that there is no more money. So, that is what we are dealing with. The health service is working hard to manage its resources and changes. In the short term, the money will help us enormously and get us on that even keel. In the long term, that cannot continue without substantial changes.

[221] **Peter Black:** If you are not sure whether these £250 million savings can be achieved, that budget is not deliverable, is it?

[222] **Ms Birtwhistle:** We know that it is a tough ask and that everything, at the moment, is being done. We know the situation. We have been given the extra money, and we welcome the extra money. We will make sure that it helps. However, we are living in tough times. To go back to what we said at the beginning, we have to be completely honest and say that this is a tough ask. The health boards are working towards it; they know the situation and they are doing everything that they can to deliver good-quality services, within the resources that are available. That is the same for all public sector services.

[223] **Peter Black:** Are directors and chief executives secretly relying on the Minister giving extra money at the end of the financial year?

[224] **Ms Birtwhistle:** I am not aware of that at all.

[225] **Jocelyn Davies:** The next question will be the last. We have run out of time and run over time before we have run out of questions, so we will send you those in a note.

[226] **Mike Hedges:** The Minister stated last week that increased access to GPs would not require additional funding. Will the scheme need any additional funding and, if so, where are you going to get it from?

[227] **Ms Birtwhistle:** From the point of view of the NHS, health boards and trusts, GP access largely comes under GP contracts. There is an amount of flexibility, as I understand it, within that about out-of-hours access to GPs. That is the situation. It is a question of whether there has to be more discussion with GPs about the contract. From our point of view, there is some flexibility and the health boards are willing to work within that flexibility to do what needs to be done.

[228] **Jocelyn Davies:** Is it potentially possible to deliver that without extra funds, depending on negotiations?

[229] **Ms Birtwhistle:** I do not know enough about the detail of that. I would not like to

give a false impression.

[230] **Jocelyn Davies:** Thank you. I know that you said that you were looking forward to coming to see us this morning—

[231] **Ms Birtwhistle:** I enjoyed it. [*Laughter.*]

[232] **Jocelyn Davies:** As you can tell, we were delighted to see you. I hope that we have some continuity and that you will return to us next year. I am sure that you will be called, if it is possible. Thank you for your honesty in dealing with our questions. We will send you a transcript of the session so that you can check it for factual accuracy. We have also promised to send you the transcript from last year.

[233] **Ms Birtwhistle:** I have a transcript from last year; that is fine. Thank you. Diolch yn fawr iawn.

10.56 a.m.

### **Cynnig Gweithdrefnol Procedural Motion**

[234] **Jocelyn Davies:** I move that

*the committee resolves to exclude the public from the remainder of the meeting in accordance with Standing Order No. 17.42(vi).*

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

*Derbyniwyd y cynnig.  
Motion agreed.*

*Daeth rhan gyhoeddus y cyfarfod i ben am 10.56 a.m.  
The public part of the meeting ended at 10.56 a.m.*