



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

Y Pwyllgor Cyllid **The Finance Committee**

Dydd Mercher, 21 Tachwedd 2012
Wednesday, 21 November 2012

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Cofnodir y trafodion yn yr iaith y llefarwyd hwy ynndi yn y pwyllgor. Yn ogystal, cynhwysir trawsgrifiad o'r cyfieithu ar y pryd.

The proceedings are reported in the language in which they were spoken in the committee. In addition, a transcription of the simultaneous interpretation 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**

Lynne Aston	Cyfarwyddwr Cyllid Cynorthwyol, Bwrdd Iechyd Lleol Prifysgol Caerdydd a'r Fro Assistant Director of Finance, Cardiff and Vale University Local Health Board
Clive Edwards	Rheolwr Gweithrediadau a Chyfleusterau, Gardd Fotaneg Genedlaethol Cymru Operations and Facilities Manager, the National Botanic Garden of Wales
Fiona Jenkins	Cyfarwyddwr Gweithredol Therapïau a Gwyddor Iechyd, Bwrdd Iechyd Lleol Prifysgol Caerdydd a'r Fro Executive Director of Therapies and Health Science, Cardiff and Vale University Local Health Board
Dr Rosetta Plummer	Cyfarwyddwr, Gardd Fotaneg Genedlaethol Cymru Director, the National Botanic Garden of Wales
David Sutherland	Pennaeth Technoleg, Eiddo a Gwasanaethau Cwsmeriaid, Cyngor Bwrdeistref Sirol Pen-y-bont ar Ogwr Head of Technology, Property and Customer Services, Bridgend County Borough Council

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

Dan Collier	Dirprwy Glerc Deputy Clerk
Kerry Dearden	Y Gwasanaeth Ymchwil The Research Service
Gareth Price	Clerc Clerk
Joanest Jackson	Uwch-gynghorydd Cyfreithiol Senior Legal Adviser

*Dechreuodd y cyfarfod am 9.02 a.m.
The meeting began at 9.02 a.m.*

Cyflwyniad, Ymddiheuriadau a Dirprwyon Introduction, Apologies and Substitutions

[1] **Jocelyn Davies:** Welcome to this meeting of the Finance Committee. I remind you to turn off mobile phones and any other electronic equipment. We are not expecting a fire drill this morning, so, if the alarm sounds, please take directions from the ushers. We have not received any apologies today.

Buddsoddi i Arbed—Tystiolaeth gan Gyngor Bwrdeistref Sirol Pen-y-bont ar Ogwr Invest-to-save—Evidence from Bridgend County Borough Council

[2] **Jocelyn Davies:** This is our investigation into the invest-to-save project. This morning, we are taking evidence from Bridgend County Borough Council. Thank you, Mr Sutherland, for attending. Is it okay with you if we go straight into questions? I see that it is. I will ask the first question. We have had written evidence from you, which committee members will have studied. What was your experience of this two-stage process, and how effective are the criteria of project assessment, in your view?

[3] **Mr Sutherland:** The process itself was quite a simple one. As far as the council was concerned, the whole bid process went extremely smoothly. The monitoring activity that then accompanied that assessment process was based around a few visits, which then went into some detail about the business case and how we were progressing against that business case. So, it was quite a simple process, and one that worked reasonably well for the council.

[4] **Jocelyn Davies:** What did the first stage consist of?

[5] **Mr Sutherland:** That was putting together the application process and moving through that. That was then the presentation. I was not involved in the presentation, so I cannot give you the detail about how that went. The officers who were present at that time have now retired.

[6] **Jocelyn Davies:** I see. However, officers from the local authority, based on your application, made a presentation to a panel of Welsh Assembly Government officials. Is that correct?

[7] **Mr Sutherland:** Yes, absolutely.

[8] **Christine Chapman:** Good morning, Mr Sutherland. I wish to follow on from the Chair's questions. Financial criteria that are used in assessing projects include the proposed repayment period and the additionality case for funding. In your experience, what flexibility was there in the repayment terms of the projects, and what evidence did you provide to demonstrate that your projects demonstrated the additionality case for funding?

[9] **Mr Sutherland:** If there is an issue, it is about the duration of the loan period, as far as invest-to-save is concerned. The project that we undertook was a fairly comprehensive one, and the invest-to-save part was a component within that. So, the council had put together a whole programme of activities based on office accommodation and Improving Your Space. The invest-to-save element was only one part of a complete business case, but it was an extremely useful part because it enabled us to move forward with the acquisition of the building. However, then being able to identify the returns gained as far as the business case

was concerned was more complex because they are really only starting to come through now, some two or three years into the process—and they will continue to do so. Therefore, the repayment period, which is fairly short, did not necessarily marry up easily with the period necessitated for the delivery of the benefits. That project and programme of activity, of which the Improving Your Space was one single project, was basically a four to five-year piece of work.

[10] **Julie Morgan:** Good morning. Earlier this year, the Welsh Government published an interim evaluation of the fund, and one recommendation included a consideration of whether bidding rounds could be themed as well as a review of whether the timescales for submitting expressions of interest are too short. On your experience, would you say that the timescales are a barrier to entry? How would you introduce thematic bidding rounds, and how do you think that would impact on the number of applications?

[11] **Mr Sutherland:** I suppose that you could look at it in two ways. In the council, we ensured that we had a series of pieces of work that we could take off the shelf. So, if you are well prepared, the timetable for bidding is not necessarily such a problem. In this particular instance, we had something that we were already undertaking. We had an approved strategy, and so, because that strategy was in place and we knew where we were, when the bidding round came forwards, we were able to take advantage of it. However, if you do not have that, I would say that the time periods are actually very short.

[12] **Julie Morgan:** So, with your particular experience and pre-planning, they were not a problem, but, on the whole, you think that they could be.

[13] **Mr Sutherland:** It could be. It would probably restrict the type of bids that you would get, but that is a supposition, really. We were involved in a significant piece of work for which this was only one component part, so, as a council, we could have covered off that funding in another way, but this was basically taking advantage of the invest-to-save fund that was there.

[14] **Julie Morgan:** Do you think that introducing thematic bidding rounds would impact on the number of applications?

[15] **Mr Sutherland:** I suppose that it depends on what the theme is. [*Laughter.*] Sorry, I do not mean to be flippant. My role in Bridgend is to take responsibility for technology, property, and customer services. The property perspective is where there is particular potential for the greatest efficiency gains. So, if you had a thematic that ran in relation to property and assets, the answer to your question would be 'yes', but if you ran it in a different way against a thematic such as customer services, say, it would be more complex to put forward a bid, particularly in a short period of time. I hope that that helps.

[16] **Julie Morgan:** Yes, it does, thank you.

[17] **Jocelyn Davies:** So, you already had a considerable amount of work done, because you were waiting for funding so that you could pursue this particular project, and it just so happened that invest-to-save came along at that time. Do you have other schemes on the shelf, waiting?

[18] **Mr Sutherland:** This particular piece was part of the authority's overall asset management plan. This was phase 1 of an Improving Your Space element that dealt with office accommodation. We are now moving into phase 2 and therefore that is on the shelf. There is a series of internal capital programme bids currently being considered, which will, basically, take this forward and deal with the issue of other assets, such as depots and depot operations and so forth.

[19] **Paul Davies:** You may be aware that the invest-to-save investment threshold has recently increased from £100,000 to £200,000. In your opinion, is that likely to be a potential barrier to entry to the fund, given that the Welsh Government's interim evaluation stated that nearly 60% of awards are for sums of less than £500,000, and that some past-funded projects would not have met the new threshold and would not have received money in the first place?

[20] **Mr Sutherland:** I think that it goes back to the earlier question about thematics. If you are dealing with an area associated with assets, and you are looking particularly at changing the profiling of assets within an organisation, you are going to get larger invest-to-save bids. I note that I am being followed today by evidence on an invest-to-save bid for photovoltaics in the National Botanic Garden of Wales, and the council has done a piece of work on that. If we were to bid in that area, the values would be less because of the nature of the work, and the returns to the council would also be significantly less. So, you have to judge whether the amount of work required in submitting the invest-to-save proposal would be worthwhile for the lower-value bid in particular thematic areas.

[21] **Paul Davies:** So, what you are saying is that the fund should concentrate on the proportion of savings that it can achieve in relation to a particular project, rather than setting prescriptive limits.

[22] **Mr Sutherland:** From the perspective of a local authority at this moment in time, that would be my personal view, particularly when faced with budget reductions and the need to drive through efficiencies. So, yes.

[23] **Paul Davies:** Based on your experience of the bidding process itself, are you aware of any other element of the process that would create a barrier to entry?

[24] **Mr Sutherland:** Not directly, off the top of my head, no.

[25] **Paul Davies:** So, you are fairly happy with the process itself.

[26] **Mr Sutherland:** Yes.

[27] **Peter Black:** To date, the national health service and local government have been the main sectors using the fund. Do you have any views on why the fund has been used by these sectors more than others?

[28] **Mr Sutherland:** You could return to the earlier answer that I gave in relation to larger organisations having those potential proposals on the shelf and being able to use them because of the shorter bidding round timetable.

[29] **Peter Black:** So, it is about the preparation.

[30] **Mr Sutherland:** Absolutely, as well as having that project management capability inside the organisation to scope a bid early on and be prepared.

[31] **Peter Black:** Okay, thanks. I note from the Good Practice Wales portal that your Improving Your Space project was funded through prudential borrowing as well as invest-to-save. Can you clarify the approach taken to funding this project, and the benefits of using the invest-to-save fund as compared with prudential borrowing or internal funds?

[32] **Mr Sutherland:** I probably need my accountant beside me to answer that one. However, that blended approach enabled us to move reasonably quickly on the acquisition of a property. We had ambitions for this particular project that focused on a particular building.

The council's prudential borrowing approach would not have enabled us to do that all in one go. This gave us the opportunity to do the building acquisition and to refurbish other properties at the same time.

[33] **Mike Hedges:** I accept that you might say that I need to speak to your accountant on this, but I cannot understand why you do not maximise the amount of money that you get from invest-to-save, which is at 0% interest. If you cannot pay it back through savings at the end of the four-year period, why can you not then go to prudential borrowing following that? You would need four years less of prudential borrowing. I assume that, with prudential borrowing, you are borrowing from the Public Works Loan Board and paying its interest rate, but the Welsh Government is giving you an interest-free loan. I cannot see why people—and I do not mean just you, but in general—are not maximising the use of the interest-free loan and then using the interest loans as a top-up.

[34] **Mr Sutherland:** I go back to my other answer, in that it might be better for you to direct that question at a finance person within local government specifically, rather than at me, coming from a technology and property perspective. I will hazard a reply, if that is okay. It is in relation to the payback period and the size of bids. In this particular case, with a fairly substantial £4 million-worth project, elements of which we were going to proceed with anyway, it was simply a case of being able to build that £4 million. I know that that does not fully answer your question, because, as a layman and a non-financial person, I would also say that you would go for the lower interest rate, the cheapest way of doing it. I think that some of the issues may be in relation to the way in which that money can be put together.

[35] **Mike Hedges:** Would it be possible to ask the finance person in Bridgend about that?

9.15 a.m.

[36] **Jocelyn Davies:** You could go back and discuss that and if the answer is different from what you have told us today, a clarification note would be useful.

[37] **Peter Black:** Was there a match-funding requirement as part of the bid?

[38] **Mr Sutherland:** I cannot remember off the top of my head. I am not sure about the specifics in relation to match funding. However, I will produce a note, if the committee is happy with that, from the financial perspective.

[39] **Jocelyn Davies:** Yes, of course. On the repayment to the invest-to-save fund, if you have a project that you are funding in several different ways and bringing together as a package, is it complicated to identify the savings that you are making from the invest-to-save bit?

[40] **Mr Sutherland:** No, it was not, because we directed the invest-to-save money specifically towards the building aspect. That was very much about releasing leases and so the savings that we generated were in relation to the release of commercial leases.

[41] **Jocelyn Davies:** Could it possibly be that the whole package would not have met the invest-to-save criteria?

[42] **Mr Sutherland:** It is possible. I will let you have an update on that.

[43] **Julie Morgan:** I want to ask about monitoring and evaluation. Could you tell us how you monitor and evaluate the projects under the quarterly monitoring requirements that are imposed by the Welsh Government? How does that compare with any internal evaluation that you undertake yourself?

[44] **Mr Sutherland:** The internal management of the process was indicated in the brief note that we prepared for you. We managed the project internally through a board arrangement, through our corporate property group. That reported to a board that was chaired by the chief executive, and Bridgend operates with a programme management board, which is also chaired by the chief executive, and that takes on board the internal management of all key programmes, of which this was one of nine at that time.

[45] On how it was monitored, we had normal board meetings and therefore when the Welsh Government monitoring took place on a quarterly basis, we were able to use and demonstrate the internal process to show that we were moving the whole project forward.

[46] **Julie Morgan:** So, you did not have to do any additional monitoring. You were able to do your own monitoring, which satisfied the criteria for the Welsh Government monitoring.

[47] **Mr Sutherland:** Yes, absolutely.

[48] **Julie Morgan:** So, that suited you very well.

[49] **Mr Sutherland:** Very much so.

[50] **Julie Morgan:** I suppose that it might not suit everyone, though.

[51] **Mr Sutherland:** No, but we had an internal structure, which was basically a programme management board. We then had boards beneath that, and this slotted into that. By being able to have that in place, we were able to demonstrate that we had control of the project.

<p>[52] Ieuan Wyn Jones: Mae'r pwyllgor hwn yn awyddus i sgrwtineiddio sut y mae prosiectau'n cael eu gwerthuso. Felly, mae cysylltiad amlwg rhwng yr arian sy'n cael ei wario a'r buddsoddiad sy'n dod o'r gronfa. A allwch roi gwybodaeth inni am eich prosiect chi o ran eich gwariant yn erbyn y buddsoddiad a gawsoch o'r gronfa, a sut yr dydych yn mesur hwnnw?</p>	<p>Ieuan Wyn Jones: This committee wants to scrutinise how projects are evaluated. Therefore, there is an obvious link between the money being spent and the investment that comes out of the fund. Could you give us some information about your project, on the level of your expenditure against the investment that you received from the fund, and how you measure that?</p>
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[53] **Mr Sutherland:** The key issue in the process of measurement has been that we had a fairly strong business case at the beginning and we used that throughout the process. We then continually returned to it at the same time as ensuring that the commitments that we made early on in the business case—and this particularly related to the release of leases—were taking place. So, we had a profile that was about releasing office accommodation, and that release of office accommodation was critical to the measurement process, because it was through that that we were able to demonstrate that we were going to hit our financial targets. There were issues as we went through the process, because, with much of the leased accommodation, we were having to address the demands of private sector landlords, particularly in relation to dilapidation charges and so on. So, there was always going to be an element of balance—because, at the outset of the project, we were unable to determine exactly what those costs would be—to ensure that we monitored that closely and measured that to ensure that we were at least moving towards the financial targets that we had set ourselves in the business case.

<p>[54] Ieuan Wyn Jones: A wnaethoch gyrraedd y targedau a osodwyd gennych yn</p>	<p>Ieuan Wyn Jones: Did you meet the targets that you had set yourselves in the business</p>
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case?

[55] **Mr Sutherland:** Yes, we did. We hit the targets that we initially outlined, which were about the release of properties. We indicate in the report that, to date, we have delivered annual rental savings of something in the order of £335,000. We have been operational in these buildings for two years, so we are now able to determine some of the other savings, which are about energy costs and so forth, from the reduced office accommodation stock that the council is running. So, that figure is now able to come back and be supplemented with the additional costs that we are seeing, beyond those of just the release of the lease.

[56] **Ieuan Wyn Jones:** Yn aml, mae'n anodd iawn, fel y gwnaethoch ei awgrymu. Weithiau, mae sialens pan rydych yn delifro cynllun yn ôl y canllawiau sydd yn y cynllun busnes. Ar adegau, gallech feddwl bod tanwariant neu orwariant yn rhan o'r broses. A gawsoch chi enghreifftiau o hynny o gwbl? Sut wnaethoch chi ddelio â hynny os oedd enghreifftiau o'r fath?

Ieuan Wyn Jones: It is often very difficult, as you suggested. Sometimes, there are challenges when you deliver a scheme according to the guidelines in the business plan. Occasionally, you could think that underspending or overspending are a part of the process. Did you have examples of that at all? If so, how did you deal with that?

[57] **Mr Sutherland:** We had one very interesting building that had housed 100 people on an industrial estate on the outskirts of Bridgend, for which the council had entered into a lease at the time of local government reorganisation. The council's ambition had always been to come out of this building. When we got down to the detailed negotiation with the landlords and their agents, we had significant dilapidation charges, which were impacting on the business case. We put in place quite a lot of mitigation. We used our own in-house direct labour organisation and set about doing the piece of work to try to mitigate the extent of the liability. It was very much a negotiation piece.

[58] It is those unknown elements, when you are dealing with those types of issues, that you have to factor in. In a sense, upfront, it is about how ambitious you want to be about the targets that you set. One of the lessons that we have learned, as a council in this process, from a property perspective, is to be a lot more cautious in relation to, for example, dilapidation charges. As we have come out of the majority of our buildings, it is a piece of learning that perhaps we could offer to others, rather than take on board ourselves.

[59] **Mike Hedges:** I remember dilapidation charges in west Glamorgan, over a building, which went on for a long time and ended up in court. So, well done for dealing with it so quickly. What actual savings have been achieved in your project, as opposed to what you presented in your business case, and what repayments have you made?

[60] **Mr Sutherland:** The piece that we provided the committee has identified the level of lease saving. We are working through the other elements of savings, which are associated. I mentioned earlier, in response to a question about energy costs, that there have been some savings in relation to facilities management, but we have not worked those through the business case as yet, because there are still things that are coming to the front.

[61] The piece of work allowed us to generate capital receipt. That was not directly factored into the original business case. So, there have been additional benefits. We have amended the business case as we have gone along because there are certain things that we have been able to do fortuitously, as a direct result of being able to increase our capacity within the office accommodation.

[62] **Mike Hedges:** What about the repayments?

- [63] **Mr Sutherland:** The repayments were made in accordance with the schedule.
- [64] **Jocelyn Davies:** And you have been able to meet all those on time, have you?
- [65] **Mr Sutherland:** Yes. We met the payments; there was not an issue with that.
- [66] **Ann Jones:** The Government told us that it promotes lessons learned and best practice in projects via a number of routes. Did you get any information from the Welsh Government about how to do that?
- [67] **Mr Sutherland:** Not that I am aware of, although, subsequently, we have been approached, through the Welsh Local Government Association, about using this particular piece of work as a case study with the Wales Audit Office. I think that it would be one of its improvement and learning sessions, but that has happened only very recently.
- [68] **Ann Jones:** Did you take any action yourselves, as an organisation, to share with others the lessons learned from your project?
- [69] **Mr Sutherland:** We will use the Wales Audit Office session to which I just referred in relation to that. There are certainly lessons to be learned. Bridgend is fortunate in its geography as far as this particular piece of work is concerned. Focusing core office accommodation within the main town of the county borough, bearing in mind that it is only 15 miles north to south, is achievable. That may not be the case in certain other county boroughs in Wales. So, I think that it is very much horses for courses, as far as the learning is concerned.
- [70] **Jocelyn Davies:** How do you think that the lessons learned and the best practice could be promoted more widely, from your experience?
- [71] **Mr Sutherland:** We were asked to—
- [72] **Jocelyn Davies:** If you could stretch this answer out until 9.45 a.m., we would be very grateful. [*Laughter.*] You have been an absolutely ideal witness, I have to say, both in the brevity of your answers and the information that you have given us.
- [73] **Mike Hedges:** I have one more question after you have finished.
- [74] **Jocelyn Davies:** Okay, so there is one more question. So, you have learned lessons from this, but, from the evidence that we take, we are often amazed at how badly that can travel outside a local authority's boundaries. Have you any idea how best practice could travel better?
- [75] **Mr Sutherland:** Local authorities often get accused of not blowing their own trumpet, certainly at my level within a local authority, which is at head of service. We do good things and then, because of the pressures of activity, we move on to the next thing. In this instance, we produced a case study in conjunction with the Welsh Government, but how much that case study is read by others and the messages absorbed, I do not know. It is going back about a year and I think that I had one phone call about it, and that is probably one more than I would normally expect to get, to be honest.
- [76] What is now being proposed through the Wales Audit Office is a sensible approach, because it is very much about having an open discussion. Some of the professional groups representing officers across Wales function extremely well, in my experience, particularly in the professional area that I come from, which is ICT, but maybe not so much in others. I think that there is a case for trying to blend professional groups to begin to look at some of these

cases. Often, we look at it from the perspective of our particular professional background, and I have the advantage within the county borough council of covering a number of professional backgrounds and areas of professional activity, so I can begin to blend things internally. It is a question of how you bring together officers of very different professional backgrounds to begin to look at some of these issues.

[77] **Mike Hedges:** Would you apply again? That is the acid test of any system that you have ever done.

[78] **Mr Sutherland:** Yes, if we had the right project. In fact, we have applied again and have had other invest-to-save activity. So, the answer is very much a 'yes', but you have to get the project right and you have to ensure that your financial colleagues are alongside you. In a sense, this is a response to your earlier question, but you need to be satisfied that the amount of work necessary to carry through an invest-to-save bid, which is not onerous, does not outweigh the benefits that it will give you as another means of financing.

[79] **Mike Hedges:** If you could write us a note on that, I would be very happy. How do you decide as an organisation whether to fund internally, use prudential borrowing, use your standard borrowing, or use invest-to-save?

[80] **Mr Sutherland:** The process is really through capital programme management. The council is in the process of changing its present arrangements, but it is about asset management and linking that to the capital programme. It is about the submission of bids internally, which are assessed both at senior officer level by the corporate management board and at member level, with significant member involvement in assessing those bids.

[81] **Jocelyn Davies:** I think that you had agreed to send us a note on the rationale behind the finance bundle of the project. I thank you again for being, as I said, an ideal witness. You may hear from us again, because we will shortly be undertaking a review of asset management, and I am sure that we would like to draw on your experiences. We will send you a transcript of today's proceedings so that you can check it for factual accuracy. Thanks very much.

[82] Our next witnesses have not arrived yet, so let us take a break for 10 minutes or so.

*Gohiriwyd y cyfarfod rhwng 9.29 a.m. a 9.42 a.m.
The meeting adjourned between 9.29 a.m. and 9.42 a.m.*

Buddsoddi i Arbed—Tystiolaeth gan Ardd Fotaneg Genedlaethol Cymru Invest-to-save—Evidence from the National Botanic Garden of Wales

[83] **Jocelyn Davies:** Welcome back to the Finance Committee. Thank you for coming here this morning, and thank you for your written evidence, which we have already received and Members have read. Would you like to introduce yourselves for the record? Then, I will go into the first question.

[84] **Dr Plummer:** Good morning, and thank you for hearing us. I am Dr Rosetta Plummer. I am the director of the National Botanic Garden of Wales.

[85] **Mr Edwards:** I am Clive Edwards. I am the head of facilities and operations, and I have been there since the beginning. It seems a long time.

[86] **Dr Plummer:** He is a rare creature. [*Laughter.*]

[87] **Jocelyn Davies:** Your written evidence is very positive about the invest-to-save programme and the experience that you had. Would you like to say something briefly about your experience of the two-stage process? Perhaps you could also give a comment or two on how effective the criteria of project assessment are.

[88] **Mr Edwards:** I have been involved in two applications. One was back in 2009 for a knowledge transfer partnership loan, which was a collaboration with Cardiff University. It was for funding of £25,000. The process was similar then to what it was the last time we applied. When it was first made available to us, it was the first time I had heard of such a scheme. I cannot remember how we came across it, but we were told to apply, as we did for other funding. The first part of the process was simple: it was an expression of interest. They then looked at the scheme and came back to ask for a fuller application. Then, we were asked to attend a meeting where we were fairly robustly scrutinised.

[89] **Jocelyn Davies:** So, this was a presentation to a panel of officials, was it?

[90] **Mr Edwards:** That is right. That happened in 2009. We went through a similar process in 2010 or 2011, when we had the last batch of funding.

[91] **Jocelyn Davies:** How effective were the criteria for project assessment?

9.45 a.m.

[92] **Dr Plummer:** I feel that a two-stage application is a very good process. It allows you to do a relatively light-touch expression of interest and then a full process. I have been through many of these things, as Clive has, and, in my view, it was an appropriate level of scrutiny against the criteria that had been laid out to us: whether the business case was robust, whether there was value for money, whether it was going to deliver what the scheme required and had we, as applicants, had sufficiently robust information on which to base our submission. I felt that it was thorough, professional and well supported.

[93] **Christine Chapman:** We know that the financial criteria used in assessing projects include the proposed repayment period and the additionality case for funding. In your experience, what flexibility was there in the repayment terms of the project and what evidence did you provide to show that your projects demonstrated the additionality case for funding?

[94] **Dr Plummer:** There was an initially indicated repayment period. Given that our repayment was predicated on the FIT payments, which, as you probably all know, were in fits and starts, to say the least, and given that we were heading towards a deadline, we had to point out that, given the period of the funding, we would need to extend to a longer repayment period, if that were feasibly allowable within the scheme. If that was not allowable, then we would have needed to do some extra footwork. So, we put that as a business case, did we not, Clive? A valuable part of the scheme was that there was a clear set of criteria in relation to the expected repayment period, so that the scheme and funding could recycle, of course. That was its basis. There was sufficient flexibility not to be rigid and have to say, 'Okay, if you can't do that, then we won't even consider you'. That flexibility enabled us to make a realistic bid.

[95] **Mr Edwards:** In the original business case, when the feed-in tariff was at a certain number, the repayments could be done within a period of four years. So, because of the change in the feed-in tariff and had we have been forced to repay over four years, then that would have had a negative impact on our cash flow. So, I think that they understood that and agreed to a five-year repayment period, rather than a four-year repayment period.

[96] **Christine Chapman:** So, it was a five-year repayment period.

- [97] **Dr Plummer:** Five or six; I cannot remember, sorry.
- [98] **Jocelyn Davies:** So, that was as a result of something changing that was beyond your control?
- [99] **Dr Plummer:** Yes, it was as a result of the declaration on the feed-in tariff return rate.
- [100] **Julie Morgan:** Before I ask my question, I want to congratulate you on the magnificent trees, which, I think, come from the rainforest.
- [101] **Dr Plummer:** Yes, our Ghost Forest. Thank you.
- [102] **Julie Morgan:** It is a fantastic coup. I am looking forward to seeing them in the Christmas holidays, when I hope to come down.
- [103] The Welsh Government has had an evaluation and is considering whether the timescales for submitting expressions of interest are too short. What is your view on that?
- [104] **Dr Plummer:** I do not recall what the submission schedule was, but it is fair to say that the garden, by dint of circumstance, has had to learn to be excruciatingly fast and responsive on lots of things. We have completed grant submissions in three days—and I am not condoning that—so this was relatively straightforward. So, in our relative experience, I do not remember that being a barrier for us. There is a real need to ensure a sensible lead-in time, even for smaller organisations that are less well-equipped than us. That very much depends on the periodicity of the closing dates. So, to have something with a very tight schedule in August or December is more inappropriate and critical than having a tight schedule in, say, February or May. However, I do not recall that being a barrier.
- [105] **Julie Morgan:** So, short timescales are not an issue for you. What is your view on the Welsh Government's intention to have themed projects?
- [106] **Dr Plummer:** It depends a little bit on what it means by themes.
- [107] **Julie Morgan:** [*Inaudible.*]
- [108] **Dr Plummer:** If there is a concept that there is X amount of funding in the pot, and in order to incentivise particular natures you are going to say 20% of this theme and 30% of that, then provided there is a degree of flexibility given to the overseeing body to be responsive to need and flexible within parameters, I would say that may be reasonable—you are clearly trying to incentivise particular natures of activity. It needs to be very well scoped, because if it is not thought-out it will have an undesirable impact.
- [109] **Mr Edwards:** If you theme things too much, maybe you are not actually selecting the best business cases.
- [110] **Dr Plummer:** You may disincentivise more innovative approaches.
- [111] **Julie Morgan:** It could be a bit explosive, could it not?
- [112] **Dr Plummer:** It should not be overly prescriptive.
- [113] **Jocelyn Davies:** On the timescales, I take your point that you have become very experienced at producing grant applications and so on very quickly. Did you not have this in the pipeline, or were you not thinking about this scheme beforehand? Did you start from

scratch, from the time that you happened to hear about this invest-to-save thing?

[114] **Dr Plummer:** It is fair to say that we knew about invest-to-save, but we had not conceived of using invest-to-save for this particular purpose. This was a standing start.

[115] **Jocelyn Davies:** Okay. Paul has the next question.

[116] **Paul Davies:** You may be aware that the invest-to-save investment threshold has recently been increased from £100,000 to £200,000. Under these new rules, your project would not have qualified. Do you therefore agree that this will act as a potential barrier for future projects?

[117] **Dr Plummer:** It sounds to me regrettable.

[118] **Mr Edwards:** Yes, I would agree.

[119] **Paul Davies:** So, you would obviously want to see a more flexible system being adopted, rather than the new rules that have just been put in place.

[120] **Dr Plummer:** Yes, it is regrettable if the threshold is raised to the point of excluding something like this, which was so obviously, in our view, delivering to core Government policy and the climate change agenda, value-for-money investment, et cetera.

[121] **Paul Davies:** Based on your bidding process, are you aware of any other elements of that process that would actually create a barrier to entry?

[122] **Dr Plummer:** No. The robustness of scrutiny would have been quite adversarial, potentially, to those with less strong infrastructure. Clive was a bank manager. He is clearly well-framed in value-for-money assessments and the financial side. On my own, I would have found the process a little bit more difficult, but I would have got there. Neither of us is particularly a shrinking violet, but I think, you know—

[123] **Jocelyn Davies:** Was it a *Dragon's Den* interview when you gave the presentation?

[124] **Dr Plummer:** No, it certainly was not *Dragon's Den*. It was rigorous scrutiny, but many people are not used to being faced by a board, and so for some that could have been a barrier.

[125] **Jocelyn Davies:** So, you had to personally present the argument and be scrutinised by a panel of people. It sounds like *Dragon's Den*, I have to say.

[126] **Paul Davies:** Just to clarify, then, you are quite clear that you would want to see some of the processes changed for applicants.

[127] **Dr Plummer:** There is nothing that never has scope for improvement. If I were asked to say where one might improve that, I would wonder whether scrutinising the project at that level needed the whole of the board, or maybe just a sub-section, but I am not well placed to make that assessment.

[128] **Peter Black:** On the same theme, your projects are an exception in a sense because, to date, the national health service and local government have been the main sectors utilising this fund. Do you have any views on why the fund is being utilised by those sectors more than any others?

[129] **Mr Edwards:** Are other markets and businesses aware of the facility? Is it made

available to people outside of the public sector, such as the third sector?

[130] **Dr Plummer:** How well publicised or well known is it?

[131] **Mr Edwards:** Yes, how well known is it?

[132] **Peter Black:** How did you find out about it?

[133] **Mr Edwards:** It may have been through our collaboration with Cardiff University. We went to a meeting and during the presentation, it was said that this funding could be available for the knowledge transfer partnership—via the invest-to-save scheme.

[134] **Dr Plummer:** That was three or four years ago.

[135] **Mr Edwards:** Yes, it was in 2009.

[136] **Peter Black:** So, the health service and local government tend to be in the know, whereas smaller public sector organisations tend to not have that information.

[137] **Mr Edwards:** I would agree with that.

[138] **Jocelyn Davies:** So, you just happened to be at an event where it was mentioned—

[139] **Mr Edwards:** It was by default rather than by design, yes.

[140] **Jocelyn Davies:** You then decided to explore it.

[141] **Peter Black:** That is fine. I have another question, but I think that the answer is fairly obvious: what is the benefit of using this invest-to-save interest-free fund compared with other forms of funding?

[142] **Mr Edwards:** That is an easy one.

[143] **Dr Plummer:** If you ask a bank manager—[*Laughter.*] It makes it viable and it makes the payback period viable, and particularly for the charity—

[144] **Peter Black:** Did you have to put forward any match funding or was it 100% funding?

[145] **Mr Edwards:** Yes, we did. It was not match funding, but we had 75% of the total spend—I think that the project cost about £150,000, and we had to put in about £30,000.

[146] **Peter Black:** You put in 25%.

[147] **Mr Edwards:** Yes.

[148] **Peter Black:** That is fine.

[149] **Jocelyn Davies:** That is a requirement of the fund, is it, namely to put in 25%?

[150] **Dr Plummer:** It was X%, so do not quote the 25%. It was X, where X was a relatively small percentage; we cannot remember off the top of our heads what the percentage was.

[151] **Mr Edwards:** However, we do not disagree with that; that was a commitment on our

part. You cannot expect the lender to give 100%.

[152] **Peter Black:** How did you find that money? Was that money that you had or did you borrow it?

[153] **Dr Plummer:** That was from capital funds from the garden, partly. It was drawn from our first ever capital fund for improvements. So, thank you, Alun Ffred.

[154] **Peter Black:** Was that money that you borrowed, or was it a grant that you had from the Welsh Government?

[155] **Dr Plummer:** It was part of our overall business plan funding.

[156] **Jocelyn Davies:** It was not Alun Ffred's money. [*Laughter.*]

[157] **Dr Plummer:** No, indeed, it was not, but he was the relevant Minister at the time, and I sat in the room next door, facing him—it was a dragon's den—in order to persuade him that the garden had a worthwhile future. I remain grateful to him.

[158] **Julie Morgan:** I will ask you about monitoring and evaluation. Presumably, you will have internal monitoring and evaluation systems, and the Welsh Government asks for quarterly reports. How do those fit together and how easy do you find that?

[159] **Dr Plummer:** Internally, we are regularly and heavily scrutinised by a very competent head of finance, who worked for PricewaterhouseCoopers. We report routinely to our trustees, in finance and audit committee, and the general executive, and we complete the regular monitoring reports to the invest-to-save scheme.

[160] **Julie Morgan:** Do you find that reasonably easy to do and not burdensome?

[161] **Mr Edwards:** We have to make a return for the feed-in tariff for us to get our income, so we have monitors and readouts that tell me exactly how many units per day of electricity we are generating from the solar system. So, I have all those data, and it is a matter of doing it for the feed-in tariff to get our return on it, and the information is there and ready for any returns that we have to make.

[162] **Dr Plummer:** This scheme lends itself to ready monitoring because it generates data of itself. I guess that it would be much more difficult had it been a KTP student project or something like that. The scheme is well suited.

[163] **Ieuan Wyn Jones:** Hoffwn ofyn i chi ar ba bwynt yn y broses y gwnaeth mater y *feed-in tariffs* newid, pan oedd disgwyl i chi symud o dalu yn ôl dros bedair blynedd i chwe blynedd. A oedd hynny'n rhan o'r broses neu a ddigwyddodd ar ôl i chi ei gwblhau?

Ieuan Wyn Jones: I want to ask you at what point in the process did the issue of feed-in tariffs change, when you had to move from repayments over four years to six years. Was that part of the process or did it occur after you finished it?

10.00 a.m.

[164] **Mr Edwards:** When we did the original application, we calculated that the feed-in tariff would have been 35p per unit. I cannot remember off the top of my head where we got that figure from. When we made the application, the feed-in tariff had come down to 31p. When we made the application for the installation, we had not applied for the tariff, but when we looked at the data that were available when we made our presentation to the invest-to-save

panel, the feed-in tariff was 35p, or it was possibly anticipated as being at 35p—it was fairly early in the process. While the domestic tariff had been going on for quite some time, the non-domestic tariff was fairly new, very much like the renewable heat incentive, with which we are very much involved at the moment as well—although there is a dispute; that is another issue. However, the tariff changed during the period that we had the loan granted. When we signed off the paperwork to say ‘We will repay it over this period of time’, there was a change beyond our control, so we asked them to look at it, and they did.

[165] **Dr Plummer:** That was partly because the changing tariffs at the time were also a question of scalability according to the threshold of how much PV solar we ended up installing.

[166] **Ieuan Wyn Jones:** Felly, roedd hyn yn eithaf cynnar yn y broses, pan newidiodd o bedair i chwe blynedd.

Ieuan Wyn Jones: So, this was fairly early in the process, when it changed from four to six years.

[167] **Mr Edwards:** Oedd.

Mr Edwards: Yes.

[168] **Ieuan Wyn Jones:** I ddychwelyd at y mater o werthuso, roeddech yn dweud yn gynharach bod y bwrdd yn sgrwtineiddio cyn eich bod yn cael eich arian. Ein cyfrifoldeb ni fel pwyllgor yw sgrwtineiddio ar sut mae'r cynllun yn gweithio. O edrych ar y ffordd o werthuso, mae cysylltiad amlwg rhwng yr arian sy'n cael ei wario ar y cynllun a'r buddsoddiad rydych yn ei gael ohono. Sut oeddech yn mesur hwnnw eich hun?

Ieuan Wyn Jones: Going back to the issue of evaluation, you said earlier that you were scrutinised by the board before you received funding. Our responsibility as a committee is to scrutinise how the fund works. In looking at the method of scrutiny, there is an obvious link between the money spent on the scheme and the investment that you derive from it. How did you measure that yourself?

[169] **Mr Edwards:** Roeddwn wedi creu achos a fyddai'n ddigon cryf i fynd o flaen unrhyw gwmni cyllid neu fanc, neu rywbeth felly. Roeddwn wedi gwneud yr achos yn ddigon cryf i ni gael benthyciad o rywle arall pe na baem wedi ei gael o *invest-to-save*.

Mr Edwards: I had drawn up a case that was strong enough to go before a finance company or bank, or something like that. I had made the case strong enough so that we could get a loan elsewhere if we did not get it from *invest-to-save*.

[170] **Ieuan Wyn Jones:** Mae dau fater yn y fan hon, sef eich gallu chi i dalu'r benthyciad yn ôl a'r gwerth y mae'r cynllun yn ei roi i'r corff. Faint yn well ydych chi fel corff ar ôl i chi gael y cynllun?

Ieuan Wyn Jones: There are two issues here, namely your ability to pay back the loan and the value of the scheme to the body. How much better off are you as a body after you had the scheme?

[171] **Mr Edwards:** Dim ceiniog, achos mae'r hyn rydym yn ei arbed yn mynd i dalu'r benthyciad yn ôl. Fodd bynnag, ymhen pum mlynedd, bydd yn creu £20,000 o incwm y flwyddyn am 20 mlynedd.

Mr Edwards: Not a penny, because what we save goes towards paying back the loan. However, in five years, it will create an annual income of £20,000 for 20 years.

[172] For the first five years, it washes its face based on our cash flow, so there is no need for further investment or less investment if we stay as we are—the status quo. After the first five years, it will generate an income of £15,000 a year in cash flow for the gardens, and make a saving of £5,000 in our electricity costs for a 20-year period.

[173] **Dr Plummer:** That really is investing to save.

[174] **Ieuan Wyn Jones:** Mae hynny'n ei egluro yn glir iawn; diolch i chi am wneud hynny. Rydych yn llunio'r cynllun yn erbyn cynllun busnes. A ydych wedi gallu cadw at delerau'r cynllun busnes yn eithaf da, ynteu a oes gwahaniaethau? Er enghraifft, a ydych wedi gweld weithiau eich bod wedi gorwario neu danwario? Sut ydych yn ymdrin â hynny?

Ieuan Wyn Jones: That explains it very clearly; thank you for that. You have drawn up the scheme against a business case. Have you been able to keep to the terms of the business case relatively well, or are there differences in it? For example, have you sometimes found that you have overspent or underspent? How are you handling that?

[175] **Mr Edwards:** Yn y cynllun hwn, mae'n *dead on*. Mae'r haul yn parhau i ddisgleirio—mae popeth yn iawn. Roedd llawer iawn o ddata ar gael pan wneuthum yr ymchwil i wneud yn siŵr nad oedd y ffigurau yn mynd i fyny ac i lawr, a'u bod yn weddol gyson. Fel mae'n digwydd, roedd y ffigurau yn iawn.

Mr Edwards: In this scheme, it is dead on. The sun keeps shining—everything is all right. Much data were available when I undertook this work to ensure that the figures did not fluctuate, and that they were fairly steady. As it turned out, the figures were right.

[176] **Dr Plummer:** Ond, nid oedd yr haul yn disgleirio drwy'r haf hwn. [*Chwerthin.*]

Dr Plummer: However, the sun was not shining throughout this summer. [*Laughter.*]

[177] **Ieuan Wyn Jones:** Mae'r un fath yn sir Fôn. [*Chwerthin.*]

Ieuan Wyn Jones: It is the same in Anglesey. [*Laughter.*]

[178] **Mike Hedges:** You have answered two of the questions that I was going to ask. To clarify that I heard your answers right, apart from the change in the tariff, the actual savings have been exactly in line with what you projected in your business case. You made repayments within the changed business case, as and when required.

[179] **Mr Edwards:** Yes.

[180] **Mike Hedges:** Would you apply again, if you had another project?

[181] **Mr Edwards:** Yes, please. [*Laughter.*]

[182] **Dr Plummer:** Yes, provided that the threshold and the flexibility did not exclude us.

[183] **Ann Jones:** The Welsh Government has told us that it promotes lessons learned and the best practice of projects via a number of routes. Did your organisation receive anything from the Welsh Government on this?

[184] **Dr Plummer:** Yes. We submitted a case study on short-term investing and long-term benefit, which we hoped would share best practice. We are also sustainability charter signatories, so we share best practice through that route and that is promoted and encouraged by the Welsh Government, via a sponsor department. We are also a national sciences academy STEM—or science, technology, engineering and mathematics—hub, so we share our best practice informally with others that way. Also, we are a public engagement outreach centre, with 150,000 visitors a year, so the physical position of the installation—partly up on the hill and partly on the energy centre roof—enables us to say to our visitors, 'Look, this is how you might do it'. We have been encouraged and supported in that.

[185] **Jocelyn Davies:** I think that that has covered the last question, which I was going to ask you. Thank you for giving evidence to us today. We will send you a transcript of the meeting, so that you can check it for any factual inaccuracies. Thank you.

[186] **Dr Plummer:** Thank you.

[187] **Mr Edwards:** Diolch yn fawr. **Mr Edwards:** Thank you.

[188] **Jocelyn Davies:** Our next witnesses have not arrived.

[189] **Peter Black:** Perhaps we could bring forward the private session, while we are waiting.

[190] **Jocelyn Davies:** That is a good idea, Peter. Are all Members agreed? I see that you are.

10.08 a.m.

**Cynnig o dan Reol Sefydlog Rhif 17.42 i Benderfynu Gwahardd y Cyhoedd o'r
Cyfarfod
Motion under Standing Order No. 17.42 to Resolve to Exclude the Public from
the Meeting**

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

the committee resolves, in accordance with Standing Order No. 17.42(vi), to exclude the public from the meeting to discuss items 7 and 8.

[192] I see that Members are content. Thank you.

*Derbyniwyd y cynnig.
Motion agreed.*

*Daeth rhan gyhoeddus y cyfarfod i ben am 10.08 a.m.
The public part of the meeting ended at 10.08 a.m.*

*Ailymgynullodd y pwyllgor yn gyhoeddus am 10.25 a.m.
The committee reconvened in public at 10.25 a.m.*

**Buddsoddi i Arbed—Tystiolaeth gan Fwrdd Iechyd Lleol
Prifysgol Caerdydd a'r Fro
Invest-to-save—Evidence from Cardiff and Vale
University Local Health Board**

[193] **Jocelyn Davies:** Thank you and welcome. Would you like to introduce yourselves for the record? We will then go straight into questions.

[194] **Ms Jenkins:** Good morning. I am Fiona Jenkins, director of therapies and health science for Cardiff and Vale University Local Health Board. I am also the senior responsible officer for the Wyn Campaign: Regaining and Retaining Independence, our programme for frail elderly people with cognitive impairment, which reports to our integrated health and social care board and links together the university health board with Cardiff local authority, the Vale of Glamorgan local authority and our voluntary sector partners. I am the SRO across the campaign.

[195] **Ms Aston:** Good morning. I am Lynne Aston, assistant director of finance at Cardiff and Vale and the finance lead for this invest-to-save.

[196] **Jocelyn Davies:** Thank you for submitting your written evidence in advance. Perhaps you can tell us a little about your experience of this two-stage process for invest-to-save and how effective the criteria for project assessment are.

[197] **Ms Jenkins:** We started our Wyn campaign programme on September 11. We scoped out what services we had across the partnership and where the gaps were, and looked at the evidence base for moving to smart services to make the best use of public sector finances. Also, most importantly, we looked at how to best progress the services that we provide for people, which we renamed Wyn.

[198] It became clear, after we had done a bit of research, that invest-to-save would help us get some pump-priming funding to enable us to transform our system. When we looked at the evidence—and there are masses of evidence around integration of older people's services—we saw that it suggested that, if you just do it incrementally, you do not get the magnitude of change that you can get from going at a pace and scale.

[199] To go at a pace and scale, we looked at the invest-to-save mechanism and made contact with Richard Clarke, who has been extremely helpful in guiding us through the process. So, the application process was not too onerous to begin with, but it did challenge us to think that, if we were going to borrow the money, we had to work out how to pay it back and do the service transformation within a given time to enable us to sustain the model.

[200] So, we had discussions within the health board and local authorities around what our ambition was for the pace and scale that we could go to. We made contact with colleagues in Gwent, because of their experience, ahead of us. Their guidance, which concurred with our thoughts, was that it would be better for us to go big scale. In trying to model how big scale we could go, we realised that if we were looking at something that was equivalent to what had happened in Gwent, we would be looking for an investment of around £6 million to £8 million. However, we could not work out the confidence to have a plan to do that all at one fell swoop.

[201] So, we agreed to go with a two-phase approach, bidding in the first wave for £3.2 million, but putting down a marker that we would consider coming back, if the invest-to-save panel was in agreement, with a second-stage bid later on, when we had been able to do more work on the business-planning process to identify to ourselves and our partners the style of transformation that would be required to sustain this model in an ongoing way.

[202] **Jocelyn Davies:** How effective was the assessment criteria?

[203] **Ms Jenkins:** We found that they were extremely applicable and guided us through the types of information that we were required to submit. We found that they fitted in well with our project.

[204] **Christine Chapman:** The financial criteria used in assessing projects include the proposed repayment period and an additionality case for funding. In your experience, what flexibility was there in the repayment terms of the project? What evidence did you provide that your projects demonstrated the additionality case for funding?

10.30 a.m.

[205] **Ms Jenkins:** Our project is probably one of the newer ones. So, our first phase of implementation with the invest-to-save money kicked off on 1 November. It is early for us to work out exactly what the payback will deliver, and in what time and on what scale. However, one of the key things that we have been working on is our performance metrics,

which will enable us to work out what the investment in the development of the community services will mean by equating it to what it would mean in terms of beds within the acute sector. So, we are quite clear that the metric that we are looking at is a reduction of acute bed stock to shift that funding into the community setting.

[206] We were clear that was what we needed to do, but the challenge is around how to demonstrate what different types of model will deliver in X pounds. That is the bit that we have been working through. So, when we submitted our invest-to-save bid, we had a discussion with Richard and the team to say that that was the really big business case that we needed to develop. It is fair to say that it has been quite challenging to develop that business case, but our intention is that it will be completed before Christmas.

[207] **Julie Morgan:** The Welsh Government has done an evaluation and one of the things that it was going to review is whether the timescales for submitting bids are too swift. What are your views on that?

[208] **Ms Jenkins:** As I mentioned, as a partnership, we had considered putting in an invest-to-save bid. We were not sure of the timescales for call down. My programme manager and I had an appointment with Richard Clarke in our diary and it happened that our appointment with him came out the week after the call came. So, it could not have been better timing. We already had plans in place and questions that we wanted to discuss with him, which then gave us sufficient time. It took a few weeks to get the appointment in the diary, so it was not as if we asked for it the same week; it might have taken a month to match our diaries. Had we not had that appointment in the diary and had we had to wait another month to have that discussion with him, we might have missed that call. However, they were extremely accommodating and having a deadline to work to enabled us to focus on what needed to be delivered within the time.

[209] **Julie Morgan:** So, this was all in the pipeline.

[210] **Ms Jenkins:** Yes, it was in the pipeline.

[211] **Julie Morgan:** The Welsh Government is also planning to theme applications. Do you have any views on that?

[212] **Ms Jenkins:** I know that when we went there, there were several other people queuing up behind us who were also looking at older people's services. We are aware, with regard to the investment that we were given, that Hywel Dda and Cwm Taf LHBs were also successful in having some funding, and having three of us in the same cycle has enabled us to collaborate and to share experiences. We meet as a group to look at the performance measures, and we are also working with the University of Glamorgan and Swansea University to look at some of the evaluation that can be done to compare the different programmes that we have. So, having a cohort of similar themes helps.

[213] **Julie Morgan:** So, there are benefits as the schemes develop.

[214] **Ms Jenkins:** Yes, I think so.

[215] **Paul Davies:** You may be aware that the invest-to-save investment threshold has been increased from £100,000 to £200,000. I understand that, under these new rules, two of your projects would not have qualified. Do you therefore agree that this will act as a potential barrier for projects in the future?

[216] **Ms Jenkins:** I probably need a little bit of clarity on that, because the programme that we put forward was for a bid for £3.2 million, which contained various things relating to the

redesign of older people's services, but we cohorted them all together in one collective grouping. So, none of them met the lower threshold.

[217] **Paul Davies:** Do you feel that, for other organisations, this could act as a potential barrier in the future?

[218] **Ms Jenkins:** I guess this is just a personal opinion, but, if it is for lower levels, you would consider that, possibly, it could be redesigned within existing resources. The opportunity for us here was to have access to a sizeable lump of funding that would enable transformation. It is the transformation that we were needing. So, if we had had a plan around older people's services that came to under £200,000, we would have put in for invest-to-save. However, I think we need to be challenged, given the financial situation in all areas of the public sector, that we need to be redesigning within existing resources, where we can.

[219] **Paul Davies:** Therefore, you believe that increasing the threshold is strategically the right approach.

[220] **Ms Jenkins:** I believe so, but that is my personal opinion.

[221] **Paul Davies:** Okay. Based on your experience of the actual bidding process itself, are you aware of any element of the process that would create a barrier to entry?

[222] **Ms Jenkins:** I think the only barrier to entry is the discussion that needs to be had with health boards and local authorities that are bidding in to not just bid for extra money—you have to redesign, and work out how to pay back and sustain the model. So, the barriers are within our internal organisations to consider what transformation we can deliver to meet the requirement to pay back and sustain the models.

[223] **Jocelyn Davies:** Before I bring Peter in, this is an invest-to-save programme, not a transformation programme, but you are using those terms interchangeably. Is there a reason for that?

[224] **Ms Jenkins:** The reason why we came forward with an invest-to-save plan was to transform our services. I apologise for using both terms together, but we would not have come knocking on the invest-to-save door had it been for anything other than transformation.

[225] **Peter Black:** I was going to observe that the ability to raise £100,000 depends on the size of your organisation and your total budget, so whereas £100,000 may be small change for you, it might not be to the National Botanic Garden of Wales, for example.

[226] **Ms Jenkins:** Absolutely.

[227] **Peter Black:** In fact, leading on from that, to date, the NHS and local government have been the main sectors utilising the fund. Do you have any views as to why that is the case?

[228] **Ms Jenkins:** You will know that local authorities and the health service are challenged financially. We all have to manage with the resource that we are allocated and that is extremely challenging, given the budget-setting process that we are going through. I believe that we are probably the main bidders because it is very difficult to find pump-priming cash from within. We know that we have to redesign to sustain models, but the ability to set up a new system while changing the old one does require some pump-priming and I believe that we are bidding into this to enable that to happen.

[229] **Peter Black:** That applies across the public sector, so is it that you have more

resources to put these bids together or do you have more knowledge of the bids? Is there any particular reason as to why you are being more successful or more proactive than smaller sectors?

[230] **Ms Jenkins:** We did not have a big team doing this, believe me, and this is part of my wider role. There was me and a project manager doing this part-time, working above and beyond what we normally do, with finance colleagues helping us on route. We did not have a dedicated team putting this bid together. It was sizeable bits of work from chunks of people committed to wanting to deliver the programme.

[231] **Peter Black:** Okay. The Wyn campaign is one of the projects to which the Minister referred in her recent evidence, where you are NHS-led but have local authority engagement. What is your experience of that particular collaboration?

[232] **Ms Jenkins:** Yesterday we had our integrated health and social care board meeting, where we meet as partners, together with the voluntary sector. The Wyn campaign is one of the schemes that came out of our integrated health and social care board. We sit there as equals and we have frank discussions on the success or otherwise of our projects. Each of the senior responsible officers reports in on a regular basis, using the RBA-type framework, so it is rigorously managed within, but we recognise that the integrated health and social care board in Cardiff and Vale LHB at the moment is in its infancy. We have a vision to move to much more integrated working and there are discussions going on with the chair of the health board and cabinet members from both local authorities to progress our level of integration. So, although the Wyn campaign is health-led with local authority engagement, to be honest, we are all in it together. It is not just focused on health, and nor would older people's services just be a health element. The voluntary sector is also a key partner around the table and it is part of our integrated health and social care board.

[233] **Peter Black:** Does the fact that you put an invest-to-save bid in mean that you have collaboration that you would not have had otherwise?

[234] **Ms Jenkins:** We put the invest-to-save bid in, but, if we look at the draw-down on the invest-to-save money to date, we put in a bid for £3.2 million and £1.9 million of that was deemed to be an NHS element, which the NHS has to pay back. Our local authority partners at this stage have not drawn down any of the allocation that was allocated to them. They know that it is still there and available, but, in the first instance, they are redesigning their internal services before they go to a draw-down situation. The fact that we do not have pooled budgets makes things a bit more tricky—each organisation has to work out from its perspective what the payback is. To make this more successful, it would be better if there were a greater pooling of the budget because then you would not have to work out which bit belongs to whom.

[235] **Peter Black:** To turn that on its head slightly, did the fact that you were a collaboration mean that you were more successful in your bid?

[236] **Ms Jenkins:** Yes. I do not believe that the Welsh Government's invest-to-save group would have taken us through to the next round had we not been there collectively as partners. When we presented, we had senior officers from all of the organisations there and we were very clear that it was a partnership approach. The health board would not have submitted this bid on its own.

[237] **Ieuan Wyn Jones:** I will be asking a question in Welsh, if you would like to use the translation equipment.

[238] **Roeddwn am ddilyn i fyny cwestiwn** I want to follow up on Peter's question earlier

Peter yn gynharach ynghylch pam mae awdurdodau iechyd ac awdurdodau lleol wedi defnyddio'r gronfa hon yn fwy na chyrff eraill. Rydym wedi clywed y bore yma gan un tyst mai dim ond ar hap a damwain y bu iddynt ddarganfod bod cronfa o'r fath ar gael. Sut wnaethoch chi ddysgu am y gronfa buddsoddi i arbed?

about why health authorities and local authorities have used this fund more than other bodies. We have heard this morning from one witness that it was purely by chance that they discovered that such a fund was available. How did you learn about the invest-to-save fund?

[239] **Ms Jenkins:** I was aware that the fund was available. There are other schemes within the health board that have been funded through invest to save, but, particularly around the work that was done in Gwent, we are quite clear that that could only progress at the pace and scale that it did with invest-to-save funding. So, before progressing to this, I made links with colleagues in Gwent, in local authorities and health boards, to find out whether they would have been able to progress without invest-to-save and to ask about their experiences of the invest-to-save process.

[240] **Jocelyn Davies:** Mike, I think that you wanted to come in.

[241] **Mike Hedges:** Yes. On working with others, were you part of the NHS all-Wales collaborative procurement programme to acquire adult mental health services?

[242] **Ms Jenkins:** In truth, I do not know, as I do not lead on mental health services.

[243] **Jocelyn Davies:** We could have a note—or you know, do you, Ms Aston?

[244] **Ms Aston:** Yes, we were a part of that. As for the savings that have been demonstrated to have come out of that, post the evaluation, we have seen our share of those savings in Cardiff and Vale LHB and we continue to be part of that for the next stages of the forthcoming procurement.

[245] **Julie Morgan:** I want to ask about monitoring and evaluation. The Welsh Government asks for quarterly returns and I presume that you have your own internal monitoring and evaluation system. How do the two fit together and how did you deal with the process?

[246] **Ms Jenkins:** We have adopted the RBA format for reporting and we have different levels of reporting that go across the organisations. So, as I mentioned, we have the integrated health and social care board, which is our main reporting mechanism. However, the Wyn campaign has an engine room, which includes senior people from the organisations involved—Cardiff local authority, the Vale of Glamorgan local authority, the voluntary sector and the health board—and that is our decision-making group, which will be fed information on the performance that we are delivering. Feeding into that we have a steering group, and all of our different work streams—you will see in the information that I submitted that we have work streams around universal services, on targeted interventions and on longer-term care—are all required to report in RBA format into the steering group.

[247] So, we take the headlines from there through to our engine room and up to the integrated health and social care board. There is also a reporting mechanism that goes through the three different organisations. So, in the health board, I report to our board of directors and have made reports to the university health board on the Wyn campaign and there is an update going to our January health board meeting on where we are with that campaign. However, this information also goes through to partnership meetings with the Cardiff and the Vale of Glamorgan local authorities where we flag up any issues and blocks that we have in the system. This is all based on a rigorous set of performance measures.

10.45 a.m.

[248] **Jocelyn Davies:** What does RBA stand for?

[249] **Ms Jenkins:** It stands for results-based accountability, which is the reporting format that is widely used across many local authorities and health boards.

[250] **Julie Morgan:** So, you have no problem with the quarterly reporting.

[251] **Ms Jenkins:** The quarterly report is fed by the reports that the other groups are doing. Those groups meet on a monthly basis, so it is quite easy to pull the report together.

[252] **Ieuan Wyn Jones:** Rydym ni fel pwyllgor eisiau sgrwtineiddio'r ffordd y mae'r gronfa hon yn gweithio o safbwynt yr arian sy'n cael ei wario ar y cynllun a'r buddsoddiad sy'n digwydd yn sgîl hynny. Sut ydych chi'n mynd ati i edrych ar y berthynas rhwng yr arian yr ydych yn ei wario ar y cynllun a'r buddsoddiad yr ydych yn ei gael allan ohono wedyn? Beth yw'r cysylltiad rhwng y ddau?

Ieuan Wyn Jones: We as a committee want to scrutinise the way in which this fund works from the perspective of the money that is spent on the scheme and the investment that happens as a result. How do you go about looking at the relationship between the money that you spend on the scheme and the investment that you get out of it afterwards? What is the link between the two?

[253] **Ms Jenkins:** We develop the link with our business planning process. Our business plan will identify the number of beds that we are going to reduce and, therefore, the transfer that would sustain the model of the development of community services. In our current-year business planning process within the health board, we are looking to make sure that we keep the investment going for next year, which would drive some of the service change that is required in the reduction of our bed stock. That is where the link is, between our core business and making sure that we can sustain the funding that we have borrowed, but also to model in the actual payback. We also need to get this scheme up and running before we will be in a position to pay back, so that is another link.

[254] In our submission, we have indicated that, with the development of community services, our first plan would be to increase the flow of patients through hospitals, so that we can take people back home into the community sooner than we have been able to, historically. By freeing up the flow of beds within the hospital, we hope that that will improve our performance on providing unscheduled care for patients who come in by ambulance to the hospital—where performance is not always as we would want it to be—so that we do not get clogged up at our front door. We know that the reason for that is that we have poor flow within our system.

[255] The second phase of the invest-to-save pump-priming money will enable us to make sure that the beds that are used for surgical capacity are not constrained by emergency medicine patients occupying surgical beds, which is often the case at the moment. Currently, we have to cancel people who are waiting to have elective surgery if we do not have sufficient bed capacity to admit them. So, the first element of linking this together will be to improve our patient flow. We will then have to improve our surgical capacity and ability to offer more timely treatments. We will then reduce our bed stock. The delay in the payback time—and our payback element is in 2015—means that we will need to have transformed our service over the next couple of years and to have done those two things to enable us to sustain the payback. It is about linking in the different business processes. This all sounds very focused on health, but social care is a key element in supporting discharge into the community.

[256] **Ieuan Wyn Jones:** Rydych wedi egluro'n fanwl sut yr ydych yn gweld y system yn gweithio o safbwynt y gwasanaeth iechyd, ond mae angen y partneriaid ar yr ochr gofal cymdeithasol os ydyw i weithio'n iawn. Mewn ateb i gwestiwn cynharach, roeddech yn dweud nad yw'r awdurdodau lleol wedi dechrau tynnu'r arian i lawr i weithredu'r newidiadau y maent yn gorfod eu gwneud ar eu hochr hwy. Felly, a yw'r cynllun hwn yn weithredol ar hyn o bryd, mewn gwirionedd, neu a yw'n dal i ddisgwyl i'r awdurdodau lleol ddechrau eu rhan hwy ohono?

Ieuan Wyn Jones: You have explained in some detail how you see the system working in relation to the health service, but if it is to work properly, the partners on the social care side will be needed, too. In response to an earlier question, you said that local authorities have not started to draw down the funds to implement the changes that they have to make on their side. Therefore, is this scheme operational at the moment in reality, or is it still waiting for the local authorities to commence their part of it?

[257] **Ms Jenkins:** No, it is operational. As I mentioned, the investment that we have had in this year's tranche of invest-to-save has enabled our community resource teams to offer much greater capacity from 1 November. Social care is a key element of that, and they have redesigned their services to enable more homecare capacity to be linked with our community resource teams from 1 November. We are keeping a very close eye on that, as we are conscious that no additional funding has gone into homecare. However, they have increased capacity. At the moment, homecare is not constraining our ability to pull patients out of the hospital.

[258] Social care partners recognise that the funding is there for them to draw down, if they need it. They have indicated to us that they are absolute partners in this, but they want to get started with redesigning internally, knowing that the funding is there for them to draw down if they need to. However, it is not just on the discharge, social care is a key element of getting patients ready for discharge while in the hospital. When patients come to our emergency units, it is important that we have social care colleagues there to enable people to go home straight from our emergency unit, where appropriate, with homecare. So, they are included within the hospital element and beyond.

[259] **Ieuan Wyn Jones:** Gan fod hwnnw'n ateb diddorol a chynhwysfawr, rwyf am ofyn cwestiwn arall. Rydych yn egluro'r cynllun fel un sy'n golygu y gall pobl sydd mewn ysbyty fynd yn ôl i *setting* gwasanaethau cymdeithasol yn gynt nag y byddent wedi gallu fel arall. A yw hefyd yn golygu y gallwch weithio gyda'ch partneriaid yn y gwasanaethau cymdeithasol i rwystro pobl rhag mynd i'r ysbyty yn y lle cyntaf os nad oes angen iddynt fynd?

Ieuan Wyn Jones: As that is an interesting and comprehensive answer, I will ask you another question. You explain the scheme as one that means that people who are in hospital can go back to a social care setting earlier than they would have been able to otherwise. Does that also mean that you can work with your partners in social services to prevent people from being admitted to hospital in the first place if they do not need to go there?

[260] **Ms Jenkins:** Absolutely. We recognise that this is an area that is ripe for development. When we looked at where we would go with the funding that we have from the invest-to-save fund, we felt that we would make the biggest difference initially by pulling people out of hospital sooner. Our next phase of Wyn, or Wyn 2, is to look at the services that can step up within the community to reduce admission. That includes voluntary sector services as well as social care.

[261] **Mike Hedges:** As an organisation, you have been enthusiastic about the invest-to-save fund. You have had at least three schemes of your own and one joint scheme. Just reading through the paper. I can see the Cardiff and Vale University Local Health Board

enhanced rapid discharge transport service; there is Cardiff and Vale mobile working; the Wyn project, which we are talking about now; and the one that I mentioned earlier about mental health. Given your substantial experience of dealing with the fund, have the savings that you predicted in your business case come through in reality?

[262] **Ms Aston:** You are correct that there are quite a number of schemes, and these are monitored on our monthly monitoring returns that we send to the Welsh Government, which demonstrate the savings that have been made against each of those schemes. Obviously, they were not to the scale of this scheme. I do not recall exactly what our total is to date, but they are all evaluated through those measures and the savings demonstrated in those returns.

[263] **Mike Hedges:** Let me put it simply: are you making the payments that you said you were going to make back into the fund?

[264] **Ms Aston:** Yes, and our monitoring returns demonstrate that.

[265] **Mike Hedges:** We do not see your monitoring returns, though. You probably think that we are asking stupid questions, but we do not know what they are.

[266] **Ms Aston:** You are probably better off. [*Laughter.*]

[267] **Mike Hedges:** The question that I have asked everyone else, but I think that I have the answer from you already is: would you use it again? As you have used it three times and you have the all-Wales project, I should think that the answer to that is 'yes'.

[268] **Ms Jenkins:** I have been involved in two of these schemes, and one that you have mentioned is the enhanced recovery after surgery scheme. That programme was funded through the invest-to-save fund, and we identified that there was a low level of staffing in some areas that enabled the enhanced recovery service to develop. So, an invest-to-save bid was submitted, which enabled the scheme to get up and running, because it was difficult to do within. This scheme is a few years old now, but it won an NHS Wales award this year for service redesign. So, the invest-to-save fund has enabled us to completely transform the way in which we deliver surgical services. It would not have happened at that pace or scale without that funding. In answer to your question of whether we would use it again, the answer would be 'yes'. However, in my experience, we are getting better at evaluating what it means in the way that we need to change our services to sustain them beyond the invest-to-save fund and to enable us to pay back the funding. So, we are getting more rigorous within our organisations about what it requires us to do.

[269] **Jocelyn Davies:** How much was that project?

[270] **Ms Jenkins:** The enhanced recover after surgery project? Gosh, I am trying to think. It was much smaller, but I do not have those figures with me, I am sorry.

[271] **Jocelyn Davies:** Our briefing said that some of your projects would not be funded with the change of threshold. Perhaps, instead of your reference to the last one—oh Kerry, do you have the figures?

[272] **Ms Dearden:** Yes, it was £0.9 million.

[273] **Jocelyn Davies:** Okay, so it would still fall outside that. Peter, do you want to come in on this?

[274] **Peter Black:** I am having difficulty getting my head around the savings. You describe the Wyn campaign as a transformational one, and there are clearly major benefits

coming out of that, and you are also obviously making payments back into the fund, so you are identifying funds to go into that, but are you actually making specific savings in your budgets—or is this more difficult to define in money terms?

[275] **Ms Aston:** You are right that it is very difficult to evaluate this. This is not due to be repaid until 2015-16. However, as a health board, our financial plans from next year will include how we recover the cost and repay it. As Fiona said, Wyn was implemented on 1 November, although we had some preliminary early investment as a university health board that we made around the community resource teams specifically. Even after two weeks, we have started to evaluate that. Very specifically, as Fiona has said, it will be to do with the average length of stay and the process to take the bed stock down. We have got the time to do that, running up to 2015-16. The assurance that we are giving as a health board is that we are factoring that into our financial plans from next year onwards.

[276] **Peter Black:** How much would you be factoring into your financial plans?

[277] **Ms Aston:** If you think about the investment that has been made for us in health, it will, effectively, run out partway through next year. So, in our plans, we will ensure that we are able to recover those costs through next year. Effectively, when it becomes a double payment, because we will have to pay that back in 2015-16, we will factor that into our three-year plan to achieve that, with the expectation that those savings will come from performance metrics such as reduced lengths of stay, avoiding admissions and reducing the bed stock in the longer term.

[278] **Peter Black:** It is always very difficult to put a figure on those sorts of savings is it not?

[279] **Ms Aston:** It is very difficult. As Fiona has described, when we meet as a steering group, we will evaluate those on a monthly basis through our monitoring and metrics. We will start very clearly at the end of this month, which will be the first month in which Wyn will have been implemented.

[280] **Jocelyn Davies:** Will you be able to identify the savings being made directly because of this investment?

[281] **Ms Aston:** It would be fair to say that we have a number of schemes running in the health board specifically on unscheduled care, and we are hoping that all those will join together to identify those savings. Wyn will be a part of that. However, we acknowledge that we have to identify savings very specifically around the invest-to-save element. However, we also appreciate that that is very difficult to do.

[282] **Jocelyn Davies:** If you are happy with that, Peter, we will move on to Ann.

[283] **Ann Jones:** The Government has stated that it promotes the lessons learned from the best practice of projects via a number of routes. Did it tell you that before you started on this invest-to-save route?

[284] **Ms Jenkins:** Yes, and, at our most recent meeting, Richard Clarke introduced us to a researcher from Swansea University and the University of Glamorgan to enable us to do some action learning, if you like, as we go through this, linking with Cwm Taf and Hywel Dda health boards. That will enable us to share the learning. We are more than happy to share what we learn from this. Gwent has already shared its learning with us, so I do not think that there is any reticence in sharing and spreading the learning from these schemes.

[285] **Ann Jones:** So, you will be sharing your best practice with others.

[286] **Ms Jenkins:** Yes, absolutely.

[287] **Ann Jones:** What about the collaborative agenda? Will you be working with others to do that?

[288] **Ms Jenkins:** Yes, we have a sharing culture.

[289] **Ann Jones:** Right, that is fine.

[290] **Jocelyn Davies:** Is it a requirement of being successful with this that you undertake that work?

[291] **Ms Jenkins:** We expected that we would be required to do that but, in truth, we would have done that anyway.

11.00 p.m.

[292] **Ieuan Wyn Jones:** Something that you said earlier concerns me a little. I am not quite sure how you put it, but you expressed the idea that, in order to really make this work, you would have to move to something like pooled budget arrangements. If I remember correctly, you said something like that.

[293] However, does it go wider than that? As an organisation, you work to a certain governance set-up, with the answerability of staff to the health board, and with your own budget, while the local authority will have its own governance arrangements and budget. In an ideal world, would you look not only to a pooled budget, but also to pooled governance arrangements to deliver this?

[294] **Ms Jenkins:** Absolutely. We are currently having those discussions at the integrated health and social care board with the senior leaders of the three statutory organisations, about what is our appetite to integrate further. I believe that there are plans to commission some research into that to inform our decision making, but we all recognise that if we could have governance through one route, it would be stronger.

[295] **Jocelyn Davies:** Thank you very much. We will send you a copy of the transcript, so that you can check it for factual accuracy. Thank you for your evidence.

11.01 a.m.

**Papurau i'w Nodi
Papers to Note**

[296] **Jocelyn Davies:** We note the papers that were sent to us for that purpose.

**Cynnig o dan Reol Sefydlog Rhif 17.42 i Benderfynu Gwahardd y Cyhoedd o'r
Cyfarfod
Motion under Standing Order No. 17.42 to Resolve to Exclude the Public from
the Meeting**

[297] **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).

[298] I see that Members are content. Thank you.

*Derbyniwyd y cynnig.
Motion agreed.*

*Daeth rhan gyhoeddus y cyfarfod i ben am 11.01 a.m.
The public part of the meeting ended at 11.01 a.m.*