

Episode 2: Under Pressure: in conversation with the Auditor General

Betsan Powys

Welcome back, Croeso all, to episode two of The Exchange, which is a one off podcast. It's a chance to listen to the man who, for the last eight years or nearly eight years at this point, has been keeping a very close eye on how we spend our money in Wales, on our public services. I'm Betsan Powys. This is Adrian Crompton.

Welcome back Adrian. Adrian is the outgoing, or soon to be outgoing Auditor General, next summer. And this time in this podcast, we're going to look and discuss the huge challenges faced by the public sector in Wales. And we know they're huge. We have to say, anybody who watches the news will know of the challenges facing public services in Wales, and you'll probably be feeling them in your everyday lives as well.

So come on then, Adrian. A few things off your chest and a few things to spell out. Follow the money is what they say. So, let's start making you talk and start with that biggie, financial pressures. So, spell it out for us.

Adrian Crompton

Sure. We can't talk about anything in this role without talking about the money. You're absolutely right.

And over the last couple of decades, we've seen really consistent and quite severe squeeze on the public finances, in Wales. Here at Audit Wales, we take a look at all of that. If we start, with our perspective on local government, what we're seeing at the moment is, in many cases, local authorities which are right on the cusp of financial sustainability, I would say.

So, to their credit, local authorities across the country have a pretty good grasp on the here and now, and how are they going to manage their budgets in year. But they're living for that short term time horizon. And some authorities are dipping into their reserves just to balance the books, and that's unsustainable. I was about to say, by the way, the alarm is sounding for public spending.

Betsan

There's an alarm sounding somewhere, so forgive us, but there's nothing we can do about that. So, we'll stick to the alarm we can talk about. Sure, ok. So, when you say on the cusp of, you know, financial sustainability, does that mean that they're going to wake up one day and think, well, we can't afford to do what we have to do?

Adrian

We can't keep things going. Well, that's what you've seen across the border in England in a number of cases. You know, really high-profile big authorities like Birmingham Council, for instance, have, essentially found themselves bankrupt. Now, we've not had any such incidence in Wales, which is testament to the skill, the dedication of politicians and officers across the country.

But as I said, what our work tells us is that some authorities are right on the edge of that position. And they face, you know, really sharply rising costs in a number of areas, but children's services, an obvious one, but also in the provision of temporary accommodation, these are demand led services that they have to respond to.

And so, in some cases, it won't take very much to tip those authorities over the edge, I fear.

Betsan

So are we saying that, you know, you might be, Chief Finance Officer for a local authority and, I don't know, a few families move into the area with great demands on your service, perhaps children who need special needs education and so on. Are we saying that that might be enough in some cases to cause real issue for authorities who handle millions and millions of pounds? Are we at that point?

Adrian

We are at that point in a small number of cases, you know, not for the sector as a whole, but a small number of cases, I believe yes, we are. Across the whole of the sector,

I would say, the whole of the sector does need to really get a stronger grip on its medium and longer-term financial position. So, some are in a healthier position

than others, but all need to really tighten their grip on that longer term perspective. But you're absolutely right. You know, local government is often under a statutory duty to deliver services.

And those services, if they're demand led, you know, can cause an issue financially if authorities are right at the edge.

Betsan

And, of course, the other challenge is that we keep telling these people that they'll be in the news and there'll be terrible headlines about them if they make a mistake in the here and now, if they can't keep their schools open, you know, huge problems in the NHS that are on the news every day.

We're also telling them, yes, you must start thinking about the long-term future and putting things right, so you can see that it's a pretty difficult bind isn't it, for those in charge?

Adrian

Leadership roles in public service are phenomenally difficult jobs, and you know, I recognise that all the time in my work. And, and it's really important to recognise that, I think, because it's all too easy for people like me, and others, to call out and criticise when things are going wrong.

But these are really difficult roles, as you say, under a lot of pressure. And it's testament to my colleagues in the public sector that they do such a phenomenal job most of the time. You know, we've spoken about local government, you know, the NHS absorbs the biggest chunk of funding, for us in Wales.

At the start of devolution, about a third of all the money that was devolved to Wales was going to the NHS. Today we're up above 50%. That's a huge fundamental change in the shape of public finance. A decade ago, the Senedd legislated to say, our health bodies in the NHS must break even financially over a three-year period.

And they also have to have forward looking, medium term financial plans that they're going to agree with the government. So that's the law. What our work at Audit Wales demonstrates, is that most health bodies are simply not meeting that break even duty. So as Auditor General, I've qualified their accounts. You know, that's a serious statement.

Betsan

You've got the red pen out.

Adrian

Exactly. But that is in spite of record levels of investment in the NHS, and to the NHS's credit, record levels of identified savings as well. But the money is simply insufficient to keep up with ever rising demand for services. So again, that model for me is simply unsustainable.

Something more fundamental needs to change, because we can't simply keep shifting an ever-growing proportion into the NHS. Especially when it's unable to keep up with rising demand.

Betsan

So, are you telling them that they have to bring it down? You know, it can't be over 50%. We all know, you know, that it's such a key part of the Welsh budget.

Everyone else, I guess, has to take considerably less because of that increased spending, which you say has gone up so much during devolution. And yet I imagine that many of those listening, some of those watching will be saying, yeah, but our NHS is, we can see it's really struggling. It is, you know, the money pit is just enormous. Do they have to redress that balance in the budget?

Adrian

Yeah. Look, I don't underestimate how difficult this is going to be. And it's not for me, thankfully, to make those really tough political choices about where the funding goes. However, it is my job to call out what I see. And as I've described, you know, I see a pretty fundamental change in the shape of public financing, and examples on the ground that tell me that that situation is unsustainable.

You know, I mentioned the forward-looking financial plans that the NHS bodies are expected to have. By and large, our health boards don't have those in place. So I don't see, you know, light at the end of the tunnel in that way.

Betsan

That's a bit scary, isn't it?

Adrian

Well, it's daunting, absolutely. This is a huge, huge sum of money. Fabulous people delivering brilliant service. But I'm afraid it's my job to step back and take a slightly colder look at the numbers, and that's what I see.

Betsan

Okay well, let me remind you, solutions are to come, so we're not going to duck that one. But for now, we're talking about the problems. Can I just raise one thing though, which is before we go on to trust and confidence.

Well, I suppose it's the start of trust and confidence, which is another huge challenge facing public services. That has been undermined, and is one of the reasons it's been undermined, that people have heard, say from the United States, other parts of the world, come on, new administrations coming in, slashing spending on, you know, the public sector, it needs to be done. It has to be done. Why can't that happen in Wales?

The next administration, whoever they are next May, they need to come in and slash public spending and sort it out. When you hear that sort of thing from far away, do you hear echoes of it here now? And can millions and billions be saved?

Adrian

That narrative about efficiency in government spending, has always been around. It's meat and drink to us at the Audit Office. We're all about trying to encourage and identify value for money. It feels to me at the moment it has a slightly different flavour, undeniably. I guess what I would say from my seat is, number one, it is not as easy as people think.

Through my work, you know, I see examples of waste, of fraud, of error, in the system which have to be taken out of the system, undeniably. And there are not insignificant sums that can be delivered in that way.

In the scheme of that £28 billion of public spending though, those things, generally speaking, are at the margin, and stopping one programme here or one initiative there, is the right thing to question politically, undeniably. But in terms of the big picture of public finances, some more fundamental transformation is required,

I would suggest, in the whole model of delivery. I suppose, as ever, you'd say if it was easy, then it would have been done, well, before your time, let alone in your time, I guess. It's you know, some of the things I'm sure we'll talk about, require us to shift to a longer-term mindset, to a focus on greater prevention rather than dealing with the symptoms of issues.

These things are easy to say, everyone agrees with them, but very difficult to affect. They take time, and that time may be out of kilter with political cycles and so forth. It's also the case that not always are the benefits seen by the organisation taking some of the pain. So, you've got to do the hard stuff, take the nasty headlines,

and by the time things are better, you're long gone.

Betsan

So, from the point of view of the public, who will be voting in Wales if they choose to do so next May, you're already hearing an awful lot of people saying, gosh, we spend so much of this, but it's not doing that well, because their experiences of problems, of buildings falling down, of things looking poor, you know, they're not standing up and saying, public services in Wales, we can be proud of them, after 25 years of devolution.

They can see there are problems, but they want solutions. So, you know, how do you rebuild that confidence at a time when actually you still, at the moment have to be cutting, and you still have to be making things, you know, you're trying to make them more efficient, but actually what you're doing is not pouring in more money. How do you get that confidence back?

Adrian

Absolutely. That is a tough question. I'm not sure I should be saying,

Betsan

...come on spell out how the confidence has gone at the moment as opposed to the solutions which we'll come to in a minute.

Adrian

So, I think public trust and confidence, you know, this is low and diminishing in Wales in our political and public service delivery models. That's not unique to us.

That's a global phenomenon. So, there are many, many factors at play, some of which are out of our control, you know, the global media landscape and how we access information and the truth these days is not, sadly, within our gift. However, some things are in our control.

So, we discussed in the previous episode, you know, some of the phenomenal work that the public service delivered in emergency times, in the pandemic, and other points. Part of the feature of those times was the pace with which we delivered and the effectiveness of what we delivered. And it's some of that, I think, that we really need to focus on to try to win back public trust and confidence.

Betsan

You know, whenever the public see, as you say, services that they're trying to access of poor quality, not improving, moving in the wrong direction. Not seeing a doctor. Exactly. Hole in the roof of the school. Of course, they feel that that reflects not necessarily on the individual bodies necessarily, certainly not on the individual staff that they engage with, but with the system as a whole. There's something wrong with the system.

Adrian

So, pace and delivery absolutely is key, and some of our work at Audit Wales shines a really sharp light on that. The other thing, which I would say is very definitely within our gift is governance. And that's another of my responsibilities to keep an eye on how organisations in the public sector are being governed. Sounds a dry topic, but it's super important, I'm afraid.

Because by and large, you know, the message I can give and the assurance I hope I can give to people, is that the vast majority of our public service, the vast majority of taxpayers money, is well managed and well governed. However, there are occasions where that is not the case, and I've had cause to call that out over the last seven and a half years.

Betsan

And is that because the structures aren't right or people aren't doing the right thing? They don't care enough? They're not keeping a close enough eye? What are the reasons?

Adrian

It's all of that, I'm afraid. It's, you know, it's not unique to any part of the system. I've reported on governance failings in the Welsh Government itself, parts of the NHS, parts of local government, arm's length bodies, right down to small town councils.

Common features, I would say, are always an element of process, you know, boring stuff, but we've got to get it right. And if we've got procedures and processes in place, let's follow them properly. But I would say the more significant element, which is common, is people, you know, and behaviours and actions that people take. And sometimes that's not a reflection on them as human beings, but they just do the wrong thing.

Other times, I fear that people under pressure can lose sight of some of the values and behaviours that we all want to see in public service leadership, and I'm sure brought people in, to that sphere of work in the first place.

Betsan

I'm sure they appreciate that you're choosing your words very carefully there.

Adrian

It's a small number of cases, but in a way that doesn't matter, because I think, every time I call out some governance failing in a part of the public service, it pollutes the whole system, you know, it colours the public's view of all of us.

So, I'm very conscious when I speak about this subject that I can come across as a bit holier than thou, you know, this is a difficult word to operate in, difficult roles. People are under a lot of pressure. But it matters to me so much because, as I say, you know, just a single example affects public perceptions of the whole system and we've got to squeeze that out.

Betsan

I would say the same thing, it's easy to point a finger. But certainly it feels, and it felt like in the past couple of years in Wales, that there were lots of organisations, public organisations, where things were going wrong and they were being called out. And yet when people were having to leave or choosing to leave because things weren't going that well, they did seem to leave with some fat cheques, and from a trust and confidence point of view, you know, that doesn't help, does it? When people say, well, if they got it wrong, you know, I'm not getting a fat cheque when I leave my job, why are they?

Adrian

Absolutely. I couldn't agree more. Now, not everyone who leaves public service is doing so with a fat cheque, and not everyone who leaves with a fat cheque is doing so illegitimately.

But a fat cheque is also, shows how old I am, using the word cheque, but there we are, you know what I mean? But you know you're absolutely right, you know, the cost of poor governance, the cost of relationship breakdown, especially when it's near the top of an organisation, comes with a financial cost that people see in the shape of settlement agreements and payments, legal fees, consultancy fees and so forth.

Those are not insignificant at all. More significantly, I would say, it's also a weakening of the leadership of an important organisation, you know, and if there's distraction of an organisation away from its primary purpose, the costs of that are harder to quantify, but far more serious, I would suggest.

Betsan

I did have one other quote I wanted to, on this sort of subject, you brought out a report on Cancer Services in Wales. It's always a report in which there is great interest. It affects so many people. And I just checked back on the headline because I remember it, you know, hitting me at the time, the headline was a BBC headline at the time. "Bosses meant to improve NHS are making it worse".

It just struck me. It is kind of what you said, but you haven't certainly said it in those sorts of words, and that it must be getting harder and harder and another challenge for public services is getting those leaders in now who will do these roles.

Adrian

Yeah. Well, that headline I'm sure, wasn't an Audit Wales headline. That's not the sort of language we use here. But you're absolutely right, it does.

Betsan

You do identify an important issue there that, you know, why would people want to put themselves into those sort of positions? You know, because the potential flack that comes your way, if you get things wrong is really serious.

Adrian

The crucial point that I was trying to make in that report on cancer services, well, it was a classic example, really, where you know, we've put evermore resource into that area well above inflation increases in funding.

Super important clearly, affecting lots of people and their loved ones in the population. And yet what we're seeing are poorer results, growing waiting times and so forth. The critical point that we were trying to draw out there was the need for the Welsh Government, especially in what's called the NHS executive at the top of the NHS, to provide much clearer and sharper leadership of the whole system, because everyone involved in that sphere of work is desperate to do the right thing, clearly.

But what we needed to do, in my view, was to knit together and give a clearer steer on priorities and strategy for the whole system.

Betsan

And is it sometimes too complex at the top? I mean, perhaps we can come to this as a solution, but you sometimes get the impression that there are new names all the time of organisations, and I can't keep up with them, who are keeping an eye on things and running things and does that just mean sometimes that although done with the best will in the world, it means it's more opportunity to finger point at well, it's not our fault, it's them. And I thought they were doing that and, you know, that sort of thing?

Adrian

Yeah, yeah. You know, we're a small country, 3 million+ people. Which ought to be a positive. It is a positive. And it ought to be something we can leverage to our advantage. You know, that's big enough to be strategic and to do some things with weight, but small enough that we can be nimble and collaborative and so forth.

But boy, oh boy, do we make the system complicated.

So, you know, as an illustration, my line of sight is on auditing the accounts of all parts of the public service. I sign off the accounts for the best part of 100 significant public sector organisations of one form or another. That's busy to start with.

Layered on top of that, we have a myriad of different collaborative and partnership arrangements, which are there to try and help us solve some of the wicked issues that can't be solved by a single organisation, we need different parts of the system to work together.

So we have things called public services boards, we have regional partnership boards, we have corporate joint committees, we have city deal regions, we have education consortia. The list goes on.

And the motivation and the idea behind each of those bodies and structures I'm sure is positive, there for a good reason. But you put them all together and what you're left with is a system that is overly complex. And the consequences of that, are many, you know, those structures and bodies are often populated essentially by the same folk who have to go to different meetings and play a part in different spheres. So that stretches their capacity really thinly.

But it also potentially leads to a system which is fragmented in its delivery and possibly a bit slow as a result in its delivery.

Betsan

So the pace you were talking about. That pace is sometimes, that's at its root. But it also from a citizen perspective, makes it hard to understand, as you say, who's responsible for what.

You know, I don't really care. I just know I need, you know, access to X, Y, or Z. But navigating that system when it's so complex, from a citizen perspective, is ever more difficult.

So listen before another train goes by, and I don't suppose Transport for Wales would thank us for stopping their trains. So we can't help that either. So we've talked about less money, more demand, less trust and confidence, more complexity. Any other challenges to set out there, or have we more or less got through the challenges before we bring this episode to an end and talk about possible solutions?

Adrian

That would be enough. But sadly, there are many others.

Betsan

Go on, quick list.

Adrian

I won't give you a quick list, but maybe you know, the one we cannot ignore are the things that are out with Wales affecting the whole globe, yeah. So geopolitical events overseas, you know, the war in Ukraine drove inflationary pressures across the world. And that comes home to roost in the cost pressures that our public services face.

Staying with Ukraine, you know, the government ran a program to resettle Ukrainians in Wales. I wrote a report on that, was super positive, in fairness to the Welsh Government, about the collaboration and focus that we could see across the system to deliver that.

Perhaps the biggest of all facing us and having a real effect on public services here is climate change, you know, that manifests in real-world, short-term costs when we have to deal with extreme weather events or focus more on flood protection or whatever it may be.

But even bigger than that, work that my office has undertaken has indicated there are very significant, but as yet unquantified sums which are necessary if the public sector, let alone the whole of Wales is to move towards net zero. So a massive challenge for the whole public service to put a number on that bluntly, because we have to do that before we can do the even harder job of working out how we're going to meet that demand.

So those external global pressures we can't ignore, because they have real impact on us at home.

Betsan

So listen, just before we go on to episode three and we're going to start being positive and talk about opportunities for improvement, and so on. Let's just end this episode with a thought from you on, we are 25 years into devolution.

We have, to a great extent in Wales, done things our own way. And there will be people listening from all sorts of backgrounds, all sorts of political backgrounds.

Some fans of devolution, some not. Some voted for the successive Labour administration, some not. So let's put all of that aside. But just say, 25 years in, we do hear a lot of headlines of things are doing better in parts of England.

Certainly, you know, education results, waiting lists, you know, Wales still seems to be struggling. What is that? Is it a disappointment? Is it a failure? What is it? How do you quantify it?

Adrian

I'm not going to get into the ins and outs of where measures might look more positive or less positive in Wales or England because we could all play that game and pick and choose our statistics.

My line of sight is on the situation in Wales, not in England. And what I see, absolutely some massive challenges. Undoubtedly some need for a pretty fundamental change in how we go about things here. But we're holding it together at the moment through phenomenal efforts on the part of public servants, politicians, senior leaders, frontline staff, right through the system.

And there's a lot that is good about our public service delivery. We have unique features in it, which the world looks to for leadership. Most prominent, I suppose, is the work that the public service delivers around future generations thinking. I'll say more on that as I think there's more that we need to do.

But undeniably, as a piece of forward thinking legislative and policy delivery that's genuinely world leading. And many other examples of good practice that we see through our work. Always seeing the negative on things. You know, one of the things, unfortunately, despite being a small, really connected, networked country, we still aren't very good at making good practice flow through the system, you know, and joining that up and making it something that we all benefit from.

So there's more that we need to do in that space. It links to the point we made earlier about the fragmentation and complexity of the system. Perhaps that's one of the barriers that gets in the way. But there's lots to be really proud about in the Welsh system, undeniably. But we can definitely do better.

Betsan

Fine. So episode three, we're going to be more optimistic or we're going to try and go through, well, is it optimistic or try and be realistic about what can be done.

So that we're not just listing problems. So if you want to know, what you think, Adrian Crompton, the future ought to be and what ought to change, then please join us for episode three. For now, thank you. Bye bye.