

Jane Hutt AC / AM
Y Gweinidog Cyllid ac Arweinydd y Ty
Minister for Finance and Leader of the House



Llywodraeth Cymru
Welsh Government

Eich cyf/Your ref
Ein cyf/Our ref SF/JH/3459/12
Jocelyn Davies AM,
Chair, Finance Committee,
The National Assembly for
Wales,
Cardiff Bay,
Cardiff
CF99 1NA

26 November 2012

Dear Jocelyn

Inquiry into the Welsh Government's Invest-to-Save Fund

Following my recent attendance at the Finance Committee's hearing on 7 November, I am now writing with the additional information I agreed to provide to help inform your inquiry.

1). Action undertaken following the recommendations of the Welsh Government's interim evaluation of the Invest-to-Save Fund

I can confirm that the recommendations of the evaluation were accepted and that an action plan was put in place to take matters forward. Work on delivering actions has now mostly been completed and I attach a summarised progress update at Annex A for your information.

2). Provisional schedule of Invest-to-Save forward project repayments

Attached at Annex B is a table showing the agreed scheduled Invest-to-Save repayments over the next two financial years. The figures in the Annex reconcile with those published in the draft budget, where we have from 2013-14 provided greater transparency of the Invest-to-Save funding. I agreed at the Committee hearing, that in the future I will publish reconciliation information on an annual basis.

On actual repayments to date, I can report that we had recovered £9 million by the end of 2011-12 and that we are on track to recover a further £9.2 in the current financial year.

Repayments already made and those agreed and scheduled for future repayment, provide us with an insight into the progress being made by supported projects towards releasing projected savings. I have also previously drawn attention to the project case studies that I have published, where the majority of projects have provided actual savings data.

Work on establishing a more comprehensive account of the benefits delivered by the Invest-to-Save programme has been programmed to coincide with the maturity of supported projects. The external evaluation of the Fund that we discussed is at an advanced stage of planning and this work will specifically explore the progress towards the delivery of project savings alongside wider benefits. I anticipate publishing a final report of this work at the end of next year.

3.) Fall-off of projects between Stage 1 and Stage 2 of project appraisal

During the hearing, you asked for a note on the fall-off of projects between stage 1 and stage 2 of the appraisal process. We discussed a reduction in the number of bids submitted between funding rounds, which is most likely to be a consequence of there now being a better understanding by some applicants of the purposes of the fund, but also as a consequence of our targeting of the fund towards more strategic, higher value project proposals and value-for-money considerations.

Since the interim evaluation of the Fund was undertaken, two further funding rounds have been completed. Round V received a total of 17 new project bids (expressions of interest) and three bids were carried over from the previous funding round for further consideration. The outcome of these bids was as follows:

- the three projects carried over from round IV were all withdrawn by the applicants – two on the grounds that they had found alternative funding in-house to proceed without the need for Invest-to-Save support and the third (having undertaken further scoping work), decided not to proceed with their project, but instead pursue an alternative approach;
- four projects were awarded invest-to-save support;
- two projects were short-listed for further consideration;
- three projects were directed to alternative, more appropriate sources of finance;
- one bid from the private sector was rejected on the grounds that it did not meet the Fund's criteria; and,
- seven bids from one health board were not supported on the grounds that they were relatively small scale and offered only marginal financial and non-financial benefits. Given the number of unsuccessful bids by this organisation, the Invest-to-Save Unit has subsequently held a workshop with them to help develop an understanding of the Fund's criteria and to explore proposals for submission in future funding rounds. At least two of the bids from this round are being developed further with a view to re-submission in Round VII.

In Round VI there were 11 new project bids and two bids from the previous funding round. The outcome of these bids was as follows:

- Eight projects were awarded invest-to-save support, including one that had been carried over from the previous funding round;

- One project was short-listed for further consideration;
- One project was withdrawn by the applicant; and,
- One project was rejected on the grounds that it related to a non-devolved matter.

One project was not supported on the grounds that the case for investment had not been made convincingly. The project promoters were advised about the evidence needed to support the proposal should they wish for it to be considered further.

Bob Hutt,

Jane

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FIN(4)-21-12 Paper 4

Interim Evaluation of Welsh Government's Invest-to-Save Fund: recommendations and actions undertaken

Recommendation	Response/action undertaken
<p>Recommendation 1: there is strong support for the continuation of the Invest-to-Save Fund to support cash-releasing public service improvement projects across Wales and as such, commissioning an independent evaluation of actual project outcomes in 12-18 months time (between early and mid 2013) is recommended.</p>	<p>Agree – a return to projects to assess their achievement of outcomes was always intended and doing this in 12-18 months time when sufficient projects have been completed, is a sensible timeframe.</p> <ul style="list-style-type: none"> • Scope and terms of reference for external evaluation have been prepared and a budget identified. • Specification for work is currently being drawn up. • Aim is to appoint external reviewer and to get work underway by April 2013 with interim findings being reported around August 2013 and for the evaluation to be completed by December 2013.
<p>Recommendation 2: Given the borrowing restrictions that govern the NHS, the appraisal of Invest-to-Save bids should recognise how key the Fund can be in supporting projects involving the NHS.</p>	<p>Agree - there is a continuing need for the NHS to identify and champion their priority I2S projects so that the sector can maximise the benefits it receives from the fund.</p> <ul style="list-style-type: none"> • DHSSC Finance Directorate has a key role in helping to facilitate and therefore membership of I2S official's panel includes an official from Directorate. • Continue to raise awareness of fund within sector. Joint Ministerial visit made to Cardiff & Vale non-emergency transport project. Officials liaising with NHS Directors of Finance and undertaking workshops with Health Boards.
<p>Recommendation 3: there is a continuing need to promote local government engagement with the Fund, but recognising that the sector has access to alternative sources of funding.</p>	<p>Agree - the Fund has been widely promoted across local government & this work will continue so that it can be considered as a potential enabler of improvement projects, where other forms of funding aren't readily available.</p> <ul style="list-style-type: none"> • Finance Minister and Minister for Local Government & Communities jointly wrote to council Leaders on 8 March 2012 to announce forthcoming funding rounds. • Continued liaison with WLGA and Finance Directors through leadership events and direct e-mail to raise/maintain awareness.

Annex A (cont.)

Recommendation	Response/action undertaken
<p>Recommendation 4: consideration should continue to be given to the number and value of projects funded in future rounds and the impact this has on maximising efficiencies.</p>	<p>Agree – efficiencies might be maximised by targeting fewer, but more strategic, higher value projects. Higher value projects can also be a characteristic of collaborative projects. The evaluation report notes that more could be done to encourage collaborative working.</p> <p>Review undertaken of minimum project value threshold (previously set at £100k minimum) following which threshold was increased to £200k & introduced at Round VI.</p>
<p>Recommendation 5: while there are no significant issues with the bidding process as it stands, the evidence suggests that the following refinements might be considered:</p> <p>a) Introducing themes for each round of bidding to target specific Welsh Government priorities.</p> <p>b) Introducing an external member, from outside the Welsh Government on the Invest-to-Save Panel.</p> <p>c) Invest-to-Save bids are appraised alongside other forms of Welsh Government support, such as Centrally Retained Capital (CRC) funding.</p> <p>d) Reviewing the timescale for submitting expressions of interest.</p>	<p>Agree – all four points to be considered.</p> <ul style="list-style-type: none"> • Fund aligned with the work of Public Service Leadership Group (PSLG) workstreams and reviewed with workstreams in advance of funding rounds being announced. • External member not appointed, but external view on bids achieved by seeking comments from PSLG workstream leads. • I2S is mostly mutually exclusive of other assistance, but where CRC funding is sought arrangements are in place to explore possible linked appraisal. • I2S/CRC share panel members at official level. • Forward rounds of I2S have been established and timetables published to enable applicant's ample time to prepare and submit bids.
<p>Recommendation 6: the additionality of Invest-to-Save funding should be explored in more detail in the any future independent evaluation.</p>	<p>Agree. The repayable nature of I2S stands it apart from other forms of Welsh Government support, but nevertheless projects are still required to demonstrate a level of additionality. Exploring this further in a future evaluation is sensible. Actions undertaken.</p> <ul style="list-style-type: none"> • Additional questions relating to additionality have been included in expression of interest application form. • Issue included in terms of reference of forthcoming external evaluation of Fund.
<p>Recommendation 7: consideration should be given to how project managers could be encouraged to self-evaluate their projects, with support offered in the form of guidance and/or standardised tools and techniques to demonstrate benefits and savings.</p>	<p>Agree. It is important to promote best practice and to encourage a consistent methodology and approach as this will subsequently assist any future evaluation of the Fund by the Welsh Government.</p> <ul style="list-style-type: none"> • New arrangements introduced at Round VI, whereby project evaluation arrangements are discussed with WG social researcher. • Welsh Government Social Research Team now assist in provision of evaluation guidance and/or standardised tools and techniques. • Views of Welsh Government Social Research Team sought on project evaluation proposals.

Annex B

Invest-to-Save Fund: schedule of future repayments arising from project investments

Revenue

	2013-14 (£000's)	2014-15 (£000's)
Repayments relating to NHS Local Health Boards & NHS Trusts		
Public Sector Broadband Aggregation (PSBA): NHS all-Wales	450	
Non-Emergency Patient Transport Pilots: partnerships involving NHS Wales, local government and Third Sector	130	40
Reconfiguration of Molecular Pathology Services: Cardiff & Vale University Health Board	51	
National Voluntary Early Release Scheme (VERS): NHS Wales	7,900	4300
Enhanced Recovery 1000 lives Collaborative Programme (ERP) - NHS all-Wales	216	137
E-expenses system: NHS Shared Service Partnership	94	
Digital Dictation / Speech Recognition: Betsi Cadwaladr University Health Board	200	319
Care Closer to Home: Hywel Dda Health Board	500	900
E-rostering: Hywel Dda Health Board	128	127
The Wyn Campaign: Regaining & Retaining Independence: Cardiff & Vale University Health Board	100	
E-rostering: Aneurin Bevan Health Boards	120	120
Medicines Management: Aneurin Bevan Health Board		440
Integrated Whole System Intermediate Care Model: Cwm Taf Health Board		200
NHS All-Wales Collaborative Procurement Programme To Acquire Adult Mental Health Services: NHS Wales	300	
Total	10,189	6,583

Repayments relating to public sector broadband initiative (see above for NHS PSBA repayments)		
Public Sector Broadband Aggregation (PSBA) Accelerating the benefits	1250	400
Public Sector Broadband Aggregation (PSBA) Connectivity for Gwent	679	
Public Sector Broadband Aggregation (PSBA) Connectivity for North Wales	500	500
Public Sector Broadband Aggregation (PSBA) Connectivity - remaining organisations	500	500
Total	2,929	1,400

Repayment relating to establishment of Natural Resources body for Wales	0	1,512
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Annex B (cont.)

Capital

	2013-14 (£000's)	2014-15 (£000's)
CCTV Collaborative Working: Conwy County Borough Council	290	290
Merthyr Tydfil xchangewales e-procurement system: Merthyr Tydfil County Borough Council	100	115
Transactional WEB development: Newport City Council	135	135
Multi-Agency Face-to-Face Centre - "One Newport Information Station" : Newport City Council	200	200
Maximising Land & Property Assets "Our-Space" project: Cardiff Council	100	100
I-zone, One-Stop-Shop for Students: Cardiff Metropolitan University (UWIC)	222	
Carbon Emission & Energy Use Reduction: Wrexham County Borough Council	215	215
Powys School Modernisation Programme: Powys County Council	55	100
Paperless Powys: Powys County Council	188	
Fostering Spend-to-Save Strategy: Neath Port Talbot County Borough Council	129	
Lean Systems Review of Children & Young People's Assessment and Case Management Services: Neath Port Talbot County Borough Council	111	
Gwent Frailty Project: Aneurin Bevan Health Board in partnership with Local Government	1,000	1,500
Public Service Leadership/National Assets Essential Skills Support Programme	129	
Greening the Garden' - PVSolar Installation: National Botanical Garden of Wales	20	20
Workplace Transformation: Blaenau Gwent County Borough Council	250	130
Xchangewales eTrading implementation		180
Total	3,144	2,985