



Llywodraeth Cymru
Welsh Government

Adrian Crompton
Auditor General for Wales
Wales Audit Office
24 Cathedral Road
Cardiff
CF11 9LJ

13 August 2020

Dear Adrian

Ensuring Value for Money from Rural Development Grants Made Without Competition

I am writing in response to the publication of the above report on 29 June 2020.

I consider the report's key findings to be an accurate reflection of the approach previously taken to testing value for money for a small number of Rural Development Programme projects. As can be seen from the Welsh Government's formal response to the five recommendations in the report – set out in the attached annex – I am satisfied the issues highlighted in the report are those that have been identified and strengthened by officials over the last two years, with all actions being fully realised in 2019.

I note the report focused only on the work undertaken by officials in awarding grants, and does not comment on the value for money actually being achieved by the projects in question. Whilst all the projects will be reviewed in detail under the Monitoring and Evaluation work of the Rural Development Programme, I understand that some of the projects concerned are already exceeding targets and are amongst the very best projects under the current Programme.

Your report includes some anonymised case studies. I am grateful that for that as I would not wish to undermine the delivery of those projects, though my officials and I recognise the need for appropriate scrutiny of them at the right time and in the right setting.

Parc Cathays/Cathays Park
Caerdydd/Cardiff
CF10 3NQ

I am copying this letter to the Chair of Public Accounts Committee.

With best wishes.

Yours sincerely

A handwritten signature in dark ink, appearing to read 'A. Slade', with a stylized flourish at the end.

Andrew Slade
Director General
Economy, Skills and Natural Resources

Recommendation 1

The Welsh Government's Scheme of Delegation should be enhanced to include an escalation procedure, based on project risk factor assessments, in addition to the existing financial authorisation thresholds.

Response: Accept

The scheme of delegations has been enhanced as follows:

- From April 2019, sensitive project decisions, particularly concerning increasing costs for existing projects, are escalated to Managing Authority and Paying Agency (MAPA) meetings;
- From May 2019, an Investment Panel, attended by at least one member of the Corporate Leadership Team, was introduced to approve all projects over £100K; and
- From June 2019, a sub Investment panel, attended by Appraisal Managers and Head of Branch was introduced to approve projects with a value of less than £100k.

Action Complete

Recommendation 2

Where project decisions are necessarily made by the same person, the Welsh Government should put formal management oversight controls in place to provide timely and appropriate review and challenge.

Response: Accept

Welsh Government enhanced separation of duties for claims processing by creation of a wholly separate processing team from April 2018

Formal management oversight controls to provide timely and appropriate review and challenge were introduced as follows:

- From May 2019, an Investment Panel, attended by at least one member of the Corporate Leadership Team, was introduced to approve all projects over £100K; and
- From June 2019, a sub Investment panel, attended by Appraisal Managers and Head of Branch was introduced to approve projects with a value of less than £100k.

Action Complete

Recommendation 3

Decisions taken by Welsh Government officials, and the reasons for those decisions, need to be appropriately recorded

Response: Accept

Scheme documentation has been reviewed and enhanced since 2018, with the introductions of:

- Enhanced claims checklists;
- A comprehensive Expression of Interest (EOI) desk instruction and documentation checkpoint;
- A Competitive Tendering Panel;
- Investment Panels for all projects approval and re-evaluations; and
- Re-evaluation approvals are also referred to Managing Authority for budget management approvals.

All panels maintain a decision log to record discussion and decisions on each project.

Action Complete

Recommendation 4

Before awarding additional funds to existing projects being delivered by third parties, the Welsh Government should properly evaluate the delivery track record of each project.

Response: Accept

From October 2018, a hold on additional funding to existing projects was implemented to manage the commitment levels for the remainder of the Programme.

Action Complete

Recommendation 5

Where projects are being delivered in stages or over several financial years, the Welsh Government should enhance the transparency of its project budgeting and expenditure forecasts so that funding commitments can more readily be met as they arise, without jeopardising wider portfolio delivery.

Response: Accept

Welsh Government do have in place processes to manage the multi-annual expenditure of the Rural Development Programme, and have for some time. Without the ability to regularly utilise central reserves for any multi-year programmes, we have to ensure we have enough flexibility in the portfolio's budget to mitigate the potentially large fluctuation in commitments and spend.

The entire Rural Development Programme commitment schedule has been mapped and agreed with ministers under a series of Ministerial briefings. However, managing a multi-annual programme is complex as projects may fail/under commit and so a series of actions have been implemented to identify and manage these failure points as early as possible. These include:

- Monthly forecasting updates based on real time project information;
- From April 2019, fixing project expenditure to financial years without automatic roll forward; and
- Introduction of regular meetings between the Managing Authority and Paying Agency (MAPA) from April 2019, to identify and manage risks and issues to the delivery of the RDP.

Any necessary changes to the proposed schedule are subject to further Ministerial advice and agreement.

Action Complete