

Andrew Slade
Director General – Economy, Skills & Natural Resources
Group
Welsh Government

3 November 2020

Dear Andrew,

Welsh Government on Ensuring Value for Money from Rural Development Grants Made Without Competition

Thank you for attending the meeting of the Public Accounts Committee on 5 October 2020 to discuss the issue of Rural Development Grants.

You agreed to provide further detail on the following areas:

- A copy of the league table showing compliance with the Rural Development Programme (RDP) rules and information relating to the disallowance rate across all EU Member States and for other parts of the UK.
- Details of the proportion of RDP awards in Wales submitted from public procurement, expressions of interest and via the direct application process (now discontinued but there are still schemes in operation funded this way)
- A copy of the latest Annual Implementation Report

Having considered the evidence received, Members also wish to seek further detail on the areas listed below:

- You referred to the suite of RDP projects, a total of around 2,900. How many of these projects were linked to the 'LEADER project' grant scheme?
- You clarified that RDP funding priorities and the total amount of funding available is always subject to Ministerial approval but Ministers are not involved in the detailed sign-off of smaller projects. Please could you clarify the circumstances



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that might determine whether Ministers are engaged with project level decisions given that, given your evidence, there is no threshold based simply on project value/size. Can you also confirm whether you accept, given what paragraph 1.4 in the Auditor General's report says, that there should have been some engagement on the approach of granting funds without using competition or other ways of ensuring value for money.

- Paragraph 1.3 of the Auditor General's report states that the Welsh Government decided to make awards without competition, based on its own interpretation of EU Regulations. During our questioning your answer was not clear as to whether Welsh Government officials took steps to ensure that their interpretation of the Regulations was the correct interpretation. Please could you confirm whether any legal advice was sought at the time from within Welsh Government. Furthermore, what advice was received from the European Commission in relation to whether the direct applications approach was compliant. If no advice was sought, why not? How would the same situation be handled now?
- You spoke about the two investment panels that have been established following the move of the scheme management unit into Rural Payments Wales to oversee and monitor value for money of investments. Given these sit within the internal RDP machinery, we asked about the merits of having greater external scrutiny and the possibility of an independent investment panel. We were told that this is not specifically required within the Regulations governing the RDP, but the Welsh Government are exploring this aspect as it moves to managing and awarding funding originating from the UK, rather than from the EU. Please could you provide details of options for programme/project evaluations that are being explored by the Welsh Government?
- We discussed the Welsh Government's commitments for the remaining rural development programme funding following the UK's exit from the EU. We heard that taking the RDP in its entirety, the Welsh Government is currently at around 85 per cent, and based on the projects 'in flight', this commitment level will be taken up to 95 per cent by the end of the year.

We also heard about the Minister for Environment, Energy and Rural Affairs announcements, made earlier this year, around the remaining budget allocation for the RDP and how she would want to have some over-commitment there to ensure that the programme can adjust and flex with the impact of both COVID-19 and individual projects trying to deliver over multiple different things.



In evidence to us it was noted that these commitments extend to 2023. Can you clarify what projects will make up the 'in flight' ones you described in your evidence that would take you from 85% to 95% and whether you have any specific priorities in mind for further commitments in the context of the Ministers desire for some over commitment?

Finally, it would be helpful if you could keep us updated on approaches, as they emerge, to the funding arrangements that will replace Rural Development Funds once the UK has left the EU, including who will scrutinise Welsh Government grant funding allocation controls if EU Commission auditors are no longer responsible for doing so?

I look forward to receiving your response.

Yours sincerely,

A handwritten signature in black ink, reading 'Nick Ramsay'. The signature is fluid and cursive, with a long horizontal stroke at the end.

Nick Ramsay MS
Chair

Croesewir gohebiaeth yn Gymraeg neu Saesneg / We welcome correspondence in Welsh or English.

