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Llywodraeth Cymru
Welsh Government

Ein cyf/Our ref: SF/JH/1347/13

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29 April 2013

Dea Jocelyn

Report of the Finance Committee, Invest-to-Save (March 2013)

I welcome this report of your inquiry into the Invest-to-Save Fund, which I consider to be helpful, pertinent and will assist us in our thinking to further improve the way the Fund operates. I put on record my appreciation of the hard work by the Finance Committee in collecting evidence and presenting their findings.

The report's recommendations relating to Invest-to-Save are consistent with the work being done on the Fund and I am pleased to be able to accept them. For the final recommendation relating to the Regional Collaboration Fund, this requires further consideration as it falls to the portfolio of the Minister for Local Government and Government Business.

These are difficult and challenging financial times. Furthering the efficiency and effectiveness of our public services in Wales is a high priority for the Welsh Government as is the need to ensure the most efficient and effective use of the resources we have available at our disposal. The necessity to find different ways to deliver services that are more cost-effective, but at the same time, maintain or improve on quality has never been so great. We have sought to prepare for this with the development of a Welsh Government efficiency agenda – including the introduction of the Invest-to-Save Fund.

The Welsh Government has been making investments from the Invest-to-Save Fund since early 2010. Seven funding rounds later the value of investment made amounts to over £75million, in support of a total of 65 projects.

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Learning from the new approaches and cascading this new knowledge is essential and the Committee's endorsement of the Welsh Government's approach to capture and share learning through published reports and case-studies of supported projects and the link with the key link Public Service Leadership Group is very welcome.

We will continue to review the effectiveness of the Invest-to-Save Fund in helping to improve public services and have now commissioned work to start on an external evaluation. The Committee's report, and the evidence presented during its preparation, will provide valuable information to assist us in that process. I thank the Committee again for its work during the inquiry into the Fund.

My response to the Report's recommendations are included in an annex to this letter.

Best wishes,

Jane

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Y Gweinidog Cyllid
Minister for Finance

Written Response by the Welsh Government to the report of the National Assembly for Wales Finance Committee entitled Invest to Save

Recommendation 1. We were not convinced that the benefits of themed bidding rounds, and given that the invest-to-save pot is finite, we recommend that bidding rounds continue to support the best bids, irrespective of content.

Response: Accept

I have not sought to specifically limit bids by a narrow theme, choosing instead to encourage the widest possible proposals that bring about improvement and greater efficiency in our public services. I have however ensured that the Fund is supportive of the work of the Public Service Leadership Group (PSLG) workstreams and is available for initiatives that have been identified by public sector partners as areas of priority. For example, the establishment of the National Procurement Service and various projects as part of the programme of work being led by the PSLG National Assets Working Group.

I will also continue to encourage new bids that emulate initiatives which have through previous investments demonstrated that they can lead to significant benefits.

Financial Implications – none.

Recommendation 2. We recommend that the threshold be returned to £100,000 to ensure that projects with the potential to make significant savings are not lost to the system.

Response: Accept in principle

The threshold was introduced to help target strategic projects that give a good return on investment, represent good-value-for money and are additional. Such targeting also helps keep the Fund's administrative overhead to a minimum.

Despite the recent increase in the de-minimus threshold limit, there continues to be scope to support project proposals below £200,000 with the improvement areas identified by the workstreams of the Public Service Leadership Group being given priority. Nevertheless, we recognise that the Fund's guidance could be improved to explain how the threshold is applied and therefore this will be addressed in revised guidance for the next funding round.

The threshold limit will also continue to be kept under review to ensure that no worthy project is exempt from applying and I will encourage lower value bids

above £100,000 to be submitted by the smaller public sector bodies where there is evidence that significant benefits will result from such projects.

Financial Implications – projects selected for support under the Invest-to-Save Fund will be funded from within existing programme budgets. Any increase in administrative overhead will be managed within existing running cost provision.

Recommendation 3. We recommend that assessment panels should include at least one person with a high level of expertise, particularly where it applies to projects which may be technical in nature.

Response: Accept

The core membership of the Panel currently has a high level of expertise including the Welsh Government's: Deputy Director of the Strategic Investment Division; Chief Economist; Head of NHS Financial Management; Deputy Director of Public Service Reform; and, the Head of the Invest-to-Save Unit. In addition to this expertise, specific policy advice is also sought during the appraisal of bids to assist understanding of policy context and to ensure strategic fit. The Panel will also consider inviting other officials to attend its meetings where this would assist project understanding and help progress the appraisal of bids.

Financial Implications – None.

Recommendation 4. We recommend that all projects in receipt of invest-to-save funding should receive a visit 6-12 months after the initial award, or when repayments begin. This visit should include a more thorough evaluation not just of whether the project met its financial targets, but its overall impact on service delivery. A formal visit would also enable the Welsh Government to gather evidence which could be used to promote the project as an example to others.

Response: Accept

To help capture and cascade their learning, Invest-to-Save projects are encouraged to prepare short case studies, which are then published in the Investing-to-Save Reports. Since Round VI, all new projects are visited by officials within 3-months of them being awarded funded so as to discuss and agree project evaluation arrangements. Such arrangements are designed to assess a project's impact on service delivery, including progress towards delivering wider benefits.

On project monitoring, the Welsh Government requires quarterly reports to be submitted and for post project reviews to be undertaken. Formal visits are a feature of monitoring/review arrangements and these will continue to be held; targeted at specific projects as necessary.

Financial Implications – None.

Recommendation 5. The best invest-to-save projects we looked at showed a clear link between the investment made and savings generated. While it was no doubt important to find additional funding for the creation of Natural Resources Wales, it is not clear to us that this was an invest-to-save project. We recommend that Invest-to-save funds should only be used where there is robust evidence of savings resulting from the investment, not where this is a need for extra funding, which will probably result in savings over time.

Response: Accept

The Invest-to-Save Fund will continue to support a variety of different project proposals and initiatives that lead to improvements in public services. All projects supported need to demonstrate that they will ultimately lead to financial savings and inevitably there will be project differences regarding timing and approach between an investment and subsequent savings, however, all projects still need to generate savings in order to qualify for Invest-to-Save support.

Financial Implications –None.

Recommendation 6. We recommend that the Minister continues to monitor demand for the scheme. Overall, we believe this is an excellent scheme which improves services to the public and generates real savings to the public purse. We would not wish to hear that schemes which would save money were being held up for lack of pump priming through invest-to-save.

Response: Accept

The Welsh Government monitors demand for the scheme closely alongside available resources. The approach to date has resulted in budget flexibilities being maximised and the Fund being supplemented with an additional £20.5 million of funding between 2012-13 and 2014-15 to help further new investments in worthy projects.

Financial Implications – no immediate impact, but the position will continue to be monitored.

Recommendation 7. We recommend that the Welsh Government continues to promote case studies, encourage institutions to emulate successful schemes, and to champion invest-to-save through the Public Sector Leadership Group.

Response: Accept

The Committee's endorsement of the Welsh Government's existing approach is very welcome and we will continue to publish and promote case studies and engage with the Public Service Leadership Group to help encourage the wider take up and adoption of tried and tested good practice project proposals.

Financial Implications – None.

Recommendation 8. We recommend that the Welsh government makes greater efforts to encourage education institutions and others outside the core NHS/Local Government sectors to access the fund.

Response: Accept

Work on raising the awareness of the fund continues, with all public sector bodies being alerted to the opportunities that the Fund presents. Investing-to-Save reports of case studies have been circulated across the whole of the public service in Wales and I have promoted initiatives supported by the Fund by attending formal openings etc and made an Oral Statement at the Assembly last year. My officials raise awareness of the Fund and good practice projects by using various networks and have led a programme of workshops – including with Directors of Finance from the Further education sector.

Financial Implications – None.

Recommendation 9. While invest-to-save is a savings scheme, which encourages collaboration, we recommend that while RCF is collaboration-focused, it must also generate savings to demonstrate it is providing value for money.

The recommendation requires further consideration as it falls to the portfolio of the Minister for Local Government and Government Business.

**Jane Hutt AM
Minister for Finance**