

The Welsh Assembly Government's response to the Report of the National Assembly Audit Committee on the Funding for the National Botanic Garden of Wales: Committee Report (2) 03-06.

The Welsh Assembly Government is grateful for the Report. It welcomes the findings and offers the following response to the two recommendations in the Report.

Recommendations

(i) Welsh public funders did not adequately assess and address the risks involved in funding the Garden. In particular, more could have been done to examine the impact of any failures to meet the business plan forecasts and to challenge the reasons behind significant changes to the Garden's forecast in later applications. **We recommend that, when appraising applications for large capital projects, public bodies should:**

- a) **be guided by intelligent use of sensitivity analysis, identifying and analysing the impact of variation to key operational forecasts;**
- b) **require contingency plans in the event that risks to the financial viability of the project materialise; and**
- c) **robustly challenge any changes to business plan forecasts – especially those that might be based on undue optimism.**

(ii) Where there are multiple Welsh public funders of a large capital project they should work together to take a collective view of the risks and to provide ongoing support during the crucial early operating phase. **We recommend that, when dealing with large third-party capital projects, public sector bodies should:**

- a) **collaborate to identify the benefits and risks, setting out clear lines of responsibility for particular aspects of business plans relative to organisational expertise; and**
- b) **share material information through the project cycle, including, in particular significant changes to business plans.**

Response

The Welsh public funders of the National Botanic Garden of Wales were the Welsh Development Agency (WDA) and the Wales Tourist Board (WTB). The Welsh Assembly Government (WAG) accepts both recommendations in the Report, which relate to the wider public sector in Wales that is accountable to WAG.

On recommendation 1(a), WAG re-affirms its commitment to the use of robust scenario planning and the use of sensitivity analysis given in its

response to the Audit Committee Report "OSIRIS: The PFI Contract for Information Technology in the National Assembly for Wales".

The Treasury "Green Book" - Appraisal and Evaluation in Central Government - is an essential source of advice and guidance in the planning and implementation of Assembly funded capital projects. The Green Book emphasises that sensitivity analysis is fundamental to appraisal and should always be a prominent part of a business case, unless there are exceptional circumstances.

Although the Green Book does not apply as a matter of course to the devolved administrations the Assembly's Principal Accounting Officer (PAO) wrote on 1 April 2003 to the chief executives of all Assembly Sponsored Public Bodies (ASPBs) stating that the Assembly Government regards it as representing best practice and that all ASPBs should have full regard to it. On 29 November 2005, following publication of the Auditor General's Report on the Garden, the PAO wrote again to ASPB Chief Executives and to Assembly Sub-Accounting Officers re-iterating the need to adhere to the Green Book.

One of the assurances the PAO now seeks before signing the Statement on Internal Control, part of the Assembly's annual resource account, is that an option and investment appraisal has been undertaken for all decisions with major spending implications made by the Assembly. The letter of 29 November made clear the expectation that all ASPB accounting and Assembly sub-accounting officers should seek comparable assurances in respect of their responsibilities.

The Welsh Assembly Government also fully accepts the need for appropriate contingency planning, as set out in recommendation 1(b) and robust risk management. This is set out in the Assembly Government's Risk Management Framework which has recently been revised and updated. The Framework document will be posted to the Assembly Government Internet site and issued for guidance to all ASPBs.

The risk management process identifies, assesses and controls risks that emerge when taking forward the funding of major capital projects and will include the robust challenge of assumptions made in business plans and any subsequent changes in a way that is consistent with recommendation 1(c).

The need for effective co-operation and communication between project partners (recommendation 2(a)) is also implicit in adhering to Green Book guidance. This states that appraisals and evaluations should be carried out collaboratively wherever possible between stakeholders and that lead responsibilities need to be well defined. This is re-affirmed in the Risk Management Framework which emphasises that a clear understanding of who "owns" the risk needs to be made.

This will involve the sharing of material information (recommendation 2(b)). The merger of the WDA, WTB and ELWa with the Welsh Assembly Government has enhanced the ability to take a collective approach to the

assessment and monitoring of risk and the sharing of information in respect of large capital projects.

The Assembly Government agrees that once public bodies have agreed to contribute to project funding there should be effective collaboration between them. It also accepts the need for rigorous benefits evaluation for major capital projects following a funding decision. The Green Book identifies the Office of Government Commerce Gateway Review procedures and risk management as being particularly important aspects of the appraisal and evaluation process. The "Gateway" process examines policies, programmes and projects at critical stages in their lifecycle to provide assurance that they can progress successfully to the next stage. It places a strong emphasis on testing the strength and affordability of project business cases as they change and evolve, as well as the need for clear contingency planning and effective communication and understanding between project partners and stakeholders.

The Assembly uses Gateway procedures to strengthen the management of its own large scale capital projects. For example, the Gateway procedure was applied to the Welsh Assembly Government's procurement to provide ICT services (the MERLIN contract); the Public Sector Broadband project; and the Assembly Building projects. In addition, certain business change projects under the MERLIN contract undergo internal gating procedures that assess the business cases and project plans. It is currently being applied to the Assembly Government's Location Strategy Programme.

The Assembly Government are actively promoting the use of "Gateway Review" principles as best practice across the wider Welsh public sector. This work is ongoing and consideration is currently being given to the way best practice in programme and project management can be built into future schemes funded by public money provided by the Assembly. Value Wales is in discussion with the Office of Government Commerce with the aim of being accredited as a Welsh "Gateway" hub. The Assembly Government has already commissioned a private sector organisation to facilitate the undertaking of Gateway procedures and, through Value Wales, is actively supporting the development of Gateway principles in programme and project management by providing advice on best practice across the wider Welsh public sector in the development, appraisal and management of large-scale projects.

A copy of this response will be sent to Assembly sub-accounting officers; ASPB accounting officers and the accounting officers of other public bodies in respect of Assembly Government funding once it has been laid before the Assembly.