



Cynulliad Cenedlaethol Cymru **The National Assembly for Wales**

Y Pwyllgor Cyllid **The Finance Committee**

Dydd Mercher, 7 Tachwedd 2012
Wednesday, 7 November 2012

Cynnwys
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Cynnig o dan Reol Sefydlog Rhif 17.42 i Benderfynu Gwahardd y Cyhoedd o Weddill y
Cyfarfod
Motion under Standing Order No. 17.42 to Resolve to Exclude the Public from the Remainder
of the Meeting

Cofnodir y trafodion yn yr iaith y llefarwyd hwy ynndi yn y pwyllgor. Yn ogystal, cynhwysir
trawsgrifriad o'r cyfieithu ar y pryd.

The proceedings are reported in the language in which they were spoken in the committee. In
addition, a transcription of the simultaneous interpretation is included.

Aelodau'r pwyllgor yn bresennol
Committee members in attendance

Peter Black	Democratiaid Rhyddfrydol Cymru Welsh Liberal Democrats
Christine Chapman	Llafur Labour
Jocelyn Davies	Plaid Cymru (Cadeirydd y Pwyllgor) The Party of Wales (Committee Chair)
Paul Davies	Ceidwadwyr Cymreig Welsh Conservatives
Mike Hedges	Llafur Labour
Ann Jones	Llafur Labour
Ieuan Wyn Jones	Plaid Cymru The Party of Wales
Julie Morgan	Llafur Labour

**Eraill yn bresennol
Others in attendance**

Jeff Andrews	Cynghorydd Arbennig Special Adviser
Richard Clarke	Pennaeth yr Uned Buddsoddi i Arbed Head of Invest to Save Unit
Jane Hutt	Aelod Cynulliad, Llafur (y Gweinidog Cyllid ac Arweinydd y Tŷ) Assembly Member, Labour (the Minister for Finance and Leader of the House)

**Swyddogion Cynulliad Cenedlaethol Cymru yn bresennol
National Assembly for Wales officials in attendance**

Daniel Collier	Dirprwy Glerc Deputy Clerk
Joanest Jackson	Uwch-gynghorydd Cyfreithiol Senior Legal Adviser
Gareth Price	Clerc Clerk

*Dechreuodd y cyfarfod am 10.01 a.m.
The meeting began at 10.01 a.m.*

**Cyflwyniad, Ymddiheuriadau a Dirprwyon
Introduction, Apologies and Substitutions**

[1] **Jocelyn Davies:** Welcome to this meeting of the Finance Committee. I remind you to turn off mobile phones and any other electronic equipment, because they interfere with the translation system. This is a public meeting so you will not need to operate the microphones. We are not expecting a fire drill, so if you hear an alarm please take the advice of the ushers. I do not think that we have received any apologies and we have no announcements.

10.02 a.m.

Buddsoddi i Arbed: Tystiolaeth gan Lywodraeth Cymru
Invest-to-save: Evidence from the Welsh Government

[2] **Jocelyn Davies:** We move to the first substantive item on the agenda, which is our review of invest-to-save. Thank you, Minister, for sending us written evidence. Would you like to introduce yourselves for the record? Then we will go straight into questions.

[3] **The Minister for Finance and Leader of the House (Jane Hutt):** I introduce Richard Clarke, who is the head of the invest-to-save unit, and Jeff Andrews, our special adviser.

[4] **Jocelyn Davies:** Thank you. What is your estimate of how the fund is meeting its objectives, which are, as you will know, improving public services, releasing savings through efficiency, promoting best practice and promoting collaboration?

[5] **Jane Hutt:** First, may I say, Chair, how pleased I am that you are doing this committee inquiry into invest-to-save? I think that it will be very valuable alongside the evaluations, which I am sure we will be talking about.

[6] As you say, the purpose of invest-to-save is to support the delivery of public sector improvement projects, resulting in significant cash-releasing savings and ensuring that we are developing citizen-centred services. In terms of the evidence of the impact, which is critical and will be your main line of questioning to myself and organisations that have benefited, or could benefit, from this, it is important to recognise that we have supported 59 projects under the fund and that all of them are helping public service bodies to make that transition to more efficient, more effective and more sustainable forms of service delivery. That is the main objective. So, that brings significant benefits and improvements to public services, including delivery of the financial savings that are forecast from these investments.

[7] Perhaps a couple of examples would help. On impact, the NHS Welsh analytical prescribing support unit, which is one of the schemes, through the analysis of prescribing data, has promoted safe, clinically effective and cost-effective prescribing across Wales. That project has already reported cost savings of £5.8 million and is delivering safe, clinically effective and cost-effective prescribing. So, two objectives have been met. There is also a local government project, which I am sure you will become aware of from the case studies. It is One Newport's information station project, which is bringing a range of services under one roof, designed around the local community. I was at the launch of that project, which is located by the station and is a very impressive one-stop shop. So, we have economies of scale and savings being secured by bringing organisations together—particularly public sector organisations, but third sector organisations as well—to share resources. I am sure that we will come to the results of the interim valuation of the fund, but some examples are helpful to show service improvements and cash-releasing benefits as well.

[8] **Jocelyn Davies:** Thank you. Can you tell us what the overall savings via the fund are to date?

[9] **Jane Hutt:** I have been given the latest table on invest-to-save payment of investments. I was just saying to Richard that I thought it would be useful if I were to share that with the committee. We are moving from implementation to delivery. There are very encouraging early signs in terms of delivering forecast benefits and cash-releasing savings. At the moment, it amounts to more than £9 million, and we are on course to receive a further £25 million. However, we are forecasting significant cash-releasing savings totalling some £97 million within five years of commencing, with further recurrent savings following on.

[10] Again, if you want a few examples, we can provide those. Hywel Dda LHB's care closer to home scheme has reported savings of £1.7 million, with a further £9.5 million forecast for this coming year of 2013-14. Aneurin Bevan health board's medicines management project is driving down prescribing costs in hospitals. It has already saved £97,000 and is forecast to save a further £150,000 this year and £360,000 next year. I could go on, but I think that you will draw the information from the case studies. We published these details and, if it is helpful, we can give you the repayment chart as it stands from what we project for 2013-14 and 2014-15.

[11] **Jocelyn Davies:** Thank you, Minister. We have seen the case studies. There are some very good examples of successful projects. However, what is the Government doing to promote the good practice? I know that Mike Hedges will want come in on this question.

[12] **Jane Hutt:** Sharing the lessons learned from the case studies is critical. Taking the Aneurin Bevan health board's medicines management project as an example, if that is driving down prescribing costs in hospitals in one health board area, we should be able to transfer that so that it happens in every hospital. Publishing the details of the projects is very important in promoting them. You will see the three invest-to-save reports I have produced. Also, Carl Sargeant chairs the public service leadership group, which brings together the health service, local government, police, agencies across the public sector, networks and umbrella groups such as the Welsh Local Government Association, which should and can drive the best practice and cascade and share knowledge. Clearly, we have had the drive through the health policy direction, with more work being done with elderly and frail people, enabling them to stay in the community. There is the care closer to home scheme, helping people to regain and retain their independence. Those are the sort of schemes that have come about as a result of the focus from national Welsh Government health policies. A number of invest-to-save schemes have come about as a result of that.

[13] All-Wales projects and regional collaborations are useful because they engage more bodies. One example of an all-Wales project is the public service broadband aggregation project, which is rolling out broadband on a phased basis. Of course, everyone is benefiting from that. It goes via the Minister for Business, Enterprise, Technology and Science's department. There is also the all-Wales enhanced recovery 1000 Lives collaborative programme. That is being taken forward with invest-to-save money. So, there is a Welsh Government nationally driven programme-for-government steer for this and Richard is now running workshops on this, are you not?

[14] **Mr Clarke:** Yes, at an official level, in order to help cascade the knowledge and learning from the project, we have gone around some of the larger organisations—currently the health boards—to discuss projects that have been successful. Perhaps, in some cases, health boards would have been less successful in terms of some of the previous projects giving them formal feedback and then looking at opportunities coming up in the future. The key to that is sharing the case studies that have already been produced.

[15] **Mike Hedges:** The Wrexham energy efficiency and carbon reduction scheme seemed to show a factor 15 saving on the investment—£900,000 was invested, and £1.4 million was saved. Is anyone doing anything to contact other local authorities—it is probably not within your remit—to ask, 'What reasons do you have for not following this project?'. Rather than saying, 'This is a good scheme; have you thought about it?', when things that work well in some places right the way across, is there a need for Ministers to write to other organisations and ask, 'What reasons do you have for not following this scheme?'. The reason may be that people have done this before, but to turn it the other way around would be beneficial in my view. Do you agree, Minister?

[16] **Jane Hutt:** I went to visit that combined heat and power scheme in Wrexham, which

was impressive. Obviously, where we can, we are giving it publicity. I think that the Welsh Local Government Association has a key role to play in this. There can be some ministerial drive in terms of the meeting of the regional collaborative boards of leaders and chief executives. This is of benefit to local authorities, so that is a good point. This should be the default position. We will have to do more to present this. The public service leadership group is the right route in many ways because all the leaders are engaged in that and they will see the opportunities to reduce budgets, because this is crucially important in terms of savings and efficiency and of other objectives in terms of tackling energy efficiency. So, anything that we can do as a result of this review and our work in Welsh Government will be helpful.

[17] **Jocelyn Davies:** I do not know whether you have looked at the auditor general's website, but there is a good practice exchange page on that website, which is easily accessible to anyone. Do you have something similar on the Welsh Government's website so that anyone could look up the case studies and other examples of good practice?

[18] **Mr Clarke:** All the individual case studies that have been produced in the last 12 months have been published on the separate good practice portal, which is a public service portal, so they are individually available on that. We have also had discussions with the Wales Audit Office about its portal and I think that some of our projects are already on its website. The latest publication, which came out this month, is not there yet, but we look at every opportunity to make things available electronically.

[19] **Christine Chapman:** I want to ask you about the assessment process for these bids. We want to get as many successful bids as possible through, but could you explain how the assessment process works and whether any weighting of criteria is used?

[20] **Jane Hutt:** I will start and bring in Richard if I need to. There are two stages to the assessment process. First, there is the initial shortlisting of expressions of interest and then there is the more detailed appraisal of the projects that have been shortlisted. We look at the financial case of a project to ensure that it is well aligned in terms of scale and the timing of projected efficiency savings, and to ensure that there is clear evidence that investment made will be repaid.

[21] On the assessment criteria, we look for evidence that the project approach will succeed, for the commitment of partners to delivering the project, for the governance and project management arrangements, for key risks and the proposed mitigation measures.

10.15 p.m.

[22] **Mr Clarke:** I will add a little more to that. As this is mostly a repayable scheme, we have tried to find the right balance between a suitable level of scrutiny of the proposals and not overly engineering it. That is why there are two stages. Stage 1 is the expression of interest. It is a fairly simple application form, which is enough to inform the panel—and it is an in-house panel—of whether the proposal has merit, as a starting point. That helps the shortlisting process. We then have individual meetings with the project proposer of those that are shortlisted, to discuss them in more detail. That is where we look at perhaps producing a business case, and more detailed information to support the proposal.

[23] On the weighting point, it is investing to save, and there is quite a lot of discussion on the finance aspect of projects: will it generate the savings and efficiencies that are projected, will it bring about the wider benefits that have been put forward, what evidence supports those arguments, and what arrangements are in place to deliver it? Therefore, it is an open and frank discussion at stage 2. It is iterative. This is not about success or failure. If there is something that is worth developing, it is about encouraging that and suggesting how project proposals might be developed so that they might be something that the Minister may wish to

support.

[24] **Christine Chapman:** So, do you think that there is certainty that people understand the criteria? Are you content that the organisations would be absolutely clear about what they have to do to get a successful bid through?

[25] **Mr Clarke:** There is always more that you can do on this, as new project proposals come to us. Workshops were mentioned earlier. Part of the reason for introducing those was to address the fact that we thought that, in some areas, the criteria and the reasons—the purpose of the fund, perhaps—were not as clear as they might be. So, we introduced the workshops to help wider understanding. We are always aware of that. Things change constantly; different people come forward, and it is important that we keep on putting the messages out as to what the purpose is, and what a successful project might look like.

[26] **Christine Chapman:** Okay. My final question—and you touched on this earlier, Richard—is about the lessons that have been learned. Do you think that the assessment process has altered as a result of the lessons learned in previous rounds?

[27] **Jane Hutt:** There is feedback between officials and the Minister on this. You have had to refine and retune in many ways the ways in which you have introduced this, in light of lessons learned, have you not, Richard? For example, the additionality argument has come up as a key issue, has it not? You have had to help projects—and I mean help them only in steering them towards the appropriate project bid. I think that that has been helpful, has it not?

[28] **Mr Clarke:** It has not been static. It was a new initiative, obviously, for the Welsh Government. We have learned lessons as we have gone along, and we have introduced more things such as frequently asked questions, to support understanding. However, on the changes that the Minister referred to, especially around the additionality argument, we have adjusted the application process, because we found that there might have been some ambiguity in some of the questions, so we have clarified that to help understanding. We have also enhanced support on the efficiency side, as to project expectation.

[29] **Jocelyn Davies:** In moving from the expression of interest to stage 2, the panel, do the projects have to align with the programme for government? I know that it is a priority of yours to improve public service delivery, Minister, but would those projects necessarily have to align with your own programme for government, in order to go from expression of interest to panel?

[30] **Jane Hutt:** That is not a criterion. However, as you can see from the projects, some of them are very operational in their delivery. Many of them do align, but it is not considered a threshold.

[31] **Jocelyn Davies:** So, it is not all about criteria.

[32] **Ieuan Wyn Jones:** O ran y modd y byddwch yn mynd drwy'r broses hon, cyfeiriodd y Cadeirydd at y ffaith bod pobl yn dangos diddordeb a'ch bod wedyn yn symud ymlaen at y cais. Er mwyn inni gael gwybod yn union beth yw canlyniadau hynny, a oes modd ichi roi rhyw syniad inni o sawl un o'r ceisiadau sy'n dod ger eich bron sy'n cael eu cyllido a sawl sy'n cael eu gwrthod? Hynny yw, beth yw'r cydbwysedd rhwng y ddau ganlyniad hynny? Mae'n **Ieuan Wyn Jones:** Regarding the way in which you go through this process, the Chair referred to the fact that people express an interest and you then progress to the application stage. In order for us to know exactly what those outcomes are, would it be possible for you to give us some idea of how many of the applications submitted to you are awarded funding and how many of them are rejected? That is, what is the balance between those two outcomes? You obviously reject

amlwg eich bod yn gwrthod rhai ceisiadau. some applications.

[33] **Jane Hutt:** Yes. In the early days of the invest-to-save fund, a lot more applications did not make it beyond the first expression of interest. It was a new scheme and, as you can recall, we took some time to get the public sector to see this as an opportunity. The health service, in particular, has grasped it. We can give you some feedback on how many were rejected in the early days, but I am not sure how useful that would be. Reaching the approval stage is a process.

[34] **Ieuan Wyn Jones:** I am not suggesting for a moment that the fact that you reject schemes is a bad thing. It may well be a good thing because you challenge people to come up with better schemes. Rather than looking historically, you could just give us the figures for the current year, for example.

[35] **Jane Hutt:** At the moment, some projects are being considered. Again, it would be a question of whether they meet criteria such as the additionality factor. I cannot give you chapter and verse on the details of the actual schemes—

[36] **Ieuan Wyn Jones:** Could you just send us a note?

[37] **Jane Hutt:** Yes, we could certainly give you some indication of what is in the pipeline, if that would be helpful. That would be reasonable, Richard, would it not?

[38] **Mr Clarke:** Yes. We always look at whether projects can be developed further. Therefore, it is fair to say that, from the last round, there are three projects that are still in the system. They are still in the pipeline. A decision was not reached at the announcement of the last round because there was insufficient detail, and discussions were ongoing, so those projects are kept in the system. Although this is a round system and there are calls for new project proposals during certain times of the year, there are projects that are kept in the pipeline, and we will continue to work with them and develop them. They will then naturally fall into the cycle as we reach the time of the announcement.

[39] **Jocelyn Davies:** So, you will provide a note on that, Minister.

[40] **Julie Morgan:** My question is also about the assessment process. Richard said that he does not think of it as success and failure, but how much feedback do you give each individual organisation through the process, so that they can learn and so that you can also learn?

[41] **Jane Hutt:** That goes back to what Richard said about the fact that we can keep those projects, and support and advise the proposers on how they could get them ready for further consideration. So, we provide feedback to applicants when they are not supported. We encourage them to reshape, and we have further discussions about the proposals. I have also talked about the workshops that are held. So, this is not the same as a strict grant-giving regime, in which you say 'yes' or 'no', there is feedback and then the applicant has to decide whether to apply again. Very few projects have been completely rejected. Perhaps there were some in the early days because they just were not appropriate. However, it is much more about keeping projects in the pipeline and being very closely engaged with the proposers to give feedback.

[42] **Julie Morgan:** There is a requirement for the bids to show their arrangements for monitoring and evaluation. What has the Welsh Government set as specific requirements for monitoring and evaluation, and what do you do to ensure that those things are carried out?

[43] **Jane Hutt:** We have a quarterly monitoring return requirement. That is done through

the red, amber and green pro forma. In addition, all projects are asked to put evaluation arrangements in place. In fact, we have new arrangements for round 5, which are about discussing with projects, following an offer of support, the kind of evaluation that will take place.

[44] We also have our own social research department in the Welsh Government, so we can steer projects to that source of expertise. This, again, is about sharing good practice. Obviously, we have to monitor the projects to see how they are getting on with delivery, but the evaluation is where we can learn the lessons. We have talked a lot about Gwent frailty, because that has been quite a high-profile project. My understanding is that it is seeking to work with the university for its evaluation, which seems entirely appropriate. However, that is a big project, involving a lot of local authorities and the health board, and others may not need such a large evaluation framework. However, that is an area that has developed since the start of the invest-to-save scheme and has been made more rigorous.

[45] **Julie Morgan:** Do all projects now have that as an essential part of their work?

[46] **Jane Hutt:** Yes.

[47] **Paul Davies:** In February this year, as a Government, you published an interim evaluation of the invest-to-save fund, covering rounds 1 to 4, and, within that, seven recommendations were made for the improvement of the fund. Can you share what progress has been made to implement each of those recommendations?

[48] **Jane Hutt:** I would be very happy also to give you a detailed note on each recommendation.

[49] **Jocelyn Davies:** That would be very useful.

[50] **Jane Hutt:** For example, just on recommendation 1, we are moving ahead now with external evaluation. That was a key recommendation. We have scope in the terms of reference for the external evaluation of the specification for work. We hope to appoint and get the work under way by April of next year. So, that will be an external evaluation. We have the funding reserved for that. On the recommendations that are coming all the way through, I will share the detail with you. If you want to go into any of them today, I would be very happy to. However, it is very important that we see how the invest-to-save scheme is helping and supporting projects in the NHS, which I am sure we would recognise is the major beneficiary, because it does not have the borrowing powers that local authorities have. So, the invest-to-save panel includes officials from the department of health and social services' finance directorate.

[51] I am working with Carl to improve the uptake by local government. We have recently written to all leaders to announce funding rounds. On recommendation 4 and the number and value of projects in future rounds, we are considering the issue of maximising efficiencies by targeting fewer but more strategic higher-value projects. That is an important point. We are now moving to increase the threshold to £200,000, which was introduced at round 6.

[52] Some of the other recommendations are useful in introducing themes and having external members, and we are working on the recommendations.

[53] **Jocelyn Davies:** Has the Government accepted all the recommendations that were made? I think that a note on each one would be helpful, unless Paul wants to go through each one now. I see that he does not, so a note on each one would be useful, but have you accepted all the recommendations?

[54] **Jane Hutt:** Yes. We have action undertaken on all of them. On the one that I have just mentioned, with the external member, we have this public services leadership group and the chairs of those work streams, who come from across the public sector, are engaged in looking at the invest-to-save project, so in a sense, that is an external view. We will give you a note on all the action taken, if that is helpful.

10.30 a.m.

[55] **Jocelyn Davies:** Yes, that would be helpful.

[56] **Paul Davies:** You mentioned that you are working closely with the Minister for Local Government and Communities. I notice that recommendation 3 of the interim evaluation suggests that there is a continuing need to promote local government engagement with the fund. I note that £4.3 million has been paid to projects involving local government in collaboration with other sectors in the four rounds that are mentioned. Given the need to promote local government engagement, do you think that this will be more difficult now, considering that the Minister for Local Government and Communities has decided to establish a £10 million collaboration grants fund? Is there a danger that the new collaboration fund will undermine one of the objectives of the invest-to-save fund, which is to encourage stronger collaboration?

[57] **Jane Hutt:** I think that the recommendation is very helpful in the interim evaluation with regard to driving up awareness and the engagement of local government with the fund. I am working with Carl Sargeant at ministerial level, but Richard and officials are also working very closely with the Welsh Local Government Association and finance directors in promoting the last round, which I announced this week as being part of that. At the moment, it is early days with this new local government collaboration fund, and it is important. The Minister has viewed this as an important collaboration opportunity for local government, and work is now ongoing with the Welsh Local Government Association and the regional leads in local government to look at the criteria for that fund.

[58] I see that invest-to-save is very much complementary; it complements the existing funding streams. The new fund will be a valuable addition to collaboration across local government boundaries. We can see that local authorities have taken the fund up individually—we have mentioned Newport and Wrexham, which have very different schemes; they have not taken that up as part of the collaboration with other local authorities. Although they could share the good practice, it is very focused on their own cash releasing savings and service improvement. I think that it is horses for courses. Invest-to-save has a different function and role, and the collaboration grant fund, on which I am sure the Minister will be giving more information, will have a specific role around stimulating collaboration.

[59] **Paul Davies:** I appreciate what you are saying, but is there not a danger that establishing grant funds per se will undermine the best value-for-money aspect of the invest-to-save fund, which is surely its purpose?

[60] **Jane Hutt:** I do not think so. Invest-to-save is an innovative new way of stimulating public service improvements for individual organisations, in collaboration and across the public sector. With regard to invest-to-save, where there are schemes involving local government and the health service, we would not see this as appropriate for grant aid. The new local government collaboration grant fund is very specific, and we must await the Minister's criteria.

[61] **Ieuan Wyn Jones:** Rydych yn **Ieuan Wyn Jones:** You say in your written dweud yn eich tystiolaeth, Weinidog, ac ar evidence, Minister, and again today, that the lafar eto heddiw, mai prif amcan y gronfa main objective of this fund is to produce

hon yw cynhyrchu arbedion effeithlonrwydd substantial efficiency savings to release sylweddol sy'n rhyddhau arian. Beth yw eich funding. What is your definition of diffiniad chi o 'sylweddol' yn y cyd-destun 'substantial' in this context? hwn?

[62] **Jane Hutt:** That is a fair question. I do not think that we have identified that, as such. We have progressed this and we have been pleased. I gave you some examples earlier of the cash-relieving savings achieved, but there is no benchmark, is there?

[63] **Mr Clarke:** I think that it is fair to say that it is a broad definition, because it could be substantial for the individual organisation concerned. Perhaps you will see some lower-value efficiencies coming through for the National Botanic Garden of Wales, for example, where there is a solar panel project—it is not very significant in scale, but for that organisation it is significant. In other projects, we are seeing high-value efficiency savings and the rate of return is very significant on the investment.

[64] **Ieuan Wyn Jones:** Wrth sôn am ryddhau arian—ac mae hynny'n un ffordd o asesu a yw'n sylweddol neu beidio—a ydych yn gwneud unrhyw gysylltiad rhwng maint yr arian sy'n cael ei roi i'r prosiect a'r arbedion a wneir? A oes cysylltiad rhwng y ddau beth?
Ieuan Wyn Jones: When you talk about releasing cash—and that is one way of assessing whether it is substantial or not—do you make any connection between the amount of funding given to the project and the savings that are made? Is there a link between the two things?

[65] **Jane Hutt:** Not particularly. Clearly, on the guidance that you give on initial expressions of interest in respect of what they would anticipate to be cash releasing, the ball has been very much in their court in terms of coming up with those figures and those targets.

[66] **Mr Clarke:** We try to see whether they can evidence, in some way, that the figures that they are suggesting by way of savings are possible. That might be cash, or it might also be non-cash—there is a wider set of savings and wider benefits. However, we look for the evidence to support the case that they are bringing forward.

[67] **Ieuan Wyn Jones:** So, when you say 'substantial cash-releasing savings', it does not always mean that, although that is in your criteria.

[68] **Jane Hutt:** That is the key objective. The good thing about this scheme is that it also improves public service delivery. It is the cash-releasing savings and the win-win of public service efficiency.

[69] **Ieuan Wyn Jones:** I understand the wider point, but the point that I am making is that, if it is in your criteria that there should be cash-releasing savings that are substantial, we are entitled to ask how you measure that.

[70] **Mr Clarke:** I will pick up on a point that I did not make very well earlier, perhaps. Substantial in the case of the national garden, for example, is a lesser sum. Given its operation, the sum that was generated in savings was substantial. It is often substantial in relation to the organisation or the project put forward to us.

[71] **Mike Hedges:** Surely, the easiest way to do it would be to take a percentage saving, so that big schemes and little schemes are comparable. I would suggest, although you may disagree, that you would be looking for at least a 10% saving before you would consider it to be financially worthwhile.

[72] **Jane Hutt:** Yes. I think that we also need to take them project by project. We have

given the example of the botanic garden. We also know that, in terms of sustainability, with a significant scheme like that, it has grasped the opportunity through invest-to-save. We would be cautious of focusing down in that way.

[73] We must also recognise that it is cash-releasing, public-service efficiency, and a citizen-centred approach. We should be able to account for how this invest-to-save fund has delivered on that. That is not just about a financial return. Hywel Dda Local Health Board has 1,000 patients in Pembrokeshire who benefited from the acute response team project, saving the equivalent number of hospital beds, facilitating early discharge of nearly 300 patients from hospital and releasing acute medical surgical sector bed capacity. That has had a major beneficial impact on service delivery, which is probably just as important, but it is also cash releasing. The cash-releasing benefits of that scheme speak for themselves.

[74] **Jocelyn Davies:** So, no project is expected to meet all of the criteria. It seems like a long list of criteria; projects are obviously measured, but not every criterion has to be met by every single project. Is that correct?

[75] **Jane Hutt:** Yes. When we went back to the earlier points about the objectives of the fund, not all of them are encouraging stronger collaboration across organisations and administrative boundaries. That is clearly not the case. However, they would have to deliver virtually everything else. They would have to deliver improved public services, transform operational efficiency and promote dissemination of lessons learned and best practice. If one had just collaboration as an essential criterion, we would not get the single projects, such as the national botanic garden and the Newport one-stop shop. So, these are areas where we need to think about the criteria.

[76] **Ieuan Wyn Jones:** Rydych wedi cyfeirio at y ffaith bod awdurdodau iechyd wedi gwneud yn dda o'r cynllun hwn—maent wedi dysgu gwersi o'r ceisiadau cynnar ac wedi llwyddo. Yng nghylchoedd cyllido 1 i 4, llwyddodd 30% o geisiadau awdurdodau lleol a 60% o geisiadau awdurdodau iechyd. A yw hynny'n debygol o fod yr un mor wir, o ran canran, yng nghylchoedd cyllido 5 a 6?

Ieuan Wyn Jones: You mentioned that local authorities did well out of this scheme—they have learned lessons from earlier applications and succeeded. In funding rounds 1 to 4, 30% of local authority applications and 60% of health authority applications succeeded. Is the same likely to be true, in terms of percentage, in funding rounds 5 and 6?

[77] **Jane Hutt:** We anticipate that it will be. In the last round, we had seven expressions of interest from the NHS and only one from local government. We will see a trend of the NHS using this fund to a greater extent, albeit that we have had a discussion about promoting it with local government, but that has other finance sources to help it promote its schemes. We will give more profile to what has been achieved, such as Mike's example from Wrexham—why are all local authorities not doing that? The benefits of the one-stop shop in Newport might be a one-off, but authorities will want to see the outcome of that.

[78] **Ieuan Wyn Jones:** Mae'r canrannau'n 60% a 30%, felly dim ond 10% o'r ceisiadau a ddaw o gyrrff y tu allan i awdurdodau lleol a'r GIG—dywedoch y byddai fwy neu lai'r un peth yng nghylchoedd cyllido 5 a 6. A hoffech weld y cydbwysedd yn newid, fel y gallai cyrrff o'r tu allan i'r ddau faes hynny wneud ceisiadau llwyddiannus? Os felly, beth fydddech yn ei wneud i hyrwyddo hynny?

Ieuan Wyn Jones: The percentages are 60% and 30%, so only 10% of applications come from bodies other than local authorities and the NHS—you said that it was more or less the same in funding rounds 5 and 6. Would you like to see that balance changing, so that bodies outwith those two fields are able to make successful applications? If so, what would you do to promote that?

[79] **Jane Hutt:** Some of the projects that have come forward as promoted by the NHS have included local authority partners, particularly the ones around support for elderly and frail people in the community—I have mentioned several already, including the Pembrokeshire one. That is an interface between health and social care, which is very important. We probably need to express that local government involvement more visibly than we do at the moment. Those projects are NHS-led but local authorities are engaged and they are benefitting financially, as well as in terms of service improvement. Certainly, I would like to improve—in the ways that I described—local government engagement.

[80] **Mr Clarke:** To add to that, local government is a key partner in some of the significant projects. Although we only saw one local government-led project in the last funding round, there were three other very significant projects—from Hywel Dda, Cardiff and Vale and Cwm Taf—relating to elderly and frail services led by the health boards, but each being taken forward in conjunction with local government partners. So, the criteria for this fund do not include sector-specific criteria. That is an important point to make. Some of the statistics might mask the wider involvement of other sectors, but it is true that the NHS takes more advantage of it. As the Minister has said, perhaps that is partly a reflection of the fact that local government has access to other forms of finance to take its projects forward.

10.45 a.m.

[81] **Jocelyn Davies:** Mike, you have a supplementary, and then we must move on to Peter's question.

[82] **Mike Hedges:** Why would local authorities want to use their other forms of funding, which they have to pay interest on, rather than invest-to-save, which I understand they do not pay interest on?

[83] **Jane Hutt:** That is a good point, and we should—

[84] **Jocelyn Davies:** It is not really a question for you, Minister.

[85] **Jane Hutt:** It is another point for your committee. The other point that I would make is that we have just sent out the latest haul, asking for expressions of interest for the next round that I have announced on Monday. This goes to a wide range of public sector bodies, including further and higher education bodies, and some third sector organisations have benefitted from invest-to-save. You will know that we have also given funding to help the new single environment body in terms of its IT infrastructural transitional change. Public sector broadband aggregation is another example. The public sector is making wide use of that, and part of that is through a Welsh Government steer, but it could be much wider, as well as local government.

[86] **Peter Black:** Looking at the interim evaluation for rounds 1 to 4, there has been quite a substantial fall-off in the number of applications. I think it was 100 in round 1, and down to 17 in round 4. Can you give an indication as to why that is likely to have been?

[87] **Jane Hutt:** We have probably covered some of this in responses to questions earlier on in the sense that, in the early days, people were testing it out, and there were a lot of expressions of interest, but some of the project bids that were submitted were not appropriate and did not fit in. Now there is much clearer awareness, and they do not want to waste their time developing proposals that will not be successful in a bid. I do not know how Richard feels about it, but I certainly think that the fact that we have raised the threshold to £200,000 has had a bearing on it. We started off with a £100,000 threshold in round 3 and we have increased that to £200,000. That is also about trying to get the fund to be more strategic, because you could end up with lots of little projects, and that is not necessarily the way

forward.

[88] **Peter Black:** So, what you are saying is that the quality of the bids has improved.

[89] **Jane Hutt:** In focus and direction, yes, and strategic nature—would you agree, Richard?

[90] **Mr Clarke:** Yes, I would, actually. I think that when you start a new grant scheme you very often get a lot of bids, perhaps for proposals that have sought funding from other sources and have not been necessarily successful. While we are clarifying the criteria for the fund, those might emerge and may not be appropriate for the new funding. As we have progressed with invest-to-save, we have noticed that the more strategic projects, normally the higher value projects, bring greater return in value-for-money terms, and therefore a de minimis threshold was introduced at round 3, initially at £100,000. When the interim evaluation was undertaken, it suggested that that might be looked at again; we did so, and the threshold for the last funding round was increased to £200,000. So, we are not considering projects below that threshold. There is an exception to that—there always is an exception—and that is, in the case of the assets management working group and the public services leadership group work, they bid for a programme of projects, and some of the projects within that programme are of a value below the £200,000 threshold.

[91] **Peter Black:** Are those projects counted individually or as one for the programme?

[92] **Mr Clarke:** What has actually happened is that, as they have worked through, we have drawn them together as one value in presentational terms.

[93] **Jocelyn Davies:** You referred to introducing a new grant scheme, and I suppose that in Wales the word ‘grant’ gives the impression that it will not have to be repaid. Did you have a lot of applications to begin with where people thought that they would not have to repay it and now those have fallen away?

[94] **Mr Clarke:** It is fair to say that perhaps there was not the clarity of understanding as to what it was, and so, yes, I think that that is fair. In the first round, we had over 100 applications, and it was a surprise when that number came through the post, but on going through them and sifting through the first phase, a lot of them did not meet the criteria, and it was clear to us that we had perhaps not explained the criteria as well as we might have at that stage.

[95] **Peter Black:** Yet, in percentage terms, the number of approvals in round 4 is roughly equivalent to the number of approvals in round 2, which seems to indicate that you are still rejecting roughly the same sort of percentage over those years.

[96] **Mr Clarke:** I think that there are fewer rejections. Some are still in the pipeline and continue to be in the pipeline—

[97] **Jocelyn Davies:** So, yet to be—*[Inaudible.]*

[98] **Mr Clarke:** Yes, that is right.

[99] **Peter Black:** So, for example, seven out of 17 were approved in round 4, but the other 10 could reappear in rounds 5 or 6.

[100] **Mr Clarke:** Yes, that is possible, but, as I mentioned, we have increased the threshold limit since round 4.

[101] **Jane Hutt:** We will provide a note on where we are.

[102] **Peter Black:** Would the reason for some of those rejections be, for example, that you have hit your budget limit?

[103] **Jane Hutt:** No. It has not been about us lacking the resources, has it? If something needs more work done on it, it is still in the pipeline. So, we have not been in that position.

[104] **Mr Clarke:** It is true to say that it is discretionary and it is competitive, because there is a limited pot; however, on the administration, we have flexibility, which can, in some cases, be that a project requires investment over more than one year. We look realistically at when individual investments are required, and that has helped considerably when there has been pressure on the fund, because we are able to look critically at when an investment is needed and so, very often, it will span more than one financial year. That has put us in a position to be able to manage those projects within the resources available.

[105] **Peter Black:** The increase of the threshold from £100,000 to £200,000 is a barrier that you have put in for the bids. Are there any other barriers that you have identified, having learned from the rejected bids et cetera, as to why people are not putting in bids to you?

[106] **Jane Hutt:** This is a topical and attractive fund—we must call it a fund; it is the invest-to-save fund, not a grant scheme. Certainly, local government has engaged with it. Earlier in the programme, we had an issue about accounting requirements for the fund with local government in terms of capital directions from the Welsh Government. It must be last year when Carl Sargeant and I addressed this, and we have been able to accommodate changes. That was a barrier that was identified by local government, so we now have procedures for capital directions for local government invest-to-save schemes. They have been well established, so that should not get in the way of local government.

[107] The thing is that the invest-to-save fund is fairly innovative. We are not aware of another financial project of this kind in the UK, are we?

[108] **Mr Clarke:** No, the only thing that has a slight similarity to it is Salix Finance Ltd funding for carbon and energy efficiency projects.

[109] **Ann Jones:** The greater level of detail provided on the invest-to-save fund in this year's draft budget has been welcomed by this committee and others. However, there appear to be some anomalies between the early announcements from the fund and the later allocations in the budget. Minister, will you look at publishing an annual reconciliation of projects announced during each round and those project awards included in each budget allocations so that we are able to scrutinise them more closely or with more effect?

[110] **Jane Hutt:** That is a valuable suggestion, and we will certainly do that. The difference may be to do with business cases not having final approval yet, but we would be happy to do that. It is a good suggestion that we publish an annual reconciliation.

[111] **Jocelyn Davies:** It would assist us in following the money through and increase transparency. Are you happy with that, Ann?

[112] **Ann Jones:** I am.

[113] **Jocelyn Davies:** I call on Mike.

[114] **Mike Hedges:** I will carry on following the money through. [*Laughter.*] Projects are expected to repay the investment in full when the project has delivered the expected benefits,

typically within three years of the initial investment. How many projects will not pay back in full within three years?

[115] **Jane Hutt:** I do not know whether we can say how many at this point. We are flexible about the timing of repayments. It is interest free, which, as you said earlier, Mike, is a very attractive proposition. However, we can also be flexible in terms of the needs of the project and of the fund. So, although we look for repayment as soon as possible, we do not want it to be to the detriment of the project. So, I do not know whether we need to or can say at this point whether we can identify the number of projects that will not pay on time.

[116] **Mr Clarke:** I do not think I could say that here in relation to the three-year cycle; I do not have that information readily available. However, the flexibility is the key point here. It is a key negotiation point with all projects as to when repayment should take effect, and it is shaped around a project as to what works well for the project and will help it deliver the wider benefits. We must also bear in mind that we are looking at the sustainability of the invest-to-save fund to make sure that it is available for investment in new projects. There is a fine balance to be struck.

[117] **Mike Hedges:** I want to come back to what you just said there: it is recyclable. Any money that is not paid back drops out of being available for future schemes. You have said that there is scope to award non-repayable funding under certain criteria. Can the Minister inform us about the value of investments that are non-repayable and what criteria have been used to allow that? My fear is that this could turn very rapidly into a grant-giving formula, as opposed to an invest-to-save formula.

[118] **Jane Hutt:** We have not approved any project with non-repayable funding. A possible project has come forward that will have a major impact on efficiencies and public service delivery. It is early days in terms of sharing what that project is, but we could consider that a possibility. It goes back to where the sources of finance are in a reducing budget climate. Yet, people often ask, and I often ask Ministers, 'Have you thought of invest-to-save?' So, at the moment, there are no non-repayable projects, but we reserve the opportunity and the right to consider that, if a project can meet the other criteria in terms of long-term public service improvement.

[119] **Jocelyn Davies:** I think that Mike's point is that we would not want to see the fund dwindle, and, as Mike said, even accelerate and getting smaller and smaller if there were a number of such projects. So, if you are considering such a project, I think, Mike, that what we would probably want to know is: have you considered that you would not go above a certain level in comparison with the whole fund? In comparison with the size of the fund, it would depend on how much was not going to be repayable.

[120] **Jane Hutt:** There is one project. I do not mind saying that it is the national procurement service on which we are moving forward. You can look at invest-to-save as a key way in which we can pilot, develop and pump-prime new collaborative arrangements. However, the repayable nature at this point in time in terms of sources of finance may be more open to question.

[121] **Jocelyn Davies:** The savings would go to other people anyway. We would not be—

[122] **Jane Hutt:** The savings of having a national procurement service will be immense, probably. That is part of the case that we are looking at, is it not? However, it is very early days, so I would not want that to be seen as a given. I am sharing something with you that is—

[123] **Jocelyn Davies:** Minister, we will not tell a soul. *[Laughter.]* Mike, have you finished

with your questions?

[124] **Mike Hedges:** Yes.

[125] **Jocelyn Davies:** Ann, do you want to move on?

[126] **Ann Jones:** You have mentioned the public service leadership group a few times during this session. Could you clarify the role of that group and whether or how the invest-to-save fund fits within that group and those deliberations?

11.00 a.m.

[127] **Jane Hutt:** The public service leadership group is led by the Minister for Local Government and Communities. It is a cross-public-sector group. It has various work streams, including one on collaborative procurement and one on assets management. It also has a work stream on public sector broadband and on new approaches to service delivery in the public sector. So, in many ways, this is a successor to the efficiency and innovation board. The invest-to-save fund is a key financial tool and vehicle for that group in terms of access to funding and finance, but it is also a key place for us to transmit good practice from invest-to-save and to ensure the wider adoption of the projects that have come through invest-to-save.

[128] **Ann Jones:** Okay, so would it be right for the public service leadership group to have ownership of the invest-to-save fund and give you advice as to whether a project is right or wrong? Is that its role?

[129] **Jane Hutt:** It certainly advises and is involved in the panel that approves the projects, so it has a key role to play not only in the promotion of the fund, but in its implementation and delivery.

[130] **Jocelyn Davies:** Thanks for that clarification. We do not have any further questions, Minister. You agreed to send us a number of notes: a note on the action against the recommendations of the interim evaluation; the latest table on savings and repayments, and so on; and a note on the fall-off of projects between stage 1 and stage 2. I do not think that there was anything else, but there may have been. We will send you a transcript to check for factual accuracy. Thank you very much.

[131] **Jane Hutt:** Thank you very much, Chair.

11.02 a.m.

Papurau i'w Nodi Papers to Note

[132] **Jocelyn Davies:** Under this item, we have the minutes of the last meeting to note, along with the note on Peter Black's mobile home Bill. Peter, I do not think that you need to declare an interest.

[133] **Peter Black:** I was going to ask whether I needed to do so. Are you just noting it?

[134] **Jocelyn Davies:** Yes, we are just noting it. If you remember our report, we thought that the scrutiny of upcoming legislation and the costs are something that should be looked at. So, shall we write to the relevant committee? Sorry, Ann.

[135] **Ann Jones:** I have noted what you have said.

[136] **Jocelyn Davies:** Okay, so you will be receiving a letter from me on that. Is everyone happy with that? I see that you are.

11.03 a.m.

**Cynnig o dan Reol Sefydlog Rhif 17.42 i Benderfynu Gwahardd y Cyhoedd o
Weddill y Cyfarfod**

**Motion under Standing Order No. 17.42 to Resolve to Exclude the Public from
the Remainder of the Meeting**

[137] **Jocelyn Davies:** I move that

the committee resolves to exclude the public from the remainder of the meeting in accordance with Standing Order No. 17.42(ix).

[138] I see that Members are content. Thank you.

Derbyniwyd y cynnig.

Motion agreed.

Daeth rhan gyhoeddus y cyfarfod i ben am 11.03 a.m.

The public part of the meeting ended at 11.03 a.m.