

Sir Derek Jones KCB
Ysgrifennydd Parhaol
Permanent Secretary



Llywodraeth Cymru
Welsh Government

Darren Millar AM
Chair
Public Accounts Committee
National Assembly for Wales
Cardiff Bay
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Dear Darren,

2nd May 2014

Thank you for your letter dated 8 April, following publication of the WAO Report on the Welsh Government's Location Strategy, seeking my response on how the Welsh Government will take forward the wider recommendations of the Report (and on the numbers of posts which were relocated into the new offices in Merthyr Tydfil, Aberystwyth, Llandudno Junction from places outside Cardiff).

I do think that the WAO has published a balanced report, reflecting the challenges of delivering a complex programme over an extended period of time, and I welcome their conclusion that the Welsh Government's Location Strategy has delivered some clear benefits including efficiency savings, a good working environment for staff and economic benefits to the Welsh economy. However I also recognise of course that the WAO go on to say that 'the Welsh Government is unable to demonstrate the overall value for money from the programme, largely because of weaknesses in the way it was managed before 2008' and it is important that we are sure that we have learned the lessons which we have needed to learn from this programme.

To set the report in context, the programme was delivered during a period of significant financial challenge and organisational change, and as a result fewer employees relocated from Cardiff to the new offices than had originally been planned. There was the merger (in 2006) of four Welsh Government Sponsored Bodies into the Welsh Government with the associated turbulence and distraction and subsequently (between 2008-12) the loss of more than 1,000 staff through a number of voluntary exit schemes. These two factors in particular resulted in unanticipated difficulties in relocating posts to Aberystwyth and Llandudno Junction.

The Report identified three headline findings, which were then accompanied by a limited number of associated recommendations:

Headline Finding 1: The Location Strategy had clear objectives but the Welsh Government did not establish effective governance arrangements until 2008 and underestimated the cost of the Programme.

The recommendations associated with this finding focussed on improving the Welsh Government's governance and delivery of projects using appropriate programme and project management techniques and best practice, improved business case development and benefits management.

The majority of the recommendations, especially those around Programme & Project Management best practice identified in the report, have already been implemented when new governance arrangements were introduced post mid-2008. Performance in this area within the Welsh Government over recent years has improved with the creation of a Programme & Project Management Division (PPM Division) staffed by experienced practitioners whose role is to improve both capacity and capability of staff throughout Welsh Government.

Specific improvements include:

- the establishment of a Centre of Expertise within PPM Division staffed with experienced PPM professionals to offer advice, guidance and mentoring to WG staff involved in projects and programmes;
- a formal programme of sharing of lessons (both internally & externally) through an active Project & Programme Management (PPM) Community of Practice. These are held on a quarterly basis;
- the development of the Better Business Case training for WG staff embarking on projects;
- the introduction of a comprehensive suite of PPM training and templates available to all WG staff. Over 560 Welsh Government staff have attended these courses so far.

The introduction of a training programme focusing on the preparation of a Business Case is being made available to Welsh Government staff. One of the lessons which we have learned is that, while there will often be a strong impetus for pace and action, it is essential to undertake preparatory work at the very outset of a programme in order to engage with key stakeholders and undertake more detailed design work as well as being able to articulate more cogently the likely benefits.

It is well accepted that the Gateway process is an independent and external assurance audit which provides the project Senior Responsible Owner (SRO) with an appropriate level of assurance that delivery of the benefits can be secured. I was very pleased to see the WAO acknowledge that the overall performance and management of the Programme improved as it progressed, particularly following the 2008 Gateway Review, which identified several shortcomings in the programme management and governance arrangements. In response to these findings I think that we took prompt, decisive senior management action was taken to address the concerns highlighted in order to remedy the situation.

As the Programme progressed the lessons learned during the first project at Merthyr Tydfil were then applied to the remainder of the programme. The Programme also benefited significantly from the direct transfer of staff who had previously worked on the Senedd project and were able to bring those professional skills and learning to the Programme.

Headline Finding 2: The Welsh Government delivered the new office buildings to the expected quality and within contracted costs, but had difficulty in relocating posts to the new offices

Relocation of posts from Cardiff proved highly challenging throughout the life of the Programme. As noted above, this was partly due to the absorption of a number of bodies such as the WDA, ELWa, WTB etc into Welsh Government and the various Voluntary Severance Schemes which saw staff numbers decline by over 1000. Both factors contributed greatly to the need for widespread internal reorganisation affecting most Departments and staff deployment across Wales.

You requested details of staff numbers for the three new offices.

Aberystwyth	As at Sept 2009	As at Nov 2010	As at May 2012	Remarks
Posts relocated from Cardiff	78		78	
Posts relocated from outside Cardiff	396		343	Total includes NRW staff
Llandudno Junction				
Posts relocated from Cardiff		85	85	
Posts relocated from outside Cardiff		307	351	Total excludes SLC staff
Merthyr Tydfil	As at Jan 2007		Current staff total March 2014	
Relocated from Cardiff	319			
From Mamhilad Pontypool	19			
From Mountain Ash	53			
New Entrants to WG	60			
Total	451		575	



Headline Finding 3: Although fewer employees than planned have relocated and the Welsh Government is no longer monitoring all benefits, the Location Strategy Programme has provided a range of benefits.

Under this finding the WAO's recommendation related to the identification of realistic and deliverable benefits together with the development of a benefits realisation strategy to support the delivery of benefits.

The WAO reviewed the Bangor University independent academic report on the economic impact of the Location Strategy Programme and I was very pleased to note that the WAO recognise the economic benefits that the Location Strategy delivered. While we certainly could have done better – as with all projects and programmes – we do feel that this has been a successful Programme which has delivered significant benefits and I am grateful to the WAO for recognising this.

The approach to benefits management arising from the Programme was comprehensively developed, monitored and articulated following the Gateway Review in 2008. This demonstrated that the programme provided a range of benefits to staff, the public and the environment. The work post 2008 to verify benefits realisation culminated in the Welsh Government commissioning an independent academic report by Bangor University in 2011. This report estimated that the net economic impact of the Programme was more than £150 million over the period from the start of construction to 2015.

In addition the Bangor University report recognises other benefits arising from the Programme, including the opportunity created for rationalisation of the Welsh Government's estate. During this period there was a reduction of 60 per cent in the number of the WG administrative office buildings to just 41 properties. Furthermore, all three new offices have each achieved the BREEAM (Building Research Establishment Environmental Assessment Model) 'excellent' rating for their environmental performance. Phase 2 of the Location Strategy (2010-15) is now in its final year and in fact we are on target to realise our projected efficiency savings, with projected gross savings of approximately £19.3 million over the 5 year term of the current strategy (2010-2015) and annual building running cost savings of around £6.7 million thereafter.

In addition work has begun in developing plans for a subsequent phase of the Location Strategy which will build on the current programme, taking us beyond 2015 and covering the five year period up to April 2020.

The Programme has also given us the opportunity to introduce a range of new initiatives including new flexible ways of working to use the accommodation more effectively and better engage with the citizens of Wales.

As part of the Programme benefits, the provision of office cleaning and other support services to the administrative office estate were reviewed. As a result the system was

overhauled and replaced with new contract management arrangements resulting in significant annual recurring savings.

I note that the WAO report states that the overall value for money assessment for the programme is uncertain, but we should also recognise that by its nature the WAO review is a snapshot in time and the Programme itself still covers a very short time frame. These new buildings should be seen as long term investments and it is therefore very difficult to judge the overall value for money over a relatively short period of the total lifetime of those investments.

I hope that this gives the Committee a clear picture of how we are responding to this important report from the Wales Audit Office. I would be happy to expand on any particular point if that would be helpful and – of course – we would be delighted to welcome any members of the Committee to our new buildings if they have not been there already so that they can see for themselves the facilities which are in place and to give them the opportunity to talk to the staff and to hear at first hand their experience of the accommodation.

Yours,
Jenny



