



Llywodraeth Cymru  
Welsh Government

Darren Millar AM  
Chair of the Public Accounts Committee  
National Assembly for Wales  
Cardiff Bay  
CF99 1NA

Dear Darren,

26th March 2015

**Public Accounts Committee – Grants Management Annual Report – Action Points  
from Meeting 10 March 2015**

I am grateful to the Public Accounts Committee for its continued interest in our Annual Report on Grants Management and the improvements that have been implemented. At the PAC meeting on Tuesday 10 March, I agreed to follow up on a number of points that were raised and these are set out below.

1. Potential losses that are outstanding as a result of organisations that are in liquidation (Annex A);
2. The number of complaints from the third sector about the way grants have been administered and the occasions where three months' notice in advance of the termination of a contract was not given, including the number of cases in the sample audit and the levels of non-compliance within that sample (Annex B);
3. The 35 grants ended in 2013/14 (Annex C);
4. Whether Local Authorities are responding individually to the grant training that has been put in place (Annex D); and
5. The £22 million of hypothecated grant funding to the NHS (Annex E).

Please let me know if you need further clarification on these or any other points raised.

Yn eiddo,  
Derch

## **Annex A - Potential losses that are outstanding as a result of organisations that are in liquidation**

As at March 2015, the total value of potential losses logged with liquidators and/or administrators which are yet to be settled is approximately £15 million. The potential losses relates to a total of 78 organisations; of which 39 are associated with claims of less than £50,000. These potential losses cover a five year period from August 2009 to March 2015. The time between logging a claim with an administrator and the loss being settled or being written off can be significant, often owing to the complexity of the organisation being closed. The final position for actual losses in 2014/15 will be published in the Welsh Government's Annual Accounts. For the 2013/14 financial year £1.6m was reported (claims abandoned).

A large proportion of the potential losses are private sector grants which have to comply with European State Aid rules. Under the General Block Exemption funding for regional aid, the Welsh Government has to ensure that grant recipients retain funded assets for up to five years after the last payment has been made. If a business fails then, under these State Aid rules, the Welsh Government has to try to claw back the grant. Potential losses can be identified and claimed against an organisation even after a project has been successfully delivered and the Welsh Government is no longer funding the organisation.

**Annex B - The number of complaints from the Third Sector about the way grants have been administered and the occasions where three months' notice in advance of the termination of a contract was not given, including the number of cases in the sample audit and the levels of non-compliance within that sample**

There were no formal complaints to the Funding and Compliance Committee of the Third Sector Partnership Council during the 2013/14 financial year. In line with the publication of the new Third Sector Scheme and Code of Practice for Funding the Third Sector in January 2014, a more proactive stance was taken to assess the impact of the Code on funding practices within the Welsh Government.

The Welsh Government's Third Sector Unit has worked in close partnership with the Grants Centre of Excellence and grant managers to consider the impact of the new Code and its Principles in respect of funding awards for 2014/15. The main aim was to consider the impact of Principle IV of the Code (Timely Decisions) and whether any apparent non-compliance was reasonable and exceptional. This included consideration of Principle III (early and constructive dialogue).

All Welsh Government grant managers were contacted at least twice in Autumn 2014 to draw their attention to the Code of Practice and, in particular, to ensure they were aware of the need to confirm arrangements for 2015/16 prior to January 2015. They were asked to report any issues or concerns relating to the Code of Practice and subsequently to confirm that the arrangements for which they were responsible were compliant with the Code.

The financial year 2014/15 was the first year in which this more proactive approach has been taken. This targeted monitoring activity was supplemented with general promotion of the Code of Practice, including notices on the Welsh Government Intranet, and an ongoing programme of training for officials working with Third Sector organisations which highlights the Code of Practice and its Principles.

As part of the compliance exercise all Deputy Directors within the Welsh Government, Working Group members (1 representative from each Department) and all grant managers were emailed requesting confirmation of compliance of any grant schemes for which they are responsible. In total the compliance exercise was sent to more than 370 officials. In addition to the email communication an article was also published on the Welsh Government's internal intranet site.

Six grant schemes were identified where Principle IV had not been successfully applied. In all these instances communication (Principle III) with the grant recipients was ongoing. There were no formal complaints in respect of any of these instances.

## Annex C - The 35 grants ended in 2013/14

Within the Annual Report on Grants Management, the number of grant programmes reported for 2012/13 is 435 and for 2013/14 is 400. The number of active grant schemes at any one time can vary as schemes end or new ones begun. The difference between the 2012/13 and 2013/14 figures are the net number of schemes as determined at the end of each financial year. Therefore, the number of grant schemes that were closed, combined with other grants or transferred into unhypothecated grants such as RSG for 2012/13 is 79. Meanwhile 44 new schemes were introduced in 2013/14 which offsets against some of the grants closed.

The table below details the grants closed in 2012/13 and the new grants opened in 2013/14, the difference being a net decrease of grants of 35.

Grants Schemes Ended 2012/13		New Grant Schemes 2013/14
Intra Wales Air Service PSO	Pedagogy Champions	Comm Transport Ass'ion Core Funding
Local Transport Service	PHIP	Blaenau Gwent EFFECT Project
Rogerstone to Newport Express Bus	Skills Competitions Wales 2012	Prince's Trust Enterprise Programme
E-Business Convergence Element 2	Broadcasting/Community Council Web	CSR Small Business Seed Funding
Technium EU Grants	Council Tax Reduction Scheme	Flood Fund Grant Scheme to LAs
City Strategy Funding for HOVP	Fred Keenor Statue Fund	Partnership for Growth Man Fund
Section 10 Property Grants	Special Summer Olympics Wales	RBF Tourism
Regeneration Investment Grant	Countryside Council Grant in Aid	AM&M Small Growth Fund
Property Development Grant	Enhancing Recycling	Highway Improvement Grant St Athan
Section 10 Property Grants	Forestry Commission for Wales GIA	Centrally Controlled RBF
Town Improvement Grants	Grants for LA Projects	Wales Renewable Energy Producers
Urban Investment Grant	LEQ Improvement Projects	SCORE Cymru
Incubation Support Scheme	Pontbren Research	No Cold Calling Zones
Community Learning Adults	Regional Access Capital Fund	Discretionary Assistance Fund
Further Education	Sustainable Dev Fund - AONBs (CCW)	Discretionary Housing Payments
Sixth Form Funding to LEAs	Waste - SCIF	Learning in Digital Wales Grant
Work Based Learning	Autism Strategy	Promoting PDG Best Practice
Drug Intervention Programme	Excess Treatment Costs	Policy Observatory
FRS Organisational Development	Health Research & Development Proj	EY Childcare& Play Workforce Survey
Citizens Advice Cymru Adviceline	Health Training Dissemination	Numeracy Employer Engagement
Criminal Records Unit	Mental Health Services	Mentor&Network sup for headteachers
Russell Commission	MHS LA Resettlement	Welsh Lang Technology&Digital Media
Save the Children Pilot	MH Supporting People Disabilities	LSA For Midwives Funding
Volunteering in Wales	Play Sufficiency Assessments	Regional Collaboration FUnd
Welsh Social Enterprise Coalition	Social Service Improvement Agency	Scrutiny Development Fund
Mortgage Rescue Scheme	Health Challenge Wales Marketing	WS AD Centre of Excellence
Social Housing BME Activities	Health Protection Agency	WS Constructing Excellence Wales
Supporting People Grant	National Biological Standards Board	PAPBRO
Advisory Centre for Education	Sunbed Regulations Grant	Maximising ECO
Appetite for Life Grant-WGLA	Walking the WAY to Health	WS EcoDesign
Bangor Incredible Years Cymru	Making the Connections Dev Fund	Local Environmental Quality
Primary School Free Breakfast	Public Services Reform	Welsh Fishermans Association
Jamie Baulch Academy Programme	Hay EU Project	WPPO Project Pre-Payment Contributi
NACE	Natural Resources Wales Fisheries	WPPO Procurement Support AD
Parenting Grants	Save the Children Fund - ELRHA	WPPO Procurement Support Residual
School Counselling		First Steps Package
SPECIAL EDUCATION NEEDS SPECIAL SCH		National Adoption Service Funding
TRANSITION KEY WORKING-ESF FUNDING		Supporting Sustainable Social Svs
Mergers and Collaboration Fund		Support for Thalidomide Survivors
Higher Level Appren. Framework Pro		Let's Walk Cymru
Colleges Wales EU LLp Co-ordination		Rhyl Fit for Work
Skills Development		PONT
Heads of the Valley		Size of Wales
Youth Work Training Grant		Wales for Africa Health Links

## **Annex D - Whether local authorities are responding individually to the grant training that has been put in place**

A range of training has been provided to Local Authorities relating to grants management by Wales Audit Office (WAO), the Welsh Government and the Chartered Institute of Public Finance and Accountancy (CIPFA).

The WAO and the Welsh Government collaborated to provide 5 sessions across Wales focussed on the Welsh Government's expectations of Local Authorities in receipt of grant funding. Approximately 200 staff attended with all Local Authorities represented.

The Welsh Local Government Association funded CIPFA to provide 6 training courses across Wales on Good Practice in Grant Funding. The grants courses were aimed at staff responsible for developing or managing grant-funding programmes that involve distribution of funds to external organisations, with a particular focus on discretionary grants. CIPFA reported that approximately 80 staff attended the courses representing 14 Local Authorities. However, there is a potential issue as to whether the central registration system used by CIPFA captured all those who attended as numbers on the day were higher than expected. More courses on associated topics such as fraud are planned for the future.

All the training provided was well received and the feedback from sessions has been positive.

## Annex E - The £22 million of hypothecated grant funding to the NHS

The vast majority of funding to the NHS is through unhypothecated grant in aid, which includes elements of funding which are ring fenced for specific priorities. The specific hypothecated grant funding to the NHS totalled £22m in 2013/14 and is detailed below:

Scheme Name	Description	£m
Provider support	National Institute for Social Care and Health Research Funding grants to NHS organisations for research and development activity.	17.204
NHS Wales Shared Services Partnership	Department for Local Government and Communities funding to support the training of health visitors as part of the Flying Start Programme.	2.260
Children First Development Grant	Grant funding to Hywel Dda University Health Board relates to the Mid & West Consortium for the Integrated Family Support Service (IFSS). This programme supports families where parental substance misuse results in there being concerns for the welfare of the children.	0.850
Core Funding Innovation Grant	Department for Economy Science and Transport Innovation grants to LHBs in Wales for small business research and digital innovation	0.620
Other schemes	Schemes individually less than £0.5m	0.863
	<b>Total</b>	<b>21.797</b>

It should be noted that the Welsh Government continues to improve the categorisation of grant funding, which includes identifying hypothecated funding. Therefore, following the implementation of these improvements these figures may change.