

Lesley Griffiths AC / AM
Y Gweinidog Cymunedau a Threchu Tlodi
Minister for Communities and Tackling Poverty



Llywodraeth Cymru
Welsh Government

Ein cyf/Our ref: MA-(P) / LG/1073/16

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

7th March 2016

Dear Darren

REPORT OF THE PUBLIC ACCOUNTS COMMITTEE ON THE REGENERATION INVESTMENT FUND FOR WALES

I enclose the Welsh Government's formal response to the Public Accounts Committee's report on the Regeneration Investment Fund for Wales (RIFW) following your letter of January 2016.

I share the frustration of the Committee we were not able to generate the benefits originally intended from the RIFW model and from the important public assets transferred into the Fund. Whilst we have taken firm actions designed to make best use of the resources that were tied up in the Fund, it has not been possible to realise the planned, longer term benefits associated with pursuing regeneration projects utilising loan rather than grant funding.

You will have seen from the First Minister's statement in the National Assembly on 26 January we are clear the way RIFW was managed fell well below the standards we would expect as a Government and for that we have apologised. We have made clear our view, the RIFW concept was a good one, however, its delivery was flawed.

The Committee's report highlights very clearly the central role played by the Fund's commercial advisers in carrying out the functions of the Fund and sets out some very serious concerns regarding how these functions were exercised. In light of those concerns and our own investigations, I am today able to confirm a legal process has been initiated against the Fund's Investment Managers, Lambert Smith Hampton. We are keeping under review whether further legal steps may be necessary.

I am pleased the Committee acknowledged the steps which have been taken since 2012 to address the concerns identified in this case, including the report commissioned from Gilbert Lloyd into the Fund's governance arrangements in 2013. You will be aware my predecessors and I have subsequently taken a number of steps designed to safeguard and make best use of the resources tied up in the Fund. This includes my announcement on 26 January that £16.5 million will now be made available to fund regeneration projects in 2016-17. I am also pleased to reassure the Committee we remain focussed on maximising the proceeds for the public purse arising from the overage provisions attached to the sale of RIFW's land assets.

Moving forward it is vital the Welsh Government learns lessons from the RIFW experience and takes every opportunity to improve our practice. The Committee has acknowledged the action already taken to improve our oversight of matters relating to RIFW and our internal arrangements for transferring projects between departments. This work now needs to continue, both with regard to our sponsorship of arms length bodies more generally and to the broader challenges surrounding the identification, oversight and management of major projects.

Our detailed response to each of the Committee's detailed recommendations is attached.

A handwritten signature in black ink that reads "Lesley Griffiths". The signature is written in a cursive style with a large, sweeping flourish at the end of the name.

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