



Llywodraeth Cymru  
Welsh Government

# Welsh Government Interim Annual Report on Grants Management

2016–2017

Mae'r ddogfen yma hefyd ar gael yn Gymraeg.  
This document is also available in Welsh.

**SECTION 1: INTRODUCTION**

- |      |                                      |   |
|------|--------------------------------------|---|
| (i)  | Grants Centre of Excellence          | 2 |
| (ii) | Wales European Funding Office (WEFO) | 5 |

**SECTION 2: Funding**

- |       |                               |   |
|-------|-------------------------------|---|
| (iii) | Funding from Welsh Government | 6 |
| (iv)  | Funding from WEFO             | 7 |

**SECTION 3: NEXT STEPS FOR GRANTS MANAGEMENT**

- |      |                  |   |
|------|------------------|---|
| (v)  | Welsh Government | 8 |
| (vi) | WEFO             | 8 |

**ANNEX A: Improving Efficiency Board Terms of Reference**

## **SECTION 1: INTRODUCTION**

1.0. The Welsh Government's Interim Annual Report on Grants Management sets out the progress made across Welsh Government for the period January to March 2017, including funding figures for the full financial year 2016-17.

1.1. This reflects the decision taken by the Public Accounts Committee at its hearing in April 2017 to align future publication of the Annual Report on Grants Management with the publication of the Welsh Government Annual Accounts. This Interim Report delivers that alignment and the next full Report on Grants Management will be published in August 2018.

1.2. The Welsh Government's definition of a grant is "all non-procured payments to external bodies or individuals for activities which are linked to delivering Welsh Government policy objectives or statutory obligations". Grants are divided into two distinct categories. Un-hypothecated grants are those payments provided to local health bodies and local government and account for £11bn of the £13.8bn total. Hypothecated grants represent payments where there are clear deliverables and criteria surrounding the purpose of the grants and account for the remaining £2.8bn of funding. As in previous years, this report concentrates on the latter.

### **(i) Grants Centre of Excellence**

1.3. The role of the Grants Centre of Excellence is to provide direction, training and support to officials across Welsh Government. The team has progressed a number of actions since the 2015-16 report was published in early 2017.

#### **Due Diligence**

1.4. The Grants Centre of Excellence has already prepared a wide range of guidance which is applied throughout the Welsh Government. Following the introduction of the Due Diligence hub and associated training for Welsh Government officials the Centre of Excellence is now progressing a new set of Minimum Standards relating to Due Diligence activity. These new standards will be launched by the end of this calendar year.

#### **National Fraud Database**

1.5. As previously reported to the Committee, the Welsh Government has agreed access to the National Fraud Database. The database is already widely used by the public sector; including police forces throughout the United Kingdom, and private sector; including the big banks. The database provides access to vital information on cases of potential and actual fraud.

1.6. There are a number of legislative requirements that are being addressed prior to implementation of the database, including the requisite Privacy Notices that are required under the Data Protection Act. It is essential to ensure they are compliant with the additional requirements of the General Data Protection Regulations that come into force in May 2018.

## Welsh Government Interim Annual Report on Grants Management 2016 – 2017

1.7. As a result, the Grants Centre of Excellence is in the process of considering how best to communicate the implementation of the National Fraud Database. All new award letters will in future also include reference to our use of the database.

1.8. Guidance and training will be available to potential system users across the Welsh Government in advance of full roll out of the database before the end of the calendar year.

### Review of Counter Fraud Provisions

1.9. A review of Counter Fraud provisions across Welsh Government has been commissioned and will commence in September 2017. The review will be carried out by officials from the Department of Work and Pensions and will publish its findings in 2018.

### Improving Efficiency Board

1.10. In May 2017, the Cabinet Secretary for Finance and Local Government, asked the Permanent Secretary to chair the Improving Efficiency Board. The Board comprises senior officials from across the Welsh Government along with three external stakeholders who provide additional assurance and rigour to the work being led by the Board. The primary focus for the Board is to identify opportunities to free up resources within the Welsh Government to deliver government priorities and reduce administrative burdens for our stakeholders. The Terms of Reference for the Improving Efficiency Board are included at Annex A.

1.11. The Board has set up two initial workstreams, one to focus on Stakeholder / Advisory Groups and a second to focus on Grants and Assurance.

1.12. The Welsh Government's Director of Finance is the Senior Responsible Owner (SRO) for the Grants and Assurance workstream.

1.13. The Terms of Reference for the Improving Efficiency Board, in relation to Grants and Assurance are summarised below:

#### *Reducing bureaucracy, improving efficiency and effectiveness – Grants and Assurance*

*The purpose of the Board is to reduce bureaucracy by identifying administrative work which is of low value, or which could be undertaken less frequently or in a different way or not at all. Although the monitoring of grants for instance is essential it needs to be undertaken in a streamlined and timely manner with proportionate processes in place.*

1.14. The work is being taken forward by the Grants Working Group which has been reconstituted in terms of membership to ensure that the workstream is able to call upon the full range of experiences from across each of the four Groups within

## Welsh Government Interim Annual Report on Grants Management 2016 – 2017

Welsh Government. The Grants Working Group will build upon work that has already taken place in Welsh Government Groups to streamline the administration of grants.

1.15. The initial priority for the Working Group has been to identify a programme of work aimed at key areas that can be targeted to drive improvements.

1.16. The agreed areas of priority for the Grants and Assurance Workstream are:

- Application & claims - Transition to an electronic platform
- Legal documentation - Transition to an electronic solution
- Improved standardisation - applications, award letters and Terms & Conditions
- Target Operating Model – Develop alternative options, including review of the role of the Grants Centre of Excellence
- Consistent compliance with minimum standards
- Review appropriateness of the introduction of a scale of thresholds for grants
- Alignment of Grants policy with wider Welsh Government policies, including the Wellbeing of Future Generations Act.
- Consider lessons learned by the Scottish Government.

1.17. Further detailed planning is now underway with the aim of seeking agreement from the Efficiency Board members on a detailed implementation plan by November 2017.

1.18. The Working Group is also responsible for overseeing the work to streamline the number of grants in each area, including a review of whether current hypothecated grant funding to Health Boards and Local Government could be transferred to un-hypothecated schemes. This builds upon the work to drive more efficient administration of grants that commenced in 2016 under the auspice of the Preparing for the Future Project.

1.19. The programme of work commenced in May 2017 and will continue at pace into 2018. The 2017/18 Grants Management Report will cover in detail the deliverables from the workstream. Nevertheless, work already undertaken within the individual areas of the Welsh Government has resulted in an overall reduction in the number of hypothecated grant schemes of 62.

(ii) WEFO

**Overview of the Current Programmes**

1.20. The delivery of the 2014 – 2020 programmes is progressing well. The Welsh European Funding Office (WEFO) has approved a total of 150 operations with a total EU funds value of £1,330m as at the end of March 2017. This equates to approximately 65% of the potential overall EU funds programme value, based on a planning rate of €1.17/£1. A further 53 operations are in the business planning stage with a total grant value of £211m.

**Table 1: Operations approved and being developed for the 2014-2020 programmes**

	West Wales ERDF £m	East Wales ERDF £m	West Wales ESF £m	East Wales ESF £m	Total £m
Allocation	1027	174	684	174	2059
<b><u>Approved</u></b>					
Grant Value	604	107	517	102	1330
Number of Operations	50	24	45	31	150
<b><u>Business Planning</u></b>					
Grant Value	171	13	21	6	211
Number of Operations	26	6	12	9	53

Source: WEFO August 2017

1.21. WEFO is seeking to maximise the commitment of funds within the scope of the HM Treasury Guarantee by the time the UK exits the EU. This is an ambitious plan and will require all parties to work effectively together.

## SECTION 2: FUNDING

### (iii) Funding from Welsh Government

2.0. This section provides an update on overall funding and breakdown of grants to the different sectors across Wales. The data presented for 2016/17 is based on the system of ‘industry keys’, which was introduced specifically to provide a clear picture of funding by sector, and particularly the Third Sector.

**Table 2: Total Welsh Government Grant Funding by Financial Year**

	2014 / 15	2015 / 16	2016 / 17
Grant provided (£bn)	£13.7	£13.6	£13.8

Source: Welsh Government Finance System

2.1. The number of grant schemes which have made new offers in 2016 / 17 totalled 351, 292 of which are hypothecated and 59 were un-hypothecated.

2.2. Table 3 illustrates the levels of hypothecated funding provided to each sector for the past three financial years.

**Table 3: Hypothecated Grant Funding by Sector and Financial Year**

Hypothecated funding (£m)	2014 / 15	2015 / 16	2016 / 17	2016-17 No of grant schemes
Local Authorities	£1,327	£1,339	£1,329	124
NHS	£11	£14	£19	14
Central Government and Public Corporations	£43	£37	£37	25
Welsh Government Sponsored Bodies	£42	£53	£31	12
Funding to Education	£412	£448	£434	53
Private Sector	£614	£676	£689	109
Third Sector	£208	£248	£251	106

Source: Welsh Government Finance System

Note: The total number of grants in table 3 differs from the number of new offers (hypothecated) referred to above (292) as each individual grant may include funding to a range of different organisations.

### (iv) Funding from WEFO

2.3. This section covers funding provided directly to organisations by WEFO. As at the end of March 2017 project approvals for the 2014 – 2020 programmes have progressed well, with the focus being mainly on the key projects that will provide the bulk of the outputs that we have committed to deliver in the Operational Programmes agreed with the European Commission.

**Table 4: 2016-17 WEFO funding**

<b>Sector</b>	<b>2016-17 £m</b>
Local Authorities	24.3
Higher and Further Education	28.9
Private	28.6
Other Public	0.4
Third	5.6
Welsh Government	136.3
<b>Total</b>	<b>224.1</b>

Source: WEFO August 2017



## **SECTION 3: NEXT STEPS**

### **(v) Welsh Government**

3.1. The primary focus of activity for the Grants Centre of Excellence during 2017/18 will be to take forward the deliverables of the Grants and Assurance workstream under the Improving Efficiency Board.

3.2. In addition, the Centre of Excellence will continue to provide a ‘business as usual’ service to officials from across the Welsh Government.

3.3. As previously agreed with the Committee, the Welsh Government will undertake a follow up external survey in 2018. The 2017 / 18 Annual Report on Grants Management will report on all of these aspects, covering the full twelve month period of activity.

### **(vi) WEFO: Brexit and Next Steps in Grants Management**

3.4. The Welsh Government is working to ensure that Wales makes the most of EU funding while it is still available. WEFO is working closely with sponsors to ensure that projects are delivered to plan and that there is a smooth transition to whatever alternative funding arrangements are secured in due course.

3.5. We anticipate that there may be increased scrutiny of our programmes by the European Commission in the coming years since the prospect of an UK exit from the EU undoubtedly raises risks from their point of view. WEFO is confident that its controls are sound and that any increase in audit visits will not become a threat to the overall programme.

## Annex A

### Improving Efficiency Board

#### Terms of Reference

##### 1. Purpose

The Cabinet Secretary for Finance and Local Government, Mark Drakeford, AM, has established a Board to be set up to identify opportunities to free up resources to deliver government priorities and reduce burdens.

##### **Reducing bureaucracy, improving efficiency and effectiveness – Grants and Assurance**

The purpose of the Board is to reduce bureaucracy by identifying administrative work which is of low value, or which could be undertaken less frequently or in a different way or not at all. Although the monitoring of grants for instance is essential it needs to be undertaken in a streamlined and timely manner with proportionate processes in place. An existing grants working group is already in existence. Its membership will be reviewed.

##### **Stakeholder/Advisory groups**

Although Welsh Government is committed to engagement, over the years although with the best intentions, many groups may have been established which may not now be essential.

The remit of the Board will include an assessment of non-statutory bodies (e.g. stakeholder groups, sector panels, task and finish groups, Ministerial advisory panels) to identify where there are similar or overlapping remits or responsibilities, and/or other grounds for consolidation, rationalisation or cessation of work if appropriate. It is also intended to reduce the administrative burden on external organisations.

In some instances, resources freed up may be retained by the originating Departments.

##### 2. Objectives/Aim

The overarching aim is to make recommendations to Ministers on how to free up resources to be deployed to work on government priorities.

- The Board will identify opportunities to reduce, or deliver more effectively, activity such as reporting and grant monitoring (e.g. annual reporting, performance reporting, grant monitoring) and governance. Appropriate controls must be in place to obtain Value for Money where public funding is concerned however there needs to be a balance between the requirement for lean monitoring and appropriate governance. The Board will identify

## Welsh Government Interim Annual Report on Grants Management 2016 – 2017

opportunities to bring together or reduce the administration of grant funded programmes.

- The Board will also assess the Value for Money of non-statutory bodies (e.g. stakeholder groups, sector panels, task and finish groups, Ministerial advisory groups and panels) to identify where there are similar or overlapping remits or responsibilities, and/or other grounds for rationalisation, consolidation or cessation of work if appropriate.
- The Board will need to ensure work is systemic and organisation wide.
- The practical implications of recommendations will be considered, including but not limited to the following
  - HR implications of any changes, with an agreed approach for redeployment where necessary
  - Legal implications, particularly in relation to statutory activity
  - Audit and scrutiny expectations
  - Cultural change required for successful implementation.
- The Chair of the Board will ensure the Cabinet Secretary for Finance and Local Government is kept updated on progress.
- The Board will agree the scope and approach to be taken to the assessment of non-statutory bodies.

### 3. Out of scope

EU funded programmes, and the administration of such programmes, will be out of the scope of the Board. Any changes in this area will be considered separately as part of EU transition activity.

Work on procurement is being taken forward separately and will therefore be out of scope.

Work to review and reduce the complexity of Government Business and of Impact Assessments has recently been undertaken and changes made, so these areas of activity will also not be an area of focus.

### 4. Board Membership and accountability

The findings and recommendations of the two sub-groups will be channelled through the main group with the Cabinet Secretary Mark Drakeford AM to be kept informed. The Efficiency Board will be responsible to Mark Drakeford AM, the Cabinet and the First Minister in terms of any decision-making. Some areas eg Grants and Assurance are the responsibility of the Permanent Secretary.

The Board should comprise a small core group with sector representatives invited as required, depending on the agenda.

## **Welsh Government Interim Annual Report on Grants Management 2016 – 2017**

Cabinet Secretary for Finance and Local Government to attend first meeting

Shan Morgan – Permanent Secretary (Chair)

Owen Evans – Deputy Permanent Secretary

Andrew Jeffreys – Director, Treasury (Deputy Chair)

Margaret Davies – Strategic Budgeting

Dean Medcraft – Director, ESNR

Gawain Evans – Director of Finance

Kerry Stephens – Grants Centre of Excellence

David Richards – Director of Governance

Jo Salway – Cabinet Office

Andrew Goodall – NHS Chief Executive

James Price – Deputy Permanent Secretary, ESNR

Jo-Anne Daniels – Director, Communities and Tackling Poverty

Peter Vaughan – South Wales Police

Jacqui Weatherburn - Ceredigion College

Professor Peter Hines – SA Consulting, Cardiff

The Board will be supported by a number of working groups, with membership of senior leads and Operations Team representatives from each Directorate. These working groups will share their findings with each other to ensure cross-organisation opportunities are identified.

### **5. Frequency of Meetings**

The Board will meet to agree the Terms of Reference and proposed approach, and subsequently to agree recommendations to the Cabinet Secretary. The first set of recommendations should be presented within five-six months following the initial Board meeting.

The Board will agree any additional meetings it feels are needed to support its work as required.

### **6. Secretariat**

Gawain Evans – Director of Finance