

Sir Derek Jones KCB
Ysgrifennydd Parhaol
Permanent Secretary



Llywodraeth Cymru
Welsh Government

Darren Millar AM
Chair – Public Accounts Committee
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Dear Darren,

23rd June 2014

**WALES AUDIT OFFICE REPORT
THE WELSH GOVERNMENT'S LOCATION STRATEGY - RESPONSE TO THE
REPORT**

Thank you for your letter dated 15 May 2014 asking for a response to the specific recommendations contained in the Auditor General's report into the Welsh Government's Location Strategy. I'm sorry that you have had to ask for this twice.

The attached note (Annex A) sets out the Welsh Government's response to each of the five recommendations contained in the report.

I hope that this provides the Committee with a clear picture of our considered response to the Wales Audit Office Report. I note that the Committee have agreed to defer further consideration of the Report.

We would be delighted to welcome any members of your Committee to our new buildings if they wish to see the new facilities.

*Yours,
Derek*



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Recommendation 1:

The Welsh Government should strengthen the way it identifies and appraises options to inform key decisions on how its strategic objectives should be delivered. In particular the Welsh Government should:

- ***undertake option appraisal and cost-benefit analysis in line with Green Book guidance for all major programmes and projects; and***
- ***Revisit option and financial appraisals at key stages, such as when major changes to a programme or project takes place, to check that the chosen option continues to offer the best value for money.***

Accepted. The requirement to undertake these activities is presently part of the Business Case Guidance which has been jointly developed by the Welsh Government and HM Treasury and was first published in the autumn of 2006.

The Five Case Model methodology is the recommended, best practice approach for developing spending proposals in the public sector. The Welsh Government mandated this methodology in May 2012 for all new programmes and projects which are included in the Wales Infrastructure Investment Plan (WIIP).

To improve capacity and capability circa 150 Welsh Government staff have been trained over the past year on how to undertake options appraisal and apply Cost-Benefit Analysis (CBA) in accordance with the Treasury Green Book. In addition, the Welsh Government is currently refreshing its Business Case guidance which will be completed this autumn and will reinforce the need to revisit options appraisal at the programme level.

In May 2014 the Welsh Government launched an accreditation scheme for the training of business case practitioners and reviewers known as the Better Business Case Programme. This programme is jointly run between the Welsh Government and HM Treasury; it is designed to ensure that Welsh Government staff have the requisite skills and competencies to undertake appraisals to a high standard.

The Welsh Government Integrated Assurance Hub, within the Finance and Corporate Services department (accredited by Cabinet Office) and provides assurance that supports the Better Business Case methodology. The Integrated Assurance Hub exists to provide assurance and delivery confidence to the Senior Responsible Owner (SRO) of the programme or project through the assessment of potential risk. This assessment of risk and the complexity of the programme or project determines the level of assurance necessary to provide the SRO with an independent appraisal of options and value for money. The tools available through the Integrated Assurance Hub range from a desktop exercise, through to a comprehensive Office of Government Commerce Gateway review, depending on the potential risk and level of assurance needed.

The risk assessment process is mandatory and assesses the risk against a standard set of high level criteria in a strategic context. If the risk assessment is high enough, further analysis of the complexity is undertaken and the most applicable assurance method for the programme or project is identified.

The Welsh Government Integrated Assurance Hub is accredited by Cabinet Office to undertake the OGC Gateway Reviews. The OGC Gateway review process provides an independent source of assurance to the SRO at five key stages throughout the project lifecycle, these are:

- Gateway 0 – Strategic Assessment;
- Gateway 1 – Business Justification;
- Gateway 2 – Delivery Strategy;
- Gateway 3 – Investment Decision;
- Gateway 4 – Readiness for Service; and
- Gateway 5 – Operational review and Benefits realisation.

Recommendation 2:

The Welsh Government should make sure that:

- ***major projects and programmes are subject to effective strategic overview and scrutiny, and that robust governance and financial controls are in place; and***
- ***The terms of reference of major project and programme boards include the frequent and regular monitoring and review of estimated costs against budgets so that they can make timely interventions.***

Accepted. The Welsh Government recognises the need for an effective strategic overview of its high profile programmes and the Principal Accounting Officer receives regular updates on their progress. Additionally The First Minister receives quarterly capital updates; these collate all Welsh Government capital schemes with a total scheme value of over £500,000.

To improve visibility and transparency of the Welsh Governments capital investment schemes, the Minister for Finance publishes the Welsh Infrastructure Investment Plan Pipeline. This is a forward looking paper that of schemes that exceed a total value of £15m.

Accountability for the successful delivery of projects and programmes sits with the respective SRO and Additional Accounting Officer. This includes responsibility for implementing rigorous financial controls and having robust governance arrangements in place. The Welsh Government has identified Programme and Project Management (PPM) as a key skill within its Capability Plan. Accordingly appropriate training, guidance, an SRO Community of Practice, and support from the PPM Division is provided to ensure that all SROs are equipped to successfully deliver projects efficiently and effectively.

The Welsh Government Integrated Assurance Hub also provides assurance of Major Projects through the OGC Gateway process ensuring that complex, high priority, high risk or cross-cutting projects are being delivered in accordance with best practice and remain aligned to strategic and operational priorities throughout their lifecycle. This mechanism also considers the governance arrangements and the likelihood of benefit realisation.

A comprehensive suite of guidance is available to all staff within the Welsh Government on both PPM and Assurance including guidance on project boards and their terms of reference. This guidance identifies that the Project Board has a responsibility in respect to financial management and governance of the project. This will be developed further to take account of this recommendation.

Recommendation 3:

In determining how to manage larger programmes and projects, the Welsh Government should follow the example set in the latter stages of the Location Strategy Programme by ensuring the right mix of skills within programme and project teams.

Accepted. The Welsh Government recognises the WAO view, that successful delivery of projects and programmes is fundamental to delivering the Programme for Government. In order to achieve this outcome Welsh Government staff need to be familiar with, and practiced in, programme and project techniques and methodology. There has been considerable progress in this area over recent years. In July 2012 Programme & Project Management Division (PPM Division) was established and staffed by experienced practitioners whose role is to improve the capacity and capability of staff throughout Welsh Government.

The right mix of skills is essential for successful delivery and, depending on the type of Programme or Project; there will need to be a degree of specialism and expertise in other areas to support delivery. In addressing the need for an appropriate mix of PPM skills a considerable amount of work has been undertaken in ensuring that SROs understand their own key leadership role and what is required from them regarding staff resourcing and the mix of skills within their teams to enable successful delivery of a programme or project. SRO's are supported via a central pool of skilled staff that have a wide range of skills including Policy, Digital, Business Analysts and Legislation, to help deliver the programme or project.

To address the WAO recommendations PPM Division has introduced the following initiatives:

- Established a Centre of Expertise with experienced staff who are able to offer advice and guidance to WG staff involved in projects and programmes.
- Created a Community of Practice with a formal programme for sharing of lessons learned (both internally & externally)
- Provided PPM mentoring to Welsh Government staff where required
- Organised one-off events for Welsh Government staff focusing on specific

topics and areas of interest

- Assisted with the design and development of the Better Business Case training for Welsh Government staff embarking on projects
- Designed a suite of PPM training courses and templates which are available to all Welsh Government staff (so far over 560 Welsh Government staff have attended these courses).

In addition the Welsh Government is developing a cadre of PPM practitioners for deployment through a pool of specialised staff who can be deployed to priority projects.

Recommendation 4:

At the outset of any programme or project, the Welsh Government should make sure that the anticipated benefits are clearly established, realistic and deliverable. In addition, the Welsh Government should compile a benefits realisation strategy to support the delivery of benefits.

The strategy should include:

- ***identifying at the outset clearly defined benefits which are linked to strategic objectives;***
- ***maintaining throughout the duration of the programme or project a clear and consistent understanding of the expected benefits;***
- ***managing the delivery of these benefits, where possible measuring progress against robust baseline data, steering projects and programmes to realise the benefits identified, and taking advantage of opportunities to enhance benefits;***
- ***ensuring business areas are committed to realising the benefits allocated to them;***
- ***engaging relevant stakeholders so that they own and support the delivery of benefits;***
- ***undertaking robust and evidence based analysis of the benefits achieved, including the wider impact of the programme or project; and:***
- ***Continuing to monitor and analyse the benefits for a sufficient period after programme or project closure, to allow the full impact of benefits to be recognised.***

Accepted. There may in the past have been insufficient focus on identifying benefits at the outset of a project or programme and an absence of follow up to ensure that on completion benefits have been realised.

The Welsh Government has in recent years increased the intensity of its focus on the successful realisation of the benefits envisaged at the outset of programmes and projects. The PPM Centre of Expertise (COE) plays a key role in this by supporting staff across Welsh Government through a wide range of activities including specific training, one to one support, workshops and presentations.

The OGC Gateway review framework also provides assurance on whether the project is on track to deliver the stated benefits. Gateway 5 of the process concerns itself with whether the benefits of the project have been realised and how these benefits can be sustained, owned and monitored.

We anticipate that as assurance reviews, such as the Cabinet Office Gateways are applied more widely to programmes and projects across WG, the focus on the realisation of benefits will become greater.

Benefit identification, monitoring and realisation are an essential part of any approach to Project and Programme Management. The Welsh Government PPM training focuses on identifying benefits and providing the tools and techniques to identify, measure, track and ultimately realise benefits in order to evidence successful delivery along the lines set out in this recommendation.

Some examples of this work are set out below.

- **Benefits Management Training:**

The PPM Division has taken the lead and is working in conjunction with external benefits experts to develop a Benefits framework with strategic end benefits which all programmes and projects can map themselves against.

Focused training sessions have been held with individual projects and groups of PPM staff to embed this approach. The Centre of Expertise continues to support the business and undertake project and programme benefit workshops.

- **SRO Network and Community of Practice:**

A Senior Responsible Owner (SRO) network has been established to ensure we have a consistent approach to the leadership of programmes and projects across the organisation. The network meets quarterly to share best practice on all aspects of project and programme management including the delivery of benefits.

- **SRO Master Classes and guidance:**

PPM Division has facilitated SRO master class training sessions to help SROs understand their role and responsibilities. In Early 2014 it launched specialist guidance designed to help SROs understand their role and responsibilities on a project and help them achieve project success, including the delivery of benefits.

This pocket guide has been distributed to all known SROs within the Welsh Government. It has also been shared with external Welsh Public Sector organisations who have engaged with the Division for help and guidance in PPM matters.

- **PPM Community Of Practice:**

The PPM Community of Practice was established to help identify, develop and promote best practice in PPM across all Welsh Government Projects and Programmes, including benefit realisation.

Meetings are usually held quarterly and there are now over 500 members including

a number from UK Government departments and public sector bodies in South Wales.

- **PPM intranet:**

PPM has been identified as one of the core skills required within the Welsh Government. The Welsh Government intranet hosts a range of information to help programme and project staff to deliver their project benefits. The intranet contains detailed guidance and templates which are structured around the ten core principles of project management.

Recommendation 5:

The Welsh Government should evaluate the extent to which the 'Y Bont' facilities in the Aberystwyth and Llandudno Junction offices have successfully increased the public's engagement with, and awareness of, the Welsh Government. If the evaluation is positive, and if it is practicable and cost-Effective to do so, the Welsh Government should introduce 'Y Bont' facilities at the Merthyr Tydfil office.

Accept in principle. We had to discontinue the dedicated staffing of "Y Bont" facilities on grounds of affordability. However, the Welsh Government takes the engagement of citizens extremely seriously and is the responsibility of all staff across the organisation rather than a discrete team. The Welsh Government continues to engage with the public through other multiple channels, that include school visits, marketing and campaigns, social media and Ministerial visits, among others.

Later this year we will be looking to review our marketing work which will include a benefits evaluation of our work around the public's engagement with, and awareness of the government, we will include the 'Y Bont' facilities in the Aberystwyth and Llandudno Junction offices in this work.