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Y Gweinidog dros Fusnes a'r Gyllideb
Minister for Business and Budget



Llywodraeth Cynulliad Cymru
Welsh Assembly Government

Eich cyf/Your ref
Ein cyf/Our ref

Angela Burns,
Chair, Finance Committee,
National Assembly for Wales,
Cardiff Bay,
Cardiff,
CF99 1NA

Dear Angela,

30 March 2011

Thank you for your letter of 22 March requesting further information on the process employed to allocate Centrally Retained Capital (CRC) funding for 2011-12 and how our approach was informed by the lessons learnt from SCIF.

The CRC process

CRC will drive value for money from our investments by:

- Improving business assurance standards across the Assembly Government
- increasing the opportunities for cross-cutting collaboration between departments and the wider public sector

The CRC process is a best practice approach to business assurance and supports departments by providing guidance, support and training. The process is also designed to involve the right people at the very early stages of proposals' development – the crucial time to align objectives and build in cross-cutting collaboration; followed by the necessary support and guidance to develop proposals through to maturity and ultimately deliver significant savings and optimal value for money. The paper attached at **annex 1** sets out the process in detail.

Learning the lessons of SCIF

Whilst the political and financial landscape has changed significantly since the SCIF Review was carried out, especially the extremely difficult funding settlement from UK Government, many of the key recommendations from the review are relevant and have been taken into account in developing the CRC process. In particular we have:

- **Ensured best practice business assurance and programme and project management assurance** is core to the CRC approach. All schemes that receive funding from CRC will be supported by robust evidence to demonstrate the need for investment and that the approach being taken offers value for money in

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accordance with WAG and HM Treasury best practice (Green Book and 5 Case Model). This approach includes robust scrutiny of proposals by the cross-departmental CRC Officials Group. All supported proposals are expected to be delivered using the appropriate best practice methodology (PRINCE2 for projects and MSP for programmes) and utilise the Gateway assurance process throughout the development, delivery and post-project stages

- **Improved support and guidance to departments developing proposals** – we have built CRC upon the foundations of SCIF, extending the training and support available to departments developing cross-cutting collaborative proposals. In contrast to tranche 2 SCIF, CRC had provided the breathing space to enable proposals to be developed from the early stages and be supported appropriately throughout the process. As SCIF has evolved into CRC, the independent Panel has evolved into the Capital Advisory Group (CAG), retaining the expertise and experience on offer, but with direct engagement of CAG members with departmental officials to offer bespoke support and separately, contribute to the scrutiny of proposals
- **Improved engagement with the wider public sector** – in addition to existing departmental links to the wider public sector, the appropriate workstreams of the Efficiency and Innovation Board will be consulted throughout the development of proposals through the CRC process

I trust this provides you with the information you require to finalise your report.

A handwritten signature in black ink, appearing to be 'Tom'.A handwritten signature in black ink, appearing to be 'Jane'.

Annex 1 - the Centrally Retained Capital process and current position

This note provides the current position of the Centrally Retained Capital fund: the year 1 proposals which have received Ministerial approval to proceed and the process undertaken to determine these; as well as the intended approach to develop schemes to receive funding in years 2&3.

Background

On 29 November 2010, Ministers at Budget & Performance Cabinet Committee agreed the process and criteria for accessing the Centrally Retained Capital Fund.

The criteria are focused on:

- supporting economic recovery
- delivering revenue savings
- being innovative
- being cross cutting and collaborative
- contributing to the achievement of One Wales Objectives
- protecting the vulnerable in society

Ministers agreed that a two phased approach would be taken to the allocation of funding. In Year 1 (2011-12) applications were invited from departments that best fitted the CRC criteria, to support strategically significant projects which are no longer affordable within departmental budgets. Proposals had to be sufficiently robust and worked up to achieve significant spend in year. A flow chart of the agreed year 1 CRC process is attached at **Annex 1**.

In Years 2 & 3 (2012-13 & 2013-14) funding is being used to support strategic cross-cutting and collaborative projects developed from early stages.

Allocating CRC in 2011-12

An Officials Group (OG), chaired by Michael Hearty and consisting of cross-departmental finance colleagues and central expertise from Economic Advice Division (EcAD), the Strategic Capital Investment (SCI Team) and the Head of Profession for Programme and Project Management (PPM) was established to review CRC project proposals and make recommendations to the Minister for Business and Budget who subsequently made recommendations to Budget & Performance Cabinet Committee, on the allocation of the CRC funding.

Proposals seeking support in 2011-12 were assessed by the SCI Team and (EcAD) against each of the CRC criteria.

The robustness of proposals was also assessed against best practice business case standards (HMT Green Book and the 5 Case Model). i.e. how well the proposals demonstrated the 'case for change', value for money, deliverability, affordability and procurement arrangements.

The assessment of 'robustness' represented a technical appraisal of the supporting evidence and maturity of the proposal and Red/Amber ratings were not necessarily indicative of a poor scheme, but one that was not sufficiently worked up to proceed before 2011/12. We expect that some of these proposals will be strengthened and resubmitted to CRC for funding in future years.

The SCI Team and EcAD agreed a preliminary rating of applications for funding as: "above the line", "below the line" or "borderline".

The CRC Officials Group met, considered proposals and SCI Team/EcAD Review Reports and agreed recommendations on the allocation of funding to the Minister for Business and Budget.

Budget & Performance Cabinet Committee Outcome

Budget & Performance Cabinet Committee met on Tuesday 1 March 2011 and agreed the Minister's recommendations on the allocation of CRC funding for 2011/12.

The majority of proposals have received funding for 2011/12 only, as the intention is to preserve funds for 2012/13 and 2013/14 for new schemes developed from early stages to incorporate cross-cutting collaboration. Some approved proposals have received funding in future years where it is either not part of a programme or where not providing future support would make it unviable and where the demand on future funding is not excessive.

In addition to agreeing the CRC recommendations, Budget & Performance Committee supported the Tourism Investment Support Scheme proposal (CRC 1 £3m) for CRC funding, subject to development of more robust evidence to support the proposal.

Annex 2 provides a summary of the CRC position agreed with Ministers at BPC.

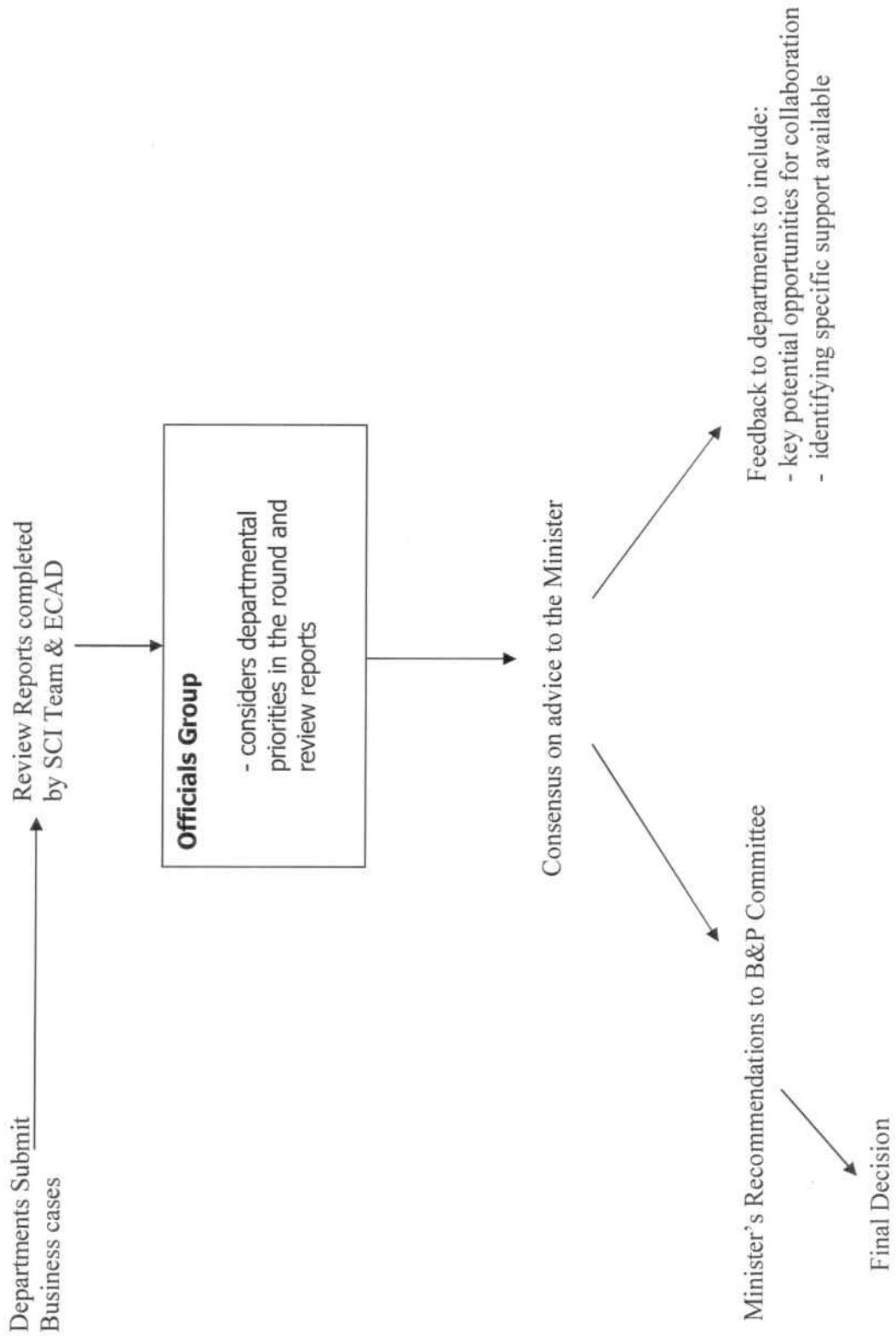
Allocating CRC funding in 2012/13 & 2013/14

There is an opportunity to develop cross-cutting collaborative schemes which can spend in 2012/13 and 2013/14. The OG will drive the development of these schemes from the early stages. The membership of the OG (all WAG key spending departments are represented on it) makes it an effective forum for making appropriate links between departmental proposals at the early stages. Coupling this with direct engagement with the Efficiency and Innovation Board (a cross-public sector forum with a range of workstreams) and the Capital Advisory Group (previously the Panel), schemes have every opportunity to build in cross-cutting links as they are developed, which should result in more efficient procurements.

Annex 3 shows the intended process for developing these schemes and the interaction between the various stakeholders involved. (note – SOC = Strategic Outline Case, OBC = Outline Business Case, FBC = Full Business Case. These are the 3 iterations of the business case as it develops in line with best practice)

Annex 1

Spend in 2011/12



Annex 2 – summary of CRC position as agreed by Ministers

Project Title	Ministerial Portfolio	Proposed award of CRC £m	2011/12	2012/13	2013/14
Eco Lighting	Heritage	1	1	0	0
NLW - Transfer of ITV Archives	Heritage	0.97	0.97	0	0
Tourism Investment Support Scheme ¹	Heritage	(3)	(3)		
Total Heritage CRC Approved		1.97(4.97)	1.97(4.97)	0	0
Merthyr Tydfil Old Town Hall	DESH	4	1	1.5	1.5
Physical Adaptation and Disabled Facilities Grants	DESH	3	3	0	0
Waste Infrastructure Programme	DESH	2	2	0	0
Total DESH CRC Approved		9	6	1.5	1.5
Online Services for Rural Payments	Rural Affairs	7.95	2.4	2.9	2.65
Total Rural Affairs Approved		7.95	2.4	2.9	2.65
Integrated Health & Social Services for Communities of Builth Wells	DHSS	4.01	4.01	0	0
Merthyr Health Park	DHSS	18.43	18.43	0	0
HART	DHSS	3.75	3.75	0	0
Morrison Redevelopment	DHSS	22.23	22.23	0	0
TOTAL DHSS CRC		48.42	48.42	0	0
Dinefwr Cluster Tri-Level reform	DCELLS	8	8	0	0
Transforming Post 16 Education (Merthyr)	DCELLS	7	7	0	0
Bridgend - Gateway to the Valleys 11-18 Schools	DCELLS	7.3	7.3	0	0
Total DCELLS CRC		22.3	22.3	0	0
Enhancements to the railway infrastructure on the Cardiff Valleys network	DE&T	2.96	2.96	0	0
A470 Maes yr Helmau to Cross Foxes Improvement	DE&T	5.19	1.345	1.92	1.92
A470 GELLIGEMLYN	DE&T	6.00	2.00	2.00	2.00
New Growth Capital Fund²		(15.00)	(15.00)	0	0

¹ Tourism investment support is on hold pending development of robust evidence to support the scheme. Figures in brackets represent position if this scheme is approved.

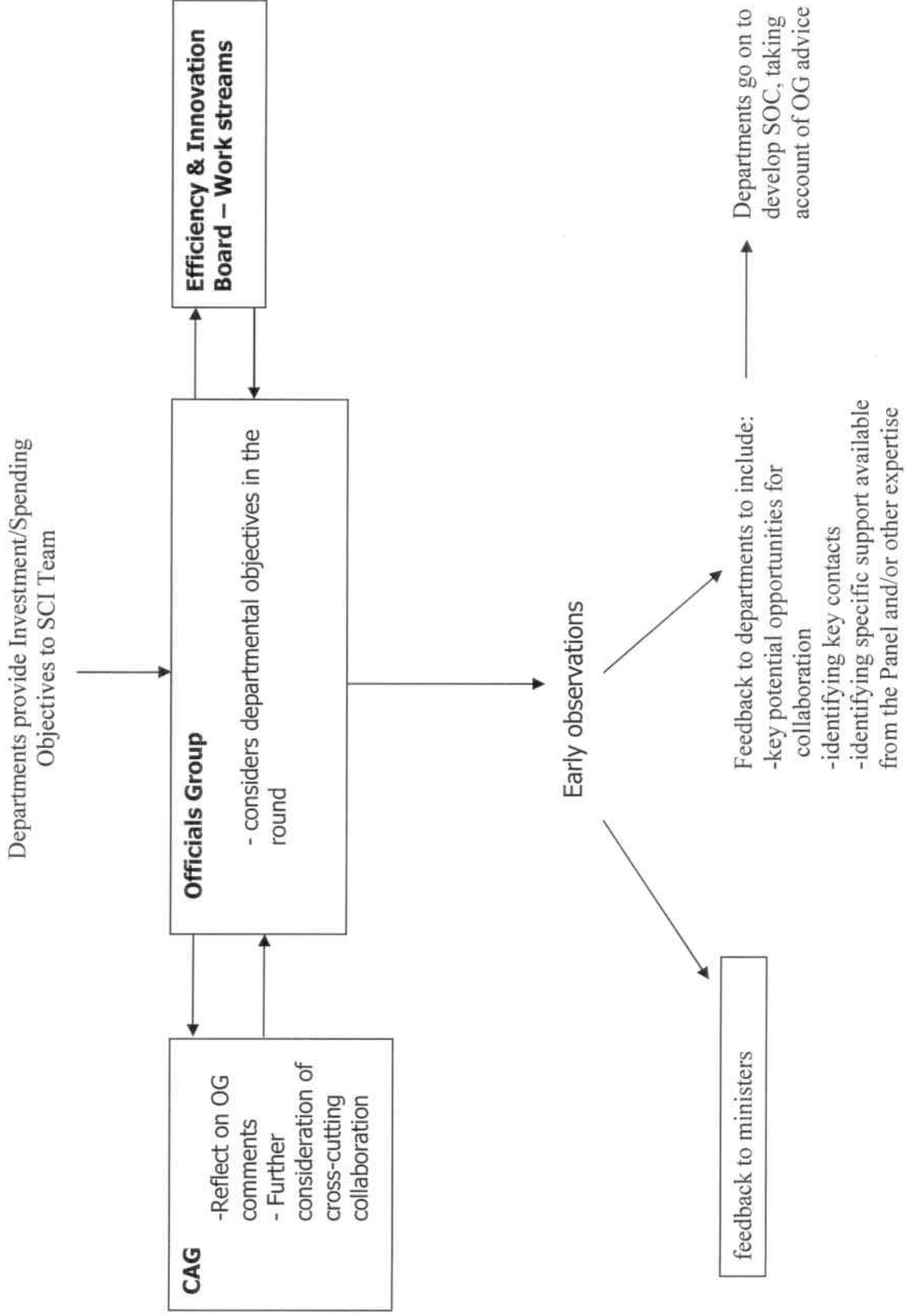
² New Growth Capital Fund is on hold pending result of feasibility study. Figures in brackets represent position if this scheme is approved.

Project Title	Ministerial Portfolio	Proposed award of CRC £m	2011/12	2012/13	2013/14
Total DE&T CRC		14.15 (29.15)	6.31 (21.31)	3.92	3.92
Total CRC Allocation Recommendation ³		103.78 (121.78)	87.40 (105.40)	8.32	8.07

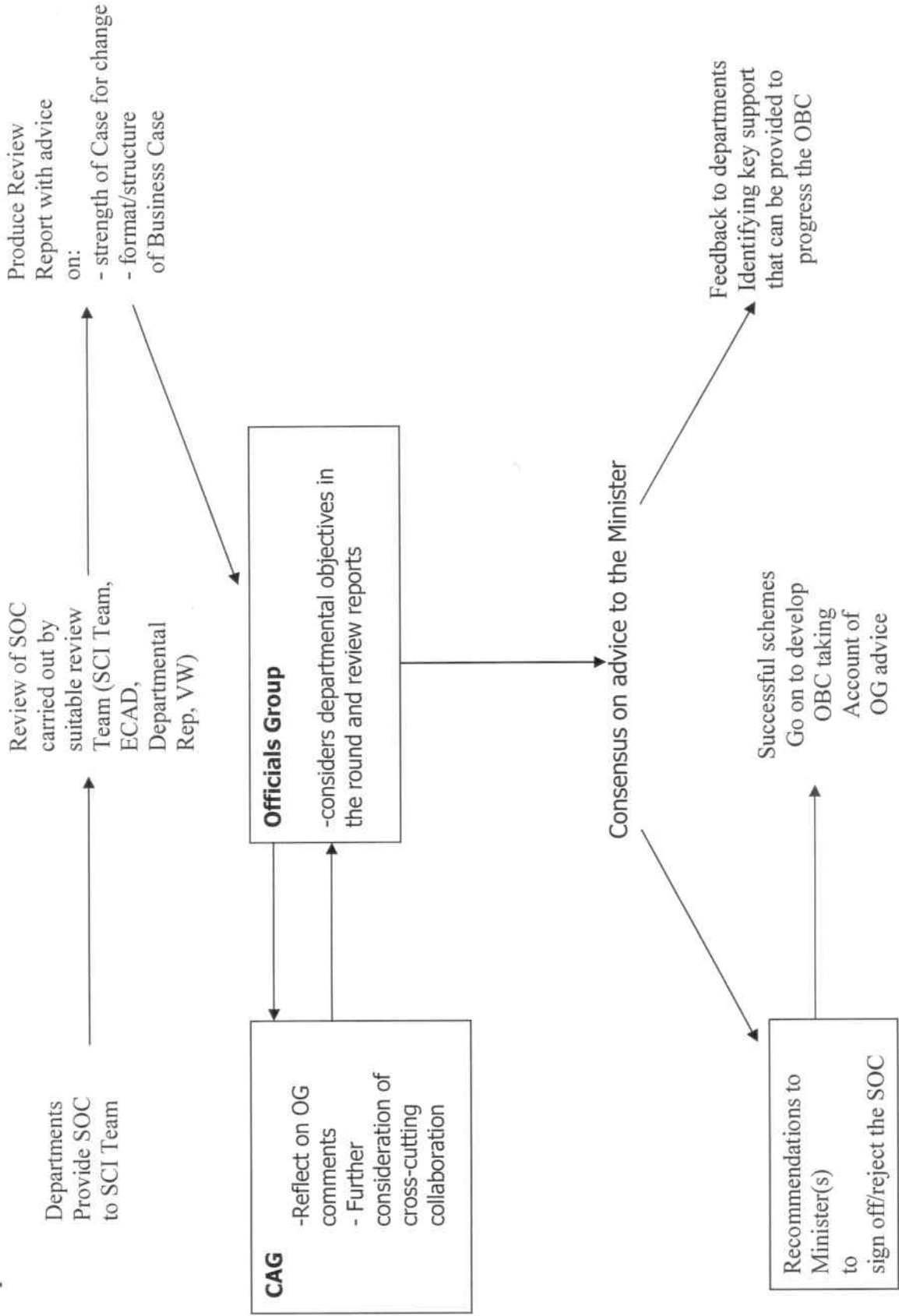
³ Figures in brackets represent the total allocations if TISS and New Growth Capital Fund schemes are approved

Annex 3 – the process for developing schemes to receive funding in 2012/13 and 2013/14

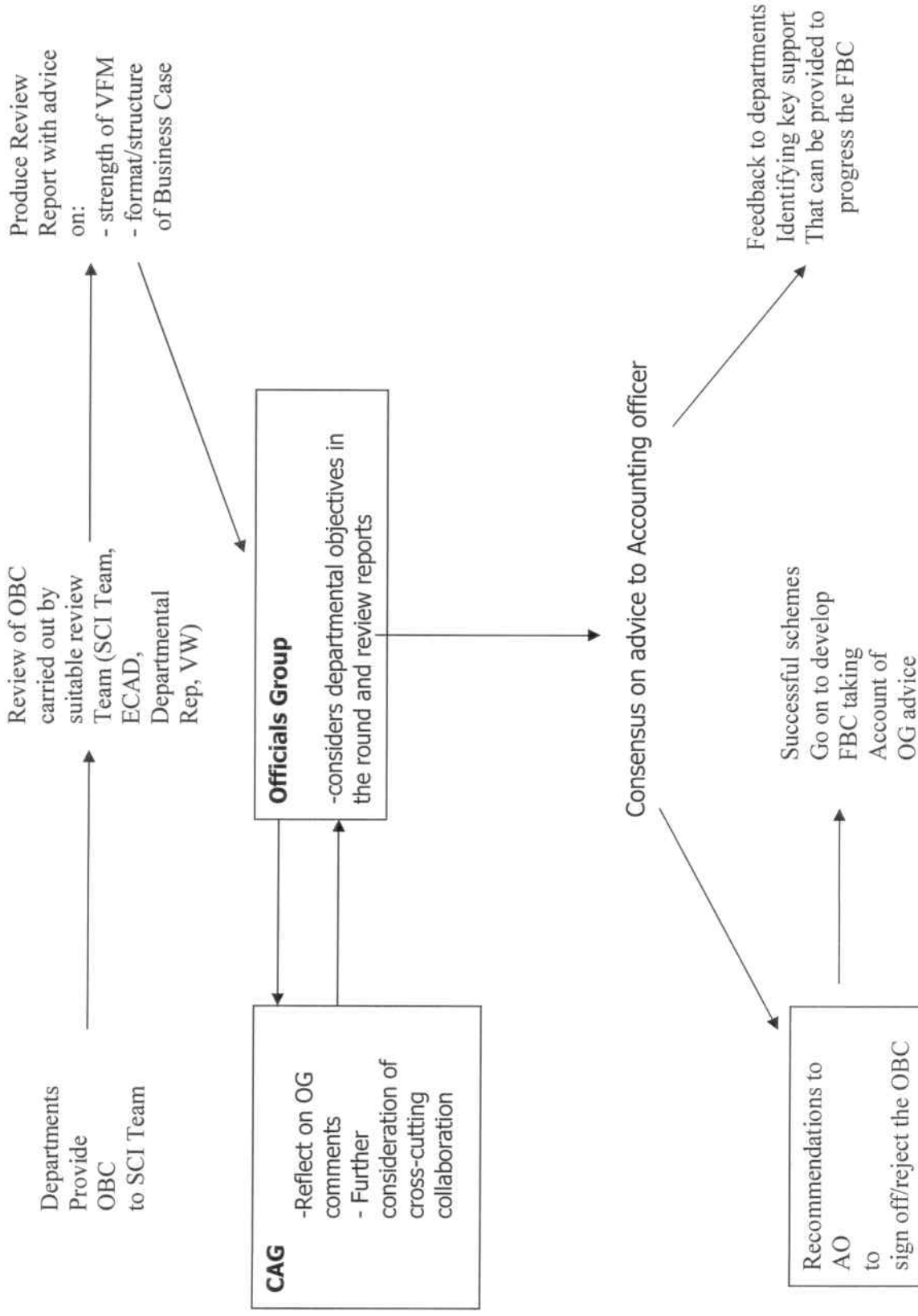
Spend in 2012/13 & 2013/14 STAGE 1



Spend in 2012/13 & 2013/14 STAGE 2



Spend in 2012/13 & 2013/14 STAGE 3



Spend in 2012/13 & 2013/14 STAGE 4

