Llywodraeth Cymru
Welsh Government

# Invest to Save Fund

# General guidance for applicants

**Background**

The Invest to Save fund has been operating since 2009 and has supported a wide range of projects across health, education, local government and third sectors.

It is a repayable grant aimed at supporting projects which:

- can demonstrate that they will generate cash savings or generate additional income and
- will maintain or improve public services or the way in which an organisation operates.

Although repayable, the fund does not charge interest on any investments and repayments are agreed on a case by case basis. When completing an application and deciding on what repayments to propose it is always useful to consider the target savings/additional income for a proposal as this will be used as a starting point in setting repayments. There is flexibility as different organisations will have different financial circumstances. Some organisations may wish to repay the investment as soon as savings allow whereas some may wish to see some cash benefits immediately and so opt for a slightly longer repayment period. The fund will usually support up to a maximum of 75% of the overall project costs.

The types of project which have been supported fall into general categories which include:

- ICT
- Procurement
- Workforce Development
- Asset Management
- Ways of Working
- Business Transformation.

Proposals need not fall in to any of these categories so provided ideas can generate cash releasing savings, generate income and improve services they will be considered.

The types of costs which the Fund will support include:

- Consultants costs
- IT costs
- Staff costs
- Research costs
- Costs of undertaking post completion evaluation
- Staff expenses directly attributable to the change
- Cost of new premises/refurbishment costs.

Other types of cost may be eligible and you should contact the team if you have any queries.

The Fund has a budget of several million pounds of revenue and capital per annum and is set to operate for the foreseeable future.

**Cash releasing savings**

In principle this concept appears straightforward but it can often be confused with efficiencies and increasing operational capacity.

A successful outcome will involve not only being able to demonstrate an improved service or function but also reduced costs. Ideally a project sponsor will be able to identify a budget line within the organisation which shows reduced expenditure directly as a result of the changes implemented by the project. This is an ideal scenario and we realise that this may not always be so simple due to other factors impacting on expenditure, for example:

- Increases in energy unit costs can distort savings figures for energy efficiency projects. The effect on these inflationary increases must therefore be allowed for and factored in, and
- Other change programmes which have had an impact on expenditure. There may be several such initiatives on-going at the same time (this is not uncommon in the NHS) so it is important to understand the effects of each of these initiatives to ascertain what has been successful or not.

One misconception we often come across is that certain actions will create cash savings but in reality they simply increase capacity. To understand where this is most likely it is useful to understand the concepts of fixed cost, variable costs, direct costs and indirect costs:

- **Fixed costs** are incurred at the same level no matter what the underlying activity levels are. Examples of such costs may be rent, rates or monthly salary costs. Fixed costs can become stepped once a certain level of activity is reached, for example the property costs relating to a GP surgery may increase if additional new premises are occupied. The pattern would be though that these higher costs would hold stable until another threshold of additional patient numbers was achieved at some significantly later point in time.

- **Variable costs** change directly as a result of changes in activity levels. Where there is a direct relationship then it will be possible to arrive at a unit cost for each action taken.

- **Direct costs** are costs which can be directly attributable to a specific service or cost centre. For example, in the case of building costs the whole premises may be used for the treatment of mental health patients therefore in assessing the costs of mental health provision then all relevant premises costs can be attributable to this service.

- **Indirect costs** are costs which cannot be directly attributable to any one function. An example of this may be the salary of a Chief Executive whose role will cover decision making across a wide range of functions and so cannot be directly attributed to any one service or function.

A common feature of some proposals from the NHS involves reducing patient stays so allowing more patients to be treated in any given period. If this is the only outcome from a proposal then no cash releasing savings will be achieved as the same number of staff will be employed and the same buildings utilised and these fixed costs will be incurred regardless of activity.

The relevance of each of the above in the context of the Invest to Save Fund is as follows:

| Cost category | Types of cost examples | I2S relevance |
|---|---|---|
| **Fixed** | Building rents<br>Leasing costs<br>Salary costs | To achieve savings whole buildings would need to be closed and disposed of or staff made redundant. |
| **Variable** | Pay costs based on productivity<br>Fuel costs<br>Travel and expenses | Reductions in the incidence of activity. |
| **Direct** | Pay costs<br>Materials costs<br>Buildings costs<br><br>Provided they can be allocated to a specific cost centre/function/project | Savings achieved by reducing or stopping certain relevant activities. |
| **Indirect** | Overhead costs<br>Some salary costs<br><br>The key feature is that they cannot be directly attributable to a specific activity, event or cost centre. | Normally quite difficult to achieve savings in this area as the reduction/ceasing activity in one area would not result in these costs being reduced as other activities would take over. |

What is important when measuring cash benefits is that projects have a clear understanding of the costs being incurred before any intervention commences. Without this understanding it will be impossible to track and evaluate any results.

Another useful way of looking at different types of savings is the 12 economies method produced by Geoff Mulgan, the Chief Executive of Nesta. The Welsh Government has collaborated with Nesta on the Innovate to Save initiative and this method has been used to help guide projects applying to this fund. The method can be found here:

https://www.nesta.org.uk/sites/default/files/the_12_economies_method_by_geoff_mulgan.pdf

**Non cash benefits**

Projects will usually not only create cash releasing savings but will also generate other benefits such as improved patient outcomes or improved access to services. Some of these benefits will be intangible and be quite hard to measure in some cases and could also run many years into the future. What is important for these benefits is for organisations to be realistic in what they want to measure and how they will measure it. Some outcomes will be critical to an area in question and be subject to regular monitoring/reporting so obviously there needs to be some system in place to assess future outcomes and improvements. As with cash savings it's crucial to make sure that a full understanding of pre-project baseline activity exists.

It may be the case that some of the benefits which a project produces will stretch many years into the future and may be seen as more of a beneficial 'by-product'. If it is relatively easy to measure these benefits then our advice is to do so if it will serve some purpose in informing policy in the future, however, we would not advise organisations to set up costly and/or bureaucratic systems solely to measure long term by-product benefits. In all likelihood the further into the future that benefits accrue means that many factors will have an impact and not just one change programme.

**Joint bids**

The fund welcomes joint bids where different public sector organisations come together to achieve common goals and save resources. There are however some common pitfalls which need to be addressed when considering a joint bid:

- Who will benefit from the planned actions? It may well be that the actions of one partner will lead to savings in another organisation. This is quite a common issue in joint bids;

- Put in place formal agreements to define who will be responsible for risks and rewards. One organisation may receive the investment but it could need to be distributed wider to fund activity in partner organisations. Likewise the benefits will be felt by more than one organisation. There needs to be some form of agreement to set out how funds will be distributed and what the contributions from each partner will be for meeting repayments. Without this there is a risk that one organisation will be left to meet repayments but they did not generate all of the savings benefits; and

- A good working relationship between staff working on the ground to implement the changes is crucial. As is a commitment from the most senior members of the management team in each organisation. Without this commitment the risk of a project not delivering the desired outcomes is high.

The Invest to Save team should be contacted with any questions or issues surrounding joint bids so they can advise on the best approach.

**Processes and timescales**

The Invest to Save team is situated in the Welsh Treasury Department which is part of the wider Office of the First Minister of the Welsh Government. The branch consists of three members of staff who are all members of the civil service. The Head of Branch reports to the Deputy Director – Strategic Budgeting and the Fund is formally held by the Cabinet Secretary for Finance.

The team is responsible for generating interest in the fund, processing applications and advising Ministers on proposals and their policy implications. Before any project is funded there are a number of assessment and approval stages to go through which the team must manage. These are:

- Initial assessment of the application. The application may be submitted in response to a formal bidding round which has a set deadline or outside of a bidding round. The latter is usually nearly always possible to do, but confirmation that funds are still available for the relevant financial year should be sought from a member of the team

- Bids are subject to scrutiny by a panel of officials from the Welsh Government. The panel is made up of a representative from NHS Wales Finance, Local Government Policy, a member of the Government Economic Advice function and the head of the Invest to Save team. Project sponsors are usually asked to attend a discussion of their proposal with the panel though on some occasions a paper examination is undertaken in place of face to face discussion

- Advice from relevant policy colleagues across the Welsh Government on the proposal. The Fund would not wish to support any proposal which does not fit in with the Welsh Government's policy objectives in any given area

- The Head of the Invest to Save team will assess the comments of the panel and policy colleagues draft formal Ministerial Advice. The advice will first be subject to Deputy Director approval before being passed on to Ministers. Although the Invest to Save Fund is held by the Cabinet Secretary for Finance the advice will also be routed through the relevant policy Minister for their approval

- Once Ministers agree to a proposal a formal grant offer letter will be issued which will set out the common terms and conditions of the Welsh Government, the timing of investments, relevant milestones and the timing of repayments. This letter will need to be signed by the relevant persons in the organisation and returned to the Welsh Government prior to any funds being released.

The timescales involved can vary. If a paper sift is undertaken by the panel then generally this will be quicker than if formal panel discussions take place. We would however normally aim to have the panel discussions within a month of the closing date of a bidding round. By the time advice is prepared and various opinions sought and Ministerial approval gained the total time between a round closing and the issue of an approval letter is on average 3 months, though we do aim to complete the process sooner if at all possible. We always aim to notify applicants of progress through the system and will notify applicants of whether or not Ministers are being asked to approve their proposal. This notification is usually issued very soon after the panel discussions with projects.

### 'Near miss' proposals

Nearly every bidding round will see proposals which fall slightly short of what is required for a successful bid. In such cases we will feed back to sponsors where we think the proposal could be improved and will work with the organisation to develop their case so that it is suitable for support and submission to Ministers. This process can take a number of months but we have developed a number of successful innovative proposals by taking this approach.

To stand the best chance of gaining approval sooner rather than later, and thus minimising the chances of the above situation, proposals can be shared with the team before any deadline so that any weaknesses can be ironed out before the panel discussion.

### Project monitoring

The Welsh Government does undertake monitoring of all projects. 2 monitoring levels exist:

- Projects below a total value of £500k complete a 'short' monitoring return; and
- Projects with a value of over £500k are asked to complete a slightly longer return.

Both monitoring forms are however relatively light touch. We do not ask for copies of receipts, invoices or timesheets for relevant costs as the finance is repayable and the risks of delivering a successful outcome and meeting the costs ultimately lie with the organisation undertaking the project.

The main themes in the monitoring return are progress against milestones/outcomes and Red/Amber/Green (RAG) status. The relevant monitoring returns are issued by the Welsh Government every 3 to 4 months. Once projects are completed then we no longer request any monitoring returns and we move on to the final stage which is evaluation.

### Evaluation

Evaluation of a project and assessing the outcomes is probably the least popular part of any project as it involves looking backwards when other new tasks need to be done. If a project has perhaps not gone as well as may have been hoped then it is a fact that human psychology means that people can be reluctant to look back at perceived 'failures' and make an objective assessment of what actually happened. However, we cannot stress enough how important it is to undertake an evaluation of a project once it has been completed. In many cases the project will have involved the expenditure of large sums of money so we should at least want to know what was delivered and what has improved as a result.

Evaluations are also a valuable part of individual and organisational learning and they can also be used by other organisations to inform changes which they may be planning in future. We are as interested in learning as much as possible about why projects did not deliver what was hoped for as we are as learning about successes. Failure is sometimes be the best teacher we have and can allow people to learn from the experience of others before they attempt similar changes.

Evaluations can be undertaken by internal or externally sourced staff and where costs are separately identifiable then they can be submitted as part of the Invest to Save application.

**The change process**

Some of the projects which the Fund supports are relatively straightforward and involve little in the way or organisational or cultural change. All some projects need is an injection of up front cash to implement a quick solution.

Some projects are however more complex and involve a number of stages, partners and risks. For these more complex projects it is useful to set out a relevant Theory of Change (TOC). This can sometimes seem as an unnecessary and over engineered approach, but by developing a TOC at the start of a project many of the key stakeholders and potential risks can be identified right at the start rather than when it is potentially too late.

There area number of key questions to ask right at the beginning of the programme, these may seem obvious but our experience tells us that it is rare that all of these questions are fully addressed:

- What is the opportunity?

  What is the precise problem or opportunity which is to be addressed.

- Who will benefit from the potential changes? Who is the user?

  The primary beneficiaries will be very clear but there could also be other groups who could benefit such as staff within the organisation or staff in other organisations. Think wider than the main target audience.

- What does the user want? What does the user need?

  It’s easy to assume what the answers to these questions are. Sometimes the answers may be clear but if not then further research is needed.

- Will the proposal influence more change and if so where to?

  There could be unforeseen changes if the project is a success so it’s worth thinking about where these could occur right at the start of the process. It may also be the case that other organisations could be influenced by your changes.

- What is the current solution and what are the key issues?

Do you have a fully formulated solution and if not what is missing.

- What are the end goals and what are you hoping to achieve?

  What will make the project a success.

- How will you measure success?

  Think about end goals and how these can be measured.

- What are the time constraints for the project to be a success?

  What are the milestones and is there a timeline.

- Is there any similar solution in practice and if so why are they successful?

  These may be internal or external and what can be learned from the experience of others.

- What do you need to make this a success?

  Think about the resources, knowledge, team and senior management buy in. Who needs to be involved to make it a success.

This section only scratches the surface of some of the tools and techniques which can help a successful implementation. Further guidance can be obtained from the team who can facilitate any project team discussions if they would be considered to be of benefit.