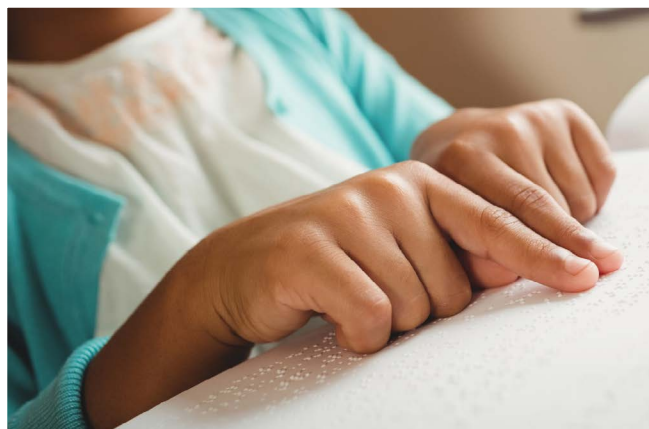




Llywodraeth Cymru  
Welsh Government

# Welsh Government Consolidated Accounts

2022-23



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## Government of Wales Act 2006

Accounts of the Welsh Government are prepared pursuant to Section 131 of the Government of Wales Act 2006 for the year to 31 March 2023, together with the Certificate and report of the Auditor General for Wales thereon.

Laid before the Senedd Cymru pursuant to the Government of Wales Act 2006 Section 131.

**Dr Andrew Goodall**

Permanent Secretary

# Overview

I am pleased to present the consolidated accounts for 2022-23 on behalf of the Welsh Government.

They cover another undoubtedly challenging year for the organisation – in particular our continued response to the many global events taking place outside our control.

The First Minister has made it a priority for us to help mitigate the impact of the ongoing cost-of-living crisis affecting so many people in Wales. Throughout the year we have developed and delivered targeted interventions, whilst delivering a whole range of schemes to assist with the cost-of-living. £1.6 billion was allocated in 2022-23 to support people through the crisis, delivered across departments to ensure impact was maximised.

Our response to the crisis in Ukraine has also continued at pace, welcoming those who wish seek sanctuary in Wales. We have delivered an integrated, Team Wales (cross-Welsh Government, pan Wales, multi-agency) response in collaboration with our key strategic partners including local authorities, local health boards and the third sector. Both our policy and operational solutions have been co-produced and delivered with our partners.

And also of course, the COVID-19 pandemic hasn't simply gone away. Its effects are still very much being felt across Wales. As a government we continue to focus on recovery from COVID-19, in the NHS and social care sector, in our schools and higher education, in our local authorities, businesses, and transport infrastructure.

The UK wide COVID-19 Inquiry was launched on 21 July 2022. An Inquiry Team is now leading our preparations, collecting information of our work and planning. We have a corporate responsibility to make sure we provide the inquiry with a comprehensive account of what we did and to provide accurate and meaningful evidence.

Despite these ongoing challenges, I am proud to say that the delivery of the Programme for Government has continued with energy and pace. Our principal purpose is to support Ministers creating a stronger, fairer, greener and more compassionate Wales. Whether it's developing policies and legislation, delivering essential services, preserving Welsh heritage,

or supporting the organisation to run smoothly, this purpose is the golden thread that runs throughout everything we do. As shown by our response to recent world events, it is these principles of economic, social, and environmental justice that are very much at the heart of our work.

And I want the Welsh Government to be seen as an exemplar in setting these standards. Not just for our ourselves, but for others too. I would especially like to highlight two examples here, Net Zero Wales and our Anti-racist Wales Action Plan. Net Zero Wales is our emission reduction plan. Our approach means that government action is just one component alongside much wider concerted action from across the public sector, across our economy and throughout our communities. Our Anti-racist Wales Action Plan has a focus on leadership in the Welsh Government but also from across the public sector in Wales. There are 19 actions to consider as an employer, each with their own outputs and deadlines. You can find out more about both in this report.

Turning to the organisation itself, following an intensive period of engagement with all our staff, I introduced Welsh Government 2025 (WG 2025). This is our three-year plan for developing the organisation to be fit for purpose in a post-pandemic, post-EU exit world. I am pleased with the early progress we have made, particularly given the challenging environment we are operating in.

One of the first pieces of work we undertook as part of WG 2025 was to co-produce with our staff and trades unions a new Values and Behaviours framework for the organisation. This new framework underpins the whole change and development programme and aligns with our commitments under the Civil Service Code and Well-being of Future Generations. It sets clear expectations on what we expect from ourselves and each other in how we go about our work. As well as clarifying our expectations, we are strengthening our approach to strategic workforce planning with appropriate levels of accountability and delegation and investing in key skills and capabilities, including the Welsh language.

Following our experience of moving to remote working during the pandemic, we have now moved to a new model of Hybrid working, recognising the fact that different work calls for different workspaces. We have invested in new spaces across our estate where we can connect, collaborate, and concentrate as well as supporting colleagues to work effectively outside the office environment.

As part of our hybrid working model, we are welcoming public sector partners to co-locate with us in our main office hubs. I see this as a positive step in terms of maximising our office footprint, delivering efficiencies, and enabling our One Welsh Public Service ambitions. What we achieve together, is far more important than where.

I have also previously realigned our group structure to better reflect our Ministerial priorities. This was an important step in ensuring our structures reflect where we are and support how we operate. Now that our COVID-19 coordination activities have been brought to a close and our new health-led measures are fully implemented, I have updated our structure further to better reflect the new working environment. By openly sharing our structures and governance we can ground the organisation in clarity – shining a light on who we are, how we operate, and how we deliver real outcomes for the people of Wales.

I would now briefly like to touch on our response to some important events that took place over the last year. We had the sombre task of responding to Operation London Bridge following the death of Queen Elizabeth II. I would like to say thank you for the effort and commitment the Welsh Government civil service demonstrated to support the implementation of the plan, and to welcome the new monarch, King Charles III.

I would also like to reflect on Wales' qualification for the FIFA World Cup 2022, which ended a 64-year wait for our return to the biggest stage in international football. The tournament enabled us to raise the global profile of the Wales brand and to promote our values to the world.

Finally, I would just like to end by reflecting on how incredibly proud I am of this organisation. As its Principal Accounting Officer, I'm uniquely placed to witness the huge amounts of work that has been accomplished in meeting the challenges of recent times. I feel immensely privileged to lead the civil service in Wales. And while none of us can be sure exactly what the next year will hold, I look back on all that we have achieved in the last twelve months and feel confident in our collective ability to meet the challenges that lie ahead.

**Dr Andrew Goodall CBE**  
**Permanent Secretary**

# Introduction by Welsh Government Audit and Risk Assurance Chair

The purpose of the Welsh Government Audit and Risk Assurance Committee (Welsh Government ARAC) throughout the year has continued to be to provide support and advice to the Principal Accounting Officer on matters of risk management, internal control and governance in accordance with the principles and guidance set out in HM Treasury Audit and Risk Assurance Committee Handbook.

On April 1st 2022 a restructuring of the internal group structure within Welsh Government took place and the supporting group audit and risk assurance committees (Group ARACs) were realigned accordingly. There are now four Group ARACs aligned to the internal groups- namely Health and Social Services – Economy, Treasury and Constitution – Climate Change and Rural Affairs – and Education, Social Justice, Welsh Language, Covid Response and Local Government. The Independent Chairs of the Group ARACs are also independent members of the Welsh Government ARAC.

Alongside the internal group restructuring, a new Chief Operating Officer Group was established, and a Chief Operating Officer appointed. The Welsh Government ARAC has, and will for the foreseeable future, provided this group with audit and risk assurance scrutiny and support.

The risk environment throughout the year remained extremely challenging. The full impact of the war in Ukraine started to manifest itself in the risks posed for energy and food security. Whilst the direct impact of the COVID-19 pandemic receded, the indirect and legacy consequences, alongside the war in Ukraine, started to emerge more clearly in the form of a rapid rise in inflation and a cost-of-living crisis. These existential risks, whilst beyond the control of Welsh Government, were monitored closely for impact and mitigation where possible across the whole organisation.

Prompted by the wider global risk environment the Welsh Government ARAC started to look at other potential foreseeable strategic risks facing Wales and in October 2022 asked officials to present the committee with a report on the projected demographic trends for Wales over the next twenty years. The data from that report projects a very substantial shift in demographic profile that will present enormous challenges and risks to Welsh Government across all aspects of life in Wales. The Welsh Government ARAC has encouraged officials to build this data and wider strategic risk analysis into ongoing policy development and future programmes of work.

The Welsh Government ARAC met six times throughout the year and the Group ARACs (both in pre and post restructuring format) met on a regular basis. Welsh Government ARAC meetings are routinely attended by the Permanent Secretary, Chief Operating Officer, Director Generals, Officials, the Head of Internal Audit, Assurance and Counter Fraud, the Head of Corporate Governance Centre for Excellence and representatives of Audit Wales.



In addition to these routine meetings the Welsh Government ARAC members were involved in the following:

- An ARAC briefing meeting with Audit Wales on the 27th September 2022 to further consider the matters arising from their audit of the 2020-21 Welsh Government consolidated accounts.
- A briefing session with the Chairs of the Group and Welsh Government ARAC with Permanent Secretary on the 30th November 2022 to consider further matters arising from the audit of the 2020-21 Welsh Government consolidated accounts.
- A cross-ARAC awareness event on the 26th January 2023 organised by the Economy, Treasury and Constitution Group ARAC, to consider Welsh Government economic policy and response in the face of a deteriorating economic environment and outlook.
- A cross-ARAC development day on the 29th March 2023 to which all independent ARAC members and appropriate officials were invited. The day provided a training and development opportunity for all attendees who received presentations from the Head of Internal Audit, the Head of Counter Fraud, the Chief Operating Officer and the Chartered Institute of Internal Auditors. In addition attendees were able to receive an external presentation from and hold a wide-ranging discussion with the Chair of the ARAC at the UK Government Department for Levelling Up, Housing and Communities.

I am very pleased to report that with both the regular programme of Welsh Government ARAC work and the additional meetings undertaken, attendance has been excellent and the level of engagement and discussion has been open, transparent and constructive. I am also very pleased to report that the Welsh Government ARAC and Group ARACs have continued to receive effective and responsive support from the secretariat and officials.

At the date of signing this introduction, inflation and the cost-of-living crisis remain hugely challenging. In particular, inflation and its myriad consequences have eroded the budget available to the Welsh Government for 2023-24. This has required the Welsh Government to urgently review and address priorities to deliver in-year solutions that bridge the budget shortfall. Whilst the budget for 2024-25 onwards remains uncertain at this stage, the general fiscal climate and economic outlook for the UK appear very challenging which could have significant ramifications for the budget available to the Welsh Government in the near term. The potential risks associated with such an environment would require the Welsh Government to assess and implement mitigation solutions. These potential risks will be monitored very closely by officials and the Welsh Government ARAC and Group ARACs alongside the regular programme of internal audit assurance and risk management work.

I would like to take this opportunity to thank the Permanent Secretary, all senior officials, auditors and the secretariat for their continued support for the ongoing work of the Welsh Government ARAC and Group ARACs.

**Gareth Lynn FCCA**

Non-Executive Director of the Welsh Government Board  
and Chair of the Welsh Government Audit and Risk Assurance Committee

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# What's in the Report and Accounts: A snapshot

This is the Welsh Government Annual Report and Accounts for 2022-23. It provides a detailed representation of our finances and how they have been managed, our statutory obligations and how we have met them, and also the Welsh Government as an organisation throughout the year.

The Programme for Government is structured around the government's well-being objectives. Welsh Ministers report progress towards their well-being objectives and the associated Programme for Government commitments annually in the Welsh Government Annual Report.<sup>1</sup>

As in previous years, this report – the Annual Report and Accounts – is split into three sections.

**Part One:** of the narrative is divided into specific sections for this year. **Who we are** covers our reporting requirements and provides an overview of our responsibilities and the supporting legislation. It also provides information about the membership of the Cabinet and senior leadership of the Civil Service.

**What we do** covers a range of outputs from the Programme for Government through to meeting our commitment to the wellbeing of future generations. It provides information about how we are responding to climate change in Wales, our COVID-19 recovery work, and what we are doing to support the crisis in Ukraine and the cost-of-living. It provides information about our digital agenda, how we are managing our legislative programme and EU transition.

**How do we perform** gives an update on the Welsh Government Performance Framework.

**How we organise ourselves to deliver** covers Welsh Government 2025 (our action plan for changing and improving the organisation) and what we are doing as an organisation ourselves to respond to the challenge of climate change. It also covers how we are working bilingually, our commitment to dignity and respect and our handling of correspondence and complaints.

**How we are funded and how we spend it** provides details of the Welsh Government funding flows, our tax policy and fiscal forecasting. It covers our accounting boundary, account relationships and borrowing. It identifies the top areas of spend, how we administer grants (including the Welsh European Funding Office) and provides an overview of the assets and liabilities in the Welsh Government Consolidated Statement of Financial Position.




**Part Two:** contains the Accountability Report. This part of the Report and Accounts provides information about how Ministers and senior staff are remunerated and gives an overview of the Welsh Government's financial outturn against the voted budget. It also contains the annual Governance Statement from the Permanent Secretary as Principal Accounting Officer (PAO).




The Governance Statement outlines the control, governance and risk management processes that are in place to enable the PAO and Additional Accounting Officers (AAOs) to discharge their responsibilities to manage and control the organisation's resources.

**Part Three:** is devoted to the accounts themselves. The accounts represent a comprehensive statement of the costs incurred by the Welsh Government and details of all its assets and liabilities.

# Welsh Government Reporting

The Consolidated Accounts is just one of the key reports that covers the delivery and activities of the Welsh Government and Civil Service. The others include:

Key reports						
	Ministerial			Organisation	Statistical Data	
	<u>Budget process</u>	<u>Outturn Report</u>	<u>Welsh Government Annual Report</u>	<u>Annual report and Accounts</u>	<u>Well-being of Wales Report</u>	<u>Future Trends Report</u>
<b>Legislation</b> 	S125 & 126 of GOWA 2006  Standing Orders 20.7 – 20.24; 20.25 – 20.37	N/A	Well-being of Future Generations Act 2015	GOWA – s131-136	Well-being of Future Generations (Wales) Act 2015	Well-being of Future Generations (Wales) Act 2015
<b>Lead</b> 	Minister for Finance and Local Government	Minister for Finance and Local Government	First Minister	Permanent Secretary	Chief Statistician	Minister for Social Justice
<b>Purpose</b> 	To propose and agree the financing plans, and the amounts of resources and cash which the government proposes to use for the following financial year (with provisional amounts for the subsequent two years or for such other period as the Minister considers appropriate) and revisions to that budget during the current financial year	In line with the Welsh Government's commitment to working openly and transparently, the Welsh Government agreed to provide a written report to the Finance Committee on final outturn.  The report includes a comparison with the spending plans set out in the last Supplementary Budget of the year and an explanation of significant variations	Progress towards the Welsh Government's 10 well-being objectives	Details on how the Welsh Government is run including how it manages its finances and discharges its statutory obligations	Progress made through the combined contribution of all public bodies, organisations and individuals towards the seven well-being goals using the national wellbeing indicators	Lays out likely future trends in economic, social, environmental, and cultural well-being of Wales and any other analytical information that Welsh Ministers feel appropriate

Key reports						
	Ministerial			Organisation	Statistical Data	
	<u>Budget process</u>	<u>Outturn Report</u>	<u>Welsh Government Annual Report</u>	<u>Annual report and Accounts</u>	<u>Well-being of Wales Report</u>	<u>Future Trends Report</u>
<b>Timings</b> 	Not specific but prior to the summer recess the Minister for Finance is required to write to the Business Committee to agree the budget timetable	Within 3 weeks of the sign off of the annual accounts	As soon as is reasonably practicable following the end of the financial year	By the 30 November each year	As soon as practicably possible following the end of the financial year – but reliant on National Survey data in June/July	Within 12 months of an election – slides updated regularly
<b>Timings This Year</b> 	Draft budget 20 December 2021 Final budget 1 March 2022 1st Supplementary Budget 21 June 2022 2nd Supplementary Budget 14 February 2023	Within 3 weeks of the sign off of the annual accounts	June 2022	30 November 2023	Late September	Future Trends Report 2021 published December 2021
<b>Scrutiny</b> 	Finance and subject Committees	Finance Committee	Plenary debate First Minister Scrutiny Committee	Public Accounts and Public Administration Committee	N/A	N/A

# Introduction to the Welsh Government



## At a Glance

The Welsh Government is the devolved government for Wales which works across the following key areas of public life:

- Education
- Health
- Local government
- Transport
- Planning
- Economic development
- Social services
- Culture
- Welsh language
- Environment
- Agriculture and rural affairs

It was formally created in 2007 under the Government of Wales Act, which established a division of functions between the National Assembly for Wales (the legislature) and the Welsh Assembly Government (the executive).

The Wales Act 2014 has since legally changed the name to the Welsh Government. Similarly, under the Senedd and Elections (Wales) Act 2020 the National Assembly for Wales is now called Senedd Cymru, or the Welsh Parliament (commonly known as the Senedd).

The Welsh devolution settlement has evolved dramatically since the establishment of the National Assembly for Wales in 1999 – led by the First Minister, the Welsh Government makes decisions and is responsible for delivery in the areas devolved to it, as set out in the Government of Wales Act 2006 and the Wales Acts 2014 and 2017. This involves developing and implementing policies; setting up and directing delivery and governance; proposing Welsh laws (Senedd Bills); and making subordinate legislation, such as regulations. It also funds Arms-Length Bodies in Wales.

More information about what the Welsh Government is responsible for can be found on the Welsh Government website.<sup>2</sup>

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2 [www.gov.wales/what-our-role](http://www.gov.wales/what-our-role)



# The Cabinet



For the period covered by these accounts, the Cabinet and Ministers were:

Rt. Hon Mark Drakeford	First Minister
Mick Antoniw	Counsel General and Minister for the Constitution
Rebecca Evans	Welsh Minister for Finance and Local Government
Vaughan Gething	Welsh Minister for Economy
Lesley Griffiths	Welsh Minister for Rural Affairs and North Wales, and Trefnydd
Jane Hutt	Welsh Minister for Social Justice
Julie James	Welsh Minister for Climate Change
Jeremy Miles	Welsh Minister for Education and the Welsh Language
Eluned Morgan	Welsh Minister for Health and Social Services
Dawn Bowden	Deputy Minister for Arts and Sport and Chief Whip
Hannah Blythyn	Deputy Minister for Social Partnership
Lee Waters	Deputy Minister for Climate Change
Julie Morgan	Deputy Minister for Social Services
Lynne Neagle	Deputy Minister for Mental Health and Wellbeing

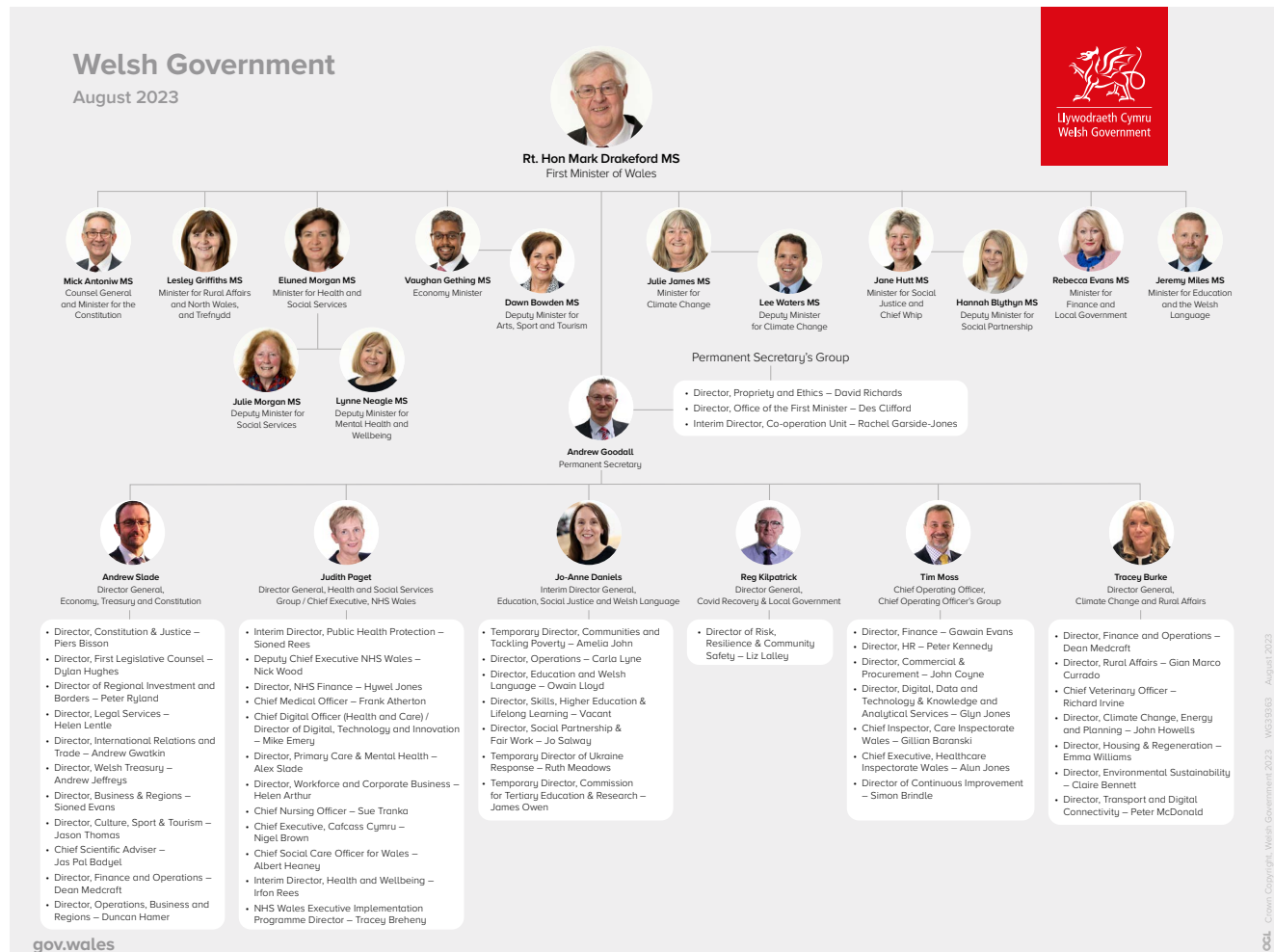
# The Civil Service

The Civil Service is the non-political administration that supports the Welsh Government's First Minister and Ministers.

The core strengths of the Civil Service – political neutrality; efficient administration; good governance and the sound management of public funds, provide a solid foundation to support the Welsh Government.

## The Senior Leadership Team

The Permanent Secretary is the head of the organisation, and the most senior civil servant in Wales. For the period of these accounts from 1 April 2022, all staff worked within one of seven Groups headed by the Permanent Secretary and the Directors General.





**Andrew Goodall**  
**Permanent Secretary**

- Co-operation Unit
- Oversight Office of the First Minister
- Propriety & Ethics
- COVID-19 Public Inquiry



**Andrew Slade**  
**Director General, Economy, Treasury & Constitution**

- Constitution and Justice
- First Legislative Counsel
- Regional Investment and Borders
- Legal Services
- International Relations and Trade
- Welsh Treasury
- Business and Regions
- Culture, Sport and Tourism
- Chief Scientific Adviser
- Finance and Operations



**Judith Paget**  
**Director General, Health & Social Services/Chief Executive NHS Wales**

- Strategic policy on health and social care systems
- Operational oversight of the NHS in Wales
- Office of the Chief Social Care Officer
- Office of the Chief Medical Officer
- Office of the Digital Transformation and Chief Digital Officer



**Jo-Anne Daniels**  
**Director General, Education, Social Justice & Welsh Language**

- Communities and Tackling Poverty
- Education and Welsh Language
- Higher Education and Lifelong Learning
- Social Partnership and Fair Work
- Ukraine Response
- Commission for Tertiary Education and Research Operations



### **Reg Kilpatrick**

#### **Director General Covid Recovery & Local Government**

- Covid Recovery
- Local Government
- Risk, Resilience and Community Safety



### **Tim Moss**

#### **Chief Operating Officer**

- Finance
- Human Resources
- Commercial and Procurement
- Digital, Data and Technology
- Knowledge and Analytical Services
- Care Inspectorate Wales
- Healthcare Inspectorate Wales
- Continuous Improvement
- Strategic Communications



### **Tracey Burke**

#### **Director General, Climate Change & Rural Affairs**

- Rural Affairs
- Office of the Chief Veterinary Officer
- Climate Change, Energy and Planning
- Housing and Regeneration
- Environmental Sustainability
- Transport and Digital Connectivity

## **Group Restructuring**

The Covid Recovery and Local Government Group (CRLG) noted above and led by Reg Kilpatrick has been a temporary solution to support the Welsh Government through the immediate impacts of the pandemic. Now that Covid response coordination activities have been brought to a close and new health-led measures for pandemic response are fully implemented and working, the group structures have been reviewed and CRLG will merge with the Education, Social Justice and Welsh Language Group (ESJWL) led by Jo-Anne Daniels.

This merger will take place in 2023-24 reporting period and the new group will be known as the Public Services and Welsh Language Group bringing together all aspects of education, skills and lifelong learning; our leadership role for local government and civil contingencies alongside our work to help create fairer, safer and more equitable communities and workplaces. The Public Service and Welsh Language Director General post has been advertised and the new Group arrangements will be put in place once the Director General takes up post.

# Programme for Government



The Programme for Government<sup>3</sup> is based on the Welsh Labour manifesto, the mandate on which this government was elected. It is structured around ten well-being objectives<sup>4</sup> of creating a stronger, fairer, greener, and more compassionate Wales. The commitments, set out under the well-being objectives, are collectively owned by Cabinet recognising the need for cross-government working, the remaining commitments are set out by ministerial portfolio.

The Programme for Government was updated in December 2021 to include commitments that cover the Co-operation Agreement<sup>5</sup>; a three-year shared programme of work with Plaid Cymru that was signed in December 2021.

The first Welsh Government Annual Report<sup>6</sup> of this Senedd term was published in July 2022 setting out progress towards the well-being objectives and progress on delivery of the Programme for Government.

Despite the challenging economic context and the cost-of-living crisis, delivery of the Programme for Government has continued with energy and pace. The impact of inflationary pressure has reduced the value of budgets and the worsened economic context has added to the continuing impacts of COVID-19 and the humanitarian challenge of Ukraine.

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<sup>3</sup> [www.gov.wales/programme-government](http://www.gov.wales/programme-government)

<sup>4</sup> Programme for government 2021 to 2026: Well-being statement [HTML] | GOV.WALES

<sup>5</sup> The Co-operation Agreement: 2021 | GOV.WALES

<sup>6</sup> Welsh Government Annual Report 2022 | GOV.WALES

On-going monitoring of the Programme for Government continues, with monthly reporting overseen by the Executive Committee and the Welsh Government Board. Cabinet receives half termly updates on progress and the First Minister chairs the Programme for Government Cabinet Sub Committee that meets monthly to address operational issues and drive delivery.

The Welsh Government's programme for organisational development WG2025 is aligned to the Programme for Government with a focus on how the organisation can continually improve to support Ministers deliver for the people of Wales.



# Meeting our Commitment to the Well-being of Future Generations



The Well-being of Future Generations Act (the WFG Act) requires Welsh public bodies to think more about the long-term, to work better with people, communities, and each other, to focus on preventing problems before they occur, and take a more joined-up approach. The Act's seven well-being goals and sustainable development principle (five ways of working) provide a clear framework for public service decision-making.

## Leadership

As noted in the preceding section, we published the first annual report<sup>7</sup> of this Senedd term setting out the progress we have made towards the ten well-being objectives<sup>8</sup>.

We responded<sup>9</sup> to the Equality and Social Justice Committee's annual scrutiny of the Future Generations Commissioner, which included three recommendations for the Welsh Government, including one<sup>10</sup>

<sup>7</sup> [www.gov.wales/welsh-government-annual-report-2022-html](http://www.gov.wales/welsh-government-annual-report-2022-html)

<sup>8</sup> [www.gov.wales/programme-government](http://www.gov.wales/programme-government)

<sup>9</sup> [www.business.senedd.wales/documents/s125667/Correspondence%20from%20the%20Minister%20for%20Social%20Justice%20-%202027%20May%202022.pdf](http://www.business.senedd.wales/documents/s125667/Correspondence%20from%20the%20Minister%20for%20Social%20Justice%20-%202027%20May%202022.pdf)

<sup>10</sup> [www.business.senedd.wales/documents/s126017/Letter%20from%20the%20Permanent%20Secretary%20-%202027%20May%202022.pdf](http://www.business.senedd.wales/documents/s126017/Letter%20from%20the%20Permanent%20Secretary%20-%202027%20May%202022.pdf)



regarding the Welsh Government civil service. We continue to provide updates<sup>11</sup> on the Welsh Government's progress in implementing the recommendations from the Public Accounts Committee (fifth Senedd) report *Delivering for Future Generations – the story so far*.

In summer 2022, six Welsh Government officials graduated from the Future Generations Leadership Academy<sup>12</sup>. The Welsh Government's investment in the Academy is helping equip young people across Wales with the skills, confidence, and enthusiasm to champion the values and ethos of the WFG Act.

We continue to work collaboratively with our partners on the Well-being of Future Generations National Stakeholder Forum<sup>13</sup>, with discussion topics on the Social Value Review, Global Citizenship, Open Government, and projects from Academi Wales. In 2023 we are extending the Forum's membership to better reflect the scope and breadth of the sustainable development agenda in Wales. Now in its third year, the Forum continues to help shape how we collectively implement the WFG Act.

As part of the preparations to add new bodies to the WFG Act which were consulted on in 2022, we have so far facilitated three good practice exchange sessions. These have brought together proposed new bodies, existing bodies and the Future Generations Commissioner and Audit Wales to share practice in how bodies prepare for the WFG Act.

## Section 20 Review

In 2022, the Future Generations Commissioner for Wales carried out a review into how the machinery of the Welsh Government implements the Well-being of Future Generations (Wales) Act 2015 and reported<sup>14</sup> in December 2022. The report was a timely opportunity for us to take stock, reflect on what we have achieved so far, and to help us seize new opportunities to deepen the understanding and application of the sustainable development principle at the heart of how Welsh Government works.

The report highlights the significant progress we have made in embedding the Well-being of Future Generations Act in how we work and recognises the progressive nature of this legislation and our maturity as an organisation leading the change, while also identifying areas where we can improve.

The Minister for Social Justice responded<sup>15</sup> to the report and accepted the single recommendation, which acknowledged the opportunity we had identified to bring together our actions and areas of improvement into a single coherent plan. This enabled us to refine and re-shape our approach into a Well-being of Future Generations Continuous Learning and Improvement Plan.

11 [www.business.senedd.wales/documents/s500009218/PAPA6-18-22%20PTN2-Update%20on%20the%20Welsh%20Governments%20Progress%20in%20Implementing%20recommendations%20from%20th.pdf](http://www.business.senedd.wales/documents/s500009218/PAPA6-18-22%20PTN2-Update%20on%20the%20Welsh%20Governments%20Progress%20in%20Implementing%20recommendations%20from%20th.pdf)

12 [www.futuregenerations.wales/leadership-academy-2/](http://www.futuregenerations.wales/leadership-academy-2/)

13 [www.gov.wales/well-being-of-future-generations-national-stakeholder-forum/membership](http://www.gov.wales/well-being-of-future-generations-national-stakeholder-forum/membership)

14 [www.futuregenerations.wales/section-20/](http://www.futuregenerations.wales/section-20/)

15 [www.gov.wales/welsh-government-response-to-the-section-20-review-by-the-future-generations-commissioner-for-wales](http://www.gov.wales/welsh-government-response-to-the-section-20-review-by-the-future-generations-commissioner-for-wales)

## Well-being of Future Generations Continuous Learning and Improvement Plan 2023-25

The Well-being of Future Generations Continuous Learning and Improvement Plan 2023-25<sup>16</sup>, which includes a joint foreword by the Minister for Social Justice and the Permanent Secretary, brings together over 50 actions that are designed to deepen the understanding and application of the sustainable development principle in Welsh Government. We have committed to publishing an annual update on our progress.

The plan is embedded into to our WG2025 change initiative, recognising that many of the improvements we need to make are linked to organisational change. Our plan allows us to communicate more effectively the progress we have made and our plans for future improvements.

The plan has been shared with our partner organisations and has been used as a platform for discussions on how we can collectively become a more sustainable and resilient country. We believe our approach will send an important signal to other public bodies in Wales that the Well-being of Future Generations agenda requires continuous improvement and reflection.

## Building international reputation and networks

In response to continued and growing international interest in the Welsh Government's approach to the sustainable development and well-being agenda through the WFG Act, we continue to share our experience with other countries and regions. As a member of the Wellbeing Economy Governments partnership (WEGo) we collaborate with officials from Scotland, New Zealand, Finland, Iceland, and Canada to build expertise, share policy practices, and advance our shared ambition of building economies underpinned by wellbeing.

In addition to a programme of policy labs, in November 2022, officials from the WEGo nations met in Glasgow to participate in knowledge exchange events and in the Wealth of Nations 2.0 Conference. The Welsh Government presented on the approach to implementing the Well-being of Future Generations Act and work on the national milestones.

Our membership of Regions4<sup>17</sup> – a global network of over 43 states and regions working on sustainable development, climate change and biodiversity – remains an important network to connect with others on advancing sustainable development.

In March 2023, the First Minister outlined Wales' pioneering well-being of future generations approach to our European counterparts at the European Policy Centre's breakfast policy briefing. The Minister for Health and Social Services spoke about the health, well-being, and the WFG Act at a World Health Organisation event in Copenhagen.

<sup>16</sup> [www.gov.wales/sites/default/files/publications/2023-02/continuous-learning-and-improvement-plan-for-2023-to-2025-v2.pdf](http://www.gov.wales/sites/default/files/publications/2023-02/continuous-learning-and-improvement-plan-for-2023-to-2025-v2.pdf)

<sup>17</sup> [www.regions4.org/](http://www.regions4.org/)

The First Minister also spoke at the Metropolis of the Future international seminar in Bilbao in March 2023. We will continue to lead on the well-being agenda through our international efforts, delivering on our well-being objective to give Wales the strongest possible presence on the world stage.

Through our partnership with the Future Generations Commissioner for Wales, we have funded activity to strengthen our international relations with counterparts in Ireland, Canada, and Germany, and to promote the WFG Act at events including COP27 and the United Nations Stockholm+50.

## Shaping Wales' Future – indicators, milestones, and future trends

We published the latest Wellbeing of Wales report<sup>18</sup> in September 2022, along with a separate report on children and young people's well-being. We also published easy read versions of both reports.

The suite of outputs comprising the Well-being of Wales report and the dashboard of National Indicators was given National Statistics status, which means it has been independently assessed as meeting the highest standards of trustworthiness, quality, and value. The report considers progress against the 50 national indicators that measure the seven well-being goals of Wales, alongside a range of other relevant data.

In 2022, we consulted<sup>19</sup> on and laid the second wave of national milestones for Wales<sup>20</sup> that will assist Welsh Ministers in assessing progress towards achieving the seven well-being goals as set out in the WFG Act. Following a successful bid for an Economic and Social Research Council (ESRC)-funded policy fellow, research is in its final stages on a project focusing on strengthening futures and foresight for sustainable development and well-being in Wales.

## Welsh Government Performance Framework

We continue to embed and build performance information on sustainable development principle into our Welsh Government Performance Framework. This includes data on the Sustainable Development Index which draws information from our people survey.

The people survey results for 2022 show an increase in collaboration, which builds on the 2021 Sustainable Development Index results which saw improved engagement due to more collaborative working and relatively high levels across all ways of working behaviours, particularly 'prevention' and 'long-term'.

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18 [www.gov.wales/wellbeing-wales-2022](http://www.gov.wales/wellbeing-wales-2022)

19 [www.gov.wales/using-national-milestones-and-indicators-to-measure-our-nations-progress](http://www.gov.wales/using-national-milestones-and-indicators-to-measure-our-nations-progress)

20 [www.gov.wales/further-national-milestones-to-measure-our-nations-progress](http://www.gov.wales/further-national-milestones-to-measure-our-nations-progress)

## Policy Function

We are focusing our efforts on deepening the Well-being of Future Generations approach into the policy making function. Policymaking is one of the core activities that Welsh Government performs and requires policymakers who can support Ministers in making effective and deliverable policies to deliver objectives and benefits for citizens, now and in the future.

We are keen to build on our current policymaking capabilities and continuously improving the knowledge, skills and ways of working needed to develop policy successfully to allow us to remain an institution recognised for high quality and innovative policy making in a small country.

We are developing a strategy to strengthen the policy capability of the Welsh Government to build a high performing policy system that supports and enables good decision making to support deliver better policy for the citizens of Wales. Our strategic approach will be supported by a suite of actions which include an updated Policy Capability Framework.

This Framework has been created to support the development of all policy professionals in government and outlines the knowledge, skills, and ways of working expected of policy makers. This work has allowed us to reinforce the understanding and application of the Well-being of Future Generations agenda and five ways of working within our expectations of effective policy makers and the way in which Welsh Government policy is designed and delivered.

Alongside outlining our expectations, the Framework is underpinned by a comprehensive support offer, taking policy colleagues along a learning and development pathway to further develop their capabilities.

## Public Services Boards

Public Services Boards<sup>21</sup> (PSBs) were established under the WFG Act as statutory partnerships in each local authority (although some have merged to larger footprints). Their key purpose is to deliver a well-being plan, which describes how the how members will work together to improve the economic, social, environmental, and cultural well-being of its area.

Welsh Ministers are invited participants on each PSB, and they are represented by members of the Senior Civil Service. They play an important leadership role in confirming the commitment to the WFG Act. For instance, they contribute insight on activities across the Welsh Government.

They also share intelligence from PSBs to the Welsh Government to better inform policy and delivery. They provide a key connector role between national government and front-line public services, supporting the commitment to One Welsh Public Service. Support for the representatives is being updated in The Well-being of Future Generations Continuous Learning and Improvement Plan 2023-25<sup>22</sup>.

<sup>21</sup> [www.gov.wales/public-services-boards](http://www.gov.wales/public-services-boards)

<sup>22</sup> [www.gov.wales/sites/default/files/publications/2023-02/continuous-learning-and-improvement-plan-for-2023-to-2025-v2.pdf](http://www.gov.wales/sites/default/files/publications/2023-02/continuous-learning-and-improvement-plan-for-2023-to-2025-v2.pdf)

## Case Study

### Increasing voter registration amongst young people

Having been enfranchised to vote in 2020, the number of 16/17 year olds participating in the 2021 Senedd election was disappointing. In response, and ahead of local government elections in 2022, officials devised and delivered numerous interventions in partnership with local authorities, third sector groups and campaigners.

This work was built on the principle of doing things differently and creative action to involve young people in democracy and increase registration. Interventions included establishing Electoral Registration Support Officers in local authorities, meaning nearly every authority in Wales had a dedicated officer working directly with young people to increase registration, and sharing best practice and solutions across a Welsh network.

This was complemented by a grant scheme for vibrant, active, and innovative third sector projects across Wales, like pizza and politics nights and digital dialogues in schools connecting young people with their representatives in local and national parliaments. Individuals and organisations working together on this agenda met regularly as a network which focussed on learning from research, behavioural insights and listening to young people.

The interventions had a positive impact, with those Local Authorities who employed an officer recording on average a fourfold increase in registration compared with authorities who did not. The Electoral Commission's Report<sup>23</sup> on electoral registration in Great Britain in 2022, showed that registration rates in Wales improved at a greater rate between 2021 and 2022 compared to Scotland, England and Northern Ireland.

The approach demonstrated the benefits of cutting through organisational boundaries and working in a mutually supportive, innovative network with peer-led innovation.

23 [www.electoralcommission.org.uk/who-we-are-and-what-we-do/our-views-and-research/our-research/electoral-registration-great-britain-2022](https://www.electoralcommission.org.uk/who-we-are-and-what-we-do/our-views-and-research/our-research/electoral-registration-great-britain-2022)

# Climate Change – The Outlook for Wales



According to the United Nations, “climate change is the defining issue of our time and we are at a defining moment”<sup>24</sup>. From shifts in weather patterns which affect food production, risks of flooding, increases in heatwaves and the impact on health and well-being, climate change will impact on all aspects of our lives and our policy making.

This year the Intergovernmental Panel on Climate Change published its Synthesis Report, distilling over ten thousand pages of cutting-edge climate science from across its 6th assessment cycle. It is both a dire warning of the consequences of climate change, should we fail to act, and a blueprint for a liveable and sustainable future. Now more than ever we need to take strong, collective action to minimise the scale of change and adapt to the challenges ahead.

The Welsh Government is taking urgent action to reduce emissions and build resilience to the inevitable impacts of climate change. As established in the Programme for Government, we have set out to embed our response to the climate and nature emergency in everything we do, putting the environment at the heart of our decision-making.

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<sup>24</sup> [www.un.org/en/global-issues/climate-change#:~:text=Climate%20Change%20is%20the%20defining,scope%20and%20unprecedented%20in%20scale](https://www.un.org/en/global-issues/climate-change#:~:text=Climate%20Change%20is%20the%20defining,scope%20and%20unprecedented%20in%20scale)

This commitment to tackle climate change is reflected in our sustainable development and environmental legislation which are already recognised as world leading. Over the last few years, we have strengthened our legislative framework and ambition by setting net-zero emissions by 2050 as the legal target, as well as a supporting carbon budgeting framework. To support delivery and help drive action, we have established internal governance to develop and deliver Net Zero Wales consisting of a:

- Cross-Government Cabinet supported by two climate Ministers and a group covering Climate Change and Rural Affairs, bringing together the key policy areas to help Wales reach its legally binding target of reaching net zero by 2050.
- A Portfolio Board chaired by the Climate Change Senior Responsible Officer with lead officials for each emission sector and cross-cutting policy area.

As well as independent progress reports from the Climate Change Committee and scrutiny from the Senedd and its Committees, we are also tracking high-level progress towards Wales' targets and budgets on an annual basis as part of our wider suite of indicators on greenhouse gas emissions. In 2022 we published the final statement<sup>25</sup> for the first carbon budgetary period covering 2016 to 2020 as required under the Environment (Wales) Act 2016.

It shows Wales met both the first carbon budget and interim targets. The interim target for 2020 was set at a 27% reduction. The final Net Welsh Emissions Account for the interim target year of 2020 saw a 39.2% reduction (Emissions totalled 33,612 ktCO<sub>2</sub>e). Therefore, the 2020 Interim Target has not only been met, but has surpassed its original target.

The first carbon budget (CB1) was set at an average reduction of 23%. The final Net Welsh Emissions Account for the CB1 saw a 27.8% reduction. Therefore, CB1 has also been met and outperformed its original target. As well as reporting on whether the Welsh Government's targets and budgets have been met, the Environment Act also requires that we must highlight the reasons why it has been met and provide an assessment of progress.

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25 [www.gov.wales/carbon-budget-1-cb1-final-statement-progress-2016-2020](http://www.gov.wales/carbon-budget-1-cb1-final-statement-progress-2016-2020)



## Case Study

### My Tree Our Forest

My Tree Our Forest began as a concept for a nationwide engagement campaign to encourage people to plant the beginnings of a National Forest for Wales. The ambition was for every household in Wales to have the opportunity to receive a tree to plant.

Each household can collect a tree via three different routes: a volunteer run hub, requesting a postal tree by completing an online form on the Woodland Trust website, or requesting a tree to be planted on someone's behalf. Trees requested in the latter way are planted by local landowners including National Trust, Natural Resource Wales, community groups, local councils and private landowners.

Partnership working was key to the project, with Welsh Government working with the Woodland Trust, Llais Y Goedwig, Working Word, the National Trust, Natural Resource Wales, RSPB, the Wildlife Trust of South and West Wales and more.

The marketing and communications campaign was hugely successful with substantial reach. A film featuring rugby star Scott Quinnell was a particular success on Social Media across all partner channels. There were 150 pieces of coverage across print, online and broadcast media providing over 850 million opportunities to see, resulting in a much higher engagement rate than usual on social media.

300,000 trees have so far been planted across Wales through the three different routes. There are already conversations between Woodland Trust, Welsh Government and Llais Y Goedwig about how the three organisations can work together to develop the project even further.

## Net Zero Wales

The focus is now on delivery of Net Zero Wales<sup>26</sup>, which is our emissions reduction plan focused on achieving our second carbon budget (2021-2025). The plan also starts to build the foundations for Carbon Budget 3 (2026-2030) and beyond. Our pathway for net zero requires an approach in which government action is just one component of our response alongside concerted action across the public sector, across our economy and throughout our communities.

The overriding aim of our engagement work is to have an early and joined-up discussion of the action being taken across Wales, the UK and internationally. This will ensure everyone has the opportunity to play their part through a Team Wales approach.

26 [www.gov.wales/net-zero-wales-carbon-budget-2-2021-2025](http://www.gov.wales/net-zero-wales-carbon-budget-2-2021-2025)

We have published an updated Stakeholder Engagement plan<sup>27</sup> for Net Zero Wales and have consulted on our Draft Strategy for Engaging the General Public. As we transition to net zero we must ensure it is planned effectively and equitably. Achieving a just transition to net zero is essential, we must take every Welsh citizen with us and leave no-one behind as we move to a greener, fairer, better future.

To support we published a Call for evidence on a just transition<sup>28</sup> in December 2022. The Call has now closed, and we are analysing the responses which will help to inform our future approach. Wider actions on climate change are outlined below.

## Energy

The Welsh Government is in the process of establishing a new renewable energy development company aiming to go live by April 2024. Our approach to public sector led development will ensure we retain benefit and value within communities across Wales. Alongside establishing the new company, we are already undertaking feasibility work on a range of potential sites across Wales.

Funding has been allocated to set up the new company including recruiting the necessary expertise to lead developments in Wales and to fund the required early-stage development costs for identified sites. This work will inform our scale of our ambition.

To support our ambition to moving to a sustainable net zero energy system in Wales, it is essential that we have the detailed local area energy plans that will implement the already developed regional energy strategies. We have appointed the Energy System Catapult to support this work providing technical support to local areas and ensuring the plans are developed consistently to support the development of a National Energy plan during 2024.

A key challenge identified in Net Zero Wales is the need to decarbonise heating across domestic and industrial buildings. This year we have commenced the development of a heat strategy that will set out our ambition and pathway for transitioning away from fossil fuels in a way consistent with net zero.

## Public Sector Decarbonisation

As an important public sector employer with large financial resources, the Welsh Government has an important role to play to contribute towards the 2030 net zero ambition and to lead by example by showing what can be achieved to address the climate emergency. Further information is set out on page 71 about our actions and our Net Zero Strategic Plan setting out how we will play our part in responding to the climate emergency and the challenge of achieving net zero.

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<sup>27</sup> [www.gov.wales/engagement-approach-around-climate-change-2022-26](http://www.gov.wales/engagement-approach-around-climate-change-2022-26)

<sup>28</sup> [www.gov.wales/just-transition-net-zero-wales](http://www.gov.wales/just-transition-net-zero-wales)

As part of our ambition for the public sector to be collectively net zero by 2030, a key policy established in the Net Zero Wales plan, officials have introduced an annual reporting cycle on carbon emissions by the sector. Submission of this data, in line with the Public Sector Reporting Guide, is voluntary. All 60 public sector bodies identified submitted their data, ensuring a 100% return.

The Welsh Public Sector Net Zero: emissions update and recommendations was published in December 2022<sup>29</sup>. Summary of the emissions and key findings:

- The current estimate for total Welsh public sector emissions for 2021-22 is 2875 kt CO<sub>2</sub>e.
- Local Authorities and Health Boards continue to be the biggest contributors to the total.
- The main operational emissions are buildings; energy consumption for heating/cooling, hot water and lighting.
- Second highest operational emissions are from fleet vehicles and transport.
- Supply chain (scope 3) emissions from purchased goods and services are the biggest indirect contributor to emission totals in each organisation.

The reporting cycle is a process of continuous improvement. Through engagement with the public sector, we have improved this year's reporting process, ensuring a more robust set of data.

The latest reporting period 2021-22 saw a reduction in carbon emissions, largely due to a fall in scope 3 emissions, but as this is only the third year of reporting, we are not able to identify any particular trends in the data. At this stage, we are looking to analyse and understand the main areas of emissions. The data is being shared with individual organisations to help them develop their decarbonisation plans and to help shape our support for them.

We are supporting the development and delivery of public sector decarbonisation through the Welsh Government Energy Service and Wales Funding Programme. The contract for the delivery of the new Welsh Government Energy Service has been awarded to a consortium led by the Carbon Trust, Local Partnerships and the Energy Saving Trust.

The new contract will run from April 2023 for the next four years. In 2022-23, the Welsh Government provided £8 million of additional capital support to the public sector for decarbonisation projects meaning that the total funding available through the Wales Funding Programme was around £18.5m. In 2023-24 the Welsh Government will provide £12 million additional capital support to the public sector.

The combination of financial and technical support from the Welsh Government Energy Service has helped the public sector and community enterprises in Wales to secure significant investment to develop energy efficiency, renewable energy and zero emission vehicle projects.

From July 2018 to March 2022, we have supported the public sector and community enterprises in Wales to secure investment of £155 million to develop energy efficiency, renewable energy and zero emission vehicle projects: saving 716,000 tonnes of CO<sub>2</sub> from being emitted – that's the same as taking 300,000 cars off the road for a year and generating £322 million in local income and savings<sup>30</sup>.

29 [www.gov.wales/sites/default/files/publications/2023-02/public-sector-net-zero-data-recommendations-dec-2022.pdf](https://www.gov.wales/sites/default/files/publications/2023-02/public-sector-net-zero-data-recommendations-dec-2022.pdf)

30 Annual Report: Welsh Government Energy Service 2021-2022

## Local Government

The Welsh Government has allocated £1.5m funding over five years for Welsh Local Government Association (WLGA) to deliver a climate support programme to help authorities reduce emissions and meet their net zero commitments. This central coordination supports a strategic approach, avoids duplication of effort and ensures lessons learned are consistently shared so that activities can be to be developed or scaled up to get the most from finite resource.

The programme is delivering a range of support under each of the four themes of the Public Sector Routemap for Wales<sup>31</sup> (Transport, Buildings, Land Use and Procurement) including toolkits, guidance, training to build knowledge and expertise, and events to facilitate sharing of best practice.

A review in 2021 of each authority's action plans identified good practice, gaps, and next steps to identify where further support should be focused. A second review is underway, due to be finished in May 2023, to assess progress and shape the next phase of support. These work programmes directly support organisational change, leadership and building decarbonisation into decision making. They are focussed on delivery of the local authorities ambitious commitments in the Net Zero Wales Plan.

The Welsh Government also supports the work of a Local Government Climate Strategy Panel, initially set up in November 2020 to look at decarbonisation but now broadened out to include adaptation. It provides strategic direction to the WLGA support programme. The panel helps lead, support and give strategic overview to decarbonisation and adaptation work in local government.

The Strategy Panel comprises representative chief executives from local authorities across Wales who represent their region (not just their own organisation), members from Welsh Government, Welsh Local Government Association and trade union side along with technical experts and meets monthly.

Working together, the Panel share expertise, evidence, and solutions to ensure investment, strategy and policy are as effective as possible. For political oversight the Panel reports to Ministers and public sector leaders through the Partnership Council for Wales and shares the approach and learnings with the wider public sector.

## Health

NHS Wales continues to be one of the largest emitters in the Public Sector due to the size of the estate, the energy necessary to provide a 24/7 service all year around, and the continuing high level of demand for health services and goods. To drive delivery of the NHS Wales Decarbonisation Strategic Delivery Plan<sup>32</sup> (the Delivery Plan), and ensure NHS Wales contributes to the Public Sector 2030 net zero ambition, NHS Organisations have submitted Decarbonisation Action Plans (DAPs), mapping out their commitment to the 46 initiatives within the Strategic Delivery Plan.

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31 [www.gov.wales/sites/default/files/publications/2021-07/a-route-map-for-decarbonisation-across-the-welsh-public-sector.pdf](http://www.gov.wales/sites/default/files/publications/2021-07/a-route-map-for-decarbonisation-across-the-welsh-public-sector.pdf)

32 [www.gov.wales/sites/default/files/publications/2021-03/nhs-wales-decarbonisation-strategic-delivery-plan.pdf](http://www.gov.wales/sites/default/files/publications/2021-03/nhs-wales-decarbonisation-strategic-delivery-plan.pdf)

The Health and Social Care Climate Emergency National Programme and National Programme Board, (a collaboration of Welsh Government, clinicians, NHS and Social Care leaders and representatives, established to lead and support the climate change and decarbonisation agenda), monitors delivery and provides assurance of the DAPs progress through regular qualitative reviews and annual quantitative reporting through the Net Zero Public Sector Reporting process.

Expanding the agenda further across health and social care, the *Greener Primary Care Framework*<sup>33</sup> was launched in June 2022 and the *Social Care in Wales – Decarbonisation Routemap towards Net Zero by 2030*<sup>34</sup>, was published in July 2022, supporting the sector in driving forward greener social care in Wales and to reduce carbon emissions through a range of targeted areas. Activity is now underway to better understand social care and primary care emissions.

NHS bodies across Wales have also been asked to consider how they should adapt to prepare for the impacts of climate change in terms of the risk it brings to the health of populations, and the risk it brings to the delivery of services. The approach to adaptation planning is less mature than decarbonisation, and to move forward at pace, external expertise may be needed to build awareness and develop the guidance and toolkits needed to support improved plans.

In 2022-23, £800k revenue funding was set aside to support a range of small-medium sized grassroots initiatives across the NHS, that help to reduce emissions or help the sector adapt to the impacts of climate change, with a future potential to be upscaled and spread across the NHS. This funding is part of a £2.6m revenue funding scheme over three years (2022-23-24-25) to support the National Programme.

To support NHS Wales Shared Services Partnership in their all-Wales delivery role on key Delivery Plan initiatives and against net zero targets, recurrent revenue funding of £440k has been set aside to bring in additional resource; this team is now established.

Capital funding for 2022-23 comprised of £4.5m towards Welsh Government's Energy Service projects to reduce carbon emissions and create savings across the health sector. As part of the 2022-23 end of year capital funding, £2.466m was prioritised to target energy savings schemes and reduce carbon emissions across five NHS organisations.

## Nature Emergency

Welsh Government has recognised that biodiversity loss and ecosystem collapse is unsustainable and that the natural environment underpins our wellbeing and economic prosperity. To ensure future generations are able to enjoy our beautiful natural heritage we need to accelerate the actions we are already taking to halt the decline in biodiversity and we have Programme for Government commitments to create and enhance green spaces, develop legally binding targets for biodiversity and establish a restoration scheme for seagrass and saltmarsh.

33 [www.awttc.nhs.wales/news-meetings-and-events/news1/the-greener-primary-care-wales-framework-award-scheme-2023/](http://www.awttc.nhs.wales/news-meetings-and-events/news1/the-greener-primary-care-wales-framework-award-scheme-2023/)

34 [www.gov.wales/sites/default/files/publications/2022-07/social-care-in-wales-decarbonisation-routemap-towards-net-zero-by-2030.pdf](http://www.gov.wales/sites/default/files/publications/2022-07/social-care-in-wales-decarbonisation-routemap-towards-net-zero-by-2030.pdf)

Our 'Deep Dive' on biodiversity identified implementing actions to achieve 30x30 target and associated recommendations. An action plan is being co-produced and overseen by a core group of experts. Working Groups have been established to take forward further development of our approach and to develop a monitoring framework. We are also reviewing our Nature Recovery Action Plan to provide Wales response to the Global Biodiversity Framework including an evaluation of the previous programme and development of a set of indicators. Our delivery programmes include:

- The development of biodiversity targets as an important area of work in 2023-24 driven by the Programme for Government commitment, and implementation of the post 2020 international framework and targets for biodiversity. Developing these legally binding targets for biodiversity including a white paper which will be published later this calendar year and consulted on.
- The Nature Networks Programme which is a three year programme designed to improve the condition and connectivity of our terrestrial and marine protected sites, creating resilient ecological networks which will allow our most endangered habitats and species to thrive helping to tackle the nature emergency.
- Natur am Byth is a Wales wide project led by NRW in partnership with a range of eNGO's with the aim of targeting and reversing the decline of some of our most endangered species and also connecting people with nature. The project will run for the next four years with the majority of the funding being secured from the Heritage Lottery Fund. There are nine focus areas integrating terrestrial and marine management issues, supporting vulnerable marine species as well as those on land and freshwater.
- Welsh Government will be enhancing the MPA network in Wales, with the introduction of Marine Conservation Zones (MCZs). Following a consultation, in 2024 a grant scheme, which ensures these sites are well-managed and move towards maintaining a 'favourable condition' will be introduced. The Framework is undergoing a review and will likely be underpinned by the latest condition assessment, giving a more accurate direction on management to improve biodiversity and productivity of these sites. A renewed Framework is expected in 2024-25. An updated and comprehensive condition assessment for the Marine Protected Area (MPA) network is due to be published in 2025.
- The development of a habitat restoration scheme for seagrass and saltmarsh is a key Programme for Government commitment. These habitats play a crucial role in not only building resilience against climate change, but enhancing biodiversity, creating increased feeding opportunities and nursery grounds for some species.

## Case Study

### Caernarfon Kings Gate

The castle and towns walls at Caernarfon are of global importance and have been recognised as such with world heritage status. One of the key features of the castle is the formidable King's Gate with its advanced military defences. However, for centuries it has been an inaccessible shell – poorly understood and poorly presented to the public. The objective of the King's Gate project was to transform the visitor experience at this unique structure.

The £5m project comprised a number of elements: new floors, the provision of a catering facility, a new viewing platform at the upper level, an educational space and improved accessibility. However, perhaps the most dramatic element was innovative and ground-breaking new interpretation with artistic pieces on the theme 'the hands that built the castle'.

The work was undertaken by a multi-disciplinary team of Cadw staff and contractors including architects, conservators, archaeologists, builders and artists. A key underlying principle was that the project met the strict expectations befitting a World Heritage Site, minimising impact on the historic fabric and being completely 'reversible'. The project has also improved our archaeological understanding of the gatehouse and has contributed to its conservation.

It was opened to the public in April 2023 and has received extensive acclaim from visitors and the Wales and UK media. It has been particularly praised for the providing unique access to this major historic tourist attraction and for the way in which it has told an often contested story in a balanced and sensitive way.



# Covid Recovery



The COVID-19 pandemic was the largest scale challenge that the Welsh Government has faced. Actions to reduce the immediate health risks introduced restrictions across all aspects of society and the economy. The discovery and delivery of COVID-19 vaccines brought the pandemic under control and allowed restrictions to be lifted.

Given the scale of the pandemic, the recovery will take years of concerted action. Backlogs in NHS treatments, supporting the social care sector post-pandemic and dealing with the disruption to learning in education all need addressing across the public sector. Businesses and the third sector also need our support to respond to the impact of COVID-19.

Actions from across the Welsh Government to support the ongoing recovery from the pandemic are set out below.

## NHS Recovery

The National Strategy for Planned Care Recovery and Transformation<sup>35</sup> was launched in April 2022 in response to the unprecedented increase in waiting times and waiting list growth due to the COVID-19 pandemic.

The Welsh Government has identified funding of £1 billion over 5 years to support the delivery of a recovery plan which sets out a number of ambitions to improve patient waiting times. While the pace of delivery against our national recovery targets has not been achieved, significant progress has been shown a year since the plan was launched.

During the year, further work has commenced on improving access and waiting times in diagnostics and cancer treatments as part of the National NHS Recovery plan. Patient access to diagnosis and treatment for cancer are the next set of ambitions for recovery programme.

In terms of urgent and emergency care services, post pandemic recovery has been led by the Six Goals for Urgent & Emergency Care programme, which has invested £25 million across the 7 Health Boards and Welsh Ambulance Services to improve access and waiting times in emergency services.

The Welsh Government has also committed an additional £50m in 2022-23 rising to £75m in 2023-24 and £90m in 2024-25 to support mental health, well-being and to improve services. This is set in the context of wider, cross-government work to reduce the socio-economic impact of the pandemic on mental health, with the aim of reducing pressures on mental health services.

## Social Care Recovery

In relation to social care, we led co-productive activity with a range of social care stakeholder representatives, over a series of engagements, to develop a social care recovery framework. This set out a set of co-developed priorities for recovery, for application in relevant delivery partners' planning.

It set out the major structural considerations (scope, timeframe and review points, definition of recovery, recovery roles), issues (context and rebalancing care and support; opportunities, challenges and risks) and themes (intended outcomes, overarching considerations, principles and priorities) that would need to be considered in planning effectively for recovery.

In tandem we developed and distributed a Social Care Recovery Fund. The one-year fund, initially of £40m, was to be applied by the 22 local authorities in Wales to the needs identified in the resultant recovery planning.

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35 [www.gov.wales/transforming-and-modernising-planned-care-and-reducing-nhs-waiting-lists](https://www.gov.wales/transforming-and-modernising-planned-care-and-reducing-nhs-waiting-lists)

## Education Recovery

Our Renew and Reform Programme<sup>36</sup> was established in June 2021 to address the effects of the disruption caused by the COVID-19 pandemic on learning and development and to ensure equity for all learners, whilst taking the opportunity to improve outcomes.

It was initially supported by £150m in June 2021, rising to over £278 million by the end of the financial year 2021-22 following further rounds of funding allocations, to address the unique challenges faced by different groups of learners and to support their well-being and progression in response to the pandemic.

The Renew and Reform Programme enabled us to target funding at the key challenges including building capacity in the system, supporting newly qualified teachers into placements, ensuring our youngest learners had access to quality, play-based learning opportunities, and supporting learners in post-16 and transition years to move on to their next steps.

We also supported learners in Welsh-medium education, including funding to expand the late immersion programme, by supporting learners at Welsh-medium schools who lost the opportunity to use their Welsh every day during the pandemic.

From 2022-23 there was no separate COVID-19 fund and so the Renew and Reform structures were dissolved. Instead, education initiatives were embedded within our existing programmes of work and aligned to the Renew and Reform priorities.

In November 2022, we published new Learning Continuity Guidance<sup>37</sup>. The purpose of the guidance is to ensure that the impacts of any future disruptions to children and young people's learning are minimised and ensure that disruption to learning on the scale of the COVID-19 pandemic is never seen in our schools in Wales again.

## Post-16 Recovery

Post-16 and transition learners were identified as one of the groups most impacted by COVID-19 and identified as a priority for focused interventions. We have worked closely with providers of post-16 education drawing on their skills, experience and expertise, and consulting with learners to ensure interventions are tailored to meet their needs.

In the 2021-22 academic year, £31m of additional funding was issued to Further Education Institutions (FEIs) and school sixth forms to provide additional group based and 1:1 learning hours to support learner progression and wellbeing following the disruption caused by the pandemic. A further £21m was awarded for learner recovery and progression in 2022-23.

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36 [www.gov.wales/renew-and-reform-supporting-learners-wellbeing-and-progression.html](https://www.gov.wales/renew-and-reform-supporting-learners-wellbeing-and-progression.html)

37 [www.gov.wales/learning-continuity-guidance.html](https://www.gov.wales/learning-continuity-guidance.html)

During the 2022-23 academic year a number of projects continue to support post-16 learners that have been impacted by the pandemic. In addition to the annual £2m allocation to further education institutions for learner and staff wellbeing, a further £4m was allocated in 2022-23 and £2m in 2023-24 to help colleges address the impacts of COVID-19 on mental health and wellbeing.

In December 2022, the Minister for Education & Welsh Language launched a “call to action” to the further education sector, asking all institutions to put in place strategic plans for digital learning. Supported by at least £8m capital funding over three years, this will help ensure that the sector builds on the experiences of the pandemic to embed sustainable approaches to digital learning, as well as developing innovative approaches to using technology.

## Business Recovery

### Business Wales

The Welsh Government is investing £20.9m per annum in the Business Wales service from April 2023 until March 2025 and is committed to continuing to deliver a proactive entrepreneurship and SME business support.

The approach will incorporate an overarching national footprint with regionalised elements; balance support for growth and scale-up while spreading prosperity across all parts of Wales; and facilitate a deeper cross-government and whole eco system working. The service will evolve and enhance the current service and embed its impact further within the Welsh economy.

A Responsible Business Zone is available on the Business Wales<sup>38</sup> website which provides information and advice, promotes best practice and case studies, as well as other useful resources such as the responsible business tool.

In February 2023 the Development Bank of Wales (DBW) launched a new Green Business Loan Scheme – an ‘invest to save’ offer designed to support capital expenditure into energy efficiency enhancements and decarbonisation projects. DBW offer lower interest loans compared to its standard product range, alongside the offer of subsidised consultancy, in order for businesses to determine which investments are best to undertake.

### Innovation

Our cross-government Innovation Strategy, Wales Innovates<sup>39</sup> sets out our vision for the contribution innovation can make to our Programme for Government commitments including our net zero targets, a prosperous economy and healthier citizens.

It recognises the contribution of the wider ecosystem including the academic, third and public sectors, and the importance of collaboration, regional and demographic equality. The strategy will be implemented across Welsh Government, and by the Commission for Tertiary Education and Research (CTER).

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38 [www.businesswales.gov.wales/](http://www.businesswales.gov.wales/)

39 [www.gov.wales/innovation-strategy-wales](http://www.gov.wales/innovation-strategy-wales)

## SMART Flexible Innovation Fund (FIS)

Following the launch of the Innovation Strategy “Wales Innovates” innovation support will no longer be restricted to businesses and research organisations. It will be open to any established organisation wishing to engage and invest in research, development and innovation (RD&I), including third sector, local authorities and health boards.

Through SMART FIS, the Welsh Government will help to create jobs and improve people’s lives by driving cutting-edge research and innovation. SMART FIS is a unique Welsh Government scheme with the single aim of helping Welsh organisations achieve “Innovation Excellence” by supporting their Innovation Plans with the Welsh Government team of specialists, access to expertise, consultants and funding. A launch event took place on 8 June 2023.

## Freeports in Wales

Freeports are special areas within the UK’s borders where different economic regulations apply. By delivering investment on specific sites benefiting from tax and customs incentives, Freeports intend to create thousands of high-quality jobs – offering an opportunity to harness Wales’s abundant economic potential.

A Welsh Freeport must operate within the Well-being of Future Generations (Wales) Act 2015 and the Welsh and UK Government’s net zero commitments. The Programme includes our policies on fair work and social partnership to ensure workers are fairly rewarded, heard and represented, so that they can progress in a secure, healthy, and inclusive working environment and have their rights respected.

In March 2023, the Welsh and UK Government’s jointly announced that two bids would move to the next stage, these are the Porthladd Rhydd Ynys Mon/Anglesey Freeport and the Porthladd Rhydd Celtaidd/Celtic Freeport. This Programme has marked a step change and a positive template for joint working – based on mutual respect and as a partnership of equals. Both governments co-designed the bidding prospectus, the process for selection; officials from both governments jointly assessed the bids (this spanned a wide cross-section of policy officials providing expertise and input) and both governments had an equal say in the final decision on the sites which moved forward in the process.

## Manufacturing Action Plan

The Manufacturing sector is critical to the social and economic prosperity of Wales with around 150,000 people and contributing more than 16% of our national output, notably higher than the UK average of roughly 9%. The Manufacturing Action Plan (MAP): A Manufacturing Future for Wales – A Framework for Action was launched in February 2021, representing a prominent part of our Economic Resilience and Reconstruction Mission in futureproofing this vital sector.

It has provided a framework which has fostered collaboration and helped coordinate Welsh Government support activity with a focus on manufacturing. It has framed our work to decarbonise industry including establishing Net Zero Industry Wales, underpinned by our Net Zero Skills Action Plan<sup>40</sup>.

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40 [www.gov.wales/stronger-fairer-greener-wales-net-zero-skills](http://www.gov.wales/stronger-fairer-greener-wales-net-zero-skills)

## Retail Action Plan

The “Shared Strategic Vision” for the Retail Sector (Vision), published in 2022, was developed in social partnership by the Retail Forum which consists of Welsh Government, employers, trade unions and representative bodies. The Vision was developed in recognition of the vital role the sector played through the pandemic, but noted the significant negative impacts the sector has been left with as a legacy of this time.

The Retail Forum has continued working together to co-produce the first Retail Action Plan<sup>41</sup> (Plan) for the sector. The Plan recognised the importance the sector plays, not only as the largest private sector employer in Wales, but also in its vital contribution to our town centres and particularly in rural communities providing vital services.

## Community Recovery

The Community Cohesion Programme funds eight teams of cohesion officers across Wales to provide front-line support to communities; this is an important part of the Welsh Government’s response to emerging and unforeseen issues impacting communities in Wales, as was the case during the COVID-19 pandemic.

In 2021, the Welsh Government commissioned an independent review of the Programme which praised the cohesion teams for their adaptability in assisting marginalised communities during the pandemic. This included a wide range of interventions such as monitoring and mitigating community tensions, ensuring communities were receiving accessible and multi-lingual communications around the pandemic, helping with the distribution of food parcels, and the continuation of community events via online delivery.

For 2022-2023, the Welsh Government provided £1,120,000 for the Cohesion Programme. A major focus for the cohesion teams during this period was the provision of pan Wales support to local authorities in their response to the sudden migration of people from Ukraine, in particular assisting with their integration via social events, supporting the delivery of activities such as ESOL classes, and circulating information, for example pre-warning Ukrainians ahead of Bonfire Night about the noise to prevent fear or alarm.

In January 2023, the Minister for Social Justice and Chief Whip agreed that the Programme should continue to be funded until 2025-2026, to ensure that this valuable work can continue in Wales. A focus will remain on fostering good relations between communities, with a renewed focus on developing in-person events and projects to bring people from across different communities together.

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41 [www.gov.wales/retail-action-plan](http://www.gov.wales/retail-action-plan)

## Case Study

### Presgripsiwn Newydd – A New Prescription

‘Presgripsiwn Newydd – A New Prescription’ introduced wide ranging reforms to community pharmacy contractual arrangements in April 2022. A new Clinical Community Pharmacy Service (CCPS) was made available and can now be accessed in more than 99% of pharmacies. It provides access to treatment and advice for common ailments, contraception, seasonal influenza vaccination, and supplies of repeat prescriptions.

The reforms meant Wales became the first UK country to introduce a nationally directed community pharmacist prescribing service; pharmacists who are trained to prescribe can now treat a range of ailments which would otherwise be treated by GPs or in other NHS services. For this service, provided by one in six pharmacies in Wales, 99% of patients reported they would have otherwise visited their GP.

Between 1 April 2022 – 31 March 2023, pharmacies delivered almost 600,000 CCPS consultations, an increase of 28% on the year before the reforms and 154% on pre-pandemic activity levels.

Pharmacies administered more than 160,000 flu vaccinations, provided 31,000 consultations for emergency, bridging or QuickStart contraception, made 80,000 emergency supplies of prescribed medicines, and provided advice and treatment for through more 250,000 common ailment service consultations including 26,000 consultations for sore throats, where point of care testing was used to determine whether antibiotics were required; Wales is the only place in the UK in which sore throat point of care testing is routinely used to reduce unnecessary antibiotic use.

## Transport Recovery

In transport, the majority of COVID-19 recovery activity reflects how the Welsh Government continues to support different sectors to manage the impact on patronage. For rail, bus and aviation, passenger numbers and trends have changed as a result of the impact of the pandemic.

In some cases this brings opportunities (such as spreading peak loads over longer periods), but in others it creates new challenges of affordability. The Welsh Government has had to carefully consider the appropriate quantum and structure of support to different transport sectors to account for these changes.

## Local Government Recovery

Specific support for local authorities specific pandemic related costs and loss of income ceased at the end of 2021-2022. However Local Government was a key partner in the Welsh Government's wider response to the COVID-19 pandemic.

Funding continued through local authorities for specific support for out of term-time provision of free school meals, self-isolation payments and sick-pay enhancement for eligible individuals and the then winter fuel payments scheme, for the first 6 months of the financial year. In total these schemes provided a further £68.6m to those most vulnerable to the effects of the pandemic and the increasing cost of heating and were ended as these impacts were assessed to have lessened.

As with other public services, local authorities service and financial context was changed by the experience of the pandemic. While the specific support for the authorities' costs ended, the Welsh Government directed significant financial support to local government through a significantly increased local government revenue settlement with an increase of 9.4% at the Wales level and no authority experiencing an increase lower than 8.4% on a like for like basis.

## Third Sector Recovery

The pandemic highlighted the importance of volunteers and the voluntary sector when it comes to supporting the most vulnerable in society – a role they continue to play both in mitigating the inequalities highlighted by the pandemic and the current cost-of-living crisis.

In August 2020 the then Deputy Minister and Chief Whip, in her role as chair of the Third Sector Partnership Council (TSPC), established the TSPC Recovery Subgroup. This provided a formal structure for engagement between Welsh Government and the voluntary sector in Wales in relation to recovery from COVID-19.

The subsequent report<sup>42</sup> co-produced with the sector, forms the basis for the work of Welsh Government's ongoing actions and activities. It identified three workstreams – Relationships, Support, Volunteering, together with five cross cutting themes: equality and justice for all; a green and just recovery; a more resilient voluntary sector; inclusive collaboration and citizen involvement; and community-led action.

This approach builds on the strength of the relationships forged during the pandemic and our unique Third Sector Scheme to create an environment that recognises the value of volunteers and the voluntary sector.



## UK COVID-19 Public Inquiry

The UK COVID-19 public inquiry was formally established in June 2022. The inquiry has a broad Terms of Reference<sup>43</sup> spanning policy matters across the Welsh Government. The inquiry will examine what happened during the pandemic, and its impact, and seek to identify lessons which can be learnt which will form the basis of recommendations.

The Welsh Government has regularly sought to learn lessons from the pandemic from the outset and continues to do so and sees the inquiry as an important part of that ongoing reflection. The Welsh Government has stated its commitment to work with the inquiry and support the Chair in her work, meeting her requests in an open, timely and transparent way. The Welsh Government has committed resources to this work, during 2022-23 the Welsh Government has supplied thousands of documents, and continues to do so, covering matters from 2009 to 2022.

Further to the documentation, a series of statements has been provided for the first modules the inquiry is examining, these have involved all Groups within the Welsh Government, demonstrating the range and breadth of the inquiry's work. The significance of the inquiry will be even greater in 2023-24 as it gathers momentum, reaching further into the scrutiny and impact of the work of the organisation during the pandemic.

## Organisational impact

As an organisation, the restrictions meant immediate and substantial changes to the way we operated – moving from a largely office-based organisation to remote working as our default almost overnight. Staff adapted quickly to new technology and ways of working to support the COVID-19 response. Through Welsh Government 2025, we are continuing to learn lessons from the pandemic period and build on the progress we made to shape the organisation for the future.

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43 [www.covid19.public-inquiry.uk/documents/terms-of-reference/](http://www.covid19.public-inquiry.uk/documents/terms-of-reference/)

# Responding to the Ukraine Crisis



The Ukraine Humanitarian Response Directorate was established at pace in early 2022 to deliver the Welsh Ministers' commitment that Wales, as a nation of sanctuary, would welcome people who wanted seek sanctuary in Wales as a result of the Russian invasion of their country. From the beginning, we worked collaboratively with key partners including local authorities, Local Resilience Fora, Local Health Boards and the third sector to deliver this commitment.

In delivering this programme, the Welsh Government has taken on a new role to manage every aspect of making contact, arrival, accommodation and wrap around support services through to the integration of people we are supporting directly under the super sponsor scheme.

There were no pre-existing services or systems to build on or scale up. Instead, the whole system has been created and operationalised in parallel. To date we have welcomed over 3,200 people under the super sponsor route. This is in addition to around 3,600 people that have arrived under the individual sponsorship Homes for Ukraine scheme. This is significantly higher than the numbers originally envisaged.

Initially, due to the pace of the emergency response, the team focused on establishing a support infrastructure to provide accommodation and support for those arriving from Ukraine. Two joint Senior Responsible Owners from Communities and Tackling Poverty and Housing and Regeneration were asked to lead the response, and a core team created, consisting mainly of staff volunteering to support in the first instance, to develop the initial response.

Over time, the programme has moved into a more a steady state, with a substantive team in place with appointments for 12-18 months in the first instance. The team includes a dedicated Director (and SRO) and four Deputy Directors and their teams which cover: Strategic Planning, Engagement and Finance; Initial Welcome and Accommodation; Transitional Accommodation; and Integration and Support.

There has been significant experiential learning throughout the programme with customised training to support staff with vicarious trauma, and with issues around UK GDPR as the team shares significant amounts of personal data both within the Welsh Government and between stakeholders.

In 2022-23 we established a local authority-based Contact Centre with a workforce transitioned from contact tracers to operate a twenty-four, seven day a week service. The role of the Contact Centre was to help coordinate the movement of people from Ukraine to Wales and to track them to safe arrival in their allocated initial accommodation.

Over time, with the slow down of arrivals, the focus of the work of the Contact Centre, alongside that of the wider team, has shifted to support Ukrainian guests into longer-term accommodation. The Wellbeing of Future Generations goals and ways of working are at heart of the programme, with the programme itself an example of Wales as globally responsible.

Our approach has been to deliver an integrated, Team Wales (cross-Welsh Government, pan Wales, multi-agency) response in collaboration with our key strategic partners. These include local authorities, local health boards and the third sector. Both policy and operations solutions are co-produced and delivered with and through these partners across Wales.

# Cost-of-living



The First Minister made it a priority for the Welsh Government to mitigate the impacts the cost-of-living crisis has had on huge numbers of people across Wales. Since the crisis hit and was prioritised by Ministers, we have developed and delivered targeted interventions, as well as continuing to deliver a range of schemes which help mitigate the impacts.

At the start of the crisis three cost-of-living/poverty summits were arranged to engage with partners responsible for delivering services and interventions across the public and third sectors. We have continued to engage with partners throughout the crisis – listening to their views when developing interventions and throughout implementation.

In total, the Welsh Government has allocated £1.6 billion in 2022-23 to interventions which have supported people through the cost-of-living crisis. These interventions have been delivered across multiple departments and have required a co-ordinated approach to maximise impact.

Increases in budget for the Discretionary Assistance Fund, Free School Meals and the Winter Fuel Support Scheme meant officials had to work with our partners to scale-up delivery. This saw 527,000 benefit from the Discretionary Assistance Fund, Free School Meals extended to an additional 55,000 pupils, and over 190,000 more households benefit from the Winter Fuel Support Scheme.

We have worked to support the development of cross-sector food partnerships as part of our response to huge price rises for food essentials, including provision of additional funding. These are helping build resilience in local food networks through the co-ordination of on the ground, food-related activity which tackles the root-causes of food poverty.

Partners told us that people were sometime unaware of benefits to which they were entitled. The Here to Help campaign has been introduced to help people understand and have help to access all the financial support available to them.

We supported partners with funding for warm hubs/centres in winter 2022-23. More than 700 warm hubs – places where people can go in their local community to stay warm during the day – have been set up across Wales. These hubs have also offered the opportunity to inform people of support available to them, deliver support directly at a local level and we have received regular positive feedback from stakeholders.

Although it is impossible to completely shield everyone from the impacts of rising prices, we have maximised our efforts to support people through existing, scaled-up and new interventions. We will continue to do all we can to deliver through joint and collaborative working, both inside government and beyond.

## Case Study

### Free School Meals

In November 2021, the government committed to extend free school meals to all primary learners. This transformational intervention aims to help tackle child poverty and hunger, reduce health inequalities, strengthen our Foundational Economy by putting more Welsh food on the school plate, and make a lasting difference to the lives of the people of Wales.

Adopting a ‘Team-Wales’ approach across 22 local authorities and 1,278 maintained schools, plans were established to work towards an additional 180,000 children benefitting from a nutritious free school meal offer by 2024. Through partnership working across government and in collaboration the wider public and commercial sector, proposals were developed to begin rolling out the offer at pace. This started with our youngest learners first, whose families were more likely to be living in relative income poverty as the cost of living continued to rise.

Within the first two academic terms of delivery more than five million additional meals were served to more than 80,000 newly eligible children. Reception, Year 1 and Year 2 learners received their offer of a universal primary free school meal by April 2023 – less than eight months after the offer began rolling out – and this offer will expand to the majority of learners in Years 3 and 4 by September 2023, followed by Years 5 and 6 in April 2024.

This collaborative effort has shown how a shared vision, with partners unified across organisational boundaries around common aims, can yield impressive results in a relatively short space of time.

# Digital Agenda



In the year 2022-23, we continued to make progress in developing the digital agenda across the six Mission areas of the Digital Strategy for Wales.

The digital leadership ecosystem strengthened with the appointment of a new Chief Digital Officer for Health and Care in January 2023. The Chief Executive of the Centre for Digital Public Services and Chief Digital Officers for Welsh Government, Local Government and Health and Care work closely together to set priorities and lead the public sector in adopting the digital principles of collaboration, openness, and user-centred design.

This year, these principles were put into action when responding on a cross public sector basis to the challenges of the Ukraine and cost-of-living crises. Because we had laid the foundations of a partnership approach to digital and data during the COVID-19 pandemic, we were able to build on this rapidly to achieve Welsh Government commitments and put people at the heart of all that we do.

To support the Wales: Nation of Sanctuary programme, we rapidly developed digital services to collate offers of support and accommodation from businesses and the people of Wales for those fleeing conflict. We also worked in partnership with businesses and public sector organisations across Wales to develop services for key agencies supporting Ukrainian people in Wales.



These services have been invaluable in ensuring that data is shared securely and ethically between the Welsh Government, Welcome Centres, the Contact Centre, Local Authorities and Health Boards. Ultimately, this ensured that Ukrainian people could access key wrap-around support services and find safe accommodation here.

In addition, the Chief Digital Officers worked in partnership to support public services in their response to the cost-of-living crisis. A Data Sharing Public Services Forum in December 2022 encouraged the sharing of data across public services. The event aimed at raising the profile of data sharing and outlined how it could help with the cost-of-living crisis.

It also dispelled some myths around the misconception that data could not be shared. Complementing this, the Centre for Digital Public Services led a Wales-wide approach to developing consistent and accessible website content to meet user needs, improve service delivery and demonstrate the value of better bilingual content.

More widely, the Centre worked alongside a variety of public service organisations to support user-centred design as part of major transformational programmes such as Digital Health and Care Wales's new all-Wales digital system for maternity services. The Centre also undertook a discovery exercise to explore how digital and technology in the public sector could contribute to achieving our net zero carbon emissions targets in Wales.

On skills, the Centre led a piece of work across public services exploring how to attract, recruit and retain people with digital skills in the public sector in Wales. It shared ideas and solutions to tackle the challenge of digital skills shortages via webinars, blogs and recruitment tools and templates.

The Newid programme, delivered by the WCVA, Cwmpas and ProMo-Cymru, and funded by the Welsh Government, coordinated with the work of the Centre by identifying digital skills needs for the third sector in Wales. Newid hopes to support the digital transformation of public services by growing a culture of digital within the third sector in Wales.

Our geospatial platform, DataMapWales was shortlisted for a Civil Service Data and Technology award, progressed to a live service and has grown organically with increasing amounts of data sets added for re-use in an open and accessible way. Natural Resources Wales, for example, moved its data to DataMapWales this year and ecological, forestry and water resources data is available under an Open Government Licence.

Information on digital inclusion activities across Wales has been added to DataMapWales to enable mapping and signposting of services which help people get online. DataMapWales is being used across the public sector to support key policies such as providing interactive maps for all local authorities for default 20mph speed limits and active travel.

In this year, the Welsh Government commissioned research into what was needed to be digitally included in Wales. The Minimum Digital Living Standard (MDLS) report, published in early 2023, set out a basket of measures needed for families to be digital included. This includes the type of device, broadband speed and/or mobile data and the basic digital skills which people think of as necessary to be able to engage confidently with digital technology.

A second phase of research began looking at the impact of a potential Minimum Digital Living Standard on different demographic groups.

In education, the Hwb Programme continued to play a crucial role in providing learners and practitioners with access to digital content and services. Schools continued to embrace the curriculum for Wales and the outcome of joint digital maturity exercises with Estyn demonstrated a measurable increase in the technical foundations and capabilities within schools and local authorities.

A new A level in Digital Technology was launched in September 2022, following the introduction of a new GCSE in Digital Technology in the previous year. These new qualifications enable learners to develop their understanding and practical skills in digital technologies, supporting their progression into higher education or employment.

Digital skills are becoming the heart of every sector, with more demand from all industry types to adopt digital innovation. The Welsh Government continues to offer digital skills training through employability and skills programmes, including the Flexible Skills Programme (FSP). We also expanded the Personal Learning Account programme to include targeted funding towards skills within the digital sector which covers funding for a variety of digital courses for people.

Activity to develop a thriving ecosystem of commercial and academic expertise and drive digital innovation in emerging technologies across Wales has continued. The Cyber Innovation Hub, announced this year, is led by Cardiff University, and supported by the Welsh Government and industry partners. It will create a pipeline of cyber security products and skilled talent. We also launched Cyd, our Procurement Centre of Excellence, which is helping procurement professionals and businesses work better together, raise skills and disseminate good practice.

The Welsh Government recognises that fast and reliable infrastructure is the foundation on which we build digital connectivity to support everything we do digitally. In 2022-23, we continued to deliver our full fibre broadband roll-out with Openreach. Lot 1 of the roll-out was completed at the end of March 2023 and we anticipate that around 42,000 homes and businesses will have been given access to fast and reliable broadband at the completion of Lots 2 and 3 in June 2023.

The Welsh Government also established a Barrier Busting Taskforce to explore potential barriers to the deployment of digital infrastructure in Wales. The taskforce worked collaboratively across the public sector, the telecommunications industry and the telecommunications regulator, identifying 22 actions to resolve or reduce barriers and so improve the delivery of digital infrastructure, including mobile phone connectivity and fixed broadband to homes and businesses, at pace.



# Managing our Legislative Programme



Managing work on the Welsh Government's legislative activities is a major focus for the organisation. There has also been a significant focus on responding to the UK Government's legislative programme.

## Primary Legislation

The First Minister made a Statement to the Senedd in July 2022<sup>44</sup> setting out the Government's legislative priorities for the coming year. During the period covered by these accounts, two Bills have received Royal Assent and two Bills have been agreed by the Senedd:

### Tertiary Education and Research (Wales) Bill

The Tertiary Education and Research (Wales) Act 2022 received Royal Assent on 8 September 2022 and provides for the establishment of a new Commission for Tertiary Education and Research. The Commission for Tertiary Education and Research will be the regulatory body responsible for the funding, oversight and regulation of tertiary education and research in Wales.

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44 [www.gov.wales/oral-statement-legislative-programme-8](http://www.gov.wales/oral-statement-legislative-programme-8)

Tertiary education encompasses post-16 education including further and higher education, adult community learning and work-based education, apprenticeships, and local authority-maintained school sixth forms.

### **Welsh Tax Acts etc. (Power to Modify) Bill**

The Welsh Tax Acts etc. (Power to Modify) Bill received Royal Assent on 8 September 2022 and will introduce a power to enable future amendment of certain elements of tax legislation in Wales, when required. The Bill confers a regulation-making power on Welsh Ministers to enable them to modify the Welsh Tax Acts (and subordinate legislation made under them) in specific circumstances. This regulation making power will be subject to either a draft or made affirmative procedure, depending on the urgency of the regulations.

### **Social Partnership and Public Procurement (Wales) Bill**

The Senedd agreed the Social Partnership and Public Procurement (Wales) Bill on 14 March and it became an Act on 24 May following Royal Assent. This Act provides for a framework to enhance the well-being of the people of Wales by improving public services through social partnership working, strengthening the voice of workers in the delivery of key services.

The Act is a culmination of extensive consultation and engagement with social partners and other stakeholders and its implementation will have a far-reaching impact on public services across Wales. The Act creates a Social Partnership Council for Wales to be chaired by the First Minister and comprising representatives of employers and workers from the public, private and third sectors; places new social partnership duties on public bodies including Welsh Ministers; amends the Well-being of Future Generations Act 2015 to make reference to fair work; and will require public bodies in Wales to undertake procurement in a socially responsible manner.

### **Historic Environment (Consolidation) (Wales) Bill**

The Senedd agreed the Historic Environment (Wales) Bill on 28 March 2023. This is the first consolidation Bill brought forward as part of the Welsh Government's first five-year programme to improve the accessibility of Welsh law. This historic piece of legislation provides fully bilingual, orderly and accessible law for the effective protection and management of our historic environment so that it can continue to contribute to the well-being of Wales and its people.

The Government has also introduced a further four Bills into the Senedd:

### **Agriculture (Wales) Bill**

The Agriculture (Wales) Bill makes provision for Sustainable Land Management and provision for support for or in connection with agriculture in Wales. It allows the Welsh Ministers to continue making agricultural support payments to farmers during a transition period and amends the Agricultural Holdings Act 1986 to provide tenants with a route to dispute resolution in certain circumstances.

The Bill will replace the time limited powers taken for Welsh Ministers in the Agriculture Act 2020 which expire in December 2024, and will alter the Forestry Act 1967 to give Natural Resources Wales the power to add conditions to amend, suspend or revoke felling licenses to prevent felling that would contradict other environmental legislation. The Bill also includes the prohibition of Snares and Glue Traps.

### **The Environmental Protection (Single-use Plastic Products) (Wales) Bill**

The Environmental Protection (Single-use Plastic Products) (Wales) Bill will make it an offence for a person to supply or offer to supply (including for free) certain commonly littered and unnecessary single-use plastic products listed in the schedule in the Bill, to a consumer in Wales.

### **Health Service Procurement (Wales) Bill**

The Health Service Procurement (Wales) Bill provides a legislative basis for bringing forward subordinate legislation to enable the introduction of a bespoke procurement regime which will apply to Welsh NHS health services.

### **The Environment (Air Quality and Soundscapes) (Wales) Bill**

The Bill proposes to provide a framework for setting national air quality targets and to amend existing legislation relating to the national air quality strategy; local air quality management; smoke control; clean air zones/low emission zones and vehicle idling. It will also place a duty on Welsh Ministers to promote awareness of air pollution and place a duty on Welsh Ministers to publish a national soundscape strategy.

In addition, during this period the Government has undertaken significant work on the priorities set out in the First Minister's announcement and made significant progress on those other commitments in the Programme for Government that require primary legislation to be delivered in the course of the sixth Senedd.

This includes:

### **Coal Tip Safety – White Paper Consultation**

In May 2022 the Minister for Climate Change published a consultation that sought views on proposals for a new statutory regime for managing disused coal tips. The consultation closed in August 2022.

### **Social care and continuing health care – White Paper Consultation**

The Deputy Minister for Social Services published a consultation in August 2022 that sought views on changes to primary legislation in relation to health and social care. The consultation closed in November 2022.

### **Electoral Administration and Reform – White Paper Consultation**

In October 2022 the Counsel General published a White Paper for consultation on detailed proposals for the modernisation of electoral administration in Wales. The consultation ended in January 2023.

### **Statute Law (Repeals) (Wales) Bill – Draft Bill Consultation**

The Counsel General published a consultation on a Draft Statute Law (Repeals) (Wales) Bill that sought views on a bill that aims to improve the accessibility of Welsh law in October 2022. The consultation ended in January 2023.

### **Taxi and Private Hire Vehicle (Wales) Bill – White Paper Consultation**

The Deputy Minister for Climate Change set out the Welsh Government's proposals for legislation to modernise the taxi and Private Hire Vehicle sector and address the problems of cross bordering in a White Paper that was published in March 2023.

### **Welsh Language Education – White Paper Consultation**

The Minister for Education published a consultation on proposals that will form the basis of a Welsh Language Education Bill in March 2023. The Bill will take steps to enable all pupils in Wales to become confident Welsh speakers through the statutory education system.

## **Subordinate Legislation**

An extensive amount of Welsh subordinate legislation has been prepared and made during this period. The Welsh Government has also brought forward programmes of subordinate legislation to deliver other key priorities, including the implementation of Acts of Senedd Cymru. This includes subordinate legislation to implement the Renting Homes (Wales) Act 2016, Additional Learning Needs and Education Tribunal (Wales) Act 2018 and Tertiary Education and Research (Wales) Act 2022. The programme also includes subordinate legislation necessary to implement UK Government Acts.

## **UK Legislation**

The Welsh Government has continued to respond to a significant number of UK Parliamentary Bills making provision in devolved areas. Between 1 April 2022 and 31 March 2023 the Welsh Government laid legislative consent memoranda and tabled legislative consent motions in relation to 18 Bills.

Throughout this period, those Bills were also collectively subject to 21 supplementary legislative consent memoranda of varying degrees, such as the Social Housing (Regulation) Bill which received four supplementary consent memoranda following the original legislative consent memorandum.

# Managing European Transition



Several areas of work have become part of regular activity following the UK's withdrawal from the EU, which the Welsh Government now manages on a permanent basis. These include matters such as participation in UK-wide Common Frameworks, contributing to the UK internal market arrangements and input to the governance of the UK-EU Trade & Cooperation Agreement.

The Welsh Government is also involved in work in relation to issues arising from the UK-EU Withdrawal Agreement such as the interests of EU/EEA/Swiss nationals living in Wales who wish to remain here and the Northern Ireland Protocol. In addition, the Welsh Government has been obliged to conduct work to address the implications of the UK Government's Retained EU Law (Revocation and Reform) Bill.

Together with the other UK governments, the Welsh Government has been developing the policy around imports and border controls, which resulted in the jointly agreed Border Target Operating Model<sup>45</sup> which the UK Government published on 29 August 2023.

The required legislative changes will follow and implementation of the new controls should take place in stages over 2023-24 and 2024-25. In preparation for that implementation, the Welsh Government has continued working on the design of the Border Control Post at Holyhead, and liaising with UK Government over the requirements, and some site preparation work has been undertaken by our contractor.

45 [www.gov.uk/government/publications/the-border-target-operating-model-draft-for-feedback](https://www.gov.uk/government/publications/the-border-target-operating-model-draft-for-feedback)

# Welsh Government Performance Framework



The Welsh Government Performance Framework is one of the main approaches used for monitoring the performance of the Welsh Government Civil Service. The aim of the Performance Framework is to drive improvements in the organisational effectiveness of the Welsh Civil Service by focusing on operational performance and the responsibilities of the Permanent Secretary in respect to the running of the organisation.

Performance against the Framework is reported biannually to the Welsh Government Board. The third annual cycle of reporting was completed in 2022-23.

## Development of the Performance Framework

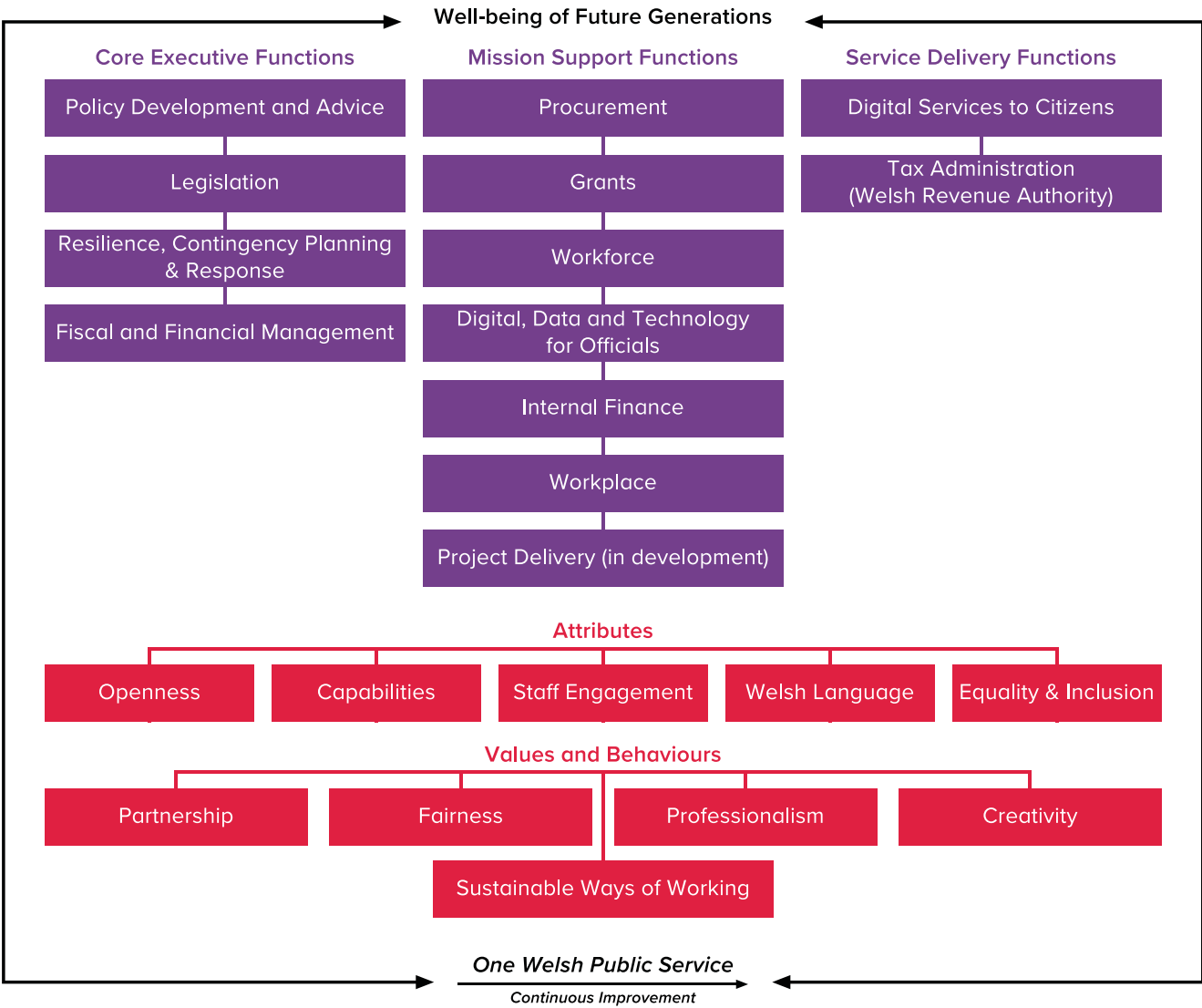
The Framework was developed using the International Civil Service Effectiveness Index (InCiSE) as its basis and has been adapted to align with Welsh Government's strategies, priorities and objectives through consultation with the Board, senior managers and researchers.

The Framework is reviewed regularly to ensure continued alignment with Welsh Government strategies, and was recently updated to reflect the WG2025, the Welsh Government values, and our evolving approach to project delivery. It now consists of 23 themes that are divided into two groups – functions ('what we do') and attributes ('how we do it'). Two themes (Policy Development and Advice and Project Delivery) are still in development, and we expect to be in a position to report on these in our 2023-24 reporting cycle.

The performance framework reports on a very wide range of measures across the breadth of activities undertaken in, and reflecting, the Welsh Government as an organisation. The indicators included are not targets but give a broad insight into the performance across the organisation and allow the board to discuss any trends and changes in performance levels. The framework has continued to develop since it was introduced and as part of its ongoing development we will be looking at the metrics being used and how we can use them to more effectively drive performance improvement. This will include consideration of the use of targets and trend analysis.



# Welsh Government Civil Service Performance Framework





## Use of the Performance Framework

The Framework is managed and reported on by Welsh Government analysts, who provide an independent assessment of performance.



The Performance Framework has two levels of governance:






- Business owners have been established for each of the Framework themes. They have strategic oversight of their areas, where they are responsible for providing performance information for scrutiny and for driving improvements in their area.
- The Board and its Executive Committees play a key role in scrutinising the performance reports produced on the Framework, and put forward areas for improvement, to be actioned by the relevant business owners.




## Reporting on the attribute themes

The first report of the 2022-23 cycle focused specifically on the attribute themes and was discussed by the Executive Committee in May 2023, with further assurance from the Board in July 2023.

The table below provides the overview measures for the attribute themes (those that are most representative) that informed the discussion.

Attribute Theme	Measure	Source	Current Score	Scores for Previous Periods	
<div>Professionalism</div> <div></div>	Percentage of staff who agree that they understand the Civil Service code and what it means for their conduct	People Survey	93%  (October 2022)	95%  (October 2021)	N/A
<div>Fairness</div> <div></div>	Inclusion and Fair Treatment theme score	People Survey	84%  (October 2022)	85%  (October 2021)	86%  (October 2020)

Attribute Theme	Measure	Source	Current Score	Scores for Previous Periods	
Partnership 	Percentage of staff who agree that where they work, they regularly consider collaboration with external stakeholders	Welsh Government pulse survey	77% (September 2021)	75% (March 2020)	N/A
Creativity <sup>i</sup> 	Percentage of staff who agree their team is encouraged to come up with new and better ways of doing things	People Survey	79% (October 2022)	81% (October 2021)	81% (October 2020)
Sustainable Ways of Working 	Sustainable Development Principle index score <sup>ii</sup>	Welsh Government pulse survey	77% <sup>iii</sup> (September 2021)	72% (March 2020)	N/A
Openness 	Percentage of information requests completed by statutory deadline	Welsh Government administrative data	83% (Calendar year 2021)	80% (Calendar year 2020)	89% (Calendar year 2019)
Capabilities 	Percentage of staff who agree that learning and development activities they have completed in the last 12 months have helped to improve their performance	People Survey	47% (October 2022)	47% (October 2021)	46% (October 2020)

Attribute Theme	Measure	Source	Current Score	Scores for Previous Periods	
Equality and Inclusion 	Percentage of staff who identify as being part of an equality group	Welsh Government administrative data	3.0% Black, Asian and Minority Ethnic  6.2% Disabled  4.0% Minority sexual orientation  (Financial year 2021-22)	2.8% Black, Asian and Minority Ethnic  5.9% Disabled  3.6% Minority sexual orientation  (Financial year 2020-21)	2.6% Black, Asian and Minority Ethnic  5.8% Disabled  3.3% Minority sexual orientation  (Financial year 2019-20)
Staff Engagement 	Employee Engagement Index Score	People Survey	65% (October 2022)	68% (October 2021)	69% (October 2020)
Welsh Language 	Number of complaints relating to the Welsh Language Service Delivery Standards	The Welsh Government's Annual Report on compliance with the Welsh Language Standards	32 complaints (Financial year 2021-22)	26 complaints (Financial year 2020-21)	24 complaints (Financial year 2019-20)

- i. This theme was previously called 'Innovation' and has been renamed to correspond with the Welsh Government values.
- ii. The index score is an average of positive responses (agree or strongly agree) across five questions that capture Welsh Government staff's views on how regularly they feel they are able to put the Wellbeing of Future Generations Act's Sustainable Development Principle (five ways of working) into practice.
- iii. The increase in the index score over time is thought to be due to the embedding of the five ways of working in Welsh Government working practices.

The majority of indicators within the attribute themes are based on staff attitudes, gathered via surveys such as the Civil Service People Survey and Welsh Government Pulse Surveys. Over the last two years, the Welsh Government saw many of its People Survey scores decline. This reversed the large increase in these scores seen in October 2020, around the time of the response to the pandemic – a trend that was also seen across the wider UK Civil Service. For both Welsh Government and the Civil Service more broadly, scores are now more in line with pre-pandemic levels.

In contrast, some metrics were negatively impacted by the organisation's response to the pandemic, for example, in relation to the timeliness of responses to information requests. More recent data indicates that performance has improved towards pre-pandemic levels.






ExCo and the Board discussed the overview measures above as well as the wider Framework and highlighted the following areas as important to focus on:





- Learning and development, which continued to receive a low score in comparison to the Civil Service benchmark and had already been highlighted as a key action area from the People Survey. Here, plans are underway to develop further our approach to learning and development, making use of innovative techniques and increasing leadership capability.
- Underrepresentation of equality groups in the workforce. Here, they noted the progress that had been made to date and that the 2023 Equality, Diversity and Inclusion delivery plan includes a range of actions aimed at increasing diversity, removing barriers and supporting staff from all backgrounds to reach their potential.
- Timely responses to information requests and the need to continue to make progress in this area. They highlighted the changes that have been made to the management of information requests across the organisation, and that progress is being monitored at a corporate level.
- An ambition to build on our existing good performance in relation to creativity.
- The importance of effectively monitoring the embedding of our new Welsh Government values and our WG2025 strategy was also emphasised.


## Reporting on the function themes

The Executive Committee received the second report on function themes in June 2023, and it was further scrutinised by the Board in July 2023.

The table shows the overview measures that were discussed.

Function Theme	Measure	Source	Score	Score for Previous Period	
Fiscal & Financial Management 	Fiscal Resource and General Capital percentage variance between budget and outturn	Welsh Government Report on Outturn	These figures will be published in the Welsh Government Report on Outturn 2022-23 – see page 189 for more details.	Fiscal Resource 1.14% underspend General Capital 0.17% overspend (April 2021 – March 2022)	Fiscal Resource 1.07% underspend General Capital 5.27% overspend (April 2020 – March 2021)
Resilience, Contingency Planning and Response 	Emergency Co-ordination Centre Wales [ECC(W)] and First Response total days in operation	Welsh Government  Administrative data	ECC(W) – 0 days  First Response – 231 days  (April 2022 – March 2023)	N/A	N/A
Legislation 	Bills announced and introduced in the legislative year	Legislation administrative data	5 Bills announced and 4 introduced within legislative year.  (July 2022 – July 2023)	5 Bills announced and 4 introduced within legislative year. (July 2021 – July 2022)	7 Bills announced and 5 introduced within legislative year. (July 2019 – July 2020)
Procurement 	Proportion of influenceable spend won directly by Wales-based businesses, including SMEs	Welsh Government administrative data	51%  (Financial year 2022-23)	51%  (Financial year 2021-22)	44%  (Financial year 2020-21)
Grants 	Number of queries dealt with by the Grants Centre of Excellence	Welsh Government administrative data	2300 queries  (Financial year 2022-23)	2267 queries  (Financial year 2021-22)	2650 queries  (Financial year 2020-21)

Function Theme	Measure	Source	Score	Score for Previous Period	
Digital Data and Technology for Officials 	Percentage of staff who agree that the technology provided by the organisation enables them to easily connect and collaborate with colleagues	People Survey	91% (October 2022)	94% (October 2021)	94% (October 2020)
Workforce 	Staff perceptions that the one-to-one conversations they have with their managers are helping them to achieve their full potential	People Survey	68% (October 2022)	68% (October 2021)	65% (March 2021)
Internal Finance 	Percentage of payments made within 10 days of invoice receipt	Welsh Government administrative data	93%  (Financial year 2022-23)	95%  (Financial year 2021-22)	96%  (Financial year 2020-21)
Workplace Management and Facilities 	Welsh Government administrative estate total carbon emissions	State of the Estate Report	3000 tonnes (Financial year 2021-22)	3713 tonnes (Financial year 2020-21)	4236 tonnes (Financial year 2019-20)

Function Theme	Measure	Source	Score	Score for Previous Period	
Digital Services for Citizens 	Number of interactive digital services available to the citizen	Welsh Government administrative data	56 services (May 2023)	49 services (March 2022)	41 services (March 2021)

\* A new response model which includes First Response was introduced in early 2022

The majority of indicators have seen consistent performance compared to the previous year. Some indicators saw improvements over time, notably, an ongoing reduction in carbon emissions and growth in the number of digital services available to citizens. In contrast, there were a small number of indicators which saw declines, for example, staff perceptions that the technology provided by the organisation enables them to easily connect and collaborate with colleagues, although overall satisfaction remained very high.

ExCo and the Board discussed the overview measures above as well as the wider Framework and highlighted the following areas to focus on:

- The importance of high-quality measures of performance relating to digital and data, given its centrality to the WG2025 change programme.
- Opportunities to improve insight into Welsh Government’s delivery of quality legislation, in order to support our legislative ambitions.
- The potential to draw on wider data sources to supplement the existing performance information.

# Welsh Government 2025



Launched in January 2023, Welsh Government 2025 (WG2025) is our programme for changing and improving the organisation over the next three years so we can support Ministers more effectively and deliver for people and communities in Wales within an increasingly challenging financial and global context. WG2025 involves a relentless focus on working collaboratively, both across Government and the wider Welsh public sector, maximising efficiency and effectiveness, both now and over the longer-term, and building on the progress made and lessons learned in recent times.

## Our vision for the Welsh Government Civil Service in 2025

Together, we will support Ministers to build a better Wales, guided by our four core organisational values of **creativity, fairness, partnership and professionalism**.

By December 2025, we want to:

1. Have the culture, skills, capability and ways of working to deliver for Wales within an increasingly challenging economic, social and environmental context.
2. Embed a One Welsh Public Service approach so we deliver high quality, effective and sustainable public services for Welsh citizens.



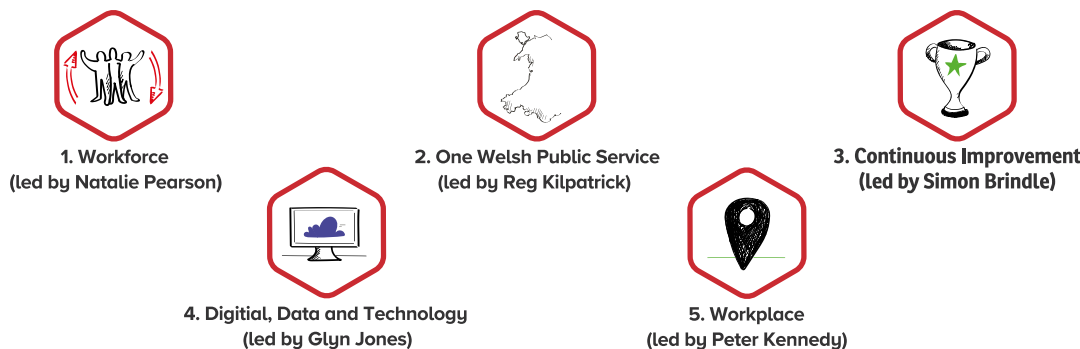
3. Continuously improve and deliver efficiently, exemplifying the Well-being of Future Generations Act's five ways of working.
4. Transform the way we work through digital technology.
5. Use our estate to support the Welsh public service in a safe, sustainable, and efficient way.

Welsh Government 2025 will be the catalyst for driving the changes and improvements we need to reach our goals.

## WG2025 programme structure

The Welsh Government 2025 programme is made up of five workstreams, each with a clear goal. Together, they cover how we operate as the Welsh Government Civil Service, from the technology we use and the offices we work in, to the way we develop our careers and deliver our priorities. The actions each workstream is undertaking have been shaped by extensive engagement with our staff, as well as in response to our organisational priorities and ambitions, and are set out in the **WG2025 Action Plan**, which has been published internally for all staff to read.

## The WG2025 workstreams



The work won't stop in December 2025. We want to be an organisation that's always learning and improving. But having a defined end point for the actions we're taking creates momentum and means we can measure our progress.

By April 2023, early progress highlights include new internal promotion arrangements, re-design of our offices to support hybrid working, final stages of testing for our new HR systems, pilots to explore external digital collaboration, work to establish a workforce delegations' framework, and publication of our new Welsh Government Values and Behaviours Framework.

## Welsh Government Values and Behaviours Framework

One of the first WG2025 actions completed was the development of a values and behaviours framework. The framework sets out what we, as the Welsh Government Civil Service, value in each other and our ways of working, and how those values translate into behaviours.

Developed through co-production with our staff and trades unions, the four Welsh Government Civil Service values are:

- Creativity
- Fairness
- Partnership
- Professionalism

Each value is supported by a series of behaviours which explain what those values mean for us and the way we work. The Welsh Government framework doesn't replace the Civil Service Code or the Nolan Principles. Both are integral to setting the standards expected of us as civil servants and public officials. Neither does it supersede the ways of working prescribed in the Well-being of Future Generations Act; in fact, our framework is complementary and supports the well-being goals.

As the devolved government of Wales, we are unique in many ways. This framework is about promoting what we're good at, building on our collective strengths, and looking ahead to where we want to be as an organisation.

## One Welsh Public Service

The concept of One Welsh Public Service (OWPS) has been in use in Wales for over a decade. It has progressed significantly during that time, such that there is already a strong sense of partnership working and collective approaches that are not evident in other parts of the UK to the same degree. The progress we have made reflects the shared ethos in Wales of collaborative working.

The Wellbeing of Future Generations Act sets out common wellbeing goals. While legal obligations only fall to specific named organisations in the public sector, the goals and ways of working embody the concept of OWPS more generally. The Social Partnership and Public Procurement (Wales) Act further embeds effective partnership working models through social partnership and supporting collective approaches across public services to fair work and procurement.

Changes can occur when necessity and clarity of common purpose can overcome the inherent bureaucracy of many organisations trying to collaborate. This is particularly evident during emergency situations, for example the COVID-19 pandemic and the Ukraine humanitarian crisis.

The rapid and collective response to the pandemic in particular illustrates how partners shared expertise and resources to design and deliver complex solutions in areas such as contact tracing and supporting isolation, the vaccination rollout and take-up, and tackling homelessness.

OWPS is an explicit workstream of our internal change programme – WG2025. Whilst OWPS is, by definition, not just about Welsh Government but many public sector organisations, this gives us a framework and impetus for taking the agenda forward. It also allows us to link with other workstreams taking actions which are directly relevant to the realisation of OWPS – making secondments and loans easier, delivering closer digital collaboration between organisations, and making best use of the public sector estate.

We have established an external group of chief executive-level officials from across the Welsh public sector to support the next phase of OWPS. Engagement with the group has been positive, and there is a collective willingness to take OWPS forwards.

Working with partners the following definition of OWPS has been agreed:

**‘One Welsh Public Service reflects our shared approach in delivering public services that result in the best possible outcomes for the people of Wales. Citizens are at the heart of our collective efforts, not the interests of our own individual organisations. We will genuinely collaborate to achieve the best results possible.’**

Supporting this principle, the following shared principles have also been agreed, of how we will work together.

When adopting a OWPS approach to activity, we will:

- **Recognise our collective obligations to adhere to the five ways of working in the Wellbeing of Future Generations Act** – OWPS principles are central to the Act and represent the framework for activity.
- **Prioritise things that matter to citizens and involve them where it is appropriate to do so** – a focus on activity that is important to people is key, as is their involvement in designing services where they are the intended beneficiaries.
- **Focus on areas where we have common values and purpose to improve public services** – meaningful collaboration can only occur when it is applied to areas of commonality, shared interest and when those organisations engaged have the ability to influence outcomes.
- **Adopt a whole-systems approach** – improved services can only be achieved through collectively forming an understanding of issue, context and end-to-end systems, involving all relevant partners and end users.
- **Understand desired outcomes, and measure success** – it is vital that in areas identified for collaborative action we are clear on the objective, and that progress is measured.
- **Embrace shared leadership, recognising skills/expertise at all levels** – recognise that senior leaders do not have the detailed knowledge of what amounts to the most effective approach to delivering joined-up services, leaving scope for localised ownership. The role of our respective workforces and volunteers is critical, and their input is vital.

Building on the experience of the pandemic where there was clear common purpose across organisations, it is our intention to identify discrete areas where a OWPS can be explicitly adopted and tested to help improve outcomes.

## Case Study

### Data Map Wales

DataMapWales serves as a source for public sector data in Wales, providing a shared data platform to members of the public and public authorities. There are over 500 open data sets for use by anyone in the public sector, private sector or citizens, including data on GP surgeries, listed buildings, flooding and active travel.

In the past year we have moved from a test/beta platform to a live platform, increasing the open datasets from 350 to over 500. The Welsh Government and local authorities have published their Active Travel Network Maps, created and shared on the Welsh Government Data Map Wales portal. This includes a comprehensive list of fully approved and accessible active travel routes, which can be accessed interactively online. The maps bring together existing routes with plans to deliver new and improved routes over both the short and long term, with funding from the Welsh Government's Active Travel Fund.

Further improved functionality and additional datasets for the Data Map Wales JIGSO application have been delivered. It was deployed to the Resilience Community and Emergency Services across Wales (JESG), providing real-time access to vulnerable people and properties.

The application has been endorsed as the default tool for managing Welsh emergencies. It has allowed responders to have access to key data on where their priority response should be, reducing data sharing times from hours to minutes. Work is ongoing to add datasets from across all parts of the public sector in Wales and continue to enhance the functionality of the platform.

# Climate Change – outlook for the organisation and sustainability reporting



In December the Welsh Government published its Net Zero Strategic Plan<sup>46</sup>.

The Plan sets out how the Welsh Government will play its part in responding to the climate emergency and align with Welsh Ministers' ambition for the public sector to be collectively net zero by 2030. It also demonstrates the delivery against the requirements of the Wellbeing of Future Generations (Wales) Act 2015, which directs us to consider long-term persistent problems such as poverty, health inequalities, and climate change.

The plan sets out 54 initiatives that will be assessed and reviewed in 2025 and 2030. These ambitious initiatives and targets rely on increasing efficiencies, keeping materials in use and avoiding waste, investing in decarbonising buildings and vehicles, and changing behaviours so that low carbon becomes the default choice in the actions we take.

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46 [www.gov.wales/sites/default/files/publications/2022-12/welsh-government-net-zero-strategic-plan.pdf](https://www.gov.wales/sites/default/files/publications/2022-12/welsh-government-net-zero-strategic-plan.pdf)

It also relies on changing the way we work with suppliers and partners. Our decisions can influence them so that they join us on our journey to net zero. Reducing carbon emissions must become integral to our decision and policy making process.

The 54 initiatives are organised around the 7 areas of:

1. Our Buildings and infrastructure (including our administrative estate, Cadw, economic development property, new buildings and major refurbishment and our transport infrastructure)
2. Our Corporate fleet
3. Business travel
4. Smart Working
5. Our supply chain
6. Land use
7. Residual emissions and offsetting

The plan sets out how the Welsh Government aims to lead the way and be an exemplar organisation in its drive to net zero, building on the good work over recent years which have seen carbon emissions from the estate reduce by 77% since 2010-11. The next stage is to develop the more detailed delivery plans and assess the actions required to deliver this important ambition, identifying opportunities to collaborate with others.

During the last year we have made further progress through initiatives such as further installation LED lighting, expansion of our EV charging facilities and progress in installing solar PV. In addition, improvements in building management through the winter has secured a reduction in energy usage of 5%.

## Welsh Government Administrative Estate: Sustainability Update

Greenhouse Gases (GHG)	2018/ 2019	2019/ 2020	2020/ 2021	2021/ 2022	2022/ 2023*
Total gross Emissions (tonnes CO <sub>2</sub> e)	4.2	3.7	3.5	3.0	2.8
Total Gross Emissions Scope 1 Gas (tonnes CO <sub>2</sub> e)	1.0	1.0	1.6	1.4	1.3
Total Gross Emissions Scope 2 Electricity (tonnes CO <sub>2</sub> e)	3.2	2.6	1.8	1.5	1.5
Electricity gwh	10.5	10.3	8.1	7.3	7.9
Gas gwh	5.7	5.8	8.8	7.9	7.3
Expenditure on Energy (£M)	2.1	2.1	2.5	2.1	1.9
CRC Allowances	0	0	0	0	0

WASTE (tonne)	2018/ 2019	2019/ 2020	2020/ 2021	2021/ 2022	2022/ 2023
Total waste	372	284	50	72	74
Landfill	3	3.8	1.1	1.4	0.5
Waste to Energy	41	47	15	10	13
Reused/Recycled	245	150	24	47	43
AD Food	83	83	10	13	17

WASTE %	2018/ 2019	2019/ 2020	2020/ 2021	2021/ 2022	2022/ 2023
Landfill	0.8%	1%	2%	2%	0.5%
Waste to Energy	12%	17%	29%	14%	18%
Reused/Recycled	66%	53%	49%	66%	58%
AD Food	22%	29%	20%	18%	23%

WATER	2018/ 2019	2019/ 2020	2020/ 2021	2021/ 2022	2022/ 2023
(m <sup>3</sup> per person/year)	6.2	5.6	2.1	2.5	3.6

\* Provisional data for 2022-23

## Case Study

### Circular Economy: Keeping Materials in Use and Waste Avoidance

Following a decision to dispose of our office at QED Centre, Treforest in summer 2022, we worked with our furniture contractor, BOF who successfully collected 421 items of legacy workplace furniture for refurbishing, reusing or donating to charity, using their Closing the Loop – Sustainable Furniture Scheme and applying Waste Hierarchy principles. This scheme aims to reduce the environmental footprint and enhance the social impact of such a move.

Following a detailed on-site consultation, the reuse process began. Their team seamlessly organised and cleared the furniture from the ground and 1st floors. To accurately categorise the furniture and to minimise the environmental impact and the vehicles used, the products were dismantled on site, flat packing where possible. Throughout the process the furniture was organised in each vehicle load and carry cage, grouping the components and smaller furniture items prior to safe loading. This heavy-duty process was completed in just 3 days using 26 tonne vehicles to reduce environmental transport impacts.

As a result of this scheme a total of 11 tonnes of items were collected from QED Centre including desks, chairs, storage and screens of which:

- 296 items were donated to charity and public sector bodies.
- 125 items were re-worked and listed on BOF's Reuse Portal for charities to view and collect.

This project saved 2.7 tonnes of CO<sub>2</sub>e diverted from landfill.

We have continued promoting our Green Car and Cycle to Work schemes and launched our staff led Sustainability Network providing advice on how we can all live more sustainably. We also launched our Smart working pilot to ensure we are maximising the benefits of remote, office and hybrid working.

The next phase in our Net Zero Strategic Plan is to develop the detailed delivery plans against the 54 initiatives and identify where further action is required to achieve the 2030 ambition.



# Working Bilingually



The Welsh Government published its internal use of Welsh strategy – “Cymraeg. It belongs to us all”<sup>47</sup> – in 2020. In the strategy we have set a long-term goal for the use of the language. Our aim is that the Welsh Government should become a truly bilingual organisation by 2050, which means it would become a workplace in which it is routine for the Welsh and English languages to both be used interchangeably and naturally.

We have also set a shorter-term goal of becoming an exemplar organisation in our use of the language in comparison to other public sector organisations by 2025. The Welsh Government’s wider reaching strategy on the language – “Cymraeg 2050: a million Welsh speakers”<sup>48</sup> – also commits to us leading by example in our promotion of the language to the Welsh Government’s workforce.

The Welsh Government has an important part to play not only in developing policies that mainstream promotion of the Welsh language, but also in providing opportunities for our civil servants to use the language while working.

The strategy has four themes underpinning its vision: learning, leadership, recruitment and technology. The first three years of implementing the strategy has allowed us to concentrate on progressing these themes. We have made significant progress in developing our Welsh language learning programme to staff, ensuring that our offer to staff is as varied, flexible, and effective as possible.

47 [www.gov.wales/cymraeg-it-belongs-to-us-all.html](http://www.gov.wales/cymraeg-it-belongs-to-us-all.html)

48 Cymraeg 2050: Welsh language strategy | GOV.WALES

This appears to have been successful as take up of formal training opportunities has never been as high within the organisation, and we have seen an increase of 700% in those registering for a training programme between May 2020 and March 2023. We have also introduced pilot programmes of learning to provide new opportunities to learn at all levels. One example is improving the confidence of staff to work bilingually by introducing a Languages Skills Certificate pilot.

We emphasise in our recruitment literature that the Welsh language is seen as an asset within the organisation no matter what the role, and we have launched pilot programmes to introduce the language to new cohorts of apprentices joining our apprenticeship scheme this year. Our focus on our senior leaders is also continuing, with a leadership masterclass with the Chief Constable of South Wales Police, Jeremy Vaughan, to discuss his personal leadership in promoting use of the Welsh language.

The new bilingual function in Microsoft Teams was launched this year to provide a simultaneous interpretation facility, following significant cooperation between Microsoft and the Welsh Government. In line with our statutory duties, we publish an annual report on our compliance with the Welsh Language Standards; the 2022-23 report<sup>49</sup> can be found on the Welsh Government website.

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49 Welsh Language Standards annual report 2022 to 2023 | GOV.WALES

# Our Commitment to Equality, Dignity and Respect



We are committed to enabling everyone who works at the Welsh Government to achieve their full potential in a positive and supportive environment, underpinned by the principles of equality, fairness and inclusion.

The Equality Act 2010 places a General Equality Duty on Welsh public authorities to have ‘due regard’ to the need to eliminate unlawful discrimination, harassment, and victimisation, as well as to advance equality of opportunity and foster good relations between people who share a protected characteristic and those who do not. However, we are committed not just to meeting our legal requirements but to making equality and fairness central to our approach with a diverse workforce that reflects the people and communities we serve.

In April 2020, we published our **Strategic Equality Plan 2020-2024**<sup>50</sup>, which set out our ambitions to increase the diversity of our workforce through addressing historical underrepresentation of disabled people and people from minority ethnic communities and the underrepresentation of women in senior roles.

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50 [www.gov.wales/sites/default/files/publications/2020-04/strategic-equality-plan-equality-aims-objectives-actions-2020-2024.pdf](http://www.gov.wales/sites/default/files/publications/2020-04/strategic-equality-plan-equality-aims-objectives-actions-2020-2024.pdf)

Our **Workforce Equality, Diversity and Inclusion Strategy 2021-2026**<sup>51</sup> builds on this commitment by focusing on three key themes: increasing diversity, removing barriers and supporting staff from all backgrounds to reach their potential.

To help us redress the imbalance of diversity across our workforce, we have set ambitious targets for the recruitment and promotion of disabled and Black, Asian and Minority Ethnic staff and women in the Senior Civil Service (SCS).

#### **External recruitment targets:**

- By 2026: 20% of people we appoint will be disabled and 20% will be from ethnic minority backgrounds.
- By 2030: 30% of people we appoint will be disabled, increased in order to make bigger inroads into the very large-scale underrepresentation of disabled people in our organisation. This will be reviewed in the light of lessons learnt whilst working to achieve the 2026 target, but our ambition is clear.
- More than 50% of appointments to the SCS between now and 2026 will be women.

#### **Internal recruitment targets:**

- To promote disabled staff at a level which exceeds their Welsh Government workforce population share in order to address current under-representation at all levels of the organisation.
- To promote ethnic minority staff at a level which exceeds their Welsh Government workforce population share in order to address current under-representation at all levels of the organisation.
- More than 50% of promotions to the SCS to be women.

## **Progress on targets**

While the action we are taking is having a positive impact in some areas, we are not on track with our targets to recruit disabled and ethnic minority staff:

- Recruitment of disabled people – not met.
- Recruitment of ethnic minority people – not met.
- Recruitment of women into the SCS – met.
- Promotion of disabled staff – exceeded.
- Promotion of ethnic minority staff – exceeded.
- Promotion of women into the SCS – met.

Although this is disappointing, we know our targets are ambitious, stretching and will not be easy to achieve.

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51 Workforce equality, diversity and inclusion strategy: 2021 to 2026 [HTML] | GOV.WALES

## Anti-Racism

Fundamental to our approach to equality is our commitment to becoming a truly anti-racist organisation – both in ethos and day-to-day practice. This is reflected in both our Workforce Equality, Diversity and Inclusion Strategy and the Anti-racist Wales Action Plan<sup>52</sup>. Section 2 of the Anti-racist Action Plan focuses on Leadership within the Welsh Government and across the Welsh Public Sector.

There are 19 actions within the Anti-racist Action Plan for the Welsh Government as an employer. Progress made during the year includes:

- Introduction of diversity objectives which are explicitly anti-racist and in line with the social model of disability for all Senior Civil Servants (from 2023-2024).
- Programme of events designed to increase knowledge of anti-racism delivered to Senior Civil Servants.
- Development of an anti-racism hub on our intranet, including an A-Z language guide and links to other useful resources.
- Preparatory work to develop the specification for expert consultancy support to review the Welsh Government's HR policies, procedures and practices (entry to exit) to ensure they are explicitly anti-racist.
- Suite of anti-discrimination (including anti-racism) learning and development programmes available to all staff. These include 'Conversations on anti-racism', 'Safe space conversations', 'Identifying and understanding micro-aggressions' and 'Identifying and challenging discriminatory behaviour'.
- 'Aspire' – a development programme for Black, Asian and Minority Ethnic staff.

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52 Anti-racist Wales Action Plan | GOV.WALES

## Case Study

### Anti Racist Wales Action Plan

In 2022 the Welsh Government launched the Anti-racist Wales Action Plan, committing us to being an anti-racist nation by 2030. We are working to change policies and practices and to tackle systemic, institutional and structural racism and inequalities.

In 2022-2023 we invested £1,120,000 on the Community Cohesion Programme. This funds teams across Wales providing front-line support to communities to help monitor and mitigate community tensions. We recently awarded a new contract to deliver the next phase of our anti-hate crime communications campaign, Hate Hurts Wales, which will run until at least March 2024.

The North Wales Regional Equality Network (NWREN) was awarded £230,000 for a project running from November 2022 to March 2024. This supports the development of materials telling ethnic minority people's stories in our galleries and museums, including through permanent displays. The project also works with communities to identify and lift barriers to accessing heritage sites and cultural collections.

Under Wales' new curriculum, rolled out in primary schools in 2022 and secondary schools in 2023, all children are taught about racism and Black, Asian and Minority Ethnic communities. For the first time, additional financial incentives have been introduced to attract more ethnic minority student teachers.

The Criminal Justice Anti-racism Action Plan for Wales was published on 8 September 2022 and sets out the action partners will take forward to create an anti-racist criminal justice system. The plan outlines seven key commitments, covering areas such as promoting an ethnically diverse workforce, transparency and accountability, and prevention and early intervention.

## Social Model of Disability

The Welsh Government is committed to embedding the social model of disability in both our approach to policy-making and our actions as an employer. The social model of disability makes an important distinction between 'impairment' and 'disability'. It recognises that people with impairments are disabled by barriers that commonly exist in society. These barriers include negative attitudes and physical and organisational barriers which can prevent disabled people's inclusion and participation in all walks of life. During the year, we have:

- Continued to embed the social model in our HR policies and processes.
- Continued to provide workplace adjustments for colleagues.
- Reviewed and updated our Workplace Adjustment Passport and Guidance.
- Adhered to the Guaranteed Interview Scheme.
- Developed our recruitment adjustments scheme in internal and external recruitment, supported by 12 mentors who assist candidates in making recruitment adjustment requests.
- Put in place recruitment adjustments for approximately 150 candidates, ensuring a fair recruitment process. Our work in this area won the CIPD Wales Diversity and Inclusion Initiative Award for 2023.
- Social model training available to all staff and further resources available on our intranet.

## Shadow Board

The Shadow Board was established in December 2021 as part of our commitment to improve the diversity of our decision-making fora. A diverse group of staff from across the organisation comprising various grades, working patterns and protected characteristics, their role is to provide feedback on Welsh Government Board agenda items through the lens of their own unique perspectives and lived experience.

As well as ensuring the Welsh Government Board is challenged in its thinking by a group of people who reflect the diversity of our organisation, the Shadow Board provides excellent learning, development and networking opportunities for participants.

## Staff Diversity Networks

There are five diversity networks within the Welsh Government. The networks give underrepresented groups a voice, enable colleagues to share experiences and support each other. They also assist us with internal policy development and equality impact assessments.

The co-Chairs of these five networks sit on our Strategic Diversity and Inclusion Steering Group:

- Disability Awareness and Support (DAAS) – the support network for disabled staff which also provides advice on the impact of employment policies, practices and environments on disabled staff in line with the Social Model of Disability.
- Mind Matters – the staff network for colleagues with an interest in mental health and wellbeing, including staff with, managing, or caring for someone who is affected by mental health.
- Minority Ethnic Staff Network (MESN) – the network for Black, Asian and Minority Ethnic staff which provides equality related assurance to policies and supports members to make their experience of working for the Welsh Government one that benefits our communities and develops individuals. MESN is working closely with us on becoming an anti-racist organisation.
- PRISM – the sexual orientation and gender identity staff network that supports staff who identify as lesbian, gay, bisexual, trans or gender variant (LGBT+).
- Women Together – a network for women, trans women and non-binary people as members and men as allies, Women Together encourages personal growth and mutual support of women to reach their full potential.

## Equal pay and equality pay gap reporting

The Welsh Government undertakes regular equal pay audits designed to highlight areas of equal pay risk within the pay system and to inform the action we take. Our gender pay gap is published in our Annual Employer Equality Report. In 2022, we published disability and ethnicity pay gaps for the first time.

The Welsh Government's mean gender pay gap as at 31 March 2023 is 5.77%. This means that on average men working in the organisation earn 5.77% more than women. As at 31 March 2023, the Welsh Government's median pay gap is 0%, which means the median salary for men and women working in the Welsh Government is the same. Welsh Government's gender pay gap has narrowed from 6.40% in March 2022 to 5.77% in March 2023. It has generally seen a trend of decreasing over time, with the exception of March 2021, when it saw an increase.



The Welsh Government's mean disability pay gap as at 31 March 2023 is 5.83%. This means that on average those who are not disabled earn 5.83% more than those who are disabled. As at 31 March 2023, the Welsh Government's median disability pay gap is 0%, which means the median salary is the same for colleagues who are disabled and are not disabled. Welsh Government's disability pay gap has seen little change between March 2022 and March 2023, with a very slight narrowing from 5.85% to 5.83%. It has generally seen a trend of decreasing over time, with the exception of a small rise in March 2021.

The Welsh Government's mean ethnicity pay gap as at 31 March 2023 is 4.13%. This means that on average those who are from a White background earn 5.13% more than those who are from a Black, Asian or Minority Ethnic background. As at 31 March 2022, the Welsh Government's median ethnicity pay gap was 0%, which means the median salary is the same for colleagues from a White background and colleagues from a Black, Asian or Minority Ethnic background. Welsh Government's ethnicity pay gap has narrowed from 5.38% in March 2022 to 4.13% in March 2023. The ethnicity pay gap increased between March 2019 and March 2021, and has fallen since then.

## Recruitment

The Welsh Government is a Disability Confident employer, providing a guaranteed interview for disabled candidates if they meet the minimum criteria for the post. Individuals wishing to be considered under the Guaranteed Interview Scheme are required to let us know as part of the job application process.

We have a recruitment adjustments scheme for disabled candidates (for both internal and external recruitment.) The scheme offers a trained mentor to support candidates who may be unsure what reasonable adjustments they can request to enable them to perform to their best. Agreed adjustments can be recorded on a passport for any future recruitment so don't need to be requested again.

## Outreach

As part of our commitment to increasing diversity, we undertake targeted outreach activity which focuses on attracting disabled people and those from a Black, Asian and Minority Ethnic background, in line with our recruitment targets. We are also developing an outreach toolkit and a placements and pathways plan, including targeted schemes for under-represented groups to undertake work experience with us and help us develop a pipeline of future employees.

We have signed the Community Jobs Compact, an initiative that aims to bring local people and employers together to tackle poverty, unemployment and under-representation in the workforce. The initiative has a particular focus on ethnic minority people in the South Wales area.

The positive impact of our outreach work can be evidenced by our most recent Apprenticeship programme. Working with partners to strengthen our outreach approach, we achieved better diversity outcomes compared to more general recruitment activity. Following this work, we are exploring more sophisticated options for outreach, engagement, and marketing, with a longer-term aspiration for these to become standard aspects of all recruitment.

## Further information

Further information on the Welsh Government's equality, diversity and inclusion activity as an employer and more detail on related statistics can be found in our Annual Employer Equality Report<sup>53</sup>. These are published on the Welsh Government website by 31 March each year. They are published a year in arrears, so the latest report is for 2021-22.

## Supporting health, safety and wellbeing

A key pillar of our Workforce Strategy under Welsh Government 2025 is our new Health, Safety and Wellbeing Strategy. This is currently being developed with input from staff and a range of stakeholders including Trade Unions and our staff networks. It builds on our previous strategy, reflects the organisation's shift to hybrid working, and is aligned with other key strategies such as the Anti-Racist Wales Action Plan and the Workforce Equality, Diversity and Inclusion Strategy.

Our guiding principles for the strategy are to:

- Deliver a holistic approach that puts mental and physical health and well-being on a par with one another.
- Equip managers to confidently and effectively support their staff through issues associated with health and well-being.
- Take a proactive, strategic and consistent approach to health and well-being that aligns with other key strategic aims such as in the Equality, Diversity and Inclusion Strategy; and the Social Model of Disability.
- Communicate effectively to all in our organisation about the support, learning and resources available and how these can be accessed.
- Continue to build on progress and adapt support according to the changing environment.

Over the past year our core wellbeing services have continued to be developed to suit the evolving needs of our workforce. Our services are aligned to enable staff to access support in ways that suit their needs – via external providers, internal support mechanisms and on-line resources. Core services include:

- Occupational Health – This provides neutral, independent medical advice for staff and managers when a health need is affecting work, or if work is having a negative impact on health. This year an increased number of consultations have been held and reviews conducted.
- Employee Assistance Programme – Under the EAP emotional and practical support is provided to staff for any problems at work or at home. The service is available 24 hours a day, 365 days a year.
- Counselling via the EAP and Specialist Counselling provider. Under the EAP telephone and self-administered online support is available. The Welsh Government specialist counselling provider delivers Cognitive Behavioural Therapy and EMDR Therapy.

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53 [www.gov.wales/sites/default/files/publications/2023-03/welsh-government-employer-equality-report-2021-2022.pdf](http://www.gov.wales/sites/default/files/publications/2023-03/welsh-government-employer-equality-report-2021-2022.pdf)

- Online resources to enable staff and line managers to access information and guidance for their own and colleagues' health safety and wellbeing.
- Provision of a range of workplace adjustments to support staff by removing the barriers they may face in work. The Workplace Adjustments service we offer includes:
  - Provision of an online Display Screen Equipment (DSE) assessment tool for all staff.
  - A Specialist DSE Assessment service.
  - Provision of physical workplace adjustments such as specialist chairs, keyboards and mice; or assistive software.
  - Non-physical adjustments such as changes to a person's duties, working patterns or interpreter support.
  - Specialist workplace needs assessments.
  - Provision of a free eyesight scheme.
- The provision of the wellbeing hour for staff to use for a range of wellbeing activities each week.

This year, we have carried out a far greater number of specialist assessments in employees' home working environments as a result of the shift to hybrid working. Our latest people survey results reflect these efforts with a reduction in the levels of musculoskeletal disorders experienced by staff over the year.

Significant effort has gone into on-going support for mental health and wellbeing. The Able Futures mental health support programme has continued to be promoted and access routes increased, for example via 1:1 surgeries, and on-line referrals. The service provides up to nine months individual support via a bespoke package tailored to individual requirements. Our Mental Health Allies network continues to provide in the moment emotional support.

Health and Safety is an underpinning principle of the way we work. Our aim is to ensure we have a robust Health & Safety system in place by strengthening senior visibility, leadership and ownership.

Action underway includes:

- Establishing a formal Health, Safety and Well-being Committee with the group H&S Co-ordinators and Trade Union representatives, chaired by our HR Director or Chief Operating Officer.
- Leadership Training for Senior Civil Servants on their Health and Safety responsibilities.
- Quarterly reporting to Finance and Corporate Services on Health and Safety.
- Annual reporting to ExCo on Health and Safety performance.

## Case Study

### Menopause Pledge

In July 2021, the Women Together Network (WTN) established a Menopause Support Working Group – a network of colleagues interested in driving forward organisational change. Over two years the group delivered a range of activities and interventions designed to actively increase awareness and support for those impacted by the effects of menopause.

With a core focus on meaningful engagement at all levels, the group delivered:

- Information sessions across the Welsh Government to all Senior Civil Service (SCS).
- A cross civil service event in January 2022 attended by 700 people.
- A Welsh Government staff event in October 2022 attended by 1,500 staff.
- Monthly virtual Menopause Coffee Clubs accessible to all.

Additionally, the group appointed an SCS Menopause Champion, developed a suite of communication materials including a menopause awareness video, reviewed Welsh Government policy and procedures to ensure these consider and reflect menopause implications and worked with other Civil Service departments through a Cabinet Office led forum to enable menopause questions to be captured within the Civil Service staff survey.

The work of the group culminated in the Permanent Secretary signing the Workplace Menopause Pledge alongside over 11,000 other UK employers, committing the Welsh Government to:

- Recognising menopause can be an issue in the workplace and that women need support.
- Talking openly, positively and respectfully about the menopause.
- Actively supporting and informing employees affected by the menopause.

The group's work was formally recognised at the 2022 Welsh Government Awards winning the Supporting People category and shortlisted in the Diversity and Inclusion category.

## Staff Survey

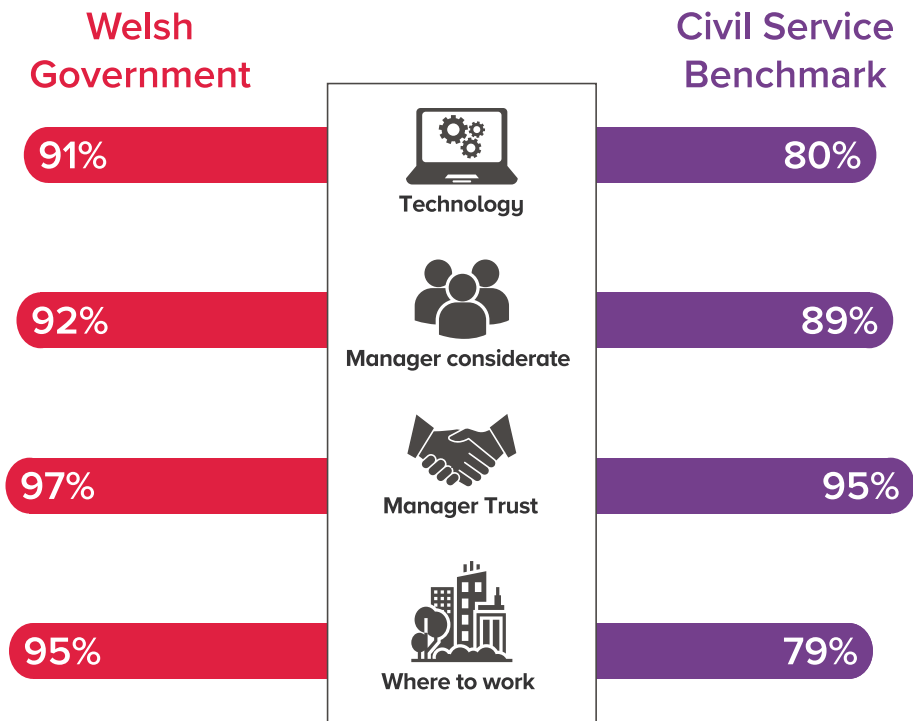
Our staff satisfaction survey continues to provide a positive snapshot of the experience of our workforce. The 2022 People Survey results show that we have continued to maintain many high scores that compare well to the UK Civil Service as a whole with around two thirds of our comparable survey questions performing above the benchmark.

Our 2022 Employee Engagement Index Score was 65% and in line with the score for the UK Civil Service.

## Survey Strengths

In our hybrid working pilot year, the highest scoring questions in the survey continued to be for this area where:

- 95% of staff agreed that they have a choice in deciding where to do their work (16 percentage points above the Civil Service benchmark).
- 97% of staff agreed that their manager trusts them to do their job effectively, even when working from a different location (2 percentage points above the Civil Service benchmark).
- 92% of staff agreed that their manager is considerate of their life outside work (3 percentage points above the Civil Service benchmark).
- 91% of staff agreed that the technology provided by the organisation enables them to easily connect and collaborate (11 percentage points above the Civil Service benchmark).



# Correspondence and Complaints



The Welsh Government has a clear and transparent complaints policy which explains our approach to handling complaints from members of the public or other organisations.

We have adopted best practice in complaints handling in line with the Public Services Ombudsman for Wales's (PSOW) model complaints policy and guidance.

For the year 2022-23, 59 complaints were handled.

The Welsh Government operates a Key Performance Indicator (KPI) of 85% for complaint responses. Stage 1 complaints (informal) should be considered and resolved within 10 working days. Stage 2 complaints (formal) should be considered and resolved within 20 working days.

The table below shows response times for the past three years:

	Total number of complaints received	Responses issued	Responded to within agreed timescale	% responded to within agreed timescale *
April 2020 – March 2021	64	74	52	70%
April 2021 – March 2022	90	88	66	75%
April 2022 – March 2023	54	66	39	59%

\* Figures for prior years have been restated as responses to complaints in progress have been issued since the information was originally published.

Complaint response timescales are monitored monthly and communicated to complaint leads within each Group. This allows them to flag the issue of late responses and put steps in place to prevent this becoming a regular occurrence.

While we are disappointed to see the reduction in complaints responded to within the agreed timescale, there are various reasons that a complaint would not be responded to within the set timescale.

These include the complexity of the complaint, or the level of investigation required. We responded to 41 Stage 1 complaints and 18 Stage 2 complaints. When a complaint deadline is extended, the complainant is always made aware and is kept updated throughout, in line with the PSOW model.

We continue to receive complex complaints that require an in-depth investigation, very often exceeding the deadline date. We are dealing with an increasing number of complaints where, due to the complexity and broad nature of the complaint itself; there is a requirement for an ongoing dialogue with the complainant. This can sometimes lead to the deadline being extended.

This can be resource intensive which, in turn, can impact on the turnaround time of other complaint responses. The Complaints Advice Team advise officials on the handling of a complaint however the business areas are responsible for ensuring that complaint responses are responded to on time and that complainants are kept informed throughout. We continue to remind officials of the importance of responding to a complaint within the timescales.

The PSOW Annual Report 2022-23 has yet to be published however 24 complaints are known to have been referred to the PSOW (5 more than the previous year). Of these, 5 were premature complaints which had not been through the Welsh Government's complaints process and 19 were not investigated by the PSOW. (DN may be updated if PSOW report published before the accounts are signed)

The table below shows total cases closed by the PSOW over the past four years.

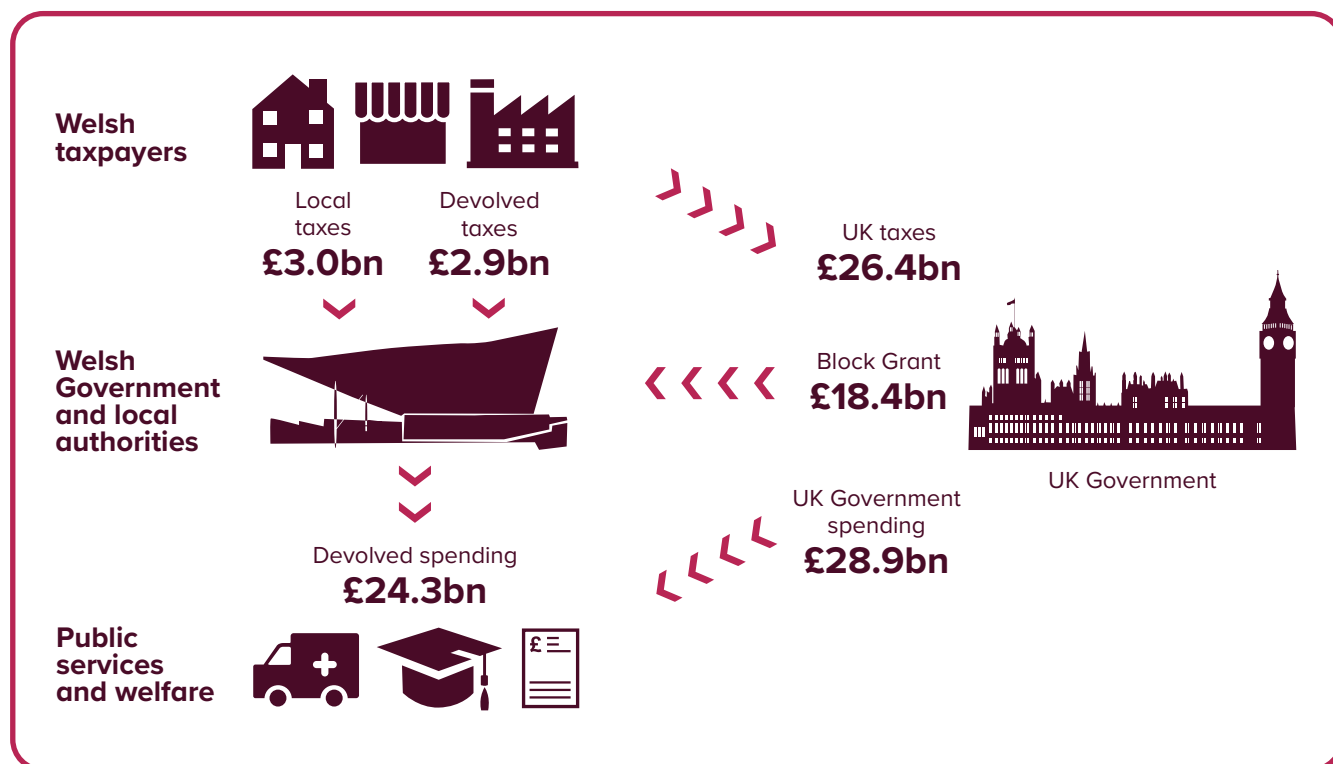
	Total cases closed over past four years
2019-20	7
2020-21	5
2021-22	1
2022-23	2



# Welsh Government Funding Flows

The Welsh Government Budget authorises the amounts and purposes for which funding is provided to Welsh Ministers for the delivery of Welsh Government activity. The following infographic uses the Welsh Government's 2nd Supplementary budget for 2022-23 and projects forward other taxes and spending from the 2021-22 Office for National Statistics (ONS) Country and Regional Public Sector Finances (CRPSF) statistics using the Office for Budget Responsibility's (OBR) March 2022 Economic and Fiscal Outlook.

Devolved taxes are Land Transaction Tax, Landfill Disposals Tax and the Welsh Rates of Income Tax. Local taxes are Council Tax and Non-Domestic Rates.



# Welsh Government Tax Policy and Fiscal Forecasting

The Welsh Government Budget provides detail on the government's financing, taxation and Main Expenditure Group (MEG) level allocations and sets out the government's revenue and capital spending plans, including detailed portfolio spending plans. Details of the Welsh Government budgets can be found on the Welsh Government website<sup>54</sup>.

The Budget is supported by:

- The Chief Economist's Report<sup>55</sup>
- The Welsh Tax Policy Report<sup>56</sup>
- The Welsh Taxes Outlook<sup>57</sup>

The Welsh Taxes Outlook is prepared by the Office of Budget Responsibility (OBR) and provides the assessment of the wider fiscal framework in which the Budget is set.

Further information on our Fiscal Framework and Devolved Taxes can be found on the Welsh Government website<sup>58</sup>.

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54 [www.gov.wales/welsh-government-budgets](http://www.gov.wales/welsh-government-budgets)

55 [www.gov.wales/welsh-budget-2022-chief-economists-report](http://www.gov.wales/welsh-budget-2022-chief-economists-report)

56 [www.gov.wales/tax-policy-report-december-2022](http://www.gov.wales/tax-policy-report-december-2022)

57 [www.obr.uk/wto/welsh-taxes-outlook-december-2022/](http://www.obr.uk/wto/welsh-taxes-outlook-december-2022/)

58 [www.gov.wales/welsh-taxes#IncomeTax](http://www.gov.wales/welsh-taxes#IncomeTax)

# Welsh Government Accounting Boundary

The Welsh Ministers are required to prepare accounts under s131 of the Government of Wales Act 2006, the Permanent Secretary as Principal Accounting Officer for the Welsh Ministers has responsibility for the preparation and signing of the accounts. These accounts reflect the consolidated assets and liabilities, and the results of entities within the Welsh Government consolidation accounting boundary. The accounting boundary is similar to the concept of a group for corporate accounting but is based on control criteria for the public sector. Further information on the accounting boundary is contained in the Financial Statements and Note 1.2 to the accounts.

The consolidated organisations produce and publish their own annual reports and accounts.

These accounts include the Welsh Government Core (the Welsh Government itself) and Welsh Government Group entities. These are:

## Welsh Government Group

- Welsh NHS Local Health Boards & Trusts
- Health Education and Improvement Wales
- Digital Health and Care Wales
- Development Bank of Wales Group
- Transport for Wales Group
- Career Choices Dewis Gyrfa Limited
- Regeneration Investment Fund for Wales LLP
- WGC Holdco Limited

## New Central Government bodies in year

Adnodd Cyfyngedig was established on 12 July 2022 as a 100% owned Welsh Government subsidiary limited by guarantee. Adnodd will oversee the provision of educational resources to support the teaching and learning of Curriculum for Wales. The company was dormant for the 2022-23 financial year and will be operational from 1 April 2023. Adnodd Cyfyngedig has been classified as a Central Government body and designated within the Welsh Government accounts and budgeting boundary as set out below.

The Citizen Voice Body for Health and Social Care (Llais) was established on 1 April 2022 and operated for part of the 2022-23 financial year in a shadow form preparing for operations to commence from 1 April 2023. Llais has taken over the function of the existing Community Health Councils to represent the voice and opinions of the people of Wales in respect of health and social care services.

It is independent of government, the NHS and Local Authorities but works with them, and others, to support the continuous improvement of person-centred services. Llais has been classified as a Central Government body but is not yet designated within the Welsh Government accounts and budgeting boundary.

The transactions of Llais for 2022-23 were below the Welsh Government materiality.

During the year the following Welsh Central Government bodies were designated<sup>59</sup>:

- Adnodd Cyfyngedig
- Education Workforce Council
- Her Majesty's Chief Inspector of Education and Training in Wales (Estyn)
- Qualifications Wales

None of these bodies were material for inclusion within the consolidated accounts for 2022-23.

The continuing implementation of the alignment project since 2017-18 and policy developments such as the need for the rail 'Operator of Last Resort' to step in to operate the Wales and Borders rail franchise mean the Welsh Government account has increased in scope and complexity over recent years.

The alignment project continues to work to ensure the correct classification and designation of new bodies created, as well as aligning existing entities. Since 2017-18 the Welsh Government Accounts have expanded to include:

- Three NHS trusts in Wales
- Two Special Health Authorities
- The creation of Transport for Wales and its' two subsidiaries Transport for Wales Innovation Services Limited and Transport for Wales Rail Limited which operates the Wales & Borders Franchise
- The full activities of the Development Bank of Wales Group within the budget covered by the Summary of Resource Outturn on an activity basis, not on the basis of cash issued to it by Welsh Government

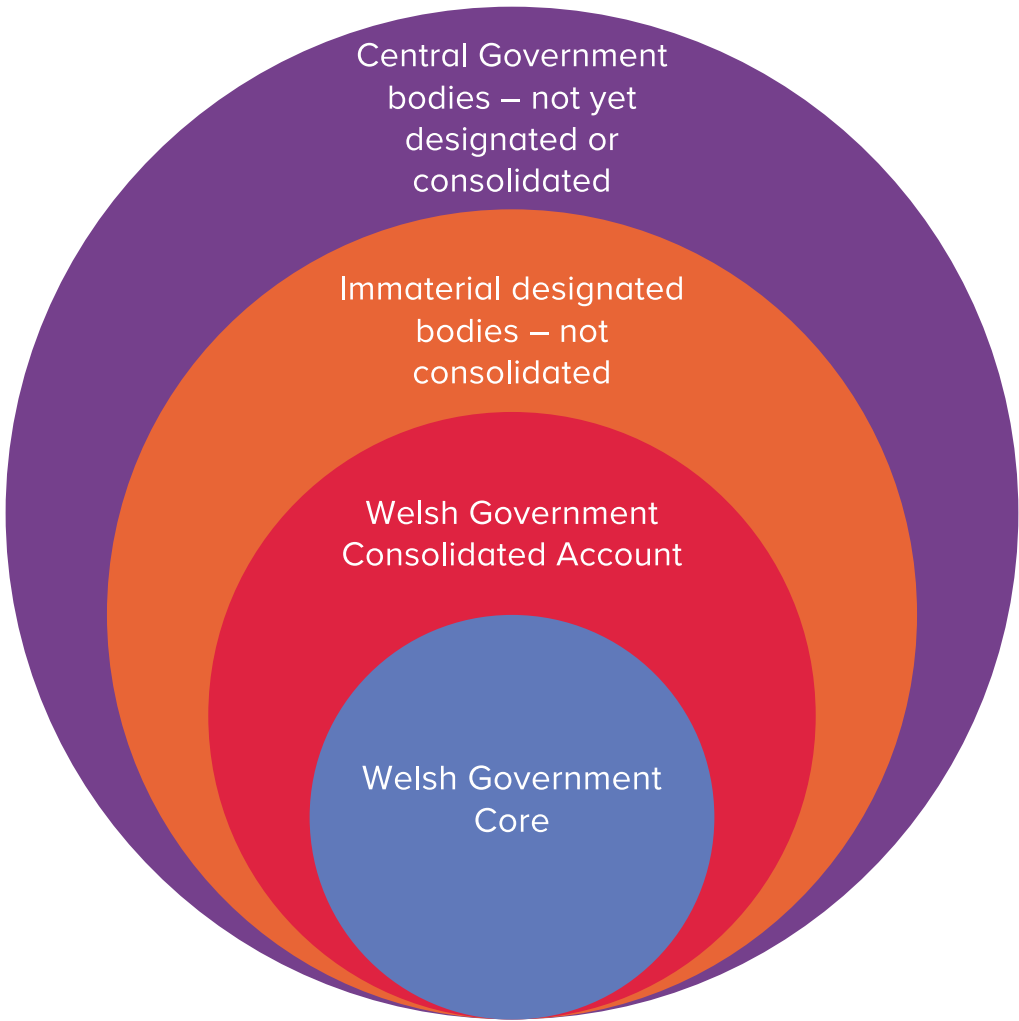
All NHS bodies in Wales, the Development Bank of Wales Group, Transport for Wales Group and 21 Central Government bodies are now inside the budget outturn covered by the Summary of Resource Outturn on an activity basis, rather than on the basis of cash issued by Welsh Government.

Whilst the Welsh Government funds Welsh Government Sponsored Bodies they are not consolidated into these accounts as they do not fall within the consolidation accounting boundary. The infographic below shows how the types of classified and designated bodies relate to the Welsh Government Consolidated Accounts.

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59 The Government of Wales Act 2006 (Budget Motions and Designated Bodies) (Amendment) Order 2023 ([legislation.gov.uk](https://legislation.gov.uk))

Welsh Government Accounting Boundary



## Welsh Government Accounting Boundary Entities

Welsh Government Consolidated Account	Immaterial designated bodies – not consolidated	Central Government bodies – not yet designated or consolidated
<p>Local Health Boards</p> <p>NHS Trusts</p> <p>Digital Health and Care Wales</p> <p>Health Education and Improvement Wales</p> <p>Careers Choices Dewis Gyrfa Ltd</p> <p>Development Bank of Wales Group</p> <p>Transport for Wales Group</p> <p>Royal Commission on Ancient and Historical Monuments of Wales</p> <p>WGC Holdco Ltd</p> <p>Regeneration Investment Fund for Wales LLP</p>	<p>Adnodd Cyfyngedig</p> <p>Children's Commissioner for Wales</p> <p>Comisiynydd y Gymraeg Welsh Language Commissioner</p> <p>Cwmni Eginio</p> <p>Design Commission for Wales Ltd</p> <p>Education Workforce Council</p> <p>Future Generations Commissioner for Wales</p> <p>GCRE Ltd</p> <p>HM Chief Inspector of Education and Training in Wales</p> <p>HybuCig Cymru – Meat Promotion Wales Ltd</p> <p>Centre for Digital Public Services</p> <p>International Business Wales Limited</p> <p>Life Sciences Hub Wales Ltd</p> <p>National Academy for Educational leadership</p> <p>Older People's Commissioner for Wales</p> <p>Qualifications Wales</p> <p>Sector Development Wales Partnership Limited</p> <p>Welsh Revenue Authority</p>	<p>Arts Council of Wales</p> <p>Higher Education Funding Council for Wales</p> <p>Llais/ Citizens Voice Body (Wales)</p> <p>Local Democracy and Boundary Commission for Wales</p> <p>National Library of Wales</p> <p>National Museum Wales</p> <p>Natural Resources Wales</p> <p>Social Care Wales</p> <p>Sports Council for Wales</p> <p>Welsh NHS Charities</p> <p>Welsh Development Management Limited</p>

To assist with the diagrams above, the following explain Central Government classification and designation:

## Classification

Classification is undertaken for National Accounts purposes, which is a statistical framework applied by the ONS for describing what is happening in national economies. All institutional units operating within an economy are classified to an institutional sector (for example, as non-financial corporations, general government units or households).

In broad terms, entities are classified as central government if they are owned or controlled (i.e. the ability to determine their general policy or programme) by other central government entities and they are not a Public Corporation (which is a separate classification). HM Treasury use this classification to determine the budgetary treatment appropriate for these entities, to ensure consistency of budgeting reporting across the public sector. For entities classified as central government in Wales, this means their income and expenditure on an accruals basis score in the Welsh Government budget controls set by HM Treasury. The same principles apply to any subsidiaries or joint ventures.

## Designation

Only entities classified as central government are designated. Designation under the GOWA 2006 (Budget Motions and Designated Bodies) Order<sup>60</sup> is the legal process that gives the Welsh Government the legal authority to spend. Designation brings the income and expenditure on an accruals basis of Welsh Government central government entities within the Ambits of the Budget Motion i.e. within the Welsh Government Budget voted by the Senedd and the Accounts consolidation boundary, as the Government Financial Reporting Manual sets consolidation boundaries based on designated bodies.

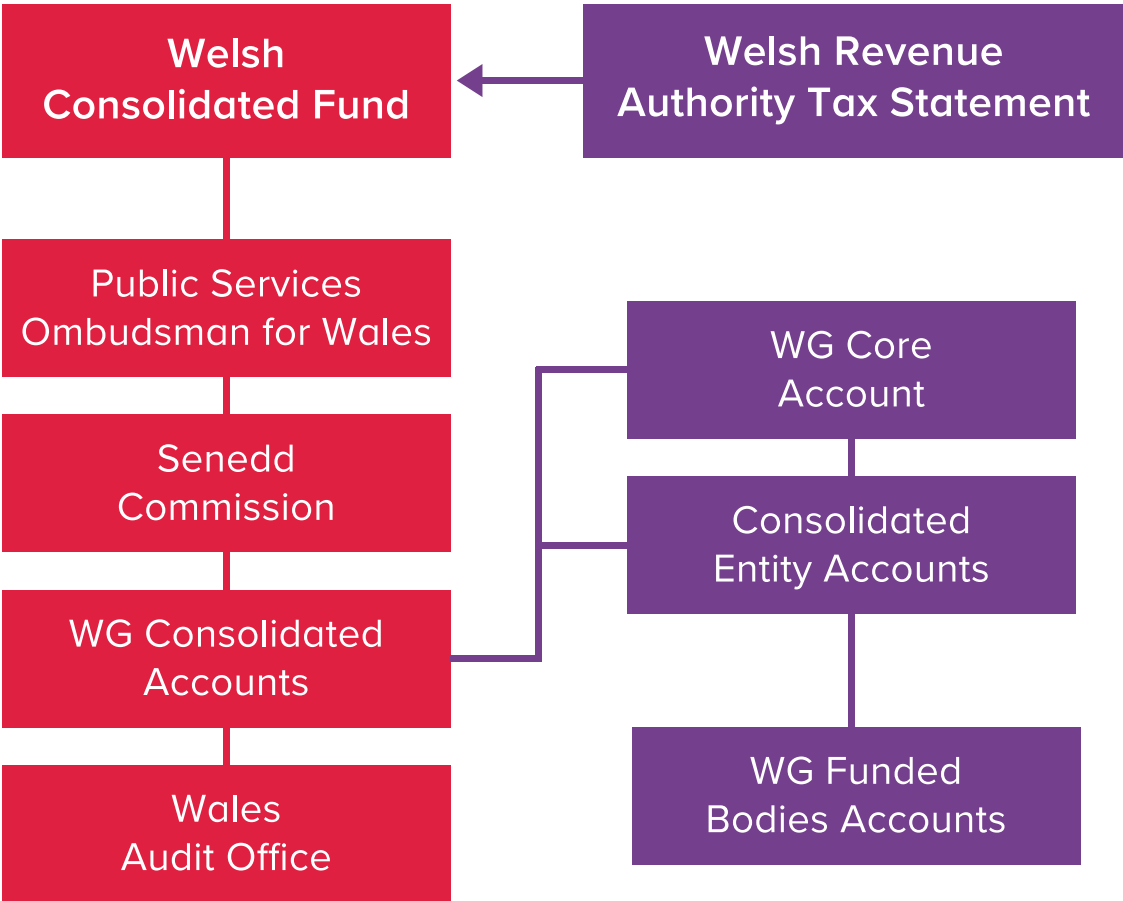
Before designation only the cash paid to the entity by the Welsh Government is included within the Ambits of the Budget Motion, and the entities are outside the Welsh Government Consolidated Accounts. Whether an entity has been designated or not does not affect the overall budgeting treatment just which elements are included in the Ambits of the Budget Motion and which are outside.

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<sup>60</sup> [www.legislation.gov.uk/primary+secondary?title=the%20government%20of%20wales%20act%202006%20%28budget%20motions%20and%20designated%20bodies%29%20order](http://www.legislation.gov.uk/primary+secondary?title=the%20government%20of%20wales%20act%202006%20%28budget%20motions%20and%20designated%20bodies%29%20order)

# Accounts Relationships and Borrowing

The fiscal activity of Wales is described in a suite of statutory accounts information:





## The Welsh Consolidated Fund Account

This account receives UK Parliament voted receipts, National Insurance receipts, Welsh Rates of Income Tax payover and Devolved Tax receipts. Borrowing by Welsh Ministers is also paid into this account. Payments are made out of the Welsh Consolidated Fund to bodies covered by a Welsh Budget Motion or as Direct Charges.

## The Welsh Revenue Authority Tax Statement

This account reports on Devolved Tax receipts for the Land Transaction Tax and the Landfill Disposals Tax. The Annual Report can be found on the Welsh Government website.<sup>61</sup>

## Accounts of the bodies funded directly from the Welsh Budget

- The Public Services Ombudsman for Wales<sup>62</sup>
- The Senedd Commission<sup>63</sup>
- The Welsh Government Consolidated Accounts
- The Wales Audit Office<sup>64</sup>

## Borrowing

Under Section 121 of Government of Wales Act 2006 (amended by the Wales Act 2014 and 2017) additional borrowing powers were conferred on Welsh Ministers with effect from April 2018. Any sums borrowed and repaid under these provisions are done via the Welsh Consolidated Fund and therefore are reflected in those accounts.

The first exercise of the borrowing powers took place in 2018-19 where £65m was paid into the Welsh Consolidated Fund from the National Loans Fund. In 2022-23 further borrowing of £150m was paid into the Welsh Consolidated Fund. On 31 March 2023, the outstanding balance is £297m.

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61 [www.gov.wales/welsh-revenue-authority-annual-reports-and-accounts](http://www.gov.wales/welsh-revenue-authority-annual-reports-and-accounts)

62 [www.ombudsman.wales/annual-report-accounts/](http://www.ombudsman.wales/annual-report-accounts/)

63 [www.senedd.wales/commission/senedd-commission-publications/annual-reports-and-accounts/](http://www.senedd.wales/commission/senedd-commission-publications/annual-reports-and-accounts/)

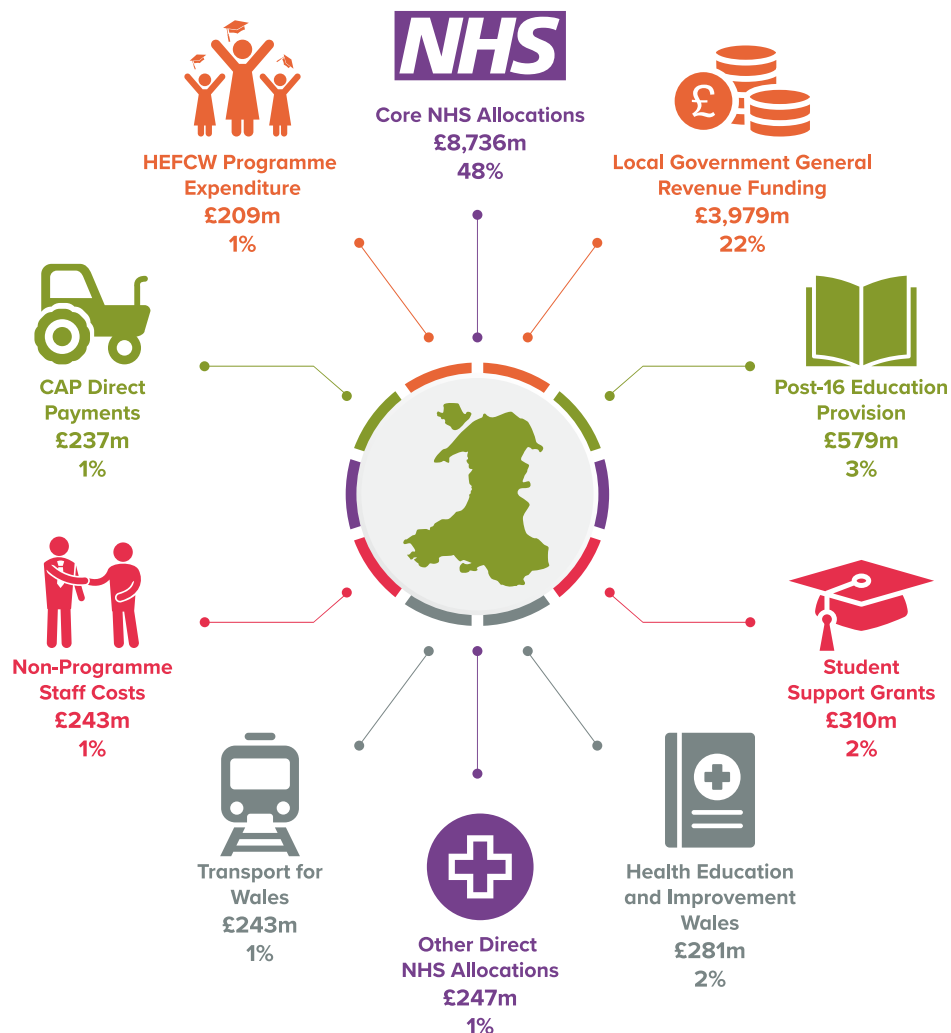
64 Annual Report and Accounts 2022-23 ([audit.wales](http://audit.wales))  
[www.audit.wales/sites/default/files/publications/Annual\\_Report\\_and\\_Accounts\\_2022\\_2023\\_English\\_0.pdf](http://www.audit.wales/sites/default/files/publications/Annual_Report_and_Accounts_2022_2023_English_0.pdf)

# Welsh Government Top Areas of Spend

The following infographics show the top 10 areas of spend for the Welsh Government in 2022-2023. The analysis is by Budget Expenditure Line, as used in the Main Expenditure Group tables accompanying the Budget Motion.

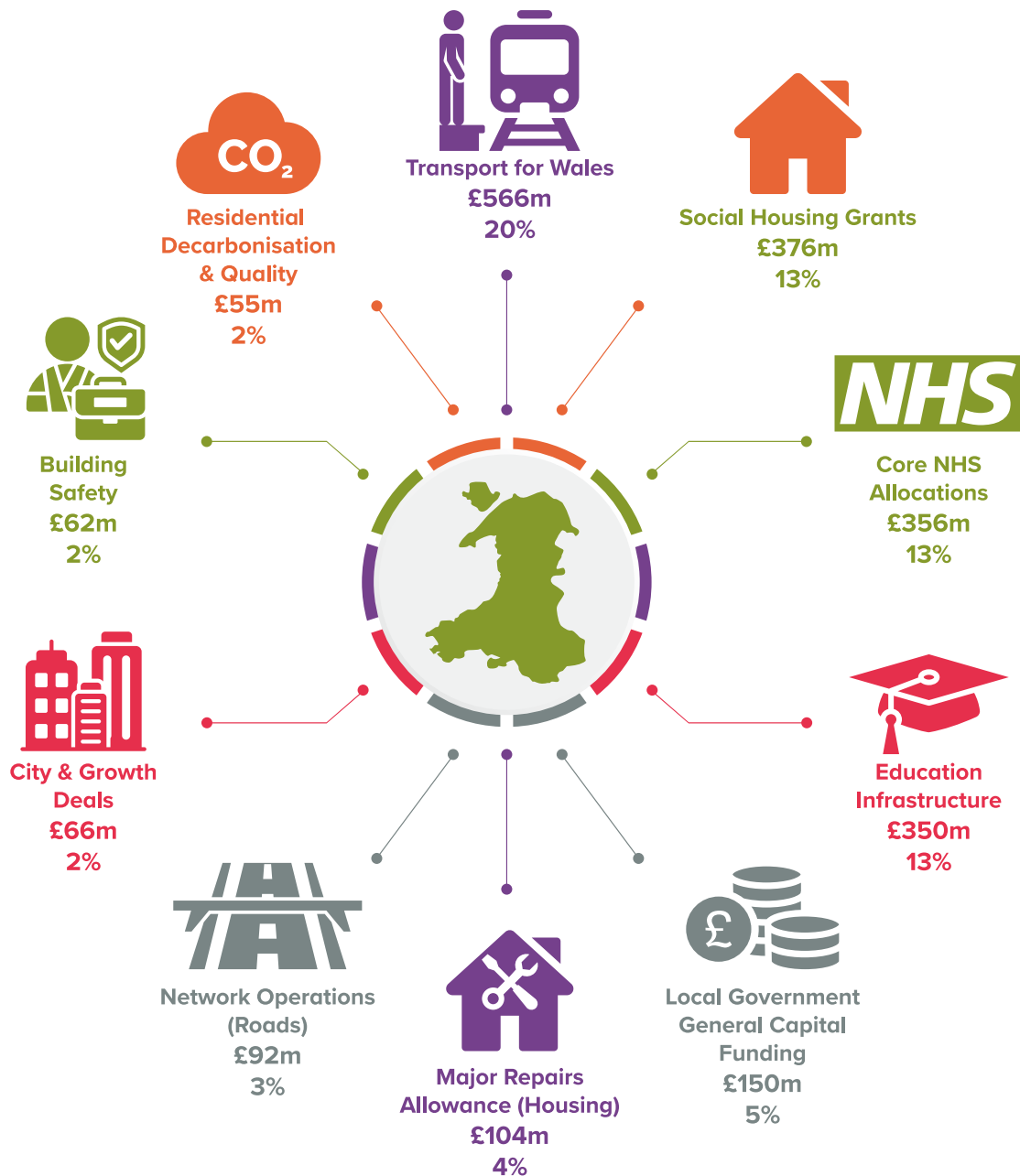
The Welsh Government's top 10 revenue and capital budget expenditure areas are:

## The Welsh Government's top 10 revenue budget expenditure areas



**WG Revenue Outturn: £18,249m Top 10 total: £15,066m**  
**83% of the revenue budget**

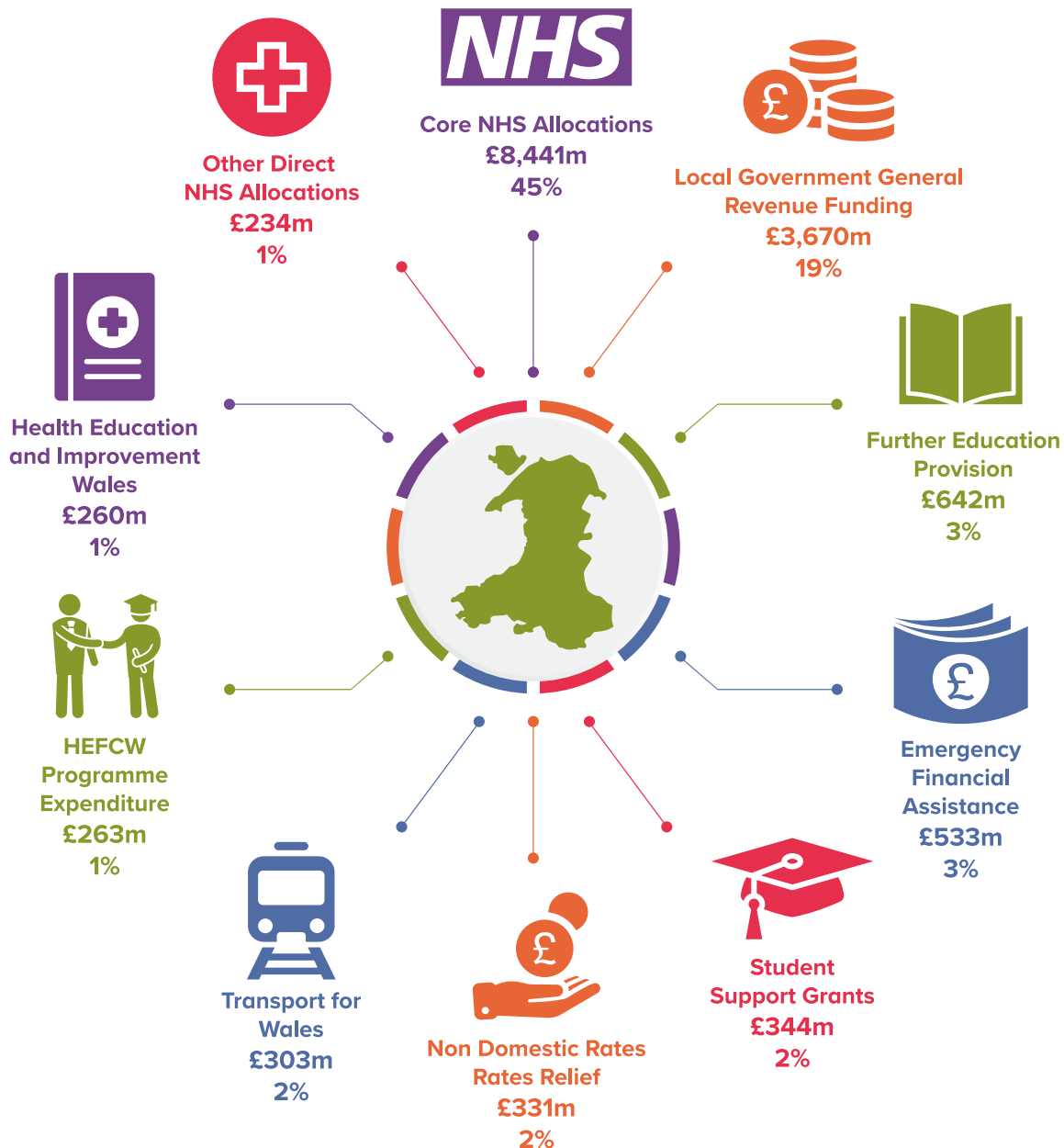
## The Welsh Government's top 10 capital budget expenditure areas



WG Capital Outturn: **£2,792m** Top 10 total: **£2,177m**  
**78%** of the capital budget

For comparison – the top 10 expenditure areas in 2021-22 were:

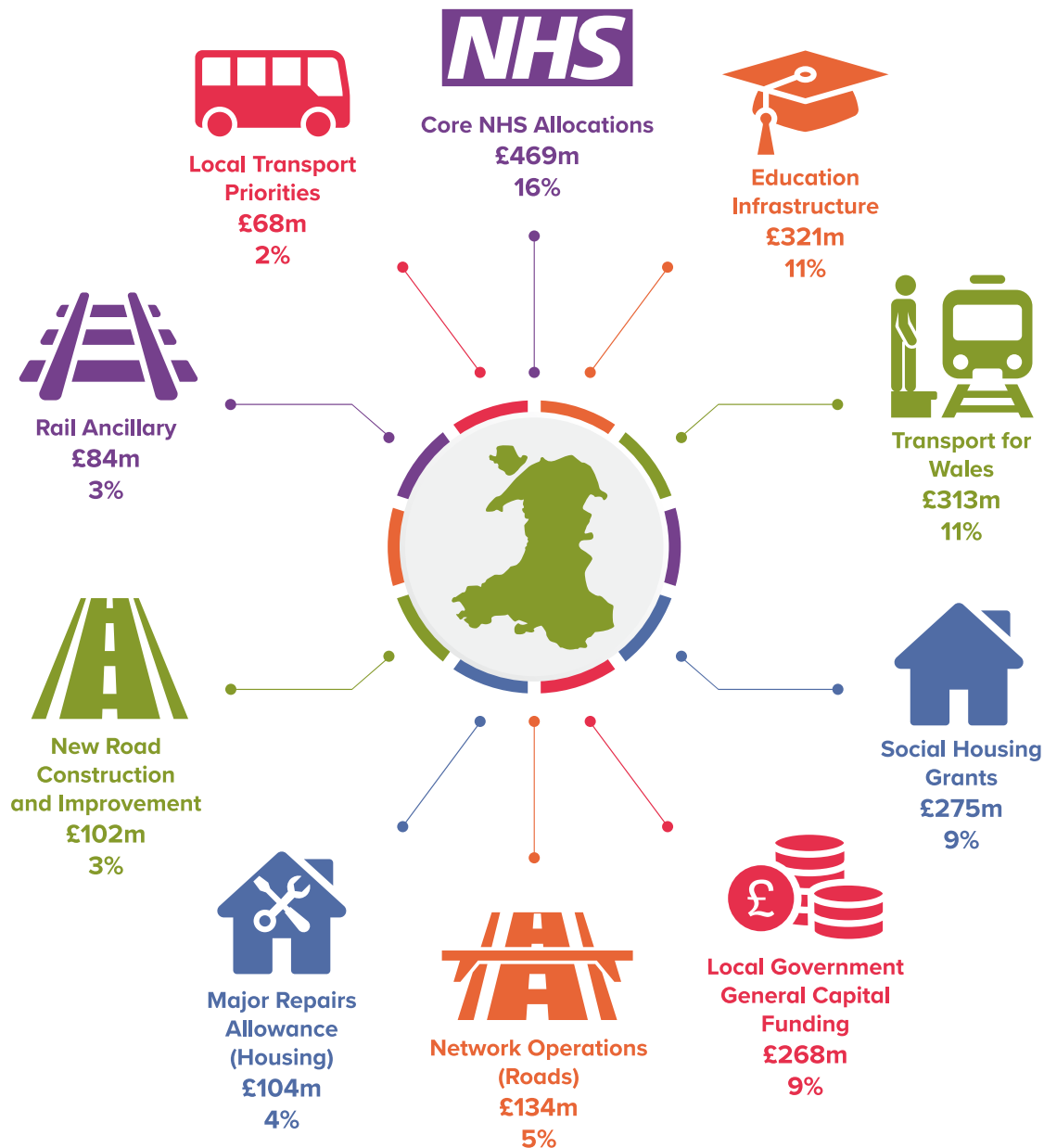
For comparison purpose, the top 10 revenue budget expenditure areas last year (2021-22) were:



WG Revenue Outturn: **£18,867m** Top 10 total: **£15,021m**  
**80%** of the revenue budget

## The Welsh Government's top 10 capital budget expenditure areas

For comparison purpose, the top 10 capital budget expenditure areas last year (2021-22) were:



WG Capital Outturn: £2,938m Top 10 total: £2,138m  
73% of the capital budget

## New to the top 10 revenue this year are:

### Non-Programme Staff Costs £243m

This represents the Direct Running Costs (DRC) staff costs of the Welsh Government, which does not include staffing funded from programme budgets. This Budget Expenditure Line has increased by £10m year-on-year from £233m principally reflecting a 4% pay award to staff. The BEL has largely moved into the top 10, as other BELs which had included funding for COVID-19 pandemic impacts have reduced post-pandemic and moved out of the top 10, such as Emergency Financial Assistance and Non-Domestic Rates Relief.

### CAP Direct Payments £237m

CAP Direct Payments were in the top 10 in 2020-21 at £243m, however as noted above funding for COVID-19 pandemic and post-pandemic impacts has affected how certain BEL's move into and out of the top 10 year to year. CAP Direct Payments are agricultural subsidies, a new Welsh subsidy scheme to replace EU-based payments for agriculture is set to be introduced in Wales from 2025.

## New to the top 10 capital this year are:

### City & Growth Deals £65m

This expenditure is the funding payments for City and Growth deals in Wales, which are agreements between UK Government, Welsh Government and relevant local authorities to coordinate new investment and policy interventions to drive growth in key areas. Funding is the same as in 2021-22 at £65m, however as noted above some changes in top 10 BELs reflects areas that had significant COVID-19 related funding reducing in the post-pandemic period and moving out of the top 10.

### Building Safety £62m

The Building Safety Programme was established to address fire safety issues in residential buildings across Wales. The Programme initially focused primarily on Social Housing and has expanded to include support for leaseholders and developer led fire safety schemes, with spend increasing from 2021-22 by £35m.

### Residential Decarbonisation and Quality £55m

Residential Decarbonisation expenditure was £11m higher than the previous year following an increased budget allocation to tackle the decarbonisation of Welsh housing stock.

## Annually Managed Expenditure

HM Treasury recognises the volatility and demand led basis of certain programmes and the resultant difficulty in estimating costs over a period of time. As a result, these programme budgets are managed on an annual basis and funding cover is generally provided by HM Treasury. The budgets are classified as Annually Managed Expenditure (AME). Of these budgets within the Statement of Resource Outturn £391m or 80% (2021-22: £775m, 71%) related to Student Loans issued inclusive of interest and discounting, net of repayments in year.

# Administering Grant Funding

The Welsh Government's provision of grant funding supports a broad range of organisations, businesses, and projects across the whole of Wales. This includes the public, third and the private sectors. 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".

It is important that we distinguish between grants and procurement as VAT is applicable on procurement and must be paid over to HMRC. The Welsh Government has approximately 390 currently active grant schemes in place on PayGrants (the main corporate system) and issues circa 10,000 award letters each year (excluding grant for COVID-19).

Grants are divided into two distinct categories:

1. Unhypothecated grants include those payments provided to health bodies and local government and account for £15.3bn of the £20.4bn total paid in grants for 2022-23.
2. Hypothecated grants represent payments where there are specific deliverables and criteria surrounding the purpose of the grants and account for the remaining £5.1bn of funding.

## Grants Centre of Excellence – Background

The Grants Centre of Excellence (GCoE) has continued to support staff across Welsh Government throughout 2022-23 in developing and delivering grant funding. The team undertakes two key functions:

- Provide advice, guidance, support and training on grant management policies and processes.
- Establish, review, update and issue grant policies.

Where queries are more complex in nature the GCoE works with teams from across the Welsh Government, including colleagues from subsidy, legal services and internal audit. The GCoE works particularly closely with legal services to update terms & conditions for the standard (and mandatory) grant award letter template to ensure the clauses remain up to date and fit for purpose. Ensuring the terms and conditions are regularly updated and robust allows Welsh Government to suspend, withdraw and reclaim funding should it become necessary.

The latest update to the grant award letter template reflects the new Subsidy Control Act 2022. The Act provides a new framework for the provision of subsidies that is wholly different to the EU State aid regime and differs significantly from the interim subsidy control regime under the UK-EU Trade and Corporation Agreement in operation since the UK left the European Union in January 2020.



GCoE worked closely with both the Subsidy Control team and Legal Services to ensure the grant award letter template was fit for purpose and that advice and guidance was in place to support grant managers.

The team continue to answer the hundreds of queries it receives during the year, as well as providing face to face and virtual support and advice to grant managers for specific queries on the entire end-to-end grants process. The team has also ensured that grant managers are kept up to date with best practice tips and informed of changes via newsletters and grant managers notes.

Topics covered include updates on the award letter, changes to Subsidy Control and new guidance and information about the new policy for awarding funding over a longer duration.

During the Autumn of 2021, GCoE was asked to look at how grant schemes are re-advertised at the end of a competitive process, whether a benchmarking process could be introduced to help determine which organisations would continue to receive funding and, in some circumstances, if the duration of grant schemes could be extended to an initial three years with the option to then extend by a further three years.

The main aim of the development of the new policy was to end the cycle of re-competing grants each year, which is administratively burdensome for both grant managers and recipients alike and where practical to move away from awarding grants on a one-year basis where possible. The new policy also aims to place a greater focus on delivering outcomes as well as outputs and help address some of the recruitment and retention issues faced by third sector recipients when funding is awarded on an annual basis.

Following extensive engagement with colleagues and the Third Sector Partnership Council Sub-Committee (made up of representatives of third sector organisations), the new policy was launched in April 2022.

Work has continued to engage with grant managers, supporting them to implement the new policy, where appropriate and the GCoE will continue to develop further guidance and support as the new policy continues to be embedded across Welsh Government.

More broadly, the GCoE will continue to work closely with colleagues in Internal Audit, Counter Fraud and the Corporate Governance Centre of Excellence to identify lessons learned to support further developments and improvements within grant management processes, which can then be shared as best practice throughout the Welsh Government.

## The Grants Assurance Panel

The Grants Assurance Panel was introduced in September 2018 and provides practical advice and challenge to grant managers in the early development phase of a grant scheme. The panel aims to add value by helping grant managers mitigate potential risks and ensuring that grant schemes are consistent with Welsh Government policies.

Panel members are drawn from key areas of the business to provide constructive challenge, scrutiny, and assurance for new/proposed hypothecated grant schemes. Members include officials from Legal Services, Governance, Cabinet Office, Internal Audit, Counter Fraud, and Procurement.

The panel meets monthly or more frequently when needed. GCoE staff are represented on the panel as well as providing secretariat support. They are also available to support individual grant managers ahead of and after the meetings and follow up with the grant manager to establish if and when recommendations have been implemented.

GCoE has continued to undertake the annual review of the panel. Overall feedback has continued to be positive, from both grant managers and panel members. Any suggestions for improvements have been considered and implemented where appropriate. GCoE will continue to promote and raise awareness of the panel as well as sharing emerging themes across the Welsh Government.

## The Central Due Diligence Team

The Central Due Diligence Team was introduced in April 2019 and reports to the Head of the GCoE. The team have developed systems and processes to enable them to provide grant managers with corporate due diligence and governance checks on organisations that the Welsh Government is funding or considering funding.

The aim is to improve consistency, reduce duplication and deliver greater support to grant managers at the appraisal stage of the grants process. Project due diligence, outcomes, organisational capability to deliver the project and value for money, remains the responsibility of Grant Managers and policy teams.

The team prepares a “Corporate Financial Health Check” for each organisation which includes an analysis of audited accounts, checks on information held by Companies House and the Charity Commission, use of Fraud prevention tools and information from the Due Diligence Hub. Typically, the type of issues identified include organisations that are in financial difficulty or insolvent, County Court Judgements, governance concerns or adverse information about the organisation or its principles.

Where risks are identified the team provide recommendations to the grant manager on mitigation action. For example, recommending cross company guarantees, payments in arrears, tighter monitoring or obtaining further information, forecasts, or clarification on areas of concern.

During 2022-2023 the team have undertaken over 500 assessments which are uploaded on to the Due Diligence Hub to allow the assessments to not only be available to the grant manager but also to teams and departments across Welsh Government. As well as providing the corporate assessments the team have also provided bespoke advice and guidance to grant managers on individual awards and schemes, attended team meetings providing specific due diligence advice and inputted to the review of the grant terms and conditions from a due diligence perspective.

The team have also been reviewing their processes and have contacted everyone who has used the service over the last 12 months to ask for feedback on their work in relation to the assessments, the advice and mitigating action provided and whether any additional information is required within the assessments. Feedback from Grant Managers has been very positive who particularly welcome the assurance provided, helping them to understand organisations financial profiles, providing them with additional mitigation processes when needed as well as saving them time and resources.

The team also provides due diligence support at the Grants Assurance Panel and the External Assurance Panel (further details of the External Assurance Panel can be found in Part 2). It works closely with colleagues in Internal Audit, Counter Fraud and Corporate Governance Centre of Excellence to ensure any lessons learned can also be adopted into their processes.

Wider engagement

During 2022-23 the team have engaged with other grant giving bodies to share best practice and to understand other organisations processes when undertaking due diligence. Informal meetings were held with the Scottish Government, Ministry of Justice, Lloyds Bank Foundation, National Lottery Community Fund, Wales Council for Voluntary Action, some Welsh Local Authority representatives and the Insolvency Service.

The informal information exchange drew many parallels providing the team with assurance and valuable insight into approach to risk, level of checks undertaken, sources of intelligence, team function and IT systems.

Grant Funding from the Welsh Government

The data for 2022-23 is based on the system of “industry keys” to provide a picture of funding by sector.

Table 1: Welsh Government Total Grant Funding by Financial Year

	2020-21 £bn	2021-22 £bn	2022-23 £bn
Grant provided	21.2	20.8	20.4

Table 2 illustrates the levels of hypothecated funding provided to each of the major sectors for the past three financial years.

Hypothecated Grant Funding	2020-21 £m	2021-22 £m	2022-23 £m
Local Authorities	2,625	2,727	2,448
NHS	86	79	84
Central Government & Public Corporations	1,073*	1,164	618
Welsh Government Sponsored Bodies	141	210	113
Funding to Education	600	686	695
Private Sector	2,827	1,547	532
Third Sector	431*	516	578
<b>Total</b>	<b>7,783</b>	<b>6,929</b>	<b>5,068</b>

\* Restated for corrections to classifications

# Welsh European Funding Office

The Welsh European Funding Office Programme (WEFO) is responsible for managing the European Social Fund (ESF) and European Regional Development Fund (ERDF) programmes in Wales for the 2014-2020 funding round.

The Withdrawal Agreement Act came into effect in January 2020 and the UK left the European Union (EU) on 31 January 2020. This means existing ESF and ERDF programmes will be completed as if the UK were still an EU Member State. Project expenditure until 31 December 2023 will be eligible for EU support, with final project expenditure being reimbursed during the 2024-2025 financial year.

WEFO has committed 100% of the EU Structural Funds allocation for 2014-2020, investing over £2.1bn, driving a total investment of over £4bn (at the 31 March 2023) which also includes the repurposing of EU structural funds to support the COVID-19 response in Wales.

To date, EU projects supported by the 2014-2020 programmes have created just over 33,900 jobs and almost 6,700 new businesses. In addition, over 23,100 businesses have been supported, over 40,700 people have been helped into work, and almost 152,000 qualifications have been achieved.

**Tables 1-4 illustrate:**

- WEFO’s progress with committing the grant available under the Structural Funds it delivers in Wales, as at 31st March 2023 – Table 1;
- A breakdown of the projects by sector is outlined in table below – Table 2 (approved) and Table 3 (claims); and
- Annual grant payments made April 2022 to March 2023 – Table 4.

**Table 1: Approvals by Programme as at 31 March 2023**

Hypothecated Funding (£m)	West Wales ERDF £m	East Wales ERDF £m	West Wales ESF £m	East Wales ESF £m	TOTAL
Allocation	1,045	176	703	177	2,101
Grant Value	1,097	182	738	181	2,198
Number of Operations	106	40	76	45	267
% Approved	105%	103%	105%	102%	105%

Ireland/Wales	€m
Allocation	79
Grant Value	83
Number of Operations	24
% Approved	105%

**Table 2: Total approved EU Funded Projects as at 31st March 2023**

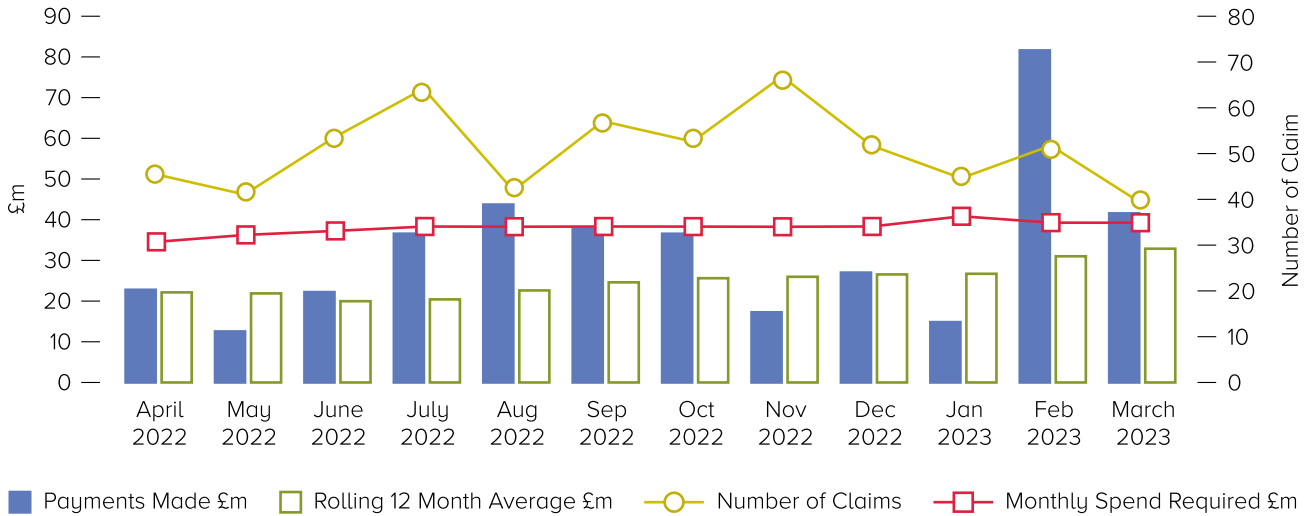
	Number of Projects approved	Total Investment		EU Grant	
		Amount £m	Share	Amount £m	Share
Welsh Government	76*	2,297	56%	1,109	50%
Third Sector	32	195	5%	150	7%
HE/FE	79	633	15%	391	18%
Private Sector	19	599	15%	317	15%
Local Government	61	366	9%	230	10%
<b>Grand Total</b>	<b>267</b>	<b>4,090</b>	<b>100%</b>	<b>2,197</b>	<b>100%</b>

\* Figure includes 15 projects relating to AGSB's, Government Agencies and Other Public Bodies.

Table 3: Analysis of total claims by sector as at 31 March 2023

	Cumulative Delivery Profile Expenditure £m	Eligible Expenditure Processed £m	Expenditure Variance £m	Delivery Profile Grant £m	Grant Paid to Date £m	Grant Variance £m
Welsh Government	1,717	1,614	103	827	714	113
Third Sector	158	145	13	123	123	0
HE/FE	522	480	42	327	300	27
Private Sector	507	486	21	270	256	14
Local Government	304	273	31	197	174	23
Grand Total	3,208	2,998	210	1,744	1,567	177

Table 4: Grant Payments



## Welsh Government Projects

Welsh Government led projects are delivered through a range of delivery partners. The Welsh Government’s lead enables a range of delivery partners to be engaged in the programmes who would not otherwise have the experience, working capital or capacity for risk to engage effectively in the programmes.

Welsh Government projects total £1.8bn in the current programmes, which have £0.82bn of EU Structural Funds.

	Total cost £m	EU Contribution £m
Economy Skills and Natural Resources	1,556	677
Education and Public Services	235	118
Health and Social Services	37	26
<b>Total<sup>1</sup></b>	<b>1,828</b>	<b>821</b>

<sup>1</sup> This information is included in the tables on the preceding pages

Welsh Government projects come to a close at different points in time between now and the end of 2023. WEFO continues to work with all beneficiaries to maintain their planned delivery profiles, submit claims promptly, and declare all of their expenditure.



# Welsh Government Statement of Financial Position

The table below provides an overview of the Welsh Government Consolidated Statement of Financial Position.

Welsh Government Consolidated Assets	2022-23 £bn	2021-22 £bn
<b>Physical Assets</b>		
Road network (Trunk roads including motorways)	21.5	19.1
Rail network (Core Valley Lines)	2.1	2.0
Land & Buildings (including the NHS Estate)	3.7	3.5
Assets under construction (mainly Roads and Rail)	2.3	1.5
<b>Financial Assets</b>		
Student loans portfolio	7.1	5.5
Help to Buy Wales portfolio	0.3	0.4
Development Bank of Wales loans	0.3	0.2
Other loans and investments	0.8	0.9
Cash	1.4	1.5
<b>Other assets</b>	<b>2.3</b>	<b>1.7</b>
<b>Total Assets</b>	<b>41.8</b>	<b>36.3</b>

Welsh Government Consolidated Liabilities	2022-23 £bn	2021-22 £bn
Trade & other payables	2.3	2.2
Accruals and deferred income	0.7	1.2
Welsh Risk Pool provision for clinical negligence claims	1.5	1.4
Other provisions	0.2	0.3
Other liabilities	0.9	0.7
<b>Total Liabilities</b>	<b>5.7</b>	<b>5.8</b>
<b>Net Assets</b>	<b>36.1</b>	<b>30.5</b>

The main increases in the value of assets related to the Road Network and the Student Loans portfolio. In both cases the main increases are due to the impact of valuation exercises undertaken in year and are the result of changes to indices (such as RPI) and/or discount rates. The Student loans portfolio also had additions of £0.9bn in year.

The £0.8bn increase in the Assets under Construction is mainly due to road, rail and NHS infrastructure developments including the A465 MIM scheme and the South Wales Metro.

Other Assets have also increased by £0.6bn covering changes to Group inventory, receivables, plant and equipment assets and the inclusion of IFRS16 Right of Use assets further to the adoption of the standard for the public sector from 1 April 2022. The Group Right of Use assets at 31 March 2023 were £0.4bn.

The main change in the Group liabilities is a reduction in accruals and deferred income of £0.5bn, principally relating to the settlement in 2022-23 of accruals made at the end of 2021-22. At the end of 2022-23 Group accruals increased for schemes towards the end of that financial year implemented to provide support in response to the emerging Cost of Living crisis and to support additional funding to Local Authorities including through the Revenue Settlement Grant. Cost of Living support has been ongoing through 2022-23 and has not led to the same level of accruals for this financial year end.

# Accountability Report 2022-23

## Statement of Accounting Officer's Responsibilities

Under Section 131 of the Government of Wales Act 2006, the Welsh Ministers are required to prepare for each financial year consolidated resource accounts, as HM Treasury has directed, detailing the resources acquired, held or disposed of and the use of resources during the year by the Welsh Government and other public bodies designated in the Welsh Government group and listed in the notes to these accounts. The accounts are prepared on an accruals basis, and must give a true and fair view of the state of affairs of the Welsh Government and the group and of the income and expenditure, Statement of Financial Position and cash flows of the group for the financial year.

The Principal Accounting Officer (PAO) for the Welsh Ministers has responsibility for the overall organisation, management and staffing of the Welsh Government. This includes responsibility for Welsh Government-wide systems for finance and other matters and for the management of the Welsh Government's net cash requirement. The PAO is also responsible for preparing and signing the Welsh Government's consolidated resource account.

In preparing the accounts, the PAO is required to comply with the requirements of the Government Financial Reporting Manual (FReM) and, in particular, to:

- observe the Accounts Direction issued by the Treasury, including relevant accounting and disclosure requirements and apply suitable accounting policies on a consistent basis;
- ensure that the Welsh Government has in place appropriate and reliable systems and procedures to carry out the consolidation process;
- make judgements and estimates on a reasonable basis, including those judgements involved in consolidating the accounting information provided by other public bodies in the group;
- state whether applicable accounting standards, as set out in the FReM, have been followed and disclose and explain any material departures in the accounts;
- prepare the accounts on a going concern basis; and
- confirm that the Annual Report and Accounts as a whole is fair, balanced and understandable, and take personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable.

Under Section 133(2) of the Government of Wales Act 2006 the PAO is able to designate other members of the Welsh Government staff as Additional Accounting Officers. The PAO also designates the Chief Executive of the National Health Service (NHS) as Accounting Officer of the National Health Service in Wales. The work of the Local Health Boards, Special Health Authorities and NHS Trusts in Wales is governed by separate authority and the Chief Executives of each of the Local Health Boards and NHS Trusts are appointed as Accountable Officers by the Chief Executive of the NHS in Wales. These appointments do not detract from the PAO's overall responsibility for the Welsh Government accounts.

The PAO (or Additional Accounting Officers, on his behalf) has also appointed the Chief Executives (or equivalents) of Welsh Public Bodies as the Accounting Officers of those bodies. The PAO is responsible for ensuring that appropriate systems and controls are in place to ensure that any grants the Welsh Government makes to Welsh Public Bodies are applied for the purposes intended, and that such expenditure and the other income and expenditure of these bodies are accounted for properly for the purposes of consolidation within the resource accounts. Under the terms of appointment, the Accounting Officers of Welsh Public Bodies are accountable for the use, including the regularity and propriety, of the grants received and the other income and expenditure of those bodies.

The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the assets of the Welsh Government or Welsh Public Body for which the Accounting Officer is answerable, are set out in *Managing Welsh Public Money*, issued by the Welsh Government.

## Disclosure of Information to Auditors

As Principal Accounting Officer I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the Auditor General for Wales is aware of that information. So far as I am aware, there is no relevant audit information of which the Auditor General is unaware.

# Governance Statement

## Introduction

I am responsible for ensuring high standards of probity in the management of public funds. In discharging this duty, I am responsible for maintaining a sound system of internal control that supports the achievement of the Welsh Government's policies, aims and objectives, and facilitates the effective exercise of the functions of Welsh Ministers which includes effective arrangements for the management of risk.

2022-23 has represented a year where business continues to return to usual following the COVID-19 pandemic and our COVID-19 response focus is now on providing information and evidence to the UK led Covid Inquiry. A Welsh Government COVID-19 central team leads and coordinates the responses to the requests of the COVID-19 Inquiry and works with COVID-19 inquiry leads in each Group, key individuals, and their officials/policy division in drafting responses.

The year has also presented new challenges in the form of the cost-of-living crisis and the Welsh Government's response to the humanitarian situation in Ukraine. In page 132 I outline in more detail the structures we have put in place to support these two important issues but more broadly we have ensured that our governance structures and internal controls have enabled us to both help and support people fleeing the conflict in Ukraine and support those already in Wales.

The principal sources of information that I consider when preparing this Governance Statement are set out at Figure 1 overleaf.

**Figure 1: Sources of Information Contributing to the Annual Governance Statement**



External Sources of Information are also used to inform the Governance Statement.

These include but are not limited to reports from:

- Audit Wales
- Regulators
- European Commission
- External Assessors.

## The Governance Framework

The Governance Framework comprises the systems, processes, culture and values by which the Welsh Government is directed and controlled and the activities through which it accounts to the Senedd Cymru and engages with stakeholders. It enables the organisation to monitor the achievement of its policies, aims and objectives and whether value for money has been obtained. The Framework includes both those bodies through which Government priorities and commitments are delivered and also the internal decision-making arrangements within the Welsh Government. Further detail on the Governance Framework is contained within my Accounting Officer's System Statement.

## Well-being of Future Generations (Wales) Act 2015

I am committed to supporting Welsh Ministers in discharging their duty to promote sustainable development (Government of Wales Act 2006) and well-being (Well-being of Future Generations Act (Wales) 2015) (WFG Act). The WFG Act puts sustainable development as the central organising principle of government and public bodies, and it follows that the operation, governance and mechanics of government, and the advice and support provided by the Welsh civil service should continually improve to respond to these requirements. Through WG2025, our three-year programme for organisational development, we are putting the sustainable development principle of the Well-being of Future Generations Act at the heart of how we behave and everything we do.

In February 2023, we published the Welsh Government's [Well-being of Future Generations Continuous Learning and Improvement Plan 2023-25 \(WFG CLIP\)](#), which brings together over 50 actions that are designed to deepen the understanding and application of the sustainable development principle in Welsh Government. We have committed to publishing an annual update on our progress. The WFG CLIP also sets out key actions that will be embedded into WG2025 and new actions that will strengthen the information and insight I require to provide assurance that the sustainable development principle is being promoted and applied across departments. This is an innovative and evolving approach recognising the role that the Permanent Secretary has in the sustainable development and Well-being of Future Generations agenda. We will also continue to use, develop, and embed performance in applying the sustainable development principle within the Welsh Government Performance Framework.

The WFG CLIP has been shared with our partner organisations and has been used as a platform for discussions on how we can collectively enable more sustainable organisations, both in what they do, and how they work. Over the course of 2022-23, the Executive Committee and Welsh Government Board were engaged on the plan's development and the arrangements for its implementation. We believe our approach will send an important signal to other public bodies in Wales that the Well-being of Future Generations agenda requires continuous improvement and reflection.

The WFG CLIP also serves as the Welsh Government's substantive response to the Future Generations Commissioner for Wales' [section 20 review report](#). The review looked at how the machinery of the Welsh Government implements the WFG Act. The report has provided a timely and welcome opportunity for us to take stock, reflect on what we have achieved so far, and to help us seize new opportunities to deepen the understanding and application of the sustainable development principle at the heart of how Welsh Government works. The report highlights the significant progress we have made in embedding the WFG Act in how we work and recognises the progressive nature of this legislation and our maturity as an organisation leading the change, while also identifying areas where we can improve.

## Welsh Public Bodies

The Welsh Government delivers some of its aims and objectives through a number of Public Bodies, including Welsh Government Arm's Length Bodies (WGALBs), subsidiary companies and other government-funded public bodies.

Within the Welsh Government, the Public Bodies Unit (PBU) was established to oversee governance and framework matters within Public Bodies in Wales such as:

- framework, advice and support on governance and accountability for all WGALBs, including Welsh Government-owned companies and independent statutory office holders, and for any proposed new bodies;
- a programme of tailored reviews of WGALBs;
- responsibility for making regulated public appointments to some 50 organisations, including NHS bodies; oversight of the appointment of Commissioners; and appointments to the Boards of companies and ALBs, working with Partnership Teams (sponsors) to deliver those appointments;
- delivering a Ministerially-approved Diversity and Inclusion Strategy;
- management and oversight of the Honours system in Welsh Government, reporting to the Permanent Secretary;
- oversight of ALB pay and pensions matters, to support greater consistency and transparency.

Accounting Officers are appointed for each body with executive functions and are responsible for an organisation's management of public finances and delivery of its objectives. Accounting Officers are required to sign a governance statement which is published in their body's annual accounts.

The relationship with the Welsh Government is defined in written documentation for each body. Much of this written documentation was reviewed and revised as necessary in March 2023 to more effectively reflect changes to the operating environment of public bodies in Wales and a move towards 'term of government' remits in place of annual letters.



The PBU continues to develop relationships between the Welsh Government and its public bodies via meetings with Chief Executives. The meetings are virtual, on an informal basis, allowing the free flow of information and interests, often clarifying and connecting Programme for Government commitments. Whilst an official manages the meetings, attendance by the HR Director and the Chief Operating Officer has been helpful in facilitating exchanges of experience on subjects such as remote working practices, pay parity and industrial relations.

PBU has continued with its programme of Tailored Reviews with a review of Amgueddfa Cymru. The review report was published in July 2023. PBU developed a risk assessment model to support the future programme of Tailored Reviews but is in the process of moving to the UK government developed Self Assessment Model (SAM) which will be adapted for the Welsh context.

The Unit continues to lead the delivery of over 100 public appointments each year. A small team within PBU are responsible for ensuring all regulated Public Appointments are made in compliance with the Governance Code on Public Appointments and on the implementation of the Welsh Government's Diversity and Inclusion Strategy for Public Appointments in Wales.

PBU also takes forward issues of pay parity in the public service in Wales, having reached agreement with ALBs that their staff are paid at least the same as the minimum of the pay scale for the equivalent Welsh Government grade.

PBU now sits in the portfolio of the Welsh Government's Chief Operating Officer, who has set up a Public Bodies Reference Group of senior officials who have responsibility for public bodies in Wales. The Group was established to review and develop Welsh Government's work with partnership teams in relation to appointments, Tailored Reviews and other aspects of sponsorship and governance.

## Welsh Government Internal Arrangements

The system of internal control is a significant part of the Governance Framework and is designed to mitigate unacceptable risk. The Welsh Government's Scheme of Delegations sets out the standard delegations which operate across all parts of the Welsh Government.

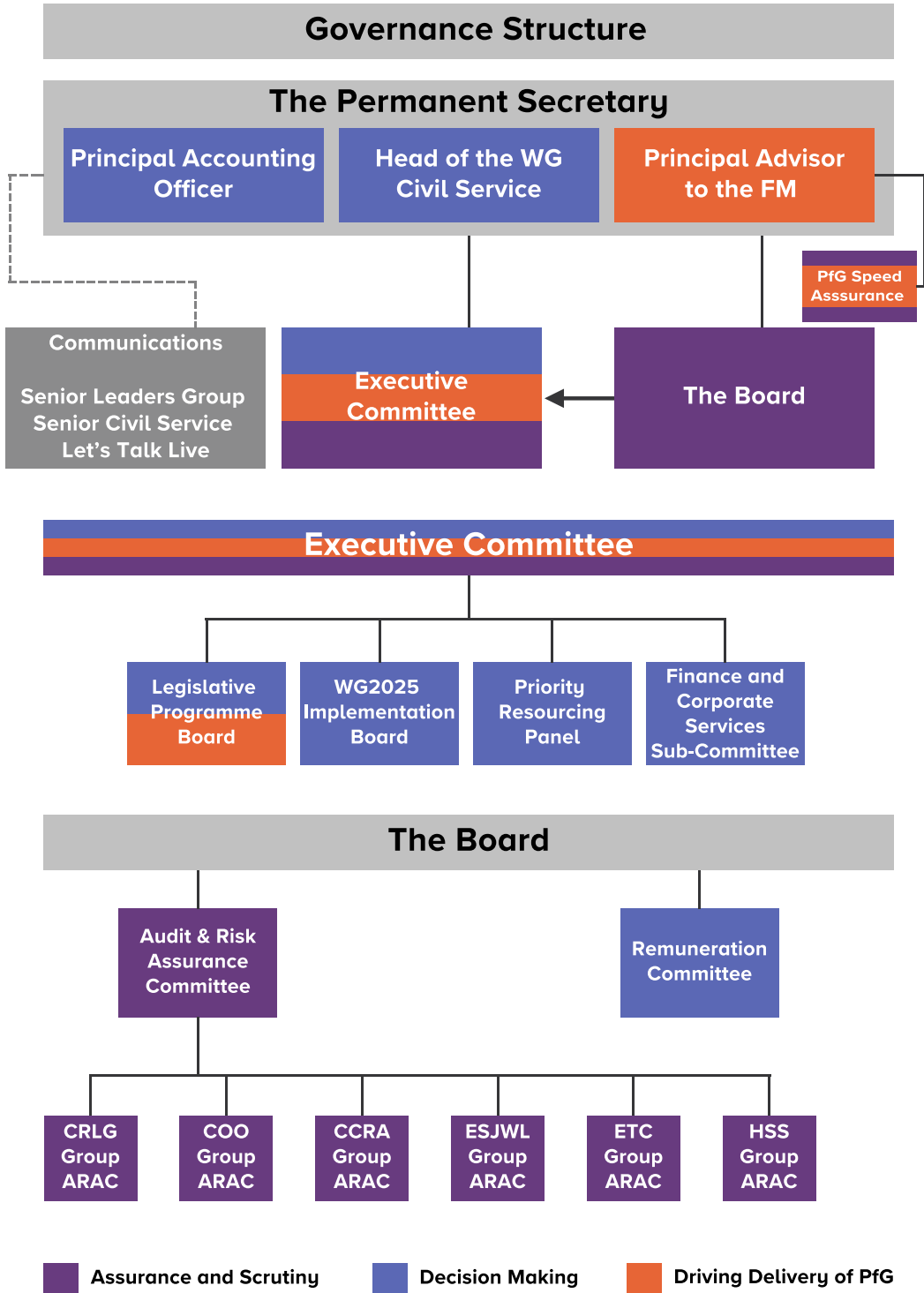
An updated Scheme of Delegations was issued in October 2020 to reflect the most up to date policies within the Welsh Government. Since this date the Corporate Governance Centre of Excellence has updated the Schedule on several occasions to reflect where minor changes have occurred in year, such as individuals changing roles and changes to team structure. Any changes are communicated via Heads of Finance and the Corporate Governance Community of Practice throughout the Welsh Government.

The Corporate Governance Community of Practice and Information published on the intranet, such as bulletins and guidance, are the key mechanisms used to disseminate good governance practices across all Welsh Government Groups.

The Governance Framework and internal control system are also supported by an ongoing process of risk management, designed to identify and prioritise the risks to the achievement of the Welsh Government's policies, aims and objectives, to evaluate the likelihood and impact of those risks being realised and then to manage them efficiently, effectively and economically. The governance framework has been developed to comply with the requirements of good governance and is supported by Managing Welsh Public Money, which sets out the principles for dealing with resources in Welsh public sector organisations.

The Corporate Governance Centre of Excellence continues to review and refresh corporate guidance including considering the options on the most effective way to update Managing Welsh Public Money.

The Corporate Governance Structure<sup>65</sup>



65 To note Finance Sub-Committee, and People and Corporate Services Committee merged to become Finance and Corporate Services Committee

## Key Performance Indicators

The Welsh Government Performance Framework page 56 is a holistic tool that provides a picture of performance against the areas for which I am responsible, as the Permanent Secretary of the Welsh Government. Over the last year, the Framework has been used to track performance over time, recognise where improvements can be made and provided scope for real change. It has also been adapted to reflect my WG2025 Strategy and the new Welsh Government values and behaviours, so these important areas are now incorporated within it.

## Corporate Governance Code

The Welsh Government will continue to follow the principles outlined in the Corporate Governance Code for Central Departments as far as practicable, until an assessment of a Welsh Corporate Governance Code is undertaken. Areas where Welsh Government practice diverges from the Code (as the Code is designed for Departments rather than Devolved Administrations) include:

- the First Minister of Wales does not attend and chair the Welsh Government Board meetings;
- the number of executives exceed the number of non-executive directors.

## The Board

As Permanent Secretary and PAO, I am supported by the Welsh Government Board, which consists of 16 Members, both Non-Executive and Executive Directors. The Lead Co-Chair of the Shadow Board attends as a participative observer. The Board advises me in taking key strategic decisions about how the Welsh Government Civil Service is developed to support the First Minister and Ministers to deliver its [Programme for Government](#) and Ministerial priorities. I chair the Board meetings and after each Board I meet with the Non-Executive Directors. The Non-Executive Directors continue to pay particular attention to specific portfolio areas as requested by the First Minister in the summer of 2021. A meeting between the First Minister and the Non-Executive Directors is planned for July 2023.

During the year the Board considered the following matters as part of their agenda:

- Programme for Government
- Well-being of Future Generations Act
- Equality, Diversity, and Inclusion
- WG2025
- Reform of the School Day and the School Year
- The NHS and Social Care
- Staff Survey Results
- The Board Review

- COVID-19 Transition
- Anti Racist Wales Action Plan
- Key Performance Indicators
- Senedd Reform
- Council Tax Reform
- Values and Behaviours Framework
- The Corporate Risk Register
- Finance Updates

Board Membership and Attendance

There have been changes to the membership of the board over the year. Aled Edwards joined as a new Non-Executive Director in August 2022. Tim Moss joined Welsh Government and the Board in September 2022 as the new Chief Operating Officer. Ellen Donovan left her role as a Non-Executive Director in March 2023, and Carys Williams joined in March 2023. Andrew Jeffreys stood down as Board Equality Champion in December 2022; Amelia John took over the role in January 2023 following a call for expressions of interest amongst Welsh Government Senior Civil Servants.

Current Membership	Meeting Attendance
Andrew Goodall, Permanent Secretary	8/8
Ellen Donovan, Non-Executive Director	8/8
Gareth Lynn, Non-Executive Director	8/8
Meena Upadhyaya, Non-Executive Director	8/8
Aled Edwards, Non-Executive Director	4/5
Carys Williams, Non-Executive Director	1/1
Andrew Slade, Director General, Economy, Treasury & Constitution Group	6/8
Tracey Burke, Director General, Climate Change & Rural Affairs	7/8
Judith Paget, Director General, Health & Social Services/Chief Executive NHS Wales	8/8
Tim Moss, Director General, Chief Operating Officer	4/4
Reg Kilpatrick, Director General, Covid Response & Local Government	6/8
Jo-Anne Daniels, Director General, Education, Social Justice & Welsh Language Group	4/7

Current Membership	Meeting Attendance
Des Clifford, Director <sup>66</sup> , Office of the First Minister	7/8
David Richards, Director, Propriety and Ethics	6/8
Peter Kennedy, Director, Human Resources & Corporate Services	8/8
Gawain Evans, Director, Finance	8/8
Helen Lentle, Director, Legal Services	8/8
Andrew Jeffreys, Board Equality Champion	6/6
Amelia John, Board Equality Champion	2/2

## Board Self-Assessment of Performance

An Annual Board Review survey was circulated to Board members on 06 September 2022. The results were analysed by the Corporate Research Team and a findings report was brought to the Board in March 2023. The review noted that Board members felt that progress had been made on a number of matters over the course of the year and that Board meetings offered an open and inclusive environment where all members have an equal voice and constructive challenge is encouraged.

The contribution of the Non-Executive Directors and the Shadow Board was noted as a particular strength with members commenting that the Shadow Board has helped improve diversity and enriched the conversation, allowing for a much-needed alternative perspective. Overall, Board members reported discussing a wide range of issues of concern within Welsh Government.

The current Shadow Board was established in November 2021 Shadow Board members are appointed with my agreement as Permanent Secretary, following a selection process in line with Civil Service best practice. The Shadow Board meets formally every 6 weeks prior to Board meetings.

The role of the Shadow Board is to provide:

- A range of different perspectives and views drawn from members' lived experience and the feedback they have been given from others who share their protected characteristics and experience.
- A range of different perspectives from younger people and from people whose grades would not usually enable them to be involved in strategic discussions.

66 Following the restructure in May 2022, Des Clifford's temporary DG post ceased and he became Director

- Support me as Permanent Secretary, in my role as Principal Accounting Officer to ensure that the organisation operates to the highest standards of governance, financial management, management of risks and processing of the annual accounts.
- Strategic advice on the delivery of the Government's priorities (in the Programme for Government 2021-26) in line with the objectives of the Well-being of Future Generations Act.
- Challenge to the Board when it considers organisational strategy, design and workforce planning to ensure the organisation continues to be fit for purpose and adequately resourced.
- Challenge to the Board to ensure it promotes equality, diversity and inclusion throughout the organisation.

The governance arrangements and the Board agenda are reviewed regularly to ensure they continue to be relevant and reflect the needs of the organisation. The Board continues to meet remotely and continues to have considered and thorough discussion over the issues facing Welsh Government.

## Board Sub-Committees

I was also advised by two Non-Executive led Board Sub-Committees (the Audit and Risk Assurance Committee and the Remuneration Committee).

### Board Sub Committee: Audit & Risk Assurance (ARAC)

The Welsh Government's ARAC supports me on assurance matters. This Committee was chaired by a Board Non-Executive Director (NED), ARACs also operated at Group-level during 2022-23 with their four Chairs making up the remainder of the membership of the Welsh Government ARAC. An additional ARAC was established during the year to provide scrutiny, challenge and oversight of the newly formed Education, Social Justice and Welsh Language and Covid Recovery and Local Government Groups. This was as a result of the Welsh Government restructuring of groups during the year.

The Group level ARACs are:

- Economy, Treasury and Constitution.
- Education, Social Justice and Welsh Language / Covid Response and Local Government.
- Climate Change and Rural Affairs.
- Health and Social Services.

The ARAC advised me, throughout the year, in my capacity as PAO, on the operation of internal control and the capacity of the organisation to manage risk. Welsh Government's response to COVID-19 continued to feature at ARAC meetings. As in other years the Committee met six times in the year. Four of the meetings covered routine and reactive matters, which occurred throughout the year. In addition two meetings were held on 27 June and 31 August to cover items in support of the Governance Statement and Parts 1 and 2 of

the Welsh Government Consolidated Accounts. I attended all WG ARACs. All Group ARACs met through the year in line with their quarterly meeting schedule.

During this period a number of additional meetings were held:

- Briefing to update ARAC members on the progress of Audit Wales' review of the consolidated accounts for 2020-2021.
- A cross-ARAC awareness event focussing on economic policy and response was held in January 2023, recognising this is an area that touches on all aspects of Welsh Government activity. It provided a common understanding of the economy and economic development and detailed the tools and levers that Welsh Government has at its disposal to help manage the economy at times of such financial challenge.
- An ARAC development day was held in March 2023 which provided updates on matters relating to the ARACs role in governance, oversight and scrutiny.
- A development day was held in March 2023 for members of the newly formed Education, Social Justice and Welsh Language and Covid Recovery and Local Government ARAC.

## Board Sub Committee: Remuneration

The Board's second sub-committee is the SCS Remuneration Sub-Committee which is responsible for Senior Civil Service (SCS) pay and conditions, oversight of senior succession planning and recruitment and all SCS personnel cases. The Permanent Secretary's salary on appointment, must be approved by the Chief Secretary to the Treasury. All Permanent Secretary appointments and remuneration are managed centrally by the UK Cabinet Office. They are also in scope of the Treasury senior pay control.

Below Permanent Secretary level, the Treasury's senior pay control does not apply to appointments made or approved by Ministers in Devolved Administrations. In general, the UK Cabinet Office expect the salaries of all Director General (DG) appointments to be agreed by the Permanent Secretary (Accounting Officer). For internal appointees, any cases where DG salary on appointment exceeds either the pay band minimum or 10% pay on promotion increase, approval from both the relevant Head of Profession and the Accounting Officer is required in addition to approval from the Remuneration Committee. DG salaries which are within the 10% pay on promotion threshold do not require these approvals unless they are in excess of £140,000, in which case they need the approval of the Permanent Secretary (Accounting Officer).

A Non-Executive Director chairs the Committee. The Committee met six times during the year and I attended all the meetings.

## Executive Committee (ExCo)

ExCo is the strategic decision-making forum supporting me as Principal Policy Advisor to the First Minister, Principal Accounting Officer and Head of the WG Civil Service. ExCo meetings consider a range to operational and strategic issues and meets on a weekly basis. I attended 38 out of 46 meetings that were held during the year.



Throughout 2022-23, I was supported by a leadership team consisting of Directors General, each leading a Welsh Government Group, together with the Directors covering key corporate functions, those being Governance & Ethics, Finance, Welsh Treasury, HR/Corporate Services, Digital Data and Technology and Legal Services.

The Directors General on the Executive Committee are designated as Additional Accounting Officers (AAOs) in respect of the budgets delegated to them in order to give them personal responsibility and accountability for the proper and regular use of public finances and the achievement of value for money on my behalf. Certain specific Directors are also designated as AAOs to further clarify corporate governance and accountability arrangements, both for the use of public funds and in accounting to the Public Accounts and Public Administration Committee. These Director designations are reviewed to ensure they remain appropriate and relevant.

## Post EU Assurance Board

The Post EU Assurance Board ceased in early 2022. The Director General for the Economy, Treasury and Constitution Group chairs an Implementation Board which meets on a monthly basis and gives oversight to work arising from the UK's exit from the EU.

## ExCo Sub Committee: Finance & Corporate Services

The Finance & Corporate Services Sub-Committee is a permanent Sub-Committee which supports ExCo with the internal running of the organisation. Its primary role is to advise ExCo on financial, governance and commercial management of the organisation and drive continuous improvements in the management of and skills and capabilities within these areas. The Sub-Committee also advise ExCo on the management and development of the organisation's workforce and drive continuous improvement in the management, skills and capabilities of the following functions and services:

- Human Resources
- Property and Professional Services
- ICT
- Learning and Development
- Organisational Development and Engagement
- Corporate Business Continuity Readiness
- Data Management
- Programme and Project Management and Assurance.

The Finance & Corporate Services Sub-Committee is chaired by the Chief Operating Officer and membership includes one of the Non-Executive Directors on the Welsh Government Board. The responsibilities of the Sub-Committee are separated into two separate Strands: Finance and HR & Corporate Services and the Sub-Committee meets once every 4 weeks.

## ExCo Sub Committee: Legislative Programme Board

The Legislative Programme Board co-ordinates and oversees at official level the delivery of the Government's programme of legislation. During the Sixth Senedd it has supported a Cabinet Sub-Committee, the Standing Committee for Cabinet on the Legislative Programme. The Legislative Programme Board is chaired by the Permanent Secretary and usually meets every other month.

## Welsh Government 2025

Welsh Government 2025 (WG2025) is our programme for changing and improving the organisation over the next three years so that we can support Ministers effectively and deliver for Wales in an increasingly challenging financial and global context. Further detail is contained in part one page 66.

## WG2025 Programme Governance and Reporting

The Welsh Government 2025 programme's Senior Responsible Owner (SRO) is the Welsh Government's Chief Operating Officer. The Chief Operating Officer chairs the WG2025 Implementation Board, which meets monthly to provide assurance, scrutiny and challenge to the SRO and workstream leads. Board membership comprises workstream leads, trade union colleagues, Shadow Board members and Group representatives.

The Board reports into ExCo for decision-making and direction as required, in addition to providing regular updates for discussion at the Partnership Forum, Finance and Corporate Services Committee and the Welsh Government Board.

The WG2025 Action Plan sets out a delivery plan for each workstream, with clearly identified actions, impacts, outputs and timings. The plan has been published internally and quarterly updates are communicated to staff to outline progress being made.

## Governance Structures put in place to support the cost-of-living crisis and support for Ukraine

### Cost of Living Crisis

At the outset of the cost of living crisis Ministers and officials recognised the importance of developing a co-ordinated approach that looked at the collective impact interventions were having, as well as the vital role feedback from stakeholders should play.

The First Minister established a Cabinet Sub-Committee, attended by all Cabinet members, given the wide-ranging and cross-cutting nature of the crisis. In addition to Ministers, every other meeting is attended by partners from local government, the third sector, TUC Cymru, faith groups and Chambers Wales. This has

given Ministers the opportunity to hear how the crisis has played out on the ground and understand the impact interventions have had. The Committee have also heard from a range of experts about how the crisis is being experienced, as well as from children and young people who are personally impacted.

To further support this work, the First Minister established an independent Cost of Living Expert Group, bringing together a range of experts including Citizens Advice Cymru, the Institute for Fiscal Studies, the Joseph Rowntree Foundation, the Bevan Foundation, National Energy Action, Shelter Cymru and more. Chaired by Prof Rachel Ashworth, the Dean and Head of Cardiff Business School, the group will be making recommendations to Welsh Government on the actions we should consider as this crisis develops.

Officials have established a Cost of Living Officials Group, with cross Welsh Government representation, to support the work of the Committee and the Expert Group, as well as ensure that activity remains co-ordinated, and synergies are found inside Welsh Government.

## Ukraine Humanitarian Response

At the outset of the emergency response governance structures were established in line with the wider Civil Contingencies Bronze, Silver and Gold structures. This included membership of Welsh Government's Risk and Preparedness Cross-Government Group; establishment of a weekly 'Platinum' Ministerial Board on the Ukraine response; weekly debriefs with local authorities hosting Arrival Hubs and initial accommodation; weekly meetings with local authority Single Points of Contact and resettlement leads convened by the WLGA; thrice weekly cross Welsh Government briefing and information sharing sessions (known as bird tables) to identify emerging issues and align our response; weekly situation reports (sit rep) including a sit rep for external stakeholders; daily 8:30 SMT check-ins; and a 24-7 rota across WG and key strategic delivery partners.

As the programme moved out of emergency response into a relatively more stable state, full governance arrangements were put in place, with the support and advice of colleagues in the Welsh Government's Audit and Assurance team.

At an operational level, these arrangements include programme managing twice weekly sprints and monthly strategy meetings on closure of initial accommodation and move on, keeping impact and delivery under constant review.

At a more strategic level, there is a monthly, cross-Welsh Government Programme Board which holds members to account for planning and delivery of their aspects of the programme as well as for their risks. The Programme Board informs the monthly Ukraine Ministerial Board, members of which receive the Programme Board highlight report. The Ministerial Board includes the First Minister, the Minister for Finance and Local Government, the Minister for Climate Change and the Minister for Social Justice – with the latter assuming the role of Chair towards the end of the period in question.

There is also regular external engagement with local authorities and the Third Sector through specific stakeholder groups.

## COVID-19

As a result of the global pandemic in March 2020, the Welsh Government put in place additional measures to provide transparent and focused governance, risk management (risk tolerance) and control to support the Welsh Government in its response to COVID-19. These measures have been fully outlined in previous Annual Governance Statements and many of those additional measures have now ceased. We have now focused on learning lessons from the pandemic to provide capacity and capability to respond swiftly to future challenges and importantly providing a new evidence function to policy colleagues for important areas of health and social care. An independent review of the health protection system in Wales was conducted in Autumn 2022. The review praised the innovation demonstrated in responding to the pandemic in Wales and made recommendations to further strengthen the system for the future. An initial implementation plan was published alongside the report in February 2023.

The Technical Advisory Cell (TAC) which was led by the Chief Scientific Adviser for Health throughout the pandemic has built on its learning and has become the new Science Evidence Advice (SEA) Division, providing an agile approach to evidence development that can quickly pivot to changing Ministerial priorities and health threats as they are emerging. SEA sits within the new Health Protection directorate working on pandemic preparedness, responding to communicable disease outbreaks and future health threats. The SEA Division has undertaken much work in recent months to provide visible impact through both proactive and demand led science advice and to ensure science advice mechanisms are efficient, effective and are embedded across Health and Social Care Group teams.

The Technical Advisory Group (TAG), which was also originally stood up to support the pandemic response has now been repurposed to address wider health matters. The TAG provides a peer review function for many of the SEA outputs.

The Health Protection Directorate has also focussed on strengthening and building on working relationships developed during COVID-19 at a four nations level. A four nations UKHSA/Devolved Governments Board has been established to consider strategic matters relating to health protection, with a current focus on pandemic preparedness. Welsh representatives on that Board are the Director of Health Protection and the National Director for Health Protection and Screening Services at Public Health Wales. Wales currently also holds the Chair for the UK Health Protection Committee, which was established under the Common Framework, with representation on each of the Committee's workstreams.

The COVID-19 Planning & Response Group was established in February 2020. This has provided a national co-ordinating function across the WG Health & Social Services Group, NHS Wales organisations and social care. The scope and remit of this Group was broadened in November 2022 to take a wider focus on system resilience and mitigation of concurrent risks.

A Transition Board consisted of senior officials in the Welsh Government and was chaired by the Director-General Covid Crisis Coordination, was established in December 2021 to oversee the move from an emergency Covid response to monitoring and responding to ongoing challenges from Covid as part of business as usual.

Through the Transition Board, a public strategy (*Together for a Safer Future*<sup>67</sup>) was developed to explain to the public the changes being planned and how they would be phased. This was published in March 2022, and the Transition Board has overseen its implementation. The final meeting of the Transition Board was held in June 2022.

The Covid Restart and Recovery Directorate has wound up and functions transferred to other Departments, primarily the Health Protection Directorate in HSS. As part of the handover a playbook was prepared to capture the suite of different interventions that have been used through the pandemic, from different approaches to guidance and communications through to extensive lockdown regulations. This will provide a resource and desk instructions, including templates for core guidance and principal legislation, as well as a suite of summary impact assessments, to draw upon should an emergency response need to be stood up with different people in place to deliver it.

## Lessons Learned

There were two central lessons learned exercises carried out by the Restart and Recovery Directorate during the pandemic, one in November 2020 and one concluding the work of the Transition Programme in 2022.

One of the themes of the lessons emerging from the exercises related to structures and clarity of roles and responsibilities. There were many facets to this, including having clear governance arrangements in place that supported decision making. Also having arrangements in place which enable a rapid redeployment of people in sufficient numbers at an early stage when a cross-government response to a crisis and ensuring clear internal communications, by standing up cross-government communication channels from the outset of a crisis, with readouts for those unable to attend meetings. The lessons learned exercises highlighted positive engagement with stakeholders and reinforced the need to utilise and further develop strong relationships to work in partnership and align efforts around common goals.

To respond to these lessons and address the issues raised, Welsh Government has implemented a commonly used and now well-established simple command structure; strategic (Gold), tactical (Silver) and operational (Bronze) commands, underneath Ministerial decision-making (Platinum). The principles of command and control are scalable and can be applied across diverse levels from national to local and in a multi-agency setting. These structures have been tested through exercising, but also in response to a number of incidents since they have been put in place and they have helped provide useful simplicity and clarity. The Preparedness and Risk Group has been established for over a year, and is made up of senior officials across policy areas in Welsh Government to support cross-government preparedness for acute risks. This group becomes silver command during a response to an incident.

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67 [www.gov.wales/wales-long-term-covid-19-transition-pandemic-endemic](http://www.gov.wales/wales-long-term-covid-19-transition-pandemic-endemic)

Covid Inquiry

The COVID-19 inquiry was formally set up in June 2022 and since that time the Welsh Government has continued its commitment to support and engage with the work of the inquiry. Within the Welsh Government the focus shifted from preparation to response and the governance structure was reviewed, resulting in the establishment of a project board and formal reporting mechanism through the Group structure. As part of the strategic oversight, since autumn 2023, weekly updates have been provided to ExCo and the Remuneration Committee agreed a full-time Director post to lead the inquiry work. It is the first time the Welsh Government has been involved in an inquiry of this scale, regular lessons learnt reviews have taken place to ensure processes and procedures could be adapted as further information about the approach being undertaken by the inquiry became available.

The Welsh Government has received a significant number of requests from the inquiry for statements and evidence, involving many staff from across the organisation. We continue to offer administrative, legal and wellbeing support and have increased our wellbeing support to those staff who are required to provide written or oral evidence. The inquiry will begin to receive oral evidence in 2023-2024 and preparations to support those witnesses involved are underway.

COVID-19 Support for Businesses

During the year we have continued to monitor and review the funds used to provide business support during the pandemic. The last payments of the Economic Resilience Fund (ERF) were made in May 2022.

ERF Post Completion Monitoring

As at April 2023 the position with regard post completion monitoring was:

ERF Phase	Number of Surveys Issued	Surveys returned
Phases 1-8 Survey based monitoring		
Phases 1 & 2 MICRO	9,094	3,029
Phases 1 & 2 SME (under £30,000)	1,257	421
Phase 3 Micro	1,205	690
Phase 4-7	3,866	1,248
Phase 8	2,484	0
Total	17,906	5,388

ERF Phase	Number of Surveys Issued	Surveys returned
Phases 1-8 Post Completion Monitoring		
Phases 1 & 2 SME (over £30,000)	1,270	585
Phases 1 & 2 Non SME	52	51
Phase 3 SME/Non SME	804	189
Phases 4 to 7 SME/Non SME	425	76
Phases 8 SME/Non SME	40	0
<b>Total</b>	<b>2,371</b>	<b>901</b>

Recoveries – Complete	Number of Cases	Value of Recovery
Phases 1-8 Recoveries		
Phase 1 & 2	26	£1,641,384
Phase 3	15	£119,332
Phase 4 to 7	13	£216,743
Phase 8	0	£0
<b>Total</b>	<b>54</b>	<b>£1,977,459</b>

This data relates to funds repaid by the business due to non-compliance with the eligibility criteria or failure to achieve the outputs originally anticipated.

As at April 2023, there are no identified instances or recoveries as a result of Fraud.

Written off	Number of Cases	Value of Write Off
Phases 1-8 Written Off		
Phase 1 & 2	4	£102,500
Phase 3	1	£15,310
Phase 4 to 7	0	£0
Phase 8	0	£0
<b>Total</b>	<b>5</b>	<b>£117,810</b>

This data relates to the amount of funding that has been written off due to the failure of the business to repay funds identified as owing, this will also include the insolvency of the business. As at April 2023, there are no identified frauds and therefore no funds have been written off as a result of Fraud.

## Local Authority Grants

We requested and received Fraud and Error surveys on the NDR and Discretionary funding from Local Authorities in 2020-21 and 2021-22. In summary there were 211 incidents of errors/fraud identified after payments had been made from a total of 154,130 payments giving an overall error/fraud rate of 0.137%. If we apply this fraud/error rate to the total value of COVID-19 business grants provided by Local Authorities it give a value of £1,928,229. The incidents of error/fraud and the error/fraud rate differ slightly to those previously reported in the accounts, reflecting the cumulative position and ongoing monitoring.

Although there was no further funding provided to Local Authorities during 2022-23 we did ask all Local Authorities to inform us of any additional errors/frauds which had been reported. To date we have only received 13 replies to this request and only one Local Authority has identified 2 incidents or errors/fraud totalling £10k.

We are in the process of writing to all S151 Officers in Local Authorities to request the final data relating to the total numbers of identified error/fraud in respect of the Local Authority delivered Covid support for businesses.

## The New UK Subsidy Control Regime

A new subsidy control regime came into force in the UK on 4 January 2023. The Subsidy Control Act 2022 provides a new framework for the provision of subsidies that is wholly different to the previous EU State aid regime.

This new regime is 'principles-based' rather than legislative and is designed to be more permissive than its EU predecessor, with the default position being that subsidies are allowed if a reasonable case can be presented for them, rather than being illegal by default.

Unlike the EU regime, there is no central governmental authority empowered to act as a regulator. The regime is essentially 'self-policing', with a 'Transparency' requirement for all one-off ('standalone') awards, all subsidy schemes and all scheme awards valued at £100,000 or more are required to be published on a public database within three months of being made. This provides the opportunity for competitor scrutiny to enable legal challenges to be made to the Competition Appeals Tribunal (CAT) within a month of uploading.



In order to ensure that the new regime was implemented as efficiently and effectively as possible, the Welsh Government's Subsidy Control Unit (SCU) put in place an implementation plan which included:

- Training – Both in the lead-up to, and following, commencement the Subsidy Control Unit (SCU) has held a mix of in-person presentations for large assemblies such as multi-Local Authority (LA) training sessions and WG team meetings and virtual meetings for Welsh Government Teams, smaller LA sessions and contacts located elsewhere in Wales.
- Awareness-Raising – the SCU has published regular intranet news articles updating on the changes, as well as longer-form Newsbursts to update on, and contextualise, changes and new guidance. These Newsbursts are provided both internally and externally.
- Online – a revamped WG subsidy control web presence, coupled with new branding, has been developed to provide a central hub for WG's online subsidy control presence. This provides an introduction to the new rules, hosts WG's subsidy scheme registrations and acts as a portal for Wales' Transparency reporting.
- Guidance – The UK Government has developed an authoritative 'Statutory Guide to the UK Subsidy Regime' and a suite of supporting documents; the SCU has produced a complementary suite of flowcharts, checklists and aide memoire.
- Additionally, the SCU has worked with other teams to update internal documentation to reflect the new regime, including the Ministerial Advice template and the Grants Centre of Excellence letter templates.

## Assurance Arrangements

As Principal Accounting Officer, I have responsibility for ensuring the effectiveness of the governance framework, including the system of internal control, for which I take assurance from a wide range of activities. In this, I am informed by the work of Internal Audit and those Welsh Government officials with responsibility for the development and maintenance of the internal control framework. I take assurance from the agreement and delivery of action plans by management in response to issues identified by the External Auditor (the Auditor General for Wales) in his reports and in reports published by the Public Accounts and Public Administration Committee and other Senedd Scrutiny Committees undertaking their own inquiries. Both Group and Welsh Government ARACs monitor progress of the implementation of any recommendations arising from these reports.

I am also advised on the effectiveness of the system of internal control by the Board and the Audit and Risk Assurance Committee.

Led by the First Minister and the Cabinet and other Ministers which he appointed, the Welsh Government's responsibilities cover key areas of public life. A wide range of internal controls are in place to provide for the sound stewardship of resources.

## Internal Audit

The programme of audit work undertaken during the year, which drives the overall assurance opinion given, produced the following opinions for the audit reports issued:

Assurance Opinion	2022-23	2021-22	2020-21	2019-20	2018-19
Substantial Assurance	10	14	12	19	35
Reasonable Assurance	18	25	22	15	30
Limited Assurance	7	3	3	5	9
No Assurance	1	0	0	1	0
N/A Summary Reports	6	2	0	0	0
<b>Total</b>	<b>42</b>	<b>44</b>	<b>37</b>	<b>40</b>	<b>74</b>

The Head of Internal (HIA) has provided “reasonable” assurance that arrangements to secure governance, risk management and internal control, within those areas under review, are suitably designed and applied effectively. Some matters require management attention in control design or compliance with moderate risk exposure until resolved.

The HIA issued one report with a ‘no assurance’ opinion relating to the Welsh Government’s compliance with best practice strategic frameworks for project delivery, where insufficient assurance was obtained. High residual risk exposure remains in this area until the issues identified are resolved. Nevertheless, this opinion does not reflect on the delivery of individual projects and programmes more widely, which was outside the scope of the audit undertaken. The HIA also issued seven limited assurance reports.

Where fundamental and significant weaknesses were identified, even when aggregated they were not material to the overall opinion. Furthermore, no systemic concerns or weaknesses were identified from the body of audit work completed. However, findings relating to the overarching Framework for Project Delivery have cross-organisational relevance.

The type of weaknesses driving ‘no assurance’ and ‘limited assurance’ opinions included:

- Lack of clear and unambiguous evidential trail detailing how decisions were made.
- Insufficient guidance or out of date procedures to inform staff of their obligations.
- Lack of formal lessons learnt exercise to identify causes and prevent recurrence.
- Lack of visibility/poor management information.
- Lack of quality assurance checks undertaken on projects.
- Lack of legal documentation to initiate commercial relationships with suppliers.

The HIA is satisfied with the positive response by management to the observations raised in audits reported during the year. Where weaknesses were identified, management action plans were agreed to enhance the control framework and address the issue(s) identified.

## COVID-19 Lessons Learned

In March 2023, IAS revisited, updated and reissued its Review of COVID-19 Assurances: Lessons Learned and Reflections. The study built on a similar 2021-22 exercise which reviewed the Welsh Government's COVID-19 interventions and identified a number of good practice points to assist future activities by:

- supporting a learning culture;
- identifying the common barriers and issues that others have experienced;
- highlighting potential solutions;
- providing ideas on how approaches might be improved;
- showing good practice so this can be repeated; and
- avoiding 'reinvention of the wheel'.

This lessons learned report was, as before, shared widely with the Senior Leadership Team, all members of the Senior Civil Service, COVID-19 Inquiry Team, ARACs and Audit Wales.

## COVID-19 Governance Arrangements

In December 2022, Internal Audit issued an update report on its COVID-19 Assurance Map, which built on the previous Maps used widely across the Welsh Government. Internal Audit worked with Covid intervention key contacts to gather more up-to-date and relevant information which was incorporated into its latest Assurance Map. This now shows current controls, governance arrangements, financial management and actual expenditure by intervention and provides an updated picture of assurances.

## European Funds Audit Team (EFAT) Assurances

The collected body of audits of EC funded projects and audits of key control systems operated by the Wales European Funding Office (WEFO) and its two Intermediary Bodies provides assurance on the compliance of Structural Funds and other EC funded programmes with EC Regulations on the recognition and claiming of costs from the EC.

## 2014-2020 Structural Funds (ESF & ERDF)

The Annual Control Report (ACR) for 2021-22 was submitted to the European Commission (EC) on 14 February 2023. It provided an overall unqualified opinion and an error rate of 0.05%, which is below the 2% materiality threshold. The ACR has been reviewed by the EC and was accepted on 29 March 2023 with no follow-up action required.

## 2014-2020 Ireland – Wales European Territorial Co-operation Programme

The ACR for this programme for 2021-22 was submitted on 13 February 2023. An unqualified opinion and error rate of 0.70% was provided. The ACR was accepted by the EC on 23 March 2023 no further follow up action required.

## 2014-2020 European Maritime and Fisheries Fund (EMFF) Programme

The EFAT undertakes audit work on funds received in Wales at the request of the UK Audit Authority. For 2021-22, the UK ACR was submitted in 2023 with an unqualified opinion and final error rate below the 2% materiality threshold in respect of the EMFF programme.

## Common Agricultural Policy (CAP)

EFAT delivers the five-year internal audit strategy for the CAP programme. Three audits were finalised during the audit year, all with “Category 1 (Works well; no or only minor improvements needed)” opinions.

## Technical Assistance

For the Internal Technical Assistance Process Review, a “Category 3 (Works partially. Substantial improvements are needed)” opinion was given due to previous significant recommendations not being implemented satisfactorily. However, these have now been addressed.

## EFAT Systems Audits

EFAT undertook four follow-up audits on the effectiveness of the systems operated by WEFO and its intermediate bodies and all previously raised recommendations were found to have been implemented.

## European Court of Auditors (ECA) Audit of 2014-2020 Programme – ESF/ERDF

In September 2019, EFAT was subject to an ECA audit to confirm whether the assurance EFAT provides to the EC is adequate. As reported previously, the ECA closed this audit but with one disputed finding regarding state aid for one project. Dialogue has continued between the EC and Officials, with the matter being resolved by the withdrawal of the affected funds by the Welsh Government. There is no anticipated financial loss to Welsh EU funds since the expenditure can be recycled into other areas of the ESF/ERDF Programme.

## Audit and Risk Assurance Committee (ARAC) Annual Report

Based on its work throughout 2022-23 the Committee was able to provide overall reasonable assurance on the adequacy of audit arrangements for the Welsh Government and also on the arrangements for governance, risk management, and internal control that have been established, based on the range of assurances presented to the Committee and the information provided to it by Officials.

## Annual Internal Control Questionnaires and Assurance Statements

One of my key sources of assurance is the annual Internal Control Questionnaire (ICQ) process. This process has matured over the last few years and provides a robust level of scrutiny in respect of the Welsh Government’s control environment.

I required all Directors to complete an Internal Control Questionnaire (ICQ) and, based on these returns, for the Directors General to prepare their own personal Statement of Assurance, to provide me with their assessment of the effectiveness of their Group’s frameworks of internal control.

Through the ICQ, the Directors have provided me with their self-assessments of internal control, governance and risk management and their considerations about how effectively they believe controls have operated throughout the financial year. The Directors General have provided an overview of governance, control and risk management within their respective Groups.

Following submission of the ICQ returns, a “heatmap” is produced and considered at the annual Assurance Stocktake. The purpose of the ICQ Assurance Stocktake is to consider the overall picture of the assurances obtained in ICQs. The session provides a challenge session for the Permanent Secretary, Directors General and functional leads, such as the Head of Procurement and the Head of IT Security, to consider the scores that have been given and ensure scoring has occurred on a consistent basis.

Whilst the majority of scores were consistent with last year, there were a cluster of variances in the DG’s levels of overall confidence scores this year compared to last year as follows:

ICQ Area	Change in Confidence level
Project Delivery	29% reduction
Regulatory & Propriety	41% Increase
Complaints	20% increase

IAS have also undertaken a review of Directors assessment of the Well-being for Future Generations sub questions in the ICQ. Their overall conclusion was there were areas where narrative information were inconsistent with the assessment scores however, overall, there was no impact on the control assurance rating. As such IAS have made recommendations that this area could be strengthened as part of the 2023-24 ICQ process.

## Whistle-Blowing

The Whistle-Blowing Panel met on six occasions throughout the year to consider whistle-blowing cases, to ensure that action was then taken promptly but with care to maintain confidentiality wherever possible. The Whistle-Blowing and Civil Service Code policy explains what staff should do if they suspect wrongdoing within the organisation and how it will be dealt with. Information is also published on the Intranet.

Whistle-Blowing arrangements in the Welsh Government are transparent and align with good practice. During the financial year, an Internal Audit review of Ethical Behaviours, which included our Whistle-Blowing arrangements, provided a reasonable assurance rating and made some suggestions for further improving those arrangements and work is in hand to address actions arising from the review.

Four cases were considered by the Panel during the year; this included two cases that were brought forward from the previous year, and two new cases reported during the year. The cases were:

Whistle-blowing Cases	2022-23	2021-22	2020-21	2019-20	2018-19
Not substantiated	2	4	3	3	4
Resolved internally (staff-related matters)	-	1	1	6	-
Not a matter for the Welsh Government	-	1	-	-	-
Advice provided to the Whistleblower	-	-	1	2	-
Still under investigation	2	2	5	-	3
Substantiated and action taken	-	2	1	-	-
Not enough evidence to pursue	-	1		-	-
<b>Total</b>	<b>4</b>	<b>11</b>	<b>11</b>	<b>11</b>	<b>7</b>

## External Assurance Panel & Counter Fraud

In addition to the Whistle-Blowing Panel dealing with internal cases, the External Assurance Panel, which met on eight occasions during the year, provides advice to Additional Accounting Officers and policy officials on responding to concerns raised in respect of Welsh Government funds awarded to external bodies. Many, but not all, of these cases are fraud allegations, and not all cases dealt with by the Counter Fraud Team need to be brought to the Panel (hence the difference in numbers of cases dealt with by the Panel and by Counter Fraud). The Panel provides expert professional advice, seeks to ensure consistency of treatment across the Welsh Government, and can identify lessons learned and best practice which can be disseminated to policy officials.

There were five new cases in the year reported to the Panel. The Panel resolved ten cases in year, eight of which were carried forward from the previous year. Three cases carried forward into 2023-24, one of which is currently referred to the Police. This information is contained in the table below.

## Counter Fraud

New referrals to the Counter Fraud Team have decreased since the pandemic. Ten new cases were referred to Counter Fraud in the last financial year, with four being carried over from the previous year, totalling fourteen.

The one case indicated below 'under police investigation' has been developed by both the Welsh Governments Counter Fraud Team and Audit Wales; and a significant amount of data has been passed to the police for examination. That case continues.

One other case investigated, that did not reach the criminal standard of proof but did identify wrongdoing and has subsequently received a 20% intervention rate recovery.

Both cases were discussed at the External Assurance Panel (EAP) meetings. The EAP meets approximately every eight weeks, and some cases are investigated and dealt with between meetings. Not all EAP cases involve potential fraud, so the EAP and Counter Fraud figures will be different.

Counter Fraud	2022-23	External Assurance Panel Cases	2022-23
Carried forward from 2021-22	4	Carried forward from 2021-22	8
New cases arising	10	New cases arising	5
Cases resolved	11	Cases resolved	10
Cases remaining (included in 3 are the below).	3	Cases remaining (included in 3 are the below).	3
- Court Case in Progress	0	- Court Case in Progress	0
- Under police investigation	1	- Under police investigation	1
- Under repayment monitoring	0	- Under repayment monitoring	0
- In review by an independent fraud agency	0	- In review by an independent fraud agency	0
- Investigation ongoing	2	- Investigation ongoing	2
<b>Total outstanding</b>	<b>3</b>	<b>Total outstanding</b>	<b>3</b>

Figures relate to financial years. The following table indicates how the 11 cases dealt with concluded.

The 11 cases resolved in 2022-23 are identified in the below categories	
Fraud proved	4
Not pursued criminally by police or financial recovery was the preferred option	4
No fraud found	3

Each case is reviewed for lessons to be learned and these are disseminated to the appropriate teams and discussed with the Grants Centre of Excellence and the External Assurance Panel.

Fraud & Corruption Risk Assessments are prepared by the directorates within each policy area, monitored and reviewed during the year and submitted to the Head of Counter Fraud every six months.

## National Fraud Initiative (NFI)

In October 2022, WG continued to demonstrate its commitment to identifying fraud and error in the public sector by once again participating in the bi-annual National Fraud Initiative. The results of this national data matching exercise were received in February 2023 and the internal audit service are currently reviewing them with a view to concluding their investigations and preparing a summary report in autumn 2023.

## Conflicts of Interest

Ensuring effective management of any conflicts of interest is a key aspect of any effective governance framework and system of internal control. Within the Welsh Government the controls in place to deal with this include corporate policies and procedures covering conflicts of interest registers and an annual return from all relevant staff published on the Welsh Government Internet site (disclosing all board and similar memberships of third party organisations held by Welsh Government officials).

The Board and each Audit and Risk Assurance Committee (ARAC) also have a Conflict of Interests Registers. Conflicts of interest linked to specific agenda items are also requested at each meeting and formally recorded. The requirements placed on ARAC members are also set out in appointment letters and the Terms of Reference.

The Welsh Government has undertaken an extensive review of the Conflict of Interest policy and procedures, following an Internal Audit Review and in response to UK Civil Service concerns about senior civil servants holding outside appointments which are not compatible with the Civil Service Code. We introduced a declaration of interest form for all permanent and temporary recruitments into Welsh



Government in 2022 and having completed our consultations and engagements with trade unions, staff networks and relevant stakeholders, we are now considering further guidance issued by UK Cabinet Office in Spring 2023 for publishing staff registers of interest. I remain comfortable our existing policies and procedures are effective, but will expect to see a strengthened, clearer and more robust policy for all staff and enhanced activity to further raise and maintain awareness of the standards expected from civil servants with regard to external interests, coupled with a stronger reporting mechanism thanks to good progress being made on an electronic solution for recording and reporting interests.

## Business Critical Analytical Models

An annual assurance exercise has been undertaken by the Welsh Government's analytical Heads of Profession to assess our business critical analytical models and provide me with assurance on these models. This year is the sixth year the exercise has been carried out.

Welsh Government's exposure to analytical modelling risk has continued to increase this year due to more widespread use of modelling. 26 business critical models were reviewed this year, with two new models identified covering priority policy areas. The Ukraine super sponsor initial accommodation model was new this year, and the South East Wales transport model was an existing model that has become business critical this year due to new uses.

Many models continue to be affected by wider economic factors and potential shocks (including political instability, such as the invasion of Ukraine). Where relevant, these impacts, including those driven by the pandemic had been clearly considered by many teams.

As with last year, some inherent risks continue for models which rely on Census and population projection data, or other older data sources. Census 2021 data has now been released and model owners that make use of this data are now transitioning to more up to date data. The impact and risk of the model on the trajectory of Welsh speakers was considered to have increased this year as a result of its raised profile and additional uncertainty following the release of Census 2021 data.

Analytical capacity remains an ongoing challenge in ensuring there are sufficient resources devoted to business critical models and their assurance. Many teams are reliant on a small number of analysts with specialist skills, making them vulnerable to loss of capacity and knowledge. Recent years have demonstrated reasonable levels of contingency, with analysts from across the modelling community, both within and outside the Welsh Government, supporting each other to address critical gaps where necessary.

External expertise is being used for specialist models. Despite improvements, there may still be risks around the lack of a suitable 'intelligent client' function internally to offer challenge and assurance in some, but not all, areas.

The organisational dependence on analytical modelling is likely to continue to increase in future years, as we see high profile policy areas making greater use of modelling, for example, on climate change, where complex modelling is in place to track progress towards carbon budget targets. Evidence from this year's modelling assurance exercise suggests that uncertainty and limitations in modelling are being communicated to those who use the data, although there is likely to be scope for improvement.

## Internal Control Issues

The positive assurances I have received provide me with confidence the Welsh Government has, in general, well-designed and sound frameworks of governance and internal control. However, some notable issues have been revealed in the course of the year which have been, or are being, addressed and improvements made, which are set out below.

## Losses, Write-Offs & Special Payments

### Holiday Free School Meals Grant Overpayment

During the year there was a loss of £1.885m across all local authorities following an error in the administration of a grant aimed at supporting families post-pandemic and in the face of cost of living rises. In accordance with disclosure requirements the only authority whose loss exceeded £300k was Cardiff Council, who recorded a total loss of £312,335. The grant was intended to deliver provision in lieu of a free school meal for eligible pupils during school holiday periods. The value of payments to local authorities for administering the scheme were incorrectly paid at a higher rate than intended for a period of time.

There was no suggestion that local authorities had failed to comply with any conditions associated with the grant in accessing the funding. Further, despite being overpaid, the level of admin fee provided was not considered unreasonable for delivering such a scheme on Welsh Government's behalf and was considered to be a proportionate payment. As such, it was deemed that attempting to recover the monies received in error would not be appropriate in this instance and could cause financial detriment. Guidance and processes associated with administration of the grant have since been strengthened and the level of admin fee has been correctly reset at the appropriate level.

### A55 3rd Menai Crossing, Flintshire Corridor Improvement and A483

Following the Welsh Government's response to the Roads Review in February 2023, which confirmed the A55 3rd Menai Crossing, Flintshire Corridor Improvement and A483 Junctions 3-6 Improvements would not be progressed in their current form and in accordance with accounting standards, an assessment of the value of the capital works completed and a determination of whether the expenditure should be written down to reflect loss in value has taken place. A sum of £5,665,069 has been written off in 2022-23. The remaining costs will be reviewed periodically, as required by Managing Welsh Public Money, to ensure they still represent future value.

## GRH Food Company

In Summer 2019 GRH went into administration, resulting in the non-completion of their measure 4.1 project under the Rural Development Programme (RDP) 2014-2020. A claim was lodged with the administrators for the grant value paid under the project. The administrators have now reached a settlement and the total funding due for return against the RDP project is only £3,809, leaving a capital balance debt of £1,554,865. Under the RDP rules due to non-completion of activity the balance of the capital grant outstanding is to be repaid to the EU by the Welsh Government.

## Compensation Payment

We have agreed a compensation payment, including costs, of £1,289,813 in respect of a third party claim due to a road traffic incident, further disclosure is not made on the grounds of legal privilege.

## Pandemic flu stocks, Covid Medicine and Lateral Flow Test Write-offs

Pandemic flu stocks, Covid Medicine and lateral flow tests were written-off in the year. The table below shows the 2022-23 values compared to the previous two years.

	2022-23	2021-22	2020-21
Pandemic Flu Stock	319,465	449,000	5,300,000
Covid Medicine	931,384	453,000	N/A
<b>Total</b>	<b>1,508,373</b>	<b>902,000</b>	<b>5,300,000</b>

Stocks of antivirals, antibiotics and consumables are held by the Welsh Government in accordance with UK-wide public health planning. Stock levels required, drug types and reprocessing of drugs are planned and managed nationally and consequently can be volatile. Write-offs occur as a consequence of adjusting national supplies to meet planned need.

The write-offs reported relate to expired drugs and lateral flow tests which are not suitable for use in core NHS services or for treatment of COVID-19. It is an accepted risk of making proper preparations for pandemic flu outbreaks that some stocks are likely to be written off.

## Continuous Positive Airway Pressure (CPAP) devices

Disposal of components purchased relating to Continuous Positive Airway Pressure (CPAP) devices. £0.565million was written off as a constructive loss. This was the optimal method for the disposal of electronic components purchased in support of the Economic response to NHS Critical Supplies – COVID-19. The Critical Equipment Requirement Engineering Team took a risk-based decision to plan to purchase key components for up to 10,000 CPAP devices. This forecast was based on extensive discussion and modelling between CERET, HMG Cabinet Office, Innovate UK and relevant medical leads. Unfortunately, the components were not eventually required as the CPAP was not manufactured in the expected numbers. Efforts to sell the items to date have been unsuccessful and the components now have minimal value.

## Other Matters In-Year

### Baglan

Welsh Ministers, as part of the legal action taken against the Official Receiver, agreed to indemnify all reasonable costs for the Official Receiver, for the continued operation of Baglan Bay power station, until such time as the litigation process had completed. Following completion of legal proceedings, the liquidation of the power station has completed and the site is disclaimed by the Official Receiver.

The Official Receiver in his legal capacity as liquidator for the Calon Group of companies operating Baglan Bay Power Station, including Baglan Operations Ltd, incurred expenditure for which WG are obliged to pay costs for under the indemnity agreed by Welsh Ministers. During 2022-23 the amount paid to the Official Receiver totalled £931,288.

The legal proceedings and indemnification process provided time for Welsh Government, (in partnership with Neath Port Talbot Council, Dŵr Cymru Welsh Water and Western Power Distribution Ltd (now National Grid), to design and build a new electrical distribution network for Baglan Energy Park customers. This safeguarded local jobs and businesses on Baglan Energy Park and ensured that the risk to public health and the local environment was mitigated.

## Donations

### Disasters Emergency Committee

The Welsh Government provided a gift of £300,000 to the Disasters Emergency Committee (DEC) for the purpose of contributing to the Earthquake Appeal. Funds raised for this appeal helped DEC to coordinate an effective humanitarian response during the crisis in Türkiye and Syria, getting aid quickly to people who needed it. The emergency response included water and sanitation, shelter and food support, as well as longer-term rehabilitation.

A further gift of £100,000 was provided to DEC for the purpose of contributing the Pakistan Floods Appeal. The funds provided were used to provide temporary shelter to those who lost their homes, clean water and sanitation to prevent the spread of water-borne diseases, food for sustenance, and medical assistance to those who had been injured or were ill.

### Communities Together – Cost of Living Fund

In March 2023 the Welsh Government provided a donation of £1m to Community Foundation Wales' Communities Together- Cost of Living Appeal. The appeal will provide support to grass roots voluntary sector organisations to help them to manage inflationary pressures and continue to support the most vulnerable people in our communities. This includes prioritising groups who support people with protected characteristics. Focusing on voluntary organisations providing benefits or debt advice, food and other essentials, wrap around childcare, warm spaces, etc.

## VAT Arrangements/Tax Planning and Management

As part of a rolling programme of compliance reviews, HMRC has the following three ongoing compliance reviews:

- IR35 Review;
- Employer Compliance Review; and
- VAT Inspection.

Due to HMRC resource issues, only the VAT Inspection has progressed during this period. A repayment of £21,390 had to be made to HMRC due to incorrect VAT recovery on subscription fees and goods.

## Information Governance

As PAO, I am responsible for ensuring appropriate arrangements are in place to comply with the core set of mandatory minimum measures to protect information in Government Departments. I am required to assess the risk and ensure that appropriate mitigation strategies are in place.

Where third parties handle information for which the Welsh Government is legally responsible, it is important that advice and guidance is provided to them about how that information must be handled. Supplier assurance with respect to cyber security is assessed prior to contract award, where personal information is processed by third parties and information assurance clauses are included as standard as a part of contract clauses. We also verify that those who process our sensitive information are subject to an independent IT Health Check and meet the appropriate best practice standard e.g. Cyber Essentials/ISO27001.

The Welsh Government has policies and procedures in place to proactively manage cyber security risk, working with the National Cyber Security Centre to secure our digital assets and ICT infrastructure. Security risks (including cyber) are discussed at the Security Board and on a regular basis by the Senior Information Risk Owner (Board level security nominee) and the Chief Security Officer. ExCo and I receive security briefings throughout the year.

Incidents Falling Within the Criteria for Reporting to the Information Commissioners Office (Reported):		
Year	Incidents Reported to ICO	Action Taken by ICO
2022-23	2	0
2021-22	2	0

Summary of Other Protected Personal Data Related Incidents			
Incidents deemed by the Data Controller not to fall within the criteria for reporting to the ICO but recorded centrally are set out in the table below			
Type	Nature of incident	2022-23	2021-22
I	Loss of inadequately protected electronic equipment, devices or paper documents from secured Government premises	1	1
II	Loss of inadequately protected electronic equipment, devices or paper documents from outside secured Government premises	0	2
III	Insecure disposal of inadequately protected electronic equipment, devices or paper documents	0	0
IV	Unauthorised disclosure	81	93
V	Other	1	3
	<b>Total</b>	<b>83</b>	<b>99</b>

All unauthorised data disclosures are logged and investigated. In context however, the number of losses is low when compared to the number of emails sent every month (on average, 1.23 million). Most incidents not reported to the ICO arose from unauthorised disclosures, which were mainly due to specific documents containing personal data being sent or emailed to the wrong person.

The Welsh Government maintains a robust internal reporting process covering all types of incident. After each breach is reported, remedial actions are agreed with management and action tracking is used to monitor completion of those actions. All data breaches are reported to the relevant Director General. Where necessary, lessons to be learnt across the organisation form part of the regular all-staff Security Bulletin.

## Data Protection Officer Report

I continue to observe good levels of awareness of the overarching data protection principles and requirements of the UK GDPR. Practical experience and technical understanding of data protection helps officials to handle personal data appropriately, compliantly and securely.

However, the Welsh Government still lacks the e-tools which would create a more robust record of data processing activity, demonstrate compliance and support better management, monitoring and oversight of personal data processing. There also remain areas of weakness in data protection practice, although the risks to the rights and freedoms of data subjects appear to be low based on the incidence of data breaches and complaints. Nevertheless, there are aspects of data protection specific to government activity which are not well understood, in part because few officials encounter them on a regular enough basis to become proficient. There are also too many occasions when data protection does not feature early enough in the planning of new initiatives, activities and projects, meaning “privacy by design” is not always practiced. Hopefully, this will be mitigated, in part, by the recruitment of new Departmental Knowledge & Information Managers at Group level to support officials handling personal data.

## Local Accountability

A considerable proportion of the expenditure of the Welsh Government is distributed to Welsh Local Authorities and NHS Wales bodies to deliver policy objectives and a range of front-line services, including health, social care and education. The Director General of the Health and Social Services Group within the Welsh Government is also the Chief Executive of NHS Wales.

### Local Authorities

Grant funding is provided to Unitary Authorities, Fire and Rescue Authorities and Police and Crime Commissioners in Wales. The largest single component of grant funding is the annual un-hypothecated settlement for Unitary Authorities which comprises Revenue Support Grant (RSG) and a share of non-domestic rates income. The quantum of funding is set as part of the Welsh Government’s annual budget round. It is distributed using a formula which reflects the factors which drive authorities’ need to spend to deliver a wide range of services, including education and social care. The formula is maintained, updated and improved through an ongoing programme of work with local government.

Funding is also provided to authorities through grants which can be used only for the specific purposes for which they are provided. Additionally, Unitary Authorities receive some specific grants from UK Government Departments for non-devolved functions, from locally set council tax, fees, charges and other sources of income. Unitary Authorities also receive Welsh Government grants for capital spending and support for borrowing. This is complemented by authorities’ own borrowing capacity, grants from other bodies and capital receipts.



Similar arrangements apply to the revenue provision for Police and Crime Commissioners, who are funded through a mix of RSG and non-domestic rates income from the Welsh Government, Police Grant from the Home Office, specific grants and from council tax. Other authorities are funded through arrangements such as specific grants, levies, and precepts.

Each authority is accountable for how it uses the available funding in delivering the functions for which it is responsible. Unitary Authorities, police bodies and fire and rescue authorities must have an appointed officer under Section 151 of the Local Government Act 1972 who has statutory duties to ensure there is proper administration of financial affairs. Authorities are held to account through their scrutiny functions and through direct accountability to their local electorate. Their financial affairs are governed by a statutory accounting and audit framework and their accounts are subject to full annual external audits. They have been subject to annual improvement audits conducted by the Auditor General for Wales covering value for money as well as governance and capacity matters, but from 1 April 2021 are subject to a new performance and governance regime requiring them to keep their performance under review and undertake regular peer assessments.

In respect of funding provided for specific purposes, individual grant terms and conditions are the responsibility of relevant policy departments. These terms and conditions must have due regard to the Grants Centre of Excellence Minimum Standards for Grant Funding. Adherence to these standards should ensure compliance with the Welsh Government's governance and financial arrangements, relevant law, policy, and good practice. The number of revenue grants and amount of funding through specific grants from Welsh Government as a whole is considerable. Work started in 2022-2023 to review the administrative burdens on Local Authorities under the Welsh Government's Programme for Government. This identified specific grants as a significant element of concern. Work across Welsh Government, will be undertaken in 2023-2024 to reduce the administrative burden of these grants whilst ensuring proportionate assurance. With regard to funding provided by the UK Government in respect of non-devolved functions, the arrangements for accountability will be agreed between the Local Authorities and the relevant UK Government Department.

## Health

Local Health Boards (LHBs) are funded to commission and provide Hospital and Community Health Services and to meet the costs of drugs prescribed by GPs for their resident populations. Funding is also provided to cover payments to independent contractors including GPs, General Dental Practitioners and Pharmacists. Additional targeted funding is used to support the achievement of Welsh Government objectives. Capital funding is provided to support the All Wales Capital Programme and other Welsh Government discretionary capital funding is also provided to support locally identified priorities.

## Escalation and Intervention Arrangements

As at 31 March 2023 Betsi Cadwaladr University Health Board was in Special Measures having been returned to this status by the Minister for Health and Social Services on 27 February 2023. The decision to escalate the Health Board related to serious concerns about board effectiveness, organisational culture, quality service and reconfiguration, governance, patient safety, operational delivery, leadership and financial management.

For the remaining Health Boards as at 31 March 2023:

- Cwm Taf Morgannwg University Health Board was de-escalated from special measures to targeted intervention for maternity and neonatal services, quality and governance remained in targeted intervention, performance was escalated to targeted intervention; and planning and finance escalated to enhanced monitoring.
- Hywel Dda remained in targeted intervention for finance and planning and enhanced monitoring for quality issues related to poor performance.
- Swansea Bay UHB was in enhanced monitoring for quality issues related to poor performance.
- Cardiff and Vale had been escalated to enhanced monitoring for planning and finance.
- Aneurin Bevan UHB and Powys THB were in routine monitoring.
- The three NHS Trusts and two Special Health Authorities (SHA's) were also in routine monitoring status.

In August 2023, the Minister for Health and Social Services in her [Written Statement: Escalation and Intervention Arrangements](#) set out the new escalation levels for the Health Boards:

- Aneurin Bevan UHB to be escalated to enhanced monitoring for planning and finance.
- Powys THB to be escalated to enhanced monitoring for planning and finance.
- Swansea Bay UHB to be escalated to enhanced monitoring for planning and finance and to remain in enhanced monitoring for quality and performance.

All other Health Boards, NHS Trusts and SHA's remained in the same escalation arrangements as at 31 March 2023.

## AGW Audit Opinions on financial statements and regularity

The Auditor General for Wales issued qualified regularity opinions for all seven LHBs in 2022-23.

The qualified opinions (except for Betsi Cadwaladr University Health Board) were issued on the basis that the health boards did not achieve their statutory financial duty set out in the National Health Service (Wales) Act 2006 section 175 (1) *to secure that its expenditure does not exceed the aggregate of the funding allotted to it over a period of 3 financial years.*

Betsi Cadwaladr University Health Board's regularity opinion was qualified as the Health Board incurred irregular expenditure in breaching paragraph 14.1.4 of its standing financial instructions in making payments to an interim executive member of the Board without the required approval from Welsh Government.

Betsi Cadwaladr University Health Board were also issued with a qualified 'true and fair' audit opinion on the 2021-22 financial statements by the AGW, due to the lack of appropriate audit evidence that accruals and related expenditure has been accounted for in the correct accounting period. At the time the AGW recommended to BCU Health Board that:

- the Health Board undertook a comprehensive exercise to identify, and correct for, the errors in its accounting records

- identified the corrections it needed to make to ensure that its 2022-23 accounts gave a true and fair view; and
- undertook a review to understand why these issues had occurred and to strengthen its controls accordingly.

In 2022-23, the AGW has again qualified his opinion on the financial statements as BCU did not undertake the recommended review. As such the AGW has not been able to assess the full extent of the error and uncertainty in these balances and has been unable to determine whether any adjustments were necessary. He has therefore qualified his audit opinion due the failure to provide sufficient evidence.

A report commissioned by the BCUIB Audit Committee from Ernst and Young identified significant issues and a requirement for the Health Board to prioritise a review of the assurance arrangements for compliance, performance safety and risk management through the implementation of an integrated assurance model. The resulting comments from the review have since been reflected in a revised Action Plan and the progress against the plan is being reported to the BCUIB Audit Committee. Finance and governance is a key component of the Welsh Government Special Measures Framework for the Health Board and progress against delivery of agreed action plans is monitored through the special measures process.

The NHS Wales Summarised Accounts were qualified on both the true and fair and regularity opinions for 2022-23. The qualifications do not reflect the preparation and summarisation process of the Summarised Account they arise on the regularity opinion as a consequence of six LHBs generating financial deficits over the statutory duty assessment period 2020-21 to 2022-23 those overall deficits constitute irregular expenditure, and the BCUIB qualification noted above in respect of payments to an interim executive member of the Board. The true and fair qualification arises from the BCUIB qualification noted above due to the lack of appropriate audit evidence that accruals and related expenditure has been accounted for in the correct accounting period.

All three NHS Trusts in Wales met their financial duty to 'ensure that its revenue is not less than sufficient, taking one financial year with another' measured over a rolling three-year period.

Both Special Health Authorities met their annual duty and did not exceed their respective allocated revenue resource limits.

## NHS Wales Planning Framework 2022 to 2025

In November 2021, the Welsh Government reinstated a NHS Wales Integrated Medium Term Plan (IMTP) Planning Framework for 2022-2025. The Framework provides the clarity that needed to put in place the building blocks to harness the learning and innovation from the pandemic and to develop sustainable services for the future.

The Minister for Health and Social Services agreed the IMTPs from the following six bodies which then met their second financial duty:

- Aneurin Bevan UHB
- Powys THB
- Swansea Bay UHB

- Public Health Wales NHS Trust
- Velindre NHS Trust
- Welsh Ambulance Services NHS Trust

Although not a statutory requirement, HEIW and DHCW both submitted satisfactory IMTPs.

The Director General, HSSG & Chief Executive NHS Wales is continuing to monitor BCUHB's progress against the Action plan developed to address Audit Wales and Ernst and Young recommendations and the approach to Finance & Governance outlined in the Special Measures Framework, and expects and encourages the new Board to improve service delivery and effective governance arrangements.

## Amgueddfa Cymru – National Museum of Wales

On the 28 September 2023 the Auditor General for Wales qualified his regularity opinion on the Financial Report of Amgueddfa Cymru – National Museum of Wales – for 2021-22 as he was unable to satisfy himself that the decision-making process that resulted in payments to the Director General under the terms of a settlement agreement dated December 2022 complied with charity law and conforms with the framework of authorities governing them. The Auditor General for Wales published a public interest report into this matter on the 9 November 2023. The report includes a recommendation for the Welsh Government relating to the procedures to be followed in such circumstances in arms – length bodies.

Welsh Government officials are carefully considering the report's conclusions and recommendations and will respond to the Auditor General for Wales. Amgueddfa Cymru is not designated and therefore is not consolidated with this Welsh Government Consolidated Account.

## Risk Profile

The risk profile of the Welsh Government is extensive and varied, as would be expected from the broad range of different activities in which it is involved. Operational risks arise in the course of delivering key policy objectives and are managed and mitigated on a day-to-day basis across the organisation. In addition, the Welsh Government also carries a number of contingent risks (high impact but unlikely to be realised) which arise from its regulatory responsibilities. Examples of these are its responsibilities in the event of an outbreak of human or animal disease in Wales and its obligations under the guarantees it enters into from time to time to support businesses in Wales.

The Corporate Risk Register sets out the “across the organisation” risks that could threaten the Welsh Government's core business and the way it operates. It is an internally facing document. Outlined below is an overview of the Corporate Risk Register changes in year.

Corporate Risk	Residual risk Score April 2022	Change in Year	Residual risk Score April 2022
European Transition	16	↔	16
Insufficient funding to deliver existing plans	15	↔	15
Business Delivery and Planning	12	↔	12
Workforce Capacity	20	↔	20
Workforce Capability and Flexibility	16	↔	16
Wellbeing of staff	15	↑	20
ICT Systems Resilience	15	↔	15
Legislative Programme	20	↔	20
Cross-Cutting Strategies	15	Removed	
Major Projects & Programmes	15	↑	20
Digital Risk	16	↔	16
HR System	20	↓	15
Cyber Security	20	↔	20
Disruption/Business Continuity Event	15	↔	15
UK GDPR	8	Removed	
Responding to the UK-wide COVID-19 Public Inquiry	20	↔	20
State of the Strategic Road Network (SRN)	20	↔	20
Affordability of the Ukraine funding commitment	20	↓	15
Equality, Diversity & Inclusion		New	20
Welsh Language		New	15
End of Structural Funds Programme		New	16
CVL		New/Removed	9

The Welsh Government scores risks using a “5x5” matrix where risk impact and risk likelihood are scored from 1 (low) to 5 (high) with the overall risk score being calculated by multiplying these two scores, arriving at an overall score in the range between 1 and 25.

The overall level of risk is determined by the overall score as follows:

Score	Level	Nature of Risk
20-25	Very High	Critical risks
13-19	High	Material risks
5-12	Medium	Manageable risks
1-4	Low	Negligible risks

All corporate risks on the Corporate Risk Register have been reviewed by Finance and Corporate Services Committee, ExCo, The Board and ARAC as part of our ongoing management of corporate risk. Outlined below is further detail on new risk, risk that have been removed in year and an update on those risks I have previously drawn attention to.

In my previous two Governance Statements I have highlighted the demands that have been placed on the Welsh Government in responding to the COVID-19 pandemic. Whilst the current pressures relating to the pandemic primarily relate to supporting the UK Covid Inquiry, the challenges relating to the crisis in Ukraine and cost of living increases have significantly increased in year.

These pressures continue to impact risks to the workforce including issues around capacity and staff well-being. Effective mechanisms have operated to monitor and provide support to staff, as needed, but our risk around staff well-being, and resourcing capacity has continued to feature on the corporate risk register. Mitigations in the area have been monitored and updated to reflect changes such as the implementation of the new resourcing accountability framework.

During the year four new risks were added to the Corporate Risk Register:

- **Welsh Language** – This risk was added to the Corporate Risk Register in early 2022 to reflect the challenges in reaching the Welsh Government’s targets contained in *Cymraeg 2050*. During the year this risk has been carefully monitored by Finance and Corporate Services Committee and the mitigations put in place by officials mean that the residual risk has reduced over the period.
- **Equality and Diversity** – This risk recognises the importance of increasing diversity in the Welsh Government, removing barriers for disadvantaged groups and promoting and maintaining an inclusive working environment, in order to be representative of the community we serve. In turn this will enable us to positive impacts on the outcomes we are seeking to deliver for the people of Wales. Mitigations have been kept under review in year which has resulted in this risk being reduced. The Shadow Board have also focussed on this as a key issue.

- In September 2022 a risk relating to the funding of Core Valley Lines was added to the Corporate Risk Register. Due to the significance of the risk it was escalated from Group level to the Corporate Risk Register. This risk was managed during the year and has now been removed from the register.
- A risk in respect of the End of the Structural Funds Programme was identified during the year. This relates to the risk that the Welsh Government may be subject to outstanding queries and audits by the EC or ECA after closure (and as late as 2029) which could have significant financial consequences if, due to staff moving posts, corporate memory and/or records being lost or relevant systems not being maintained or remaining accessible, those queries cannot be addressed or evidence, information and explanations are not available to EC and ECA auditors on request.

There are currently a suite of mitigations in place to manage this risk:

- All systems and records are still being maintained, so will be available immediately post-closure.
- Functions and activities are still ongoing which will be needed post closure, in particular, EFAT capability and capacity is being maintained (will be needed to Feb 2025 at the earliest).
- Currently, the EC is content with WEFO systems and controls. Error rates in Operations are low. Only one disputed [State aid] case remains from various EC/ECA audits done post-Brexit.

Further controls are being planned as this proximity of the risk increases.

In last years AGS, I outlined that a new risk has been added to the Corporate Risk Register relating to Wales being a Nation of Sanctuary and the risks associated with the future affordability of the Ukraine funding commitment. As outlined in page 132 we have put robust governance arrangements in place to manage this issue and this risk has been closely monitored and updated throughout the year. Changes have been made to the risk in year to reflect the affordability of the funding commitment. The crisis in Ukraine also impacted other risks around staffing and also our cyber security risk which increased for a period due to the heightened security threat in Ukraine.

Similarly our corporate risk relating to the our response to UK-wide COVID-19 Public Inquiry has been carefully monitored during the year. Challenges around resource capacity have been highlighted, and the impact on quality of evidence provided, mitigations around this risk are closely monitored.

As stated in page 140 the HIA issued one report with a 'no assurance' opinion relating to the Welsh Government's compliance with best practice strategic frameworks for project delivery, where insufficient assurance was obtained. The delivery capability of the Welsh Government for Major Projects and Programmes remains on the corporate risk register and during the year mitigations were updated to reflect a different approach to managing WG projects, which will be based on the UK model. The Welsh Government's Office for Project Delivery (OPD) is at an early stage of developing a strategic approach for the WG to effectively manage this area based on the adaptation of the UK approach.

The European Transition risk was updated during the year to include the package of reforms arising from the review of intergovernmental relations, which has the potential of enhancing intergovernmental working. At the year end this risk was being considered for removal from the Corporate Risk Register. Many of the original aspects of this risk were now being managed at Group level e.g. the Board Control Ports.

Previously there was a risk on the corporate risk register relating to Cross Cutting Strategies, this was largely a legacy risk, relating to the previous Senedd term and it was agreed this risk was no longer relevant and was removed in April 2022.

A risk relating to the Welsh Government's compliance with statutory requirements of GDPR has been included on the Corporate Risk Register since the UK regulations were put in place in 2018. The residual risk was reduced in January 2023 to reflect the Information Commissioner's Office's new policy of not fining public bodies (to avoid public harm), but instead reprimanding them (except in exceptional cases, where the option to fine has been retained). In April 2023 it was agreed that this risk could be removed from the Corporate Risk Register as it has been included on the newly formed Security Board risk register and it was able to be effectively managed within that forum.

## Internal Audit

Following the implementation of the new organisational structure in May 2022, Finance and Corporate Services Committee requested a review of risk management. This was to ensure that in the new structure there were consistent processes and procedures for the management of risk. This review was undertaken during September 2022. An action plan to address the observation made has been put in place and is currently being implemented.

## Capacity to Handle Risk

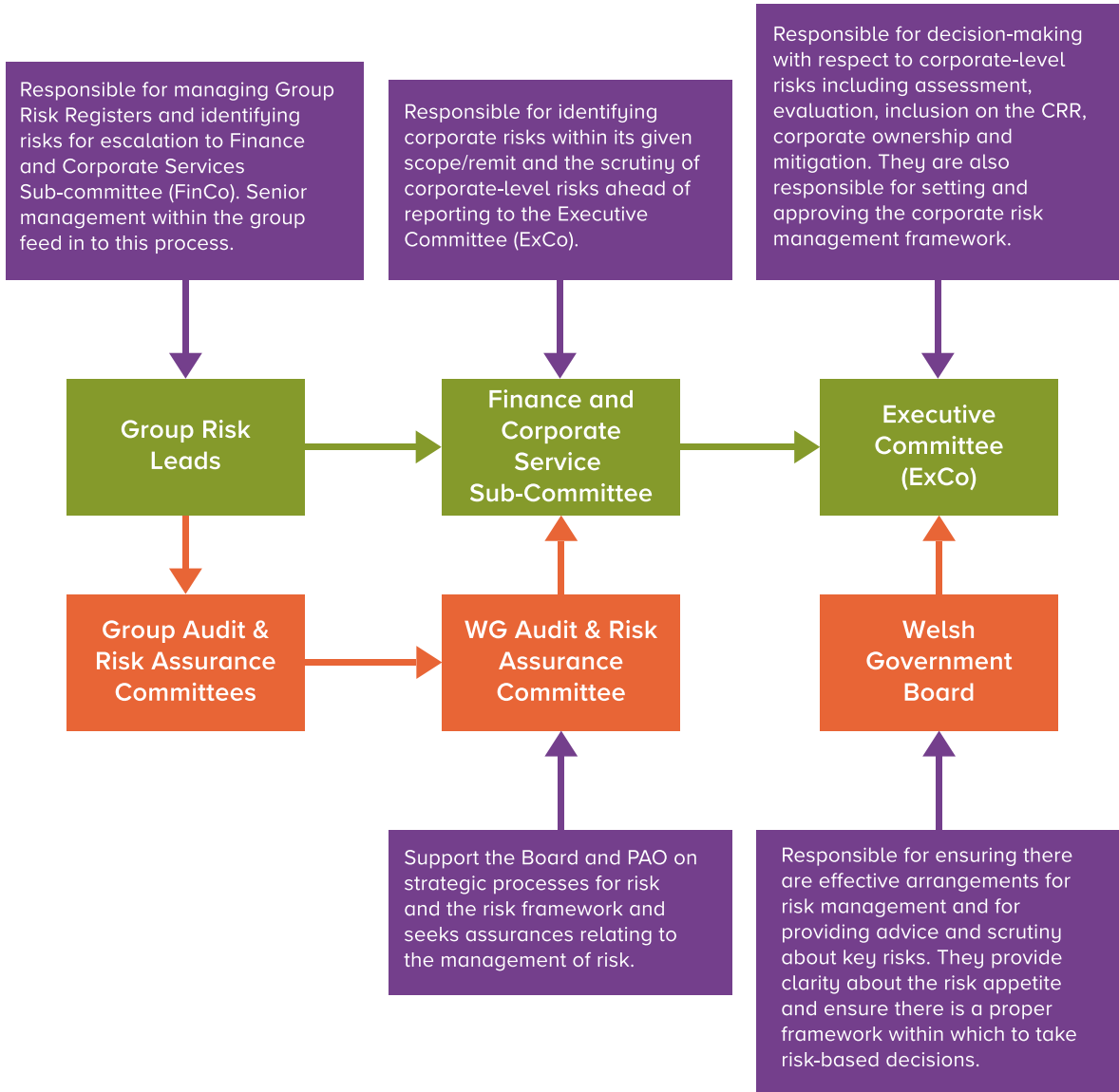
The Welsh Government adheres to the "Main Principles" for risk management in government set out in HM Treasury's *The Orange Book; Management of Risk – Principles and Concepts (2019, updated 2020)*.

The Welsh Government's risk management policy has the key objective of ensuring there is a consistent process in place for measuring, controlling, monitoring and reporting risk across the organisation. Managing risk effectively should not lead the Welsh Government to be unduly risk averse and, in pursuit of its objectives, it is prepared to take risks which have been properly assessed, evaluated and managed to encourage more effective exploitation of opportunities as they arise, whilst accepting some failures may occur.



Corporately, the Board is responsible for overseeing the implementation of the risk management policy and process and for oversight and scrutiny of the mitigations for key risks facing the Welsh Government which might otherwise prevent or hinder the organisation from achieving its strategic objectives. Principally, these are those risks which are so critical they cannot be managed at Group level, together with those of a corporate nature whose impact would be felt across the whole organisation. Corporate risks have been reviewed by the Board twice in the year and by the Welsh Government’s Audit and Risk Assurance Committee quarterly.

Day-to-day management and mitigation of risk is a management responsibility and each Director General has been responsible for managing risk and opportunity in respect of their Group’s key objectives. Group risks were reviewed regularly by senior management teams and by the Group Audit and Risk Assurance Committees and were informed by risk registers maintained by projects and programmes, and risk assessments and risk registers at Divisional level. The diagram below shows the route map for risk escalation.



## Conclusion

The system of internal control has been in place in the organisation for the year ending 31 March 2023 and up to the date of approval of the Annual Report and Consolidated Accounts. It accords with HM Treasury guidance. I have reviewed the evidence provided to me by my review of the effectiveness of the governance framework and can take reasonable assurance that arrangements to secure governance, risk management and internal control, within those areas under review, are suitably designed and applied effectively. Some matters require management attention in control design or compliance with moderate risk exposure until resolved.

My three-year plan, Welsh Government 2025, will continue to build on our existing robust processes and procedures, enhancing and improving our governance and assurance arrangements to help us become the exemplar public service organisation we want to be.

**Dr Andrew Goodall CBE**  
**Permanent Secretary and Principal Accounting Officer**

29 November 2023

## Accountability Disclosures

The following is the statement of losses and special payments as required by the Government Financial Reporting Manual, with individual disclosures where the total amounts incurred are over the limits prescribed in Managing Welsh Public Money of £300,000.

### Losses

	2022-23	2021-22
Total number of losses	131	150
Total value of losses (£000's)	13,184	12,269

Details of losses over £300,000:		
Overpayments	Free School Meals overpayment	£1,885,417
Store losses	Expired drugs stocks (non-COVID-19)	£1,508,373
Store losses	Expired COVID-19 medicines and lateral flow tests <sup>1</sup>	£1,250,849
Constructive losses	Road Project write-offs <sup>2</sup>	£5,665,069
Constructive losses	CPAP Stock write off	£565,198
Waived and abandoned claim	GRH Food Company	£1,554,865

<sup>1</sup> Write off of COVID-19 medicines that have now expired and are no longer valid for use. These medicines were disposed of.

<sup>2</sup> Relates to the A55 3rd Menai Crossing, Flintshire Corridor Improvement and A483.

Included within the losses noted above are 2 (2021-22: 4) losses incurred in relation to the COVID-19 pandemic amounting to £0.052m (2021-22: £0.044m). COVID-19 losses include events cancelled as a consequence of the pandemic, and losses related to company failures.

Special Payments

	2022-23	2021-22
Total number of special payments	21	21
Total value of special payments (£000's)	2,285	1,352

Details of special payments over £300,000:		
Compensation	Compensation payment, including costs in respect of a third party claim due to a road traffic incident	£1,289,813
Ex-gratia payment	Relating to the continued operation of the Baglan Bay Power station	£931,288

More details on the individual losses and special payments disclosed can be found in the Annual Governance Statement on pages 148-150.

Gifts made

	2022-23	2021-22
Total number of gifts	3	3
Total value of gifts (£000's)	1,400	5,100

Details of gifts over £300,000:		
Gift	Community Foundation Wales Cost of Living Appeal	£1,000,000
Gift	DEC Earthquake Appeal – Turkey and Syria	£300,000

More details on the individual gifts disclosed can be found in the Annual Governance Statement on page 151.

## Remuneration and Staff Report 2022-23

### Remuneration Policy

The remuneration of Senior Civil Servants<sup>68</sup> (SCS) is set at UK Government level following independent advice from the Review Body<sup>69</sup> on Senior Salaries. The Welsh Government has delegated responsibility for the remuneration of non-SCS staff. Where an SCS post is undertaken by a secondee, their remuneration will reflect the terms and conditions of their substantive employer.

The pay and pensions of Ministers are determined by the Independent Remuneration Board of the Senedd Determination on Members' Pay and Allowances<sup>70</sup>.

### Service Contracts

The Constitutional Reform and Governance Act 2010, requires Civil Service appointments to be made on merit on the basis of fair and open competition. The Recruitment Principles published by the Civil Service Commission specify the circumstances when appointments may be made otherwise.

Unless otherwise stated below, the officials covered by this report hold appointments, which are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Further information about the work of the Civil Service Commission can be found at [www.civilservicecommission.org.uk](http://www.civilservicecommission.org.uk)

### Welsh Government Annual Pay Policy Statement

In line with the 'Transparency of senior remuneration in the devolved Welsh public sector'<sup>71</sup> principles published on 7 December 2015 the Welsh Government has published a pay policy statement on its website<sup>72</sup>.

The Pay Policy Statement covers the Welsh Governments definition of both "senior posts" and "lowest-paid employees" and the relationship between the remuneration of senior posts and that of the lowest-paid employees.

It also covers:

- a) demonstrable evidence of affordability and value for money,
- b) the number of senior posts within the body with a remuneration package of more than £100,000 in bands of £5,000,
- c) the approach to internal talent management,

68 Senior Civil Service Pay Award 2022-23 – practitioner guidance – GOV.UK ([www.gov.uk](http://www.gov.uk))

69 Senior Salaries Review Body Report: 2022 – GOV.UK ([www.gov.uk](http://www.gov.uk))

70 Determination ([remunerationboard.wales](http://remunerationboard.wales))

71 Transparency of senior remuneration in the devolved Welsh public sector [HTML] | GOV.WALES

72 Welsh Government pay policy statements | GOV.WALES

- d) the approach to performance related pay,
- e) the approach to providing support for lower paid staff,
- f) the highest and lowest pay points, and
- g) the severance policies operated and how and in what circumstances these can be varied.

## Remuneration (including salary) and pension entitlements

This section is subject to audit and is covered by the Auditor General's audit opinion.

The following sections provide details of the remuneration and pension interests of the Ministers and the Senior Officials. Senior Officials for the purposes of the Remuneration Report are all substantive members of the Welsh Government Board and Executive Committee for the financial year.

### Remuneration

The remuneration of the First Minister and his Cabinet team who served during the year, is noted below. These costs are reflected in the accounts of the Senedd Commission and not the Welsh Government. Ministerial salaries include their salaries as Members of the Senedd of £67,920 (2021-22: £67,649). The salary payable to Ministers is the salary payable under the Government of Wales Act 2006 as set by the Independent Remuneration Board of the Senedd<sup>73</sup>.

Benefits in kind related to Members of the Senedd responsibilities are not included in the table overleaf.

### Single total figure of remuneration – Ministers

Ministers	Salary 2022-23 £	Salary 2021-22 £	Benefits in kind 2022-23 £	Benefits in Kind 2021-22 £	Pension Benefits 2022-23 (to nearest £1000) <sup>1</sup> £	Pension Benefits 2021-22 (to nearest £1000) £	Total 2022-23 (to nearest £1000)	Total 2021-22 (to nearest £1000)
<b>Mark Drakeford</b> First Minister	148,575	147,983	-	-	8,000	33,000	156,000	181,000
<b>Rebecca Evans</b> Welsh Minister	106,124	105,701	-	-	17,000	27,000	123,000	133,000
<b>Vaughan Gething</b> Welsh Minister	106,124	105,701	-	-	2,000	22,000	108,000	128,000
<b>Lesley Griffiths</b> Welsh Minister	106,124	105,701	-	-	(20,000)	15,000	87,000	121,000

73 Determination ([remunerationboard.wales](https://remunerationboard.wales))

Ministers	Salary 2022-23 £	Salary 2021-22 £	Benefits in kind 2022-23 £	Benefits in Kind 2021-22 £	Pension Benefits 2022-23 (to nearest £1000) <sup>1</sup> £	Pension Benefits 2021-22 (to nearest £1000) £	Total 2022-23 (to nearest £1000)	Total 2021-22 (to nearest £1000)
<b>Jane Hutt</b> <sup>2</sup> Welsh Minister & Chief Whip	106,124	103,868	-	-	13,000	6,000	119,000	110,000
<b>Eluned Morgan</b> Welsh Minister	106,124	105,701	-	-	36,000	33,000	142,000	139,000
<b>Julie James</b> Welsh Minister	106,124	105,701	-	-	18,000	27,000	124,000	133,000
<b>Jeremy Miles</b> Welsh Minister	106,124	105,701	-	-	36,000	32,000	142,000	138,000
<b>Mick Antoniw</b> Counsel General & Welsh Minister	106,124	93,483	-	-	(23,000)	12,000	83,000	105,000
<b>Hannah Blythyn</b> Deputy Minister	90,206	89,846	-	-	30,000	28,000	120,000	118,000
<b>Julie Morgan</b> <sup>3</sup> Deputy Minister	90,206	89,846	-	-	-	-	90,000	90,000
<b>Lee Waters</b> Deputy Minister	90,206	89,846	-	-	30,000	28,000	120,000	118,000
<b>Dawn Bowden</b> Deputy Minister	90,206	79,641	-	-	30,000	25,000	120,000	104,000
<b>Lynne Neagle</b> Deputy Minister	90,206	79,641	-	-	(22,000)	10,000	69,000	89,000

<sup>1</sup> The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) less (the contributions made by the individual). The real increase excludes increases due to inflation or any increase or decrease due to a transfer of pension rights.

<sup>2</sup> This member's Pension benefits figure has been revised as the underlying pension calculation for 2022 has been amended.

<sup>3</sup> This member is no longer contributing to the Pension Scheme and so did not build up any additional pension this year.

## Pension details – Ministers

Ministers	Accrued pension as at 31/03/2023	Accrued pension as at 31/03/2022	Real increase in pension at age 65 at 31/03/2023	CETV as at 31/03/2023	CETV as at 31/03/2022	Real increase in CETV at 31/03/2023
<b>Mark Drakeford</b> First Minister	35-40	30-35	0-2.5	650	591	3
<b>Rebecca Evans</b> Welsh Minister	25-30	20-25	0-2.5	332	281	4
<b>Vaughan Gething</b> Welsh Minister	35-40	30-35	0-2.5	486	426	(5)
<b>Lesley Griffiths</b> Welsh Minister	45-50	40-45	(2.5)-0	878	789	(22)
<b>Jane Hutt &amp; Chief Whip<sup>1</sup></b> Welsh Minister	80-85	70-75	0-2.5	1,217	1138	8
<b>Eluned Morgan</b> Welsh Minister	15-20	10-15	0-2.5	220	165	23
<b>Julie James</b> Welsh Minister	25-30	20-25	0-2.5	516	439	16
<b>Jeremy Miles</b> Welsh Minister	15-20	10-15	0-2.5	202	152	19
<b>Mick Antoniw</b> Counsel General & Welsh Minister	35-40	35-40	(2.5)-0	699	666	(24)
<b>Hannah Blythyn</b> Deputy Minister	10-15	10-15	0-2.5	141	107	11
<b>Julie Morgan<sup>2</sup></b> Deputy Minister	10-15	10-15	N/A	179	188	0
<b>Lee Waters</b> Deputy Minister	10-15	5-10	0-2.5	155	116	14
<b>Dawn Bowden</b> Deputy Minister	10-15	5-10	0-2.5	217	160	26
<b>Lynne Neagle</b> Deputy Minister	40-45	35-40	(2.5)-0	665	606	(27)

Some members may incur Annual Allowance tax charges as a result of pension accrual during the accounting period.

<sup>1</sup> This member's CETV at Start Date has been revised as the underlying pension calculation for 2022 has been amended.

<sup>2</sup> This member is no longer contributing to the Pension Scheme and so did not build up any additional pension this year.



## Pension details – Ministers (cont'd)

The Senedd provides a defined benefit scheme, governed by section 18 of the Government of Wales Act 1998. Section 20 (4) of and Schedule 11 to the Government of Wales Act 2006 provides continuity for the Scheme. The Government of Wales Act 2006 has not affected the legal status of the Scheme.

The Scheme provides benefits for Members of the Senedd and Office Holders. All Members of the Senedd are members of the Scheme from the date they enter the Senedd unless they opt specifically not to be. Members do not receive an automatic lump sum, they have the option to commute part of their pension into a lump sum in exchange for a reduced pension.

A Career Average Pension Scheme was introduced from 6 May 2016. Members aged 55 or over on 1 April 2012 were subject to 'Transitional Protection' and continue to have their benefits calculated on a final salary basis for an additional five years until 5 May 2021.

In December 2018, the Court of Appeal ruled that the 'transitional protection' offered to some members of the judges' and firefighters' schemes, gave rise to unlawful discrimination. On 15 July 2019, the Chief Secretary to the Treasury made a written ministerial statement confirming that, as 'transitional protection' was offered to members of all the main public service pension schemes, the difference in treatment needed to be removed from all schemes for members with relevant service.

The Independent Remuneration Board of the Senedd is responsible for the rules of the Members Pension Scheme. Having considered the view of the Pension Board, the Board agreed that a remedy should be adopted to remove the discrimination in the rules of the Members Pension Scheme as a result of the transitional protection provisions they currently contain. The Board consulted with the affected Members and the Senedd Commission on a proposed remedy. Affected Members will be offered an immediate choice to remain in the CARE Scheme or to return to the Final Salary section for the Remedy period 6 May 2016 – 6 May 2021. From the start of the Sixth Senedd all members are in the Career Average Scheme.

The contribution made by the Senedd is currently 19.9% of Members aggregate salaries. Members pay contributions at the rate of 10.5%.

Normal Retirement Age is linked to State Pension Age (or 65, whichever is higher). Any Final Salary pension accrued before 6 May 2021 will continue to be payable at a Normal Retirement Age of 65.

## Register of Interests

The Welsh Ministers' Register of Interests disclosing relevant interests is published on the Welsh Government Internet. [Ministerial private interests gov.wales](https://gov.wales/ministerial-private-interests)

The declaration of interests, identification of potential or actual conflicts of interest and the management of any such conflicts is undertaken in accordance with the Ministerial Code. [gov.wales/ministerial-code](https://gov.wales/ministerial-code)

## Single total figure of remuneration

The Financial Reporting Manual (FReM) requires that all central Government Departments include a Single Total Figure of Remuneration along with a prior year comparative within the remuneration report. Total remuneration includes salary including allowances subject to UK taxation, bonus payments and benefits in kind plus the addition of a pension benefit figure. This report is based on accrued payments made by the Welsh Government and thus recorded in these accounts. Pension benefits have been calculated using the methodology used to derive pension values for tax purposes. As a result, the figures can be influenced by other factors such as an individual deciding to make additional contributions or valuation factors that impact the pension scheme as a whole. The amounts disclosed therefore in the Single total figure of remuneration do not reflect pension contributions made for or pensions paid to an individual in any one year. This methodology applies to all government departments including NHS bodies.

Single total figure of remuneration – senior officials of the Welsh Government						
Senior officials*	Salary <sup>2</sup> 2022-23	Salary 2021-22 £000	Pension benefits <sup>1</sup> 2022-23 £000	Pension benefits 2021-22 £000	Total 2022-23 £000	Total 2021-22 £000
<b>Andrew Goodall</b> <sup>3</sup> Permanent Secretary	215-220	215-220	-	-	215-220	215-220
<b>Judith Paget</b> <sup>4</sup> Director General	215-220	85-90	(10)-(15)	35-40	205-210	125-130
<b>Tracey Burke</b> Director General	125-130	125-130	45-50	45-50	175-180	170-175
<b>Reg Kilpatrick</b> <sup>18</sup> Director General	125-130	120-125	(15)-(20)	100-105	105-110	220-225
<b>Andrew Slade</b> Director General	125-130	125-130	(10)-(15)	20-25	110-115	150-155
<b>Jo-Anne Daniels</b> <sup>5</sup> Director General	125-130	-	85-90	-	210-215	-
<b>Tim Moss</b> <sup>6</sup> Director General & Chief Operating Officer	70-75	-	45-50	-	120-125	-
<b>Des Clifford</b> <sup>7</sup> Director of the Office of the First Minister	110-115	125-130	(45)-(50)	5-10	65-70	130-135
<b>David Richards</b> <sup>8</sup> Director of Property & Ethics	55-60	75-80	(105)-(110)	(20)-(25)	(50)-(55)	50-55
<b>Helen Lentle</b> <sup>9</sup> Director of Legal Services	105-110	100-105	(0)-(5)	40-45	105-110	145-150
<b>Natalie Pearson</b> <sup>10</sup> Head of Organisational Development and Engagement	75-80	85-90	(35)-(40)	70-75	35-40	160-165

Single total figure of remuneration – senior officials of the Welsh Government						
Senior officials*	Salary <sup>2</sup> 2022-23	Salary 2021-22 £000	Pension benefits <sup>1</sup> 2022-23 £000	Pension benefits 2021-22 £000	Total 2022-23 £000	Total 2021-22 £000
<b>Amelia John</b> <sup>11</sup> Board Equality Champion	20-25	-	0-5	-	20-25	-
<b>Peter Kennedy</b> Director of HR	100-105	100-105	(15)-(20)	15-20	85-90	115-120
<b>Gawain Evans</b> Director of Finance	105-110	105-110	(25)-(30)	10-15	75-80	120-125
<b>Andrew Jeffreys</b> <sup>12</sup> Director of Treasury	100-105	100-105	0-5	25-30	105-110	125-130
<b>Glyn Jones</b> Chief Digital Officer	100-105	95-100	20-25	40-45	120-125	135-140
<b>Ellen Donovan</b> <sup>13</sup> Non-Executive Director	10-15	10-15	-	-	10-15	10-15
<b>Gareth Lynn</b> Non-Executive Director	10-15	10-15	-	-	10-15	10-15
<b>Meena Upadhyaya</b> Non-Executive Director	10-15	10-15	-	-	10-15	10-15
<b>Aled Edwards</b> <sup>14</sup> Non-Executive Director	5-10	-	-	-	5-10	-
<b>Carys Williams</b> <sup>15</sup> Non-Executive Director	0-5	-	-	-	0-5	-
<b>Jeff Farrar</b> <sup>16</sup> Non-Executive Director	-	5-10	-	-	-	5-10
<b>Shan Morgan</b> <sup>17</sup> Permanent Secretary		160-165				160-165

<sup>1</sup> The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) less (the contributions made by the individual). The real increase excludes increases due to inflation or any increase or decrease due to a transfer of pension rights. Typically where there are negative values this is because the individual is a final salary scheme member (classic/classic plus/premium) who has transitioned to alpha. The final salary pension of a person in employment is calculated by reference to their pay and length of service. The pension will increase from one year to the next by virtue of any pay rise during the year. Where there is no or a small pay rise, the increase in pension due to extra service may not be sufficient to offset the inflation increase – that is, in real terms, the pension value can reduce, hence the negative values.

<sup>2</sup> All Senior Officials on Welsh Government terms and conditions, consistent with the rest of the Welsh Government Senior Civil Service, received a 2% pay award for 2022-23.

<sup>3</sup> Andrew Goodall is seconded from Aneurin Bevan University Health Board and consistent with the terms of that secondment arrangement has remained on the Terms and Conditions of the Health Board. His secondment to Welsh Government commenced in his previous post as Director General HSSG and Chief Executive NHS Wales from 8th June 2014. On appointment as Permanent Secretary, consistent with advice from Cabinet Office who lead all Permanent Secretary recruitment exercises, a new secondment agreement was put in place with the Health Board which is due to end on 31 October 2026. He has chosen not to be covered by the NHS Pension arrangements. Following Welsh Health Pay circulars 01/2022 and 02/2022 for NHS Executives, Andrew Goodall received a £1,400 and further 1.5% pay award for 2022-23.

- <sup>4</sup> Judith Paget was appointed temporary Director General, Health and Social Services Group and Chief Executive NHS Wales from 1 November 2021. Judith Paget is seconded from Aneurin Bevan University Health Board and consistent with the terms of that secondment arrangement has remained on the Terms and Conditions of the Health Board and is a member of the NHS pension scheme. The secondment arrangement commenced on 1 November 2021 and was due to end 31 May 2023, due to the timing of the recruitment process for a permanent Director General, Health and Social Services Group the secondment was extended to 30 November 2023. On 1 June 2023 she was announced as the permanent appointment as Director General, Health and Social Services Group after an externally competed appointment process. Following Welsh Health Pay circulars 01/2022 and 02/2022 for NHS Executives, Judith Paget received £1,400 and a further 1.5% pay award for 2022-23.
- <sup>5</sup> Jo-Anne Daniels was appointed as temporary Director General, Education, Social Justice and Welsh Language after an internal Temporary Promotion recruitment exercise on 1 April 2022.
- <sup>6</sup> Tim Moss was appointed as Director General, Chief Operating Officer after an externally competed appointment process on 1 September 2022, his comparable Full Time Equivalent salary is £125,000-£130,000pa.
- <sup>7</sup> From 1 May 2022 Des Clifford ceased to be Director General, Office of the First Minister Group, moving to take up the role of Director of the Office of the First Minister following the Group restructure implemented on 1 April 2022.
- <sup>8</sup> David Richards applied for and had approved partial retirement from 1 September 2021 from which date his salary and working hours have been reduced, his comparable Full Time Equivalent salary is £110,000 – £115,000pa.
- <sup>9</sup> Helen Lentle's total salary banding for 2021-22 has been restated from £145,000 – £150,000 due to revised pension benefits calculations being provided by Civil Service Pensions for 2021-22.
- <sup>10</sup> Natalie Pearson applied for and had approved partial retirement from 4 October 2022 from which date her salary and working hours have been reduced, her comparable Full Time Equivalent salary is £90,000-£95,000pa.
- <sup>11</sup> Amelia John was appointed Board Equality Champion on 1 January 2023, her comparable Full Equivalent salary is £85,000 – £90,000pa.
- <sup>12</sup> Andrew Jeffreys Term as Board Equality Champion ended on 31 December 2022 he remains a substantive member of the Board and Executive Committee as Director, Welsh Treasury.
- <sup>13</sup> Ellen Donovan's fixed term appointment as a Non-Executive Director ended on 6 March 2023.
- <sup>14</sup> Aled Edwards was appointed as a Non-Executive Director to the Welsh Government Board on 1 August 2022.
- <sup>15</sup> Carys Williams was appointed as a Non-Executive Director to the Welsh Government Board on 3 March 2023.
- <sup>16</sup> Jeff Farrar resigned as a Non-Executive Director on 15 August 2021.
- <sup>17</sup> Shan Morgan stepped down as Permanent Secretary of the Welsh Government on 31 October 2021. Shan Morgan elected to end her pension contributions and to benefit from her pension on 31 March 2018.
- <sup>18</sup> Reg Kilpatrick was appointed Temporary Director General, Covid Coordination from 28 September 2020 to 31 December 2023.

## Register of Interests

The Welsh Government Register of Interests for Senior Officials disclosing relevant interests is published on the [Welsh Government](#) Internet.

The declaration of interests, identification of potential or actual conflicts of interest and the management of any such conflicts is undertaken in accordance with the Civil Service Code, the Welsh Government Declaration of Interests Policy, the contractual terms of Non-Executive Director appointments and the Board Terms of Reference<sup>74</sup>. Further information on the management of interests is set out in the Governance Statement on page 146.

Pension details – senior officials of the Welsh Government					
Senior officials	Accrued Pension at pension age as at 31/03/23 and related lump sum £000	Real increase in pension and related lump sum at pension age £000	CETV at 31/3/23 £000	CETV at 31/3/22 £000	Real increase in CETV £000
<b>Judith Paget<sup>1</sup></b> Director General	115-120 Plus a lump sum of 335-340	0-2.5 Plus a lump sum of (10)-(-7.5)	0	0	
<b>Tracey Burke</b> Director General	45-50	2.5-5	694	617	34
<b>Reg Kilpatrick</b> Director General	55-60 Plus a lump sum of 150-155	0-2.5 Plus a lump sum of 0	1,319	1,223	(34)
<b>Andrew Slade</b> Director General	55-60 Plus a lump sum of 100-105	0-2.5 Plus a lump sum of 0	989	909	(28)
<b>Jo-Anne Daniels</b> Director General	30-35	2.5-5	443	350	55
<b>Tim Moss</b> Director General & Chief Operating Officer	35-40 Plus a lump sum of 55-60	2.5-5 Plus a lump sum of 2.5-5	681	599	37
<b>Des Clifford</b> Director of the Office of the First Minister	40-45 Plus a lump sum of 115-120	0 Plus a lump sum of 0	991	950	(64)
<b>David Richards</b> Director of Propriety & Ethics	60-65 Plus a lump sum of 175-180	0 Plus a lump sum of 0	1,169	1,194	(112)
<b>Helen Lentle<sup>2</sup></b> Director of Legal Services	50-55 Plus a lump sum of 100-105	0-2.5 Plus a lump sum of 0	1,010	918	(17)
<b>Natalie Pearson</b> Head of Organisational Development and Engagement	35-40 Plus a lump sum of 95-100	0 Plus a lump sum of 0	862	807	(48)

<sup>74</sup> [Welsh Government Board terms of reference \[HTML\]](#) | [GOV.WALES](#)

Pension details – senior officials of the Welsh Government					
Senior officials	Accrued Pension at pension age as at 31/03/23 and related lump sum £000	Real increase in pension and related lump sum at pension age £000	CETV at 31/3/23 £000	CETV at 31/3/22 £000	Real increase in CETV £000
Amelia John Board Equalities Champion	25-30 Plus a lump sum of 65-70	0-2.5 Plus a lump sum of 0	595	582	(2)
Peter Kennedy Director of HR	40-45 Plus a lump sum of 90-95	0 Plus a lump sum of 0	908	836	(32)
Gawain Evans Director of Finance	50-55 Plus a lump sum of 115-120	0 Plus a lump sum of 0	1,145	1,059	(45)
Andrew Jeffreys Director of Treasury	35-40 Plus a lump sum of 55-60	0-2.5 Plus a lump sum of 0	642	584	(9)
Glyn Jones <sup>3</sup> Chief Digital Officer	35-40 Plus a lump sum of 55-60	0-2.5 Plus a lump sum of 0	527	467	5

Certain disclosure required by Employer Pension Notice 679 has been omitted in accordance with Article 21 UK GDPR<sup>75</sup>.

<sup>1</sup> No CETV figure is provided for Judith Paget at 31 March 2023 and 2022 as she has passed retirement age.

<sup>2</sup> The CETV at 31 March 2022 for Helen Lentle has been recalculated due to a retrospective update to salary data.

<sup>3</sup> The CETV at 31 March 2022 for Glyn Jones has been recalculated due to a retrospective update to salary data.

<sup>75</sup> CETV figures are calculated using the guidance on discount rates for calculating unfunded public service pension contribution rates that was extant at 31 March 2023. HM Treasury published updated guidance on 27 April 2023; this guidance will be used in the calculation of 2023-24 CETV figures.

## Salary

‘Salary’ includes gross salary; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation.

This report is based on payments made by the Welsh Government with the exception of Ministers as noted above.

Senior Civil Servants within the Welsh Government are contractually entitled to be considered for a performance related variable payment. Any payments made are paid at the end of July each year, but no payments were made. It is the role of the Senior Civil Service Remuneration Committee to ensure the UK Government’s senior pay policy is applied and approve any awards, assessing the relevant contributions and performance of Senior Civil Servants during the year. The Remuneration Committee consists of the Permanent Secretary, five Director Generals and the non-executive Directors.

## Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by HM Revenue and Customs as a taxable emolument, is disclosed to the nearest £100. Benefits in kind assessed for the year 2022-23 were nil (2021-22: £nil).

## Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member’s accrued benefits and any contingent spouse’s pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are calculated in accordance with the Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

## Real increase in CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

## Pay multiples

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the lower quartile, median and upper quartile remuneration of the organisation’s workforce.

The banded remuneration of the highest paid director (the Permanent Secretary) in the Welsh Government in the financial year 2022-23 was £215,000 – £220,000 (2021-22: £215,000 – £220,000). This was 5.5 times (2021-22: 5.7) the median remuneration of the workforce, which was £39,690 (2021-22: £38,160).

The relationship between the highest paid director remuneration and the lower, median and upper quartiles are shown below:

Year		25th Percentile	Median	75th Percentile
2022-23	Pay Ratio (:1)	7.1	5.5	4.4
	Quartile remuneration (£)	30,610	36,690	49,370
2021-22	Pay Ratio (:1)	7.4	5.7	4.6
	Quartile remuneration (£)	29,430	38,160	47,470

The changes in the quartile remuneration between 2022-23 and 2021-22 is 4% reflecting the pay award for non- Senior Civil Service staff for 2022-23. In 2022-23 and 2021-22 no employees received remuneration in excess of the highest paid director.

Reporting bodies are also now required to set out the percentage remuneration change from the previous financial year for the highest paid director; and the average percentage change from the previous financial year in respect of the employees of the entity taken as a whole.

Year	Remuneration percentage change – highest paid director	Remuneration average percentage change – employees as a whole
2022-23	0.0%	5.43%
2021-22	4.80%	2.30%



The required calculation for the highest paid director percentage compares the mid-point of the remuneration banding 2022-23 £215,000-£220,000 (2021-22: £215,000-£220,000), rather than the percentage change in actual salary. Using the mid-point of the band for calculation can distort the calculation compared to the actual award received. The remuneration average percentage change for employees as a whole is higher than the 4% pay award for 2022-23 as the calculation includes seconded and temporary staff, the mix of which year to year can vary as well as the pay awards applicable to such individuals. The average percentage change for employees on Welsh Government payroll for 2022-23 is 4.14%.

Further information on Pay Policy, decision-making and Senior Pay can be found in the Welsh Government Pay Policy Statement.

Total remuneration includes salary, non-consolidated performance-related pay and benefits in kind. It does not include severance payments employer pension contributions and the cash equivalent transfer value of pensions.

## Staff Numbers and Costs

The average number of full-time equivalent persons employed (including senior management and special advisers) during the period is as follows:

	Permanently employed staff	Other staff	Special Advisers	Total 2022-23	Total 2021-22
<b>Total</b>	<b>98,145</b>	<b>7,867</b>	<b>14</b>	<b>106,026</b>	<b>101,972</b>
Of which:					
Welsh Government	5,250	431	14	5,695	5,582
LHBs & NHS Bodies*	88,183	7,436	-	95,619	92,174
Subsidiaries	4,712	-	-	4,712	4,216
Of the Welsh Government total:					
Regulatory & delivery bodies	734	-	-	-	-
Tribunals	35	-	-	-	-

Gender Breakdown of Welsh Government staff (unaudited)		
	Male	Female
Board members	62%	38%
Senior Civil Service*	57%	43%
All Staff	40%	60%

Our Workforce Equality, Diversity & Inclusion Strategy 2021-2026 sets us ambitious targets on increasing representation of women in the Senior Civil Service. Our aim is that in external recruitment, more than 50% of appointments to the SCS will be women and in internal recruitment, more than 50% of promotions to the SCS will be women. Progress made on these targets:

- In 2022, the proportion of women appointed to the SCS through external recruitment decreased to 20.0%, taking it below the 50% target; and
- In 2022, the proportion of women promoted to the SCS decreased to 37.5%, taking it below the 50% target.

Values for women at SCS are based on very small numbers and caution should be taken when comparing years. When taking into account the promotion and recruitment of women into the SCS over the 2 years that the strategy has been in place (2021 and 2022), the overall average is 51.4% recruited and 59.1% promoted – above our 50% targets.

Staff costs				
Welsh Government	Permanently employed staff* £m	Other Staff £m	Year ended 31 March 2023 Total £m	Year ended 31 March 2022 Total £m
Salaries	252	22	274	258
Social Security Costs	30	-	30	28
Other Pension Costs	74	-	74	69
<b>Total</b>	<b>356</b>	<b>22</b>	<b>378</b>	<b>355</b>
Recoveries from secondments	(2)	-	(2)	(2)
Net staff costs	<b>354</b>	<b>22</b>	<b>376</b>	<b>353</b>

Staff costs				
Consolidated	Permanently employed staff* £m	Other Staff £m	Year ended 31 March 2023 Total £m	Year ended 31 March 2022 Total £m
Salaries	4,273	565	<b>4,838</b>	4,443
Social Security Costs	452	15	<b>467</b>	414
Other Pension Costs	743	15	<b>758</b>	719
<b>Total</b>	<b>5,468</b>	<b>595</b>	<b>6,063</b>	<b>5,576</b>
Recoveries from secondments	(2)	-	(2)	(1)
NHS Elimination Adjustment	4	-	4	-
Net staff costs	<b>5,470</b>	<b>595</b>	<b>6,065</b>	<b>5,575</b>

\* Although stated in a different category in regards to staff numbers, Special Advisers salary, social security and pension costs are included within the Permanently Employed Staff costs figures.

Salaries include gross salaries, performance bonuses payable, reserved rights to London Weighting or London allowances, recruitment and retention allowances, and private office allowances.

Special advisors staff costs were a total of £1,334,295 (2021-22: £1,018,341) for the year, inclusive of pension and social security costs, and have been included within the figures above. There were 19 Special Advisers in post for all or part of the 2022-23 financial year, equating to 14 average full-time equivalents, as set out in the table above.

The Welsh Government Register of Interests for Special Advisers disclosing relevant interests is published on the Welsh Government Internet. [Declarations of interests | GOV.WALES](#)

The declaration of interests, identification of potential or actual conflicts of interest and the management of any such conflicts is undertaken in accordance with the Civil Service Code, the Welsh Government Declaration of Interests Policy and the contractual terms of Special Adviser appointments. Further information on the management of interests is set out in the Governance Statement on page 146.

The social security and pension costs for temporary and seconded staff under the core figures for other staff have been included in salaries as they are invoiced on a gross basis. Salaries of Welsh Ministers are paid by Senedd Commission and are reflected in those accounts. In respect of the number of senior staff whose salary is above £100k, there were 35 staff whose FTE salary was above £100k as at 31 March. Of these, 5 were part-timers whose actual earnings therefore fell below the £100k threshold and 2 left part way through the year. The target rate for Director level within the Welsh Government is £102,840. This is an increase of 2% from 2021-22. Most Welsh Government Senior Civil Servants had a 2% pay award in 2022-23, with some lower paid Deputy Directors receiving slightly more (2.8, 4.0 or 5.5% depending on their position in the pay range). Most Welsh Government staff below the Senior Civil Service had a 4% pay award in 2022-23.

## Pensions

Civil Service pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or **alpha**, which provides benefits on a career average basis with a normal pension age equal to the later of age 65 or member's State Pension Age. From that date all newly appointed civil servants and the majority of those already in service, joined **alpha**. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: 3 providing benefits on a final salary basis (**classic, premium or classic plus**) with a normal pension age of 60; and one section providing benefits on a whole career basis (**nuvos**) with a normal pension age of 65.

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under **classic, premium, classic plus, nuvos** and **alpha** are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS, who were within 10 years of their normal pension age on 1 April 2012, remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 have switched to **alpha**. Due to the Government plans to remove discrimination identified by the courts in the way that the 2015 pension reforms were introduced for some members, in due course, eligible members with relevant service between 1 April 2015 and 31 March 2022 may be entitled to different pension benefits in relation to that period (and this may affect the Cash Equivalent Transfer Values shown in this report – see below). All pension scheme members are now in the **alpha** scheme, with effect from 1 April 2022. All members who switched to **alpha** have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave **alpha**. (The pension figures quoted for officials show pension earned in PCSPS or **alpha** – as appropriate. Where the official has benefits in both the PCSPS and **alpha** the figure quoted is the combined value of their benefits in the two schemes.) Members joining from 1 October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (**partnership** pension account).

Employee contributions are salary related and range between 4.6% and 8.05% for members of **classic, premium, classic plus, nuvos** and **alpha**. Benefits in **classic** accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' initial pension is payable on retirement. For **premium**, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike **classic**, there is no automatic lump sum, **classic plus** is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 calculated as in **premium**. In **nuvos** a member builds up a pension based on their pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. Benefits in **alpha** build up in a similar way to **nuvos**, except that the accrual rate is 2.32%. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The **partnership** pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member) into a stakeholder pension product chosen by the employee from the appointed provider – Legal & General Mastertrust. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of **classic**, **premium** and **classic plus**, 65 for members of **nuvos**, and the higher of 65 or State Pension Age for members of **alpha**.

Further details about the Civil Service pension arrangements can be found at the website [www.civilservicepensionscheme.org.uk](http://www.civilservicepensionscheme.org.uk)

Employees of the Welsh Government belong to the Principal Civil Service Pension Scheme, with the exception of a small number of staff who have elected to retain membership of other public sector schemes.

The Principal Civil Service Pension Scheme (PCSPS) and the Civil Servant and Other Pension Scheme (CSOPS) – known as 'Alpha' – are unfunded multi-employer defined benefit scheme but the Welsh Government is unable to identify its share of the underlying assets and liabilities. The Scheme Actuary valued the scheme as at 31 March 2016. Details can be found in the resource accounts of the Cabinet Office.

For 2022-23, employers contributions of £66,044,110 were payable to the PCSPS/Alpha (2021-22: £61,789,063) at one of four rates in the range 26.6 to 30.3 per cent (2021-22: 26.6 to 30.3) of pensionable earnings based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2022-23 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, an occupational defined contribution pension with an employer contribution. Employer's contributions of £258,282 (2021-22: £231,337) were paid to the appointed stakeholder pension provider. Employer contributions are age-related and range from 8 to 14.75 per cent of pensionable earnings. Employers also match employee contributions up to 3 per cent of earnings. In addition, employer contributions of £8,760, 0.5% (2021-22: £8,033 0.5%) of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

Contributions due to the partnership pension providers at the balance sheet date were £nil (2021-22: nil). Contributions prepaid at the date were £nil (2021-22: £nil).

Two (2021-22: Four) individuals retired early on ill health grounds; the total additional accrued pension liabilities in the year amounted to £18,094 (2021-22: £23,688).

A small number of former Welsh Development Agency employees elected to retain their existing terms and conditions and pension arrangements. They participate in the Local Government Pension Scheme, which is a multi-employer funded scheme providing pension and related benefits, which is now on a career average basis rather than a final salary basis. The assets of the scheme are held separately from the assets of the Welsh Government and are administered by Rhondda Cynon Taf County Borough Council. Additional retirement benefits are granted in accordance with the Local Government (Compensation for Premature Retirement) Regulations 1982 and these benefits are provided on a pay-as-you-go basis. Details of Local Health Board and NHS bodies Pensions are contained in their accounts.

## Reporting of Civil Service and other compensation schemes – exit packages

There was no flexible early retirement, approved early retirement or flexible early severance in 2022-23 or 2021-22 and only individual exits were in place. For each individual voluntary exit case a payback period is calculated which is then approved by the Director of HR.

For 2022-23, 7 (2021-22: 10) employees have left or agreed to leave for voluntary exit or other reasons between 31 March 2022 and 31 March 2023. Compensation payments agreed are £144,850 (2021-22: £260,922).

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972, or where applicable in accordance with Cabinet Office guidance on Efficiency Compensation 2016. Where the department has agreed early retirements, the additional costs are met by the Welsh Government and not by the Civil Service pension scheme. Ill health retirement costs are met by the pension scheme and are not included in the table.

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band 2022-23	Total number of exit packages by cost band 2021-22
<£10,000	-	3	3	1
£10,000-£25,000	-	1	1	3
£25,000-£50,000	-	3	3	5
£50,000-£100,000	-	-	-	1
£100,000-£150,000	-	-	-	-
£150,000-£200,000	-	-	-	-
£200,000+	-	-	-	-
<b>Total number of exit packages by type</b>	-	<b>7</b>	<b>7</b>	<b>10</b>
<b>Total resource cost £</b>	-	<b>144,850</b>	<b>144,850</b>	<b>260,922</b>

The table above shows the total cost of exit packages agreed and accounted for in 2022-23 (2021-22 comparative figures are also given). Total exit costs paid during 2022-23 were £202,850 (2021-22 £202,922).

The costs included in the table provide the total cost to the organisation of any exit. However, in some instances individuals on exit may have used their compensation payments to provide early access to an unreduced pension, or to buy an increased pension.

## Sickness absence (unaudited)

Sickness absence levels during 2022-23 continued to be impacted by the COVID-19 pandemic.

The pandemic was the third largest cause of absence within the organisation, accounting for 13% of all absences. Although COVID-19 remains, the decrease in public and media focus has resulted in the population generally relaxing their attitude towards the virus which has allowed it to continue to spread, albeit in lower numbers and, in most cases, with less serious impacts. Outside of the workplace very few of the previous restrictions remain, exposing staff to the virus within the communities in which they live. Within the Welsh Government premises, staff who feel particularly vulnerable or uncomfortable working close to others are still able to work in spaces which are socially distanced from others, if their role allows them to do so. There are also policies and guidance relating to COVID-19 which staff can access online to help them avoid infection and to help them to ensure that they do not pass the infection to colleagues, relatives and friends.

Absences categorised as 'respiratory system (including colds)' increased by 43% during the year. Given that the symptoms of mild cases of COVID-19 are broadly similar to a cold or other respiratory illness, it is possible that this category could be masking further cases of the pandemic, particularly since the publicity around testing for COVID-19 has decreased significantly over the past two years and testing kits are not so widely available.

As the world has moved towards a 'new normal' way of life, our staff have moved towards a new hybrid way of working. This new working pattern has encouraged staff to begin to return to their office locations for differing periods of time, some more regularly than others. This has increased contact between staff and inevitably will lead to the increased transmission of infections, in addition to more generally in the community. Absence levels have, correspondingly, increased to pre-pandemic levels.

We are continuing to review our suite of Health and Wellbeing policies and the guidance we provide to staff and line managers on dealing with sickness absence. All staff are required to have regular check-ins with their line managers, in addition to their regular day-to-day contact, and these discussions afford an opportunity to discuss health and wellbeing issues at a personal level. Our Employee Assistance Programme continues to provide independent 24-hour support and advice and we have a suite of training packages available for all staff on how to deal with illness, sickness absence and the early warning signs of issues such as stress and anxiety.

In particular, our Attendance Management Policy contains advice and guidance for staff and managers on dealing with absence in a fair and flexible way to encourage an early return to work. Our Managing Stress and Supporting Personal Wellbeing Policy provides advice and guidance for staff and managers on identifying stress early and the measures that can be taken to alleviate it. Our Mental Health Policy and Guidance provides advice and guidance on dealing with the broad range of mental illnesses that might befall some of our staff. We will continue to review and update these policies, as appropriate, alongside our broad range of flexible policies supporting a healthy work-life balance.



Our Smartworking Hybrid Working Pilot was introduced during 2022-23 and we are learning constantly from this approach to help us to shape our hybrid working model for the future. The aim of the pilot is to help us find a balance that meets the requirements of the business but also reflects the preferences of staff and remains inclusive. Part of this new way of working is a requirement for teams to introduce Anchor Days. These are dedicated days when team members come into the office on a weekly, monthly or quarterly basis, or even just a few times a year. These days will further benefit health and wellbeing by giving staff the opportunity to maintain face-to-face contact with colleagues.

Welsh Government Sickness Absence	2022-23	2021-22	2020-21	2019-20	2018-19
Days Lost (short term)	22,329	21,018	12,103	18,321	16,545
Days Lost (long term)	21,408	20,109	14,315	17,291	23,840
<b>Total Days Lost (12 month period)</b>	<b>43,737</b>	<b>41,127</b>	<b>26,418</b>	<b>35,612</b>	<b>40,385</b>
Total staff years	5,435	5,390	5,235	5,186	5,098
Total staff employed in period (headcount)	6,245	6,160	5,861	5,920	5,770
Total staff employed in period with no absence (headcount)	3,001	3,259	3,979	2,977	2,826
% staff with no sick leave	48%	53%	68%	50%	49%
Average working days lost	8	7.6	5.1	6.9	7.9

## Staff Turnover (unaudited)

The Financial Reporting Manual for 2020-21 introduced a new disclosure requirement for 'Staff Turnover' disclosures, the calculation of the disclosure is based on guidance from the Cabinet Office.

The turnover figure is calculated as the number of leavers within that period divided by the average number of staff in post over the period and for 2022-23 is 5.10% (2021-22 5.34%) for the Welsh Government.

Staff are included as leavers if they leave the Welsh Government with no planned return e.g. retirement, early severance. Staff on secondments or loans outside the Welsh Government are not included in the average number of staff in post for the time they are on loan or secondment.

## Summary of Resource Outturn

AMBIT	Budget 2022-23 Net expenditure £m	Outturn 2022-23 Net expenditure £m	Outturn compared with Budget Variance £m
Health & Social Services	10,792	10,585	207
Finance & Local Government	4,725	4,674	51
Education & Welsh Language	2,771	2,403	368
Economy	530	493	37
Climate Change	3,016	2,845	171
Rural Affairs	421	402	19
Central Services & Administration	363	339	24
Social Justice	267	252	15
Electoral Commission	2	2	0
<b>Total Resource &amp; Capital requirements</b>	<b>22,887</b>	<b>21,995</b>	<b>892</b>
<b>Income</b>	<b>1,375</b>	<b>1,375</b>	<b>0</b>
<b>Gross expenditure</b>	<b>24,262</b>	<b>23,370</b>	<b>892</b>

## Total Resource and Capital Requirements

Of the total £892m resource underspend for 2022-23, 62% (£554m) relates to underspends for Non-Fiscal Resource DEL and Annually Managed Expenditure principally in relation to valuations of financial assets and liabilities linked to market indices such as Welsh Risk Pool liabilities and the Student Loans portfolio. Further detail is provided below in the 'Explanation of Variances'.

## Income

During the year Welsh Government generated income falling within the scope of the income ambit of £1.439bn. Welsh Government is not permitted to retain income (accruing resources) to offset expenditure in excess of Schedule 2 of the budget motion. Such income would normally be surrendered to the Welsh Consolidated Fund as an excess receipt. However, as the excess income is attributable to non-cash income, there are no excess cash receipts to surrender. Accordingly the income retained to offset expenditure has been restricted to the amount approved in the budget motion Schedule 2.

The Summary of Resource Outturn sets out the Welsh Government outturn against the control totals approved in the Second Supplementary Budget motion of 2022-23 'Summary of Resource and Capital Requirements'. As noted on page 10 more detailed report of final outturn against the lower lever controls operated and enforced by HM Treasury and the Wales Reserve balance including carry forward from the Wales DEL outturn is provided annually after the publication of the Welsh Government Consolidated Accounts by the Minister for Finance and Trefnydd to the Senedd Finance Committee and published on the Welsh Government website [Government finance | Sub-topic | GOV.WALES](#).

Electoral Commission Ambit: The Senedd and Elections (Wales) Act 2020 (SEWA) provides for the Electoral Commission to be funded from the Welsh Consolidated Fund for activities in relation to devolved elections in Wales. Section 129 of the Government of Wales Act 2006 sets out the law in relation to drawing payments out of the Welsh Consolidated Fund. Subsection 129(4) does not include the Electoral Commission as a payee body. Therefore, one of the bodies listed in subsection 129(4) must be administratively responsible for paying the Electoral Commission from the funds it receives from the Welsh Consolidated Fund. As Welsh Ministers agreed that the Welsh Government would do so, the budget is voted to the Welsh Ministers but ring-fenced for the Electoral Commission.

## Explanation of Variances

### Health & Social Services – Underspend of £207m

The underspend includes a Revenue DEL underspend of £26m, a Capital DEL underspend of £16m, a Non Fiscal Resource DEL overspend of £7m and an Annually Managed Expenditure (AME) underspend of £172m.

The Revenue DEL underspend of £26m is net position made up of a range of underspends across many areas, offset by budget deficits in others.

The outturn position of the NHS for 2022-23 included a combined deficit of £153m, across 5 Health Boards. The HSS MEG managed this deficit within the reported position, but on a non-recurrent basis. The NHS position was supported by significant additional funding provided in year, £160m for additional Covid transitional costs and £120m for other exceptional costs, most notably of energy. This support was sourced from a combination of WG reserves support, internal savings and reprioritisation within the HSS MEG and one-off EU funding, all again on a non-recurrent basis. The deficit position combined with underspends in other areas of the NHS, including the two Special Health Authorities, to result in an overall £21m deficit position for Core NHS Delivery Action in the HSS MEG.

The main areas of Revenue DEL underspend across budgets outside of Core NHS Delivery comprised of £19m underspend on Supporting Children Budgets – mainly due to demand for the Childcare offer being lower than originally planned; £17m underspend on new Mental Health funding which mainly arose from delays from recruitment challenges in the NHS; £12m on the new Social Care Reform Fund and £10m across Digital and the Transformation budget, all due to delays in implementation in new programme areas;

£6m in underspend against plans for two areas in the Substance Misuse budgets. These were offset by a shortfall in expected income of £21m, relative to a revised plan, from the Pharmaceutical Price Regulation Scheme (PPRS).

The Capital DEL underspend of £16m mainly arose following the introduction of IFRS16 and changes in NHS leasing plans that we were notified of after submission of the original estimated impacts to HMT. The capitalised lease costs were lower than originally expected by the NHS bodies, either due to changes in plans; variations in timing of leases entered into, or the calculated capital cost being lower. The budget for the capital costs of leases is ringfenced within Capital DEL and cannot be redeployed.

The Non Fiscal Resource overspend of £7m reflects the requirement to fund a £12.9m inventory write down on personal protective equipment (PPE) held by NHS Wales Shared Services Partnership (NWSSP), offset by reduced final NHS bodies owned assets and lease funding requirements because of delays in schemes/leases progressing.

The AME underspend of £172m relates, in the main, to lower than expected charges relating to impairments on the NHS Estate and movements on provisions. NHS impairments were £70m lower than budgeted due to indexation movements used in valuation of the estate and slippage on projects. AME charges relating to NHS provisions were £86m lower than budget due to a smaller than forecast increase in the Welsh Risk Pool and changes in discount rates impacting on the provisions.

## Finance and Local Government – Underspend of £51m

The underspend is in relation to £50.6m Revenue DEL and £0.2m Capital DEL.

The Revenue DEL underspend is a combination of £64m in underspends across the MEG offset by overspends of £14m. The main RDEL underspend is reported against the NDR Rates Relief BEL (£54m). This occurred due to the take-up of the relief scheme being lower than anticipated. Final payments are based on actual claims received from Local Authorities. The final cost of the scheme was not known until April once all claims had been received, up to this point figures provided were best estimates based on the authorities' NDR tax base information. Further smaller underspends occurred across the MEG due to changes in levels of activity and re-profiling of activity into future years.

RDEL underspends were partially offset by an overspend against the Emergency Financial Assistance BEL (£14m) relating to our response to Ukraine. This movement was primarily due to a change in the assumptions for the year-end accrual relating to the integration tariff for individuals arriving through the super sponsor route.

## Education & Welsh Language – Underspend of £368m

The underspend includes Revenue DEL underspend of £36.0m, Capital DEL underspend of £2.4m, Financial Transactions Capital underspend of £0.8m, Non-Fiscal Resource DEL underspend of £373.3m and an AME overspend of £46.5m. A further £1.8m relates to an Ambit adjustment for the Higher Education Funding Council for Wales (HEFCW)) due to lower cash draw down to achieve their resource outturn. HEFCW is not designated (via the Government of Wales 2006 (Budget Motions and Designated Bodies) Order) and remains outside of Ambit.

The £36.0m Revenue DEL underspend relates to £12.0m for Food and Nutrition in Schools due to the phased rollout of Universal Primary Free School Meals (with re-profiling of funding into 2023-24 and 2024-25) and £38.2m for Student Support Grants due to the demand led nature of the grants. These were partially offset by £11.4m overspend against Post-16 Provision primarily for additional funding provided to Local Authorities and Further Education (FE) colleges in 2022-23 to support pay awards and the mental health and well-being of learners and staff in the FE sector.

The Capital DEL underspend of £2.4m primarily relates to some slippage on Sustainable Communities for Learning Programme. This is offset in part due to additional costs of £1.2m for the administration fee paid to the Student Loans Company (SLC), to enable them to deliver statutory student support in Wales.

The majority of the Non-Fiscal Resource DEL underspend of £373.3m is in relation to Student loans, the portfolio valuation of which is significantly impacted by economic factors. The underspend was due to a change in the HM Treasury discount rate (from -1.1% to -1.3%), which impacted on the Student Loan model (Scholastic Earnings Path – StEP) along with two legislative changes introduced, freezing the repayment salary threshold and extending the interest rate cap to March 2023. This increased the fair value of the Student Loan portfolio.

The AME overspend of £46.5m reflects an underspend of £17.5m being the final return from the SLC with lower amounts of tuition fee and maintenance loans issued than forecast offset by the Income Ambit surplus income restriction previously noted. The ambit income surplus primarily relates to Student Loans (£96m surplus), the portfolio valuation of which is significantly impacted by economic factors. The overspend is linked to additional interest that was capitalised due to increases in the Retail Price Index (RPI) during the financial year. The AME budget and forecasts were based on historic RPI data rather than updated information available for the financial year end, with the increase resulting in a variance between forecast and outturn.

The interest rate charged is normally the Retail Price Index plus up to 3%, depending on a student's circumstances and income. However, during some periods an interest cap is applied to ensure students are not being charged a higher interest rate than the average found in the commercial market.

## Economy – Underspend of £37m

The underspend includes Revenue DEL underspend of £10.4m, Capital DEL underspend of £14.7m, Capital Financial Transactions overspend of £12.6m, Non-Fiscal Resource DEL overspend of £14.9m, and an AME underspend of £39.4m.

The Revenue DEL underspend mainly relates to £19.1m of excess profits generated following the disposal of a number of Development Assets from across the Property Portfolio. Further underspends on the Employability inc Young Persons Guarantee (£8m), Apprenticeships (£5.6m) and Communities for Work (£1.4m) were reported due to the demand led nature of the programmes and the lower than anticipated uptake throughout the financial year. These underspends were mainly offset following a £27.5m overspend for Development Bank Wales (DBW) as a result of year end outturn adjustments and a loss of the Wales Life Science Investment Fund (WLSIF).

The Capital DEL underspend mainly relates to a £19.2m underspend for DBW as a result of year end outturn adjustments. These are offset mainly by a £7.9m overspend due to lower than anticipate Capital receipts following disposals from Property Portfolio.

Capital FTR overspend is in relation to year end outturn adjustments for DBW totalling £19.9m, offset by a £5.3m underspend on Decarbonisation Schemes and a £2.24m underspend on Business Development mainly due to underspends on the Small Medium Enterprise (SME) Business Fund.

The Non-Fiscal Resource DEL overspend also relates to mainly DBW year-end adjustments totalling £12.4m and excess impairment and depreciation charges within the Property portfolio totalling £3m.

The AME underspend of £39.4m includes a net pension valuation credit for Careers Wales of £18.8m, Careers Wales are a member of eight different Welsh local government pension schemes, a hangover of its local authority forebearers, consequently, the valuation movement can be highly volatile year on year, and whilst previous periods have recorded significant charges this year's actuarial valuations resulted in the large net credit. A further £8.6m underspend relates to lower than anticipated impairment charges within the property portfolio.

## Climate Change – Underspend of £171m

The underspend includes Revenue DEL underspend of £25.4m, Non Fiscal Resource DEL underspend of £3.7m, Capital DEL underspend of £39.2m, FT Capital DEL underspend of £78.4m and AME underspend of £24m.

The Revenue DEL underspend of £25.4m is due to reduced expenditure in Resource Efficiency and Circular Economy initiatives, climate change policy, energy efficiency, Green Growth and Environmental Protection, as well as an increase in income in Natural Resources Wales. The reductions were due to a mix of reprofiling of grants to local authorities to future years and delays establishing new annual schemes.

The Capital DEL underspend of £39.2m is mainly attributable to delays in Resource Efficiency and Circular Economy and Coal Tip Safety schemes. The reductions were largely due to delays with Local Authority projects due to procurement delays and economic factors.

The FT Capital DEL underspend of £78.4m relates to unbudgeted repayments in the Help to Buy Wales schemes and slower take up of Residential Decarbonisation and Electric Vehicle schemes.

The Non Fiscal Resource DEL underspend of £3.7m arises as a result of the trunk roads network and Core Valley Line rail assets non-cash accounting for depreciation charges being less than those estimated by the model used at the beginning of the year.

The AME underspend of £24m was mainly a result of the portfolio valuation of Help to Buy Wales which is subject to market fluctuations.

## Rural Affairs – Underspend of £19m

The underspend includes Revenue DEL underspend of £8.7m, Non Fiscal Resource DEL underspend of £0.8m and Capital DEL underspend of £9.8m.

The Revenue DEL underspend of £8.7m, and the Capital DEL underspend of £9.8m, are mainly due to underspends on Rural Investment Schemes where demand led schemes did not deliver as expected due to lower take up.

## Central Services & Administration – Underspend of £24m

The CSA MEG underspend is primarily due to £13m underspend on Fiscal Resource DEL, a Capital Del underspend of £1m, £2m underspend on Non Fiscal Resource DEL and a £7m underspend on Annually Managed Expenditure.

The main element of the Central Services and Administration RDEL underspend was an underspend of £12.9m against the Welsh Government running costs. There was an underspend against the Covid Inquiry budget of £1.9m with these underspends being offset by an overspend on staff costs of £2.7m. There was slippage in the timetable of the UK COVID-19 Inquiry and delay of oral hearings into 2023-24 accompanied by uncertainty and delay in relation to the approach taken by the Inquiry to requests for evidence which have impacted both the ability to forecast accurately and actual spend.

Depreciation budgets (Non Fiscal Resource DEL) for the Welsh Government estate were also underspent by £2m, due to a reduced requirement for deprecation funding than was anticipated.

Annually Managed Expenditure in the MEG includes valuation changes in pension liabilities as they are subject to complex actuarial valuation annually and can be volatile. The variance of £7m arises from differences between forecast and detailed actuarial pension scheme valuations which are provided after the financial year end to inform the statutory accounts and final outturn

## Social Justice – Underspend of £15m

The underspend is in relation to £10m Revenue DEL and £5m Capital DEL.

The Revenue DEL underspend is principally attributable to a £9m saving against the Equality, Inclusion & Human Rights BEL, a number of vacancies impacted on delivery across a number of activities and also some staff costs were borne by DRC rather than programme which had a significant impact on outturn.

The Basic Income Pilot also underspent by £1m due to a later than expected start date for the programme and the Fire and Rescue Services Communications BEL also underspent by £1m due to the limited progress made against this Home Office project during the financial year. Additional funding of £2m was provided to the Third Sector during this financial year which offset some of these pressures, this funding included a £1m donation to the Community Foundation Network to support voluntary organisations with their core costs.

The £5m Capital DEL underspend occurred because we were unable to progress work on the Community Bank, which resulted in this budget underspending by £1.5m; the Gypsy Traveller Sites BEL also experienced an underspend of £4m, which was due to difficulties in developing and progressing projects.

## Glossary of budget terminology

- Departmental Expenditure Limit (DEL):** The multi-year budget limit for the Welsh Government set by HM Treasury in Spending Reviews. The DEL is split into classifications including those below.
- Fiscal Resource DEL (Revenue):** The Fiscal Resource DEL budget scores most of the Welsh Government’s current expenditure and includes staff costs, grants and other expenses.
- Non-Fiscal Resource DEL:** The Non-Fiscal Resource DEL budget scores the Welsh Government’s current expenditure in respect of certain impairments and depreciation. These budgets are ring-fenced and cannot be used to fund Fiscal Resource DEL spending.
- Capital DEL:** Capital budgets cover expenditure that in the main results in a physical asset either on the Welsh Government’s balance sheet or that of a third party.
- Capital Financial Transactions DEL:** Financial Transactions are defined in national accounts as transactions in financial assets and financial liabilities, such as lending or equity transactions. Consequently, financial transactions with bodies outside the budgeting boundary of the Welsh Government scores to the Capital DEL budget to reflect this impact to public sector net debt. Repayments of financial transactions generally result in a subsequent future repayment to HM Treasury.
- Annually Managed Expenditure (AME):** These budgets cover expenditure which cannot reasonably be subject to firm, multi-year limits in the same way as DEL and are, therefore, reviewed twice a year as part of the HM Treasury’s Budget and Pre-Budget Report processes. AME typically consists of programmes which are large, volatile and/or demand-led.

## Notes

Funding drawn from the Welsh Consolidated Fund	Outturn 2022-23 £m	Outturn 2021-22 £m
Authorised for issue from Welsh Consolidated Fund	22,463	22,807
Funding drawn down	22,237	(22,145)
Undrawn funding	226	662

This note shows the ‘Funding drawn down’ being the amount drawn in cash from the Welsh Consolidated Fund in year, and any amounts carried forward drawn from the Welsh Consolidated Fund and unused from the prior year ‘deemed drawn’, against the control total voted in the budget for amounts authorised for payment to the Welsh Government out of the Welsh Consolidated Fund under section 125(1)(c) of the Government of Wales Act 2006.



Reconciliation of Outturn and CSoCNE	Outturn 2022-23 £m	Outturn 2021-22 £m
<b>Net Resource Outturn</b>	<b>21,995</b>	<b>22,573</b>
Less: Capital & loans adjustments	(2,318)	(2,210)
NDR Adjustment	-	65
Non-cash excess income adjustment	(64)	-
Other adjustments	13	83
<b>Expenditure per the CSoCNE</b>	<b>19,626</b>	<b>20,510</b>

This reconciliation explains the difference between the budgetary outturn in the Summary of Resource Outturn and the financial statements Consolidated Statement of Comprehensive Net Expenditure (CSoCNE), linking the Resource Outturn to the financial statements.

The Summary of Resource Outturn is compiled against the budgeting framework – which is similar to, but different from International Financial Reporting Standards (IFRS) as applied by the HM Treasury Financial Reporting Manual (FRoM) which sets out how the CSoCNE has to be prepared.

The Capital & Loans adjustments remove from the Resource Outturn capital resource relating to transactions reported in the Statement of Financial Position that do not pass through the CSoCNE.

The NDR adjustments reflects net impact of NDR collection and distribution in the Welsh Government SoCNE, which is outside the Senedd voted budget and therefore the Resource Outturn.

Other adjustments principally relate to transactions which are treated differently between the budgeting framework and accounts.

Reconciliation of resources to cash requirement	Budget 2022-23 £m	Outturn 2022-23 £m	Outturn compared with Budget £m	Outturn 2021-22 £m
<b>Net resource outturn</b>	<b>22,887</b>	<b>21,995</b>	<b>892</b>	<b>22,573</b>
Less: Bodies designated under s126A of GOWA – Resource only transactions	0	(482)	482	(347)
Less: Non-Cash Transactions				
Depreciation	(654)	(228)	(426)	(212)
Impairments & fair value adjustments	(48)	857	(905)	930
Non-cash movements in provisions	(116)	(30)	(86)	(326)
Less: Movements in working balances	512	379	133	(361)
Less: Non-cash excess income adjustment	-	(64)	64	-
Other	(118)	(196)	78	(200)
<b>Net cash requirement</b>	<b>22,463</b>	<b>22,231</b>	<b>232</b>	<b>22,057</b>

The Summary of Resource Outturn is compiled against the budgeting framework on a resource expenditure basis, rather than a cash basis. This reconciliation explains the difference between the Resource Outturn to the net cash requirement. The net cash requirement is the amount drawn as funding from the Welsh Consolidated Fund in year (shown in the Funding drawn from the Welsh Consolidated Fund note), less any amounts drawn at the end of the financial year not used.

The adjustment for Bodies designated under s126A of GOWA – Resource only transactions removes from the Resource Outturn the difference between the resources outturn for designated Welsh Government group bodies, and the cash provided to them from the Welsh Consolidated Fund via the Welsh Government.

The Non-cash and Movement in Working balances adjustments relate to the adjustments in the Welsh Government cash-flow statement where transactions are charged to resource but are not incurred in cash.

The Other adjustments for 2022-23 are mainly the difference between Welsh Government capital transactions in the Resource Outturn, and the cashflows relating to them.

**Dr Andrew Goodall CBE**  
**Permanent Secretary and Principal Accounting Officer**

29 November 2023

## The Certificate and report of the Auditor General for Wales to the Senedd

### Opinion on financial statements

I certify that I have audited the financial statements of the Welsh Government and the Group for the year ended 31 March 2023 under the Government of Wales Act 2006.

The financial statements comprise:

- the Statement of Resource Outturn;
- for each of the Welsh Government and the Group: the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cashflows, the Statement of Changes in Taxpayers' Equity; and
- related notes, including the significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards as interpreted and adapted by HM Treasury's Financial Reporting Manual.

In my opinion, in all material respects the financial statements:

- give a true and fair view of the state of the Welsh Government and the Group's affairs as at 31 March 2023 and of their net cash requirement, net resource outturn and net operating cost, for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards as interpreted and adapted by HM Treasury's Financial Reporting Manual; and
- have been properly prepared in accordance with directions made by HM Treasury under the Government of Wales Act 2006.

### Opinion on regularity

In my opinion, in all material respects:

- the Statement of Resource Outturn properly presents the outturn against the sums authorised by the Senedd for the year ended 31 March 2023 and shows that those totals have not been exceeded; and
- the income and expenditure recorded in the financial statements have been applied to the purposes intended by the Senedd and the financial transactions recorded in the financial statements conform to the authorities which govern them.

## Basis for opinions

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my certificate.

My staff and I am independent of the Welsh Government and the Group in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinions.

## Conclusions relating to going concern

In auditing the financial statements, I have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the body's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the Principal Accounting Officer with respect to going concern are described in the relevant sections of this report.

The going concern basis of accounting for the Welsh Government and the Group is adopted in consideration of the requirements set out in HM Treasury's Government Financial Reporting Manual, which require entities to adopt the going concern basis of accounting in the preparation of the financial statements where it anticipated that the services which they provide will continue into the future.

## Other information

The other information comprises the information included in the Welsh Government Consolidated Accounts other than the financial statements and remuneration report, and my auditor's report thereon. The Principal Accounting Officer is responsible for the other information. My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon. My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

## Opinion on other matters

In my opinion, the part of the Remuneration and Staff Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government of Wales Act 2006.

In my opinion, based on the work undertaken in the course of my audit:

- the parts of the Accountability Report subject to audit have been properly prepared in accordance with HM Treasury directions made under the Government of Wales Act 2006; and
- the information given in the Annual Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements and is in accordance with the applicable legal requirements.

## Matters on which I report by exception

In the light of the knowledge and understanding of the body and its environment obtained in the course of the audit, I have not identified material misstatements in the Annual Report and the Accountability Report of the Consolidated Accounts.

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- I have not received all of the information and explanations I require for my audit;
- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my team;
- the financial statements and the audited part of the Accountability Report are not in agreement with the accounting records and returns;
- information specified by HM Treasury regarding remuneration and other transactions is not disclosed;
- certain disclosures of remuneration specified by HM Treasury's Government Financial Reporting Manual are not made or parts of the Remuneration and Staff Report to be audited are not in agreement with the accounting records and returns; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Furthermore, I am also reporting by exception that two senior officials have not provided consent regarding disclosure of information specified by HM Treasury regarding remuneration and other transactions.

Welsh Government accepted the senior officials' requests and consequently the Remuneration and Staff Report does not include this information.

## Responsibilities of the Principal Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Principal Accounting Officer is responsible for:

- maintaining proper accounting records;
- the preparation of the financial statements and Annual Report in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- ensuring that the Annual Report and financial statements as a whole are fair, balanced and understandable;
- ensuring the regularity of financial transactions;
- internal controls as the Principal Accounting Officer determines is necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error;
- assessing the Welsh Government and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Principal Accounting Officer anticipates that the services provided by the Welsh Government and the Group will not continue to be provided in the future.

## Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Government of Wales Act 2006.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a certificate that includes my opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

My procedures included the following:

- Enquiring of management, the Head of Internal Audit and those charged with governance, on matters concerned with:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations.
- Considering as an audit team how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, I identified potential for fraud in management override which is considered a significant risk in all audited bodies.
- Obtaining an understanding of the Welsh Government and Group's framework of authority as well as other legal and regulatory frameworks that the Welsh Government and Group operate in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of Welsh Government and Group.
- Obtaining and understanding of related party relationships.

In addition to the above, my procedures to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management and the Principal Accounting Officer (as those charged with Governance) about actual and potential litigation and claims;
- reading minutes of meetings of the Board and other relevant Committees; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

I also communicated relevant identified laws and regulations and potential fraud risks to all audit team and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the Welsh Government and Group's controls, and the nature, timing and extent of the audit procedures performed.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my auditor's report.

## Other auditor's responsibilities

I am required to obtain evidence sufficient to give reasonable assurance that the Statement of Resource Outturn properly presents the outturn against the sums authorised by the Senedd for the year ended 31 March 2023 and shows that those totals have not been exceeded.

I am also required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by the Senedd and the financial transactions recorded in the financial statements conform to the authorities which govern them.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

## Report

I have no observations to make on these financial statements.

**Adrian Crompton**  
**Auditor General for Wales**  
30 November 2023

1 Capital Quarter  
Tyndall Street  
Cardiff, CF10 4BZ



# Part 3

## Financial Statements

### Consolidated Statement of Comprehensive Net Expenditure for the year ended 31 March 2023

	Note	Year ended 31 March 2023		Year ended 31 March 2022	
		WG Core £m	WG Group £m	WG Core £m	WG Group £m
Income from sale of goods and services	2	(50)	(290)	(39)	(211)
Other operating income	2	(740)	(1,113)	(537)	(910)
<b>Total operating income</b>		<b>(790)</b>	<b>(1,403)</b>	<b>(576)</b>	<b>(1,121)</b>
Staff costs	3	376	6,065	353	5,575
Expenditure	3	20,286	14,726	20,604	15,521
Provision expense	3	202	238	467	535
<b>Total operating expenditure</b>		<b>20,864</b>	<b>21,029</b>	<b>21,424</b>	<b>21,631</b>
<b>Net expenditure for the year</b>		<b>20,074</b>	<b>19,626</b>	<b>20,848</b>	<b>20,510</b>
<b>Other comprehensive net expenditure:</b>					
Items which will not be reclassified to net operating expenditure:					
Net (gain)/loss on revaluation of property, plant, equipment and investments		(2,564)	(2,917)	(1,899)	(1,432)
Actuarial (gain)/loss on pension scheme liabilities		(5)	(56)	(25)	(56)
<b>Comprehensive net expenditure for the year</b>		<b>17,505</b>	<b>16,653</b>	<b>18,924</b>	<b>19,022</b>

The Notes on pages 210 to 263 form part of these accounts.

**Consolidated Statement of Financial Position at 31 March 2023**

	Note	At 31 March 2023		At 31 March 2022	
		WG Core £m	WG Group £m	WG Core £m	WG Group £m
Non-current assets:					
Property, plant and equipment	4	22,762	30,264	20,062	26,822
Intangible assets	5	33	104	38	111
Financial assets	6	9,533	8,007	8,006	6,568
Trade and other receivables	8	31	212	23	182
Right-of-use assets	15	42	409	-	-
Total non-current assets		32,401	38,996	28,129	33,683
Current assets:					
Assets classified as held for sale		-	-	-	1
Financial assets	6	241	241	179	179
Inventories	7	230	358	204	358
Trade and other receivables	8	472	871	322	608
Cash and cash equivalents	9	28	1,354	161	1,482
Total current assets		971	2,824	866	2,628
Total assets		33,372	41,820	28,995	36,311
Current liabilities:					
Trade and other payables	10	(1,697)	(3,253)	(2,207)	(3,619)
Provisions	11	(398)	(463)	(362)	(412)
Other liabilities	13	-	-	-	(1)
Total current liabilities		(2,095)	(3,716)	(2,569)	(4,032)
Total assets less current liabilities		31,277	38,104	26,426	32,279
Non-current liabilities:					
Trade and other payables	10	(373)	(729)	(142)	(377)

**Consolidated Statement of Financial Position at 31 March 2023 (Cont'd)**

	Note	At 31 March 2023		At 31 March 2022	
		WG Core £m	WG Group £m	WG Core £m	WG Group £m
Provisions	11	(1,240)	(1,273)	(1,270)	(1,319)
Other liabilities	13	(16)	(17)	(22)	(45)
<b>Total non current liabilities</b>		<b>(1,629)</b>	<b>(2,019)</b>	<b>(1,434)</b>	<b>(1,741)</b>
<b>Total assets less total liabilities</b>		<b>29,648</b>	<b>36,085</b>	<b>24,992</b>	<b>30,538</b>
<b>Taxpayers' equity &amp; other reserves</b>					
General fund		15,608	19,627	13,446	16,885
Revaluation reserve		14,040	16,458	11,546	13,653
<b>Total equity</b>		<b>29,648</b>	<b>36,085</b>	<b>24,992</b>	<b>30,538</b>

The Notes on pages 210 to 263 form part of these accounts.

**Dr Andrew Goodall CBE**  
**Permanent Secretary and Principal Accounting Officer**  
 29 November 2023

**Consolidated Statement of Cash Flows for the year ended 31 March 2023**

	Note	Year ended 31 March 2023		Year ended 31 March 2022 (Re-presented) <sup>1</sup>	
		WG Core £m	WG Group £m	WG Core £m	WG Group £m
Cash flows from operating activities:					
Net operating expenditure		(20,074)	(19,626)	(20,848)	(20,510)
Provisions used	11	(173)	(203)	(141)	(209)
Adjustments for non cash transactions		(424)	92	(232)	216
Movements in working capital other than cash	14	(379)	(572)	360	388
Other		(8)	-	1	41
Net cash (outflow) from operating activities		(21,058)	(20,309)	(20,860)	(20,074)
Cash flows from investing activities:					
Purchase of property, plant and equipment		(398)	(1,077)	(374)	(1,130)
Purchase of intangible assets		(10)	(28)	(10)	(35)
Proceeds from disposal of property, plant and equipment		6	8	9	16
Proceeds from disposal of development assets		27	27	1	1
Purchase of development assets		(30)	(30)	(12)	(12)
Issue of loans and investments		(1,042)	(1,057)	(1,260)	(1,190)
Repayment of loans		289	313	340	291
Net cash (outflow) from investing activities		(1,158)	(1,844)	(1,306)	(2,059)
Cash flows from financing activities:					
From Welsh Consolidated Fund – drawn in year		22,237	22,237	21,734	21,734
Welsh Consolidated Fund- prior year repaid		(88)	(88)	-	-
EU Deferred Grant Additions		-	-	-	44
Minority Interest		-	-	-	-
Capital element of payments in respect of leases and on-balance sheet PFI and other service concession arrangements		(17)	(75)	(10)	38
Net financing		22,132	22,074	21,724	21,816

**Consolidated Statement of Cash Flows for the year ended 31 March 2023 (Cont'd)**

	Note	Year ended 31 March 2023		Year ended 31 March 2022 (Re-presented) <sup>1</sup>	
		WG Core £m	WG Group £m	WG Core £m	WG Group £m
Net increase/(decrease) in cash and cash equivalents in the period before adjustments for receipts and payments to the Welsh Consolidated Fund		(84)	(79)	(442)	(317)
Income payable to Welsh Consolidated Fund		(49)	(49)	(37)	(37)
Newly Consolidated Bodies cash balances		-	-	-	8
Net increase/(decrease) in cash and cash equivalents in the period after adjustments for receipts and payments to the Welsh Consolidated Fund	9	(133)	(128)	(479)	(346)
Cash and cash equivalents at the start of the year	9	161	1,482	640	1,828
Cash and cash equivalents at the end of the year	9	28	1,354	161	1,482

<sup>1</sup> Repayment of loans and transactions with the Welsh Consolidated Fund have been re-presented to provide better clarity of transactions with the Welsh Consolidated Fund.

The Notes on pages 210 to 263 form part of these accounts.

### Statement of Changes in Taxpayers' Equity

Welsh Government Group	General Fund (Re-presented) <sup>1</sup> £m	Revaluation Reserve £m	Total Reserves (Re-presented) <sup>1</sup> £m
<b>Balance at 31 March 2021</b>	<b>15,211</b>	<b>12,258</b>	<b>27,469</b>
Newly Consolidated Bodies	5	-	5
Welsh Consolidated Fund – funding drawn	21,734	-	21,734
Welsh Consolidated Fund – funding deemed drawn	411	-	411
Welsh Consolidated Fund (payable) / receivable adjustment <sup>2</sup>	(88)	-	(88)
Net expenditure for the year	(20,510)	-	(20,510)
Revaluation gains and losses	-	1,424	1,424
Transfers between Reserves	29	(29)	-
Other adjustments	93	-	93
<b>Balance at 31 March 2022</b>	<b>16,885</b>	<b>13,653</b>	<b>30,538</b>
IFRS 16 Transition	3	-	3
Newly Consolidated Bodies	-	-	-
Welsh Consolidated Fund – funding drawn	22,237	-	22,237
Welsh Consolidated Fund – funding deemed drawn	-	-	-
Welsh Consolidated Fund (payable) / receivable adjustment <sup>2</sup>	(6)	-	(6)
Net expenditure for the year	(19,626)	-	(19,626)
Revaluation gains and losses	-	2,926	2,926
Transfers between Reserves	115	(115)	-
Other adjustments	19	(6)	13
<b>Balance at 31 March 2023</b>	<b>19,627</b>	<b>16,458</b>	<b>36,085</b>

Welsh Government Core	General Fund (Re-presented) <sup>1</sup> £m	Revaluation Reserve £m	Total Reserves (Re-presented) <sup>1</sup> £m
<b>Balance at 31 March 2021</b>	<b>12,274</b>	<b>9,629</b>	<b>21,903</b>
Welsh Consolidated Fund – funding drawn	21,734	-	21,734
Welsh Consolidated Fund – funding deemed drawn	411	-	411
Welsh Consolidated Fund (payable) / receivable adjustment <sup>2</sup>	(88)	-	(88)
Net expenditure for the year	(20,848)	-	(20,848)
Revaluation gains and losses	-	1,899	1,899
Transfers between Reserves	(18)	18	-
Other adjustments	(19)	-	(19)
<b>Balance at 31 March 2022</b>	<b>13,446</b>	<b>11,546</b>	<b>24,992</b>

**Statement of Changes in Taxpayers' Equity (Cont'd)**

Welsh Government Core	General Fund (Re-presented) <sup>1</sup> £m	Revaluation Reserve £m	Total Reserves (Re-presented) <sup>1</sup> £m
IFRS 16 Transition	(8)	-	(8)
Welsh Consolidated Fund – funding drawn	22,237	-	22,237
Welsh Consolidated Fund – funding deemed drawn	-	-	-
Welsh Consolidated Fund (payable) / receivable adjustment <sup>2</sup>	(6)	-	(6)
Net expenditure for the year	(20,074)	-	(20,074)
Revaluation gains and losses	-	2,564	2,564
Transfers between Reserves	70	(70)	-
Other adjustments	(57)	-	(57)
<b>Balance at 31 March 2023</b>	<b>15,608</b>	<b>14,040</b>	<b>29,648</b>

<sup>1</sup> The prior year has been re-presented to provide better clarity of transactions with the Welsh Consolidated Fund.

<sup>2</sup> Welsh Consolidated Fund (payable)/receivable adjustment comprises funding drawn not spent in 2022-23 of £6m (2021-22: £88m).

The Notes on pages 210 to 263 form part of these accounts.

## Notes to the Accounts

### 1. Statement of Accounting Policies

The consolidated financial statements have been prepared in accordance with the Government Financial Reporting Manual (FReM). The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Welsh Government for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Welsh Government (for the reportable activity) are described in Appendix A or as footnotes to the relevant note. They have been applied consistently in dealing with items that are considered material to the accounts.

In addition to the primary statements prepared under IFRS, the FReM also requires the Welsh Government to prepare additional primary statements. The Summary of Resource Outturn which shows actual outturn against budget and supporting notes which reconcile outturn to net operating expenditure, and resources to cash requirement are included in the Accountability Report.

#### 1.1 Accounting Convention

These accounts have been prepared under the historical cost convention, modified to account for the revaluation of property, plant and equipment, investment property and certain financial assets and liabilities.

#### 1.2 Basis of Consolidation

The accounts reflect the consolidated assets and liabilities and the results of entities within the Welsh Government consolidation accounting boundary. The consolidation accounting boundary includes subsidiary undertakings as required by the FReM where they are designated for consolidation by statutory instrument, and are above a de minimis threshold for materiality.

All the entities within a subsidiary group will be consolidated, if:

- The parent entity of the subsidiary group is subject to a designation order applicable for the financial year; and
- The subsidiary group as a whole is above the consolidation de minimis threshold for materiality.



The consolidation accounting boundary also includes subsidiary undertakings above the de minimis threshold which had been consolidated on the basis of IFRS Group Accounting Standards prior to the introduction of Designation Orders in Wales (effective from 2017-18), and for which the designation process has not yet been concluded. This is to maintain consistency of the Group consolidation presentation whilst the Welsh Government alignment project progresses.

Since the introduction of Designation Orders, entities are added to the consolidation accounting boundary only if designated and material.

Subsidiaries are consolidated from draft accounts where final accounts are not available. Transactions between entities included in the consolidation are eliminated.

Further information about the entities within the consolidation boundary is provided within the Annual Report accompanying these accounts see pages 93 to 97.

## 2. Operating Income

	Year ended 31 March 2023		Year ended 31 March 2022	
	WG Core £m	WG Group £m	WG Core £m	WG Group £m
<b>Income from sale of goods and services:</b>				
Income from property and investments	41	40	32	32
Other	9	250	7	179
	<b>50</b>	<b>290</b>	<b>39</b>	<b>211</b>
<b>Other non-EU operating income:</b>				
Health income <sup>1</sup>	194	536	153	496
Other	36	66	18	19
	<b>230</b>	<b>602</b>	<b>171</b>	<b>515</b>
<b>Other EU operating income:</b>				
European Structural Funds Programme	440	440	282	311
Common Agricultural Policy	67	67	76	76
Other EU Income	3	4	8	8
	<b>510</b>	<b>511</b>	<b>366</b>	<b>395</b>
<b>Total</b>	<b>790</b>	<b>1,403</b>	<b>576</b>	<b>1,121</b>

<sup>1</sup> Included within Core non-EU operating income 'health income' is £55.4m (2021-22: £99.4m) of income in relation to the receipt of COVID-19 consumables including vaccines, lateral flow test kits and medicines transferred to the Welsh Government from other UK Government Departments for nil consideration, as part of the wider COVID-19 pandemic response and distribution of certain supplies procured by the UK Government.

### 3. Expenditure

	Year ended 31 March 2023		Year ended 31 March 2022	
	WG Core £m	WG Group £m	WG Core £m	WG Group £m
<b>Expenditure</b>				
Grants <sup>1</sup>	20,433	9,534	20,834	10,613
Goods and Services <sup>2</sup>	450	5,287	444	5,191
Rentals <sup>3</sup>	1	2	17	19
Staff Costs	376	6,065	353	5,575
PFI and other service concession arrangements <sup>3</sup>	24	33	7	16
Student loan policy write-offs	30	30	26	26
Net fair value (gains)/losses on financial assets at fair value through SOCNE <sup>4</sup>	(862)	(818)	(942)	(904)
Fixed Asset Depreciation	213	590	203	545
Amortisation	15	36	9	29
Donated and government granted assets	-	(3)	-	(7)
Impairments	6	68	12	4
(Profit)/Loss on disposals	(21)	(36)	(3)	(14)
Pension Finance	(3)	2	(2)	4
Release of EU grant	(1)	(1)	(1)	(1)
Bad Debt Provision	1	2	-	-
	<b>20,662</b>	<b>20,791</b>	<b>20,957</b>	<b>21,096</b>
<b>Provisions</b>				
Increase in provisions	202	238	467	535
<b>Total</b>	<b>20,864</b>	<b>21,029</b>	<b>21,424</b>	<b>21,631</b>

<sup>1</sup> Grant expenditure includes £128m (2021-22: £764m) in relation to agency accounted transactions with Local Authorities for COVID-19 schemes.

The Welsh Government worked with Local Authorities to deliver the following grants or areas of financial support to businesses and individuals as Local Authorities had the local knowledge and ability to put in place systems rapidly and efficiently to make payments.

- Non-Domestic Rates Relief
- Business Support Grants for pandemic impacts and recovery
- Statutory Sick Pay Enhancement Scheme
- Self-Isolation Support Scheme
- Unpaid Carers' Scheme
- Cost of Living Support Scheme
- Social Care Real Living Wage additional payment
- Support for Ukrainian Refugees

These schemes have been assessed under section 2.6 (Principal and Agent Transactions) of the CIPFA Code of Practice on Local Authority Accounting (see Annex B) and to relevant interpretation of IFRS 15 – Revenue from Contracts with Customers.

Welsh Government is the principal in these arrangements and has recognised the full costs incurred for the schemes by Local Authorities in 2022-23.

<sup>2</sup> Included within Core Goods and Services is £55.4m (2021-22: £98.5m) of expenditure in relation to the utilisation of COVID-19 consumables including vaccines, lateral flow test kits and medicines transferred to the Welsh Government from other UK Government Departments for nil consideration, as part of the wider COVID-19 pandemic response and distribution of certain supplies procured by the UK Government.

<sup>3</sup> Re-presented in 2022-23 to show rentals outside the scope of IFRS 16 separately from expenditure on both the Bute Avenue and A55 expenditure PFI contracts.

<sup>4</sup> Student loans and Help to Buy Wales financial assets are measured as fair value through Statement of Comprehensive Net Expenditure. The majority of the fair value gain reported for 2022-23 relates to student loans, further details on this can be found at Note 6.

## Staff Costs

A full breakdown of staff costs, including staff numbers and associated information, is provided within the Accountability Report of this document on page 179 to 187.

## Audit Fees

The amount payable to the Auditor General for Wales for placing an opinion on the consolidated financial statements of the Welsh Government for 2022-23 is £458,850 (2021-22: £435,000<sup>1</sup>). This has been included within Goods and Services disclosed above. Also included above are fees levied by the Auditor General for Wales in respect of other accounts prepared by Welsh Ministers as follows:

	Year ended 31 March 2023 £	Year ended 31 March 2022 (Restated) £
NHS Summarised Account <sup>1</sup>	32,500	30,821
National Non Domestic Rate Account <sup>1</sup>	9,500	8,946
Whole of Government Account	13,800	14,400
Welsh Consolidated Fund	22,000	20,000

Audit fees of Consolidated bodies are disclosed within their individual accounts.

<sup>1</sup> Restated for prior year to reflect actual costs incurred rather than fee estimates.

## 4. Property, Plant and Equipment

	Infrastructure Assets <sup>1</sup> £m	Land £m	Buildings including Dwellings £m	Plant and Equipment <sup>2</sup> £m	Payments on account & Assets under construction £m	Total £m
Cost or valuation for the year ended 31 March 2022						
At 1 April 2021	22,676	420	3,312	1,336	951	28,695
Newly Consolidated Bodies	-	-	1	139	95	235
Additions	160	5	58	178	740	1,141
Disposals	(139)	-	(2)	(75)	-	(216)
Transfers	-	-	1	60	(61)	-
Impairments	-	1	(2)	(9)	(9)	(19)
Revaluations	1,690	7	63	-	-	1,760
Reclassified to held for sale	-	-	-	(4)	-	(4)
Reclassifications	-	-	142	16	(178)	(20)
<b>At 31 March 2022</b>	<b>24,387</b>	<b>433</b>	<b>3,573</b>	<b>1,641</b>	<b>1,538</b>	<b>31,572</b>
Depreciation for the year ended 31 March 2022						
At 1 April 2021	2,853	-	391	841	-	4,085
Newly Consolidated Bodies	-	-	-	7	-	7
Charged in year	232	-	120	193	-	545
Disposals	(139)	-	-	(74)	-	(213)
Transfers	-	-	-	-	-	-
Impairments	-	-	(6)	-	-	(6)
Revaluations	340	-	(4)	-	-	336
Reclassifications	-	-	-	(4)	-	(4)
<b>At 31 March 2022</b>	<b>3,286</b>	<b>-</b>	<b>501</b>	<b>963</b>	<b>-</b>	<b>4,750</b>
<b>Carrying amount at 31 March 2022</b>	<b>21,101</b>	<b>433</b>	<b>3,072</b>	<b>678</b>	<b>1,538</b>	<b>26,822</b>
Carrying amount at 31 March 2021	19,823	420	2,921	495	951	24,610
Asset financing for the year ended 31 March 2022						
Owned	20,547	431	2,957	597	1,460	25,992
Finance Leased	-	-	26	81	-	107
On-balance sheet PFI and other service concession arrangements	554	2	89	-	78	723
<b>At 31 March 2022</b>	<b>21,101</b>	<b>433</b>	<b>3,072</b>	<b>678</b>	<b>1,538</b>	<b>26,822</b>

## 4. Property, Plant and Equipment (Cont'd)

	Infrastructure Assets <sup>1</sup> £m	Land £m	Buildings including Dwellings £m	Plant and Equipment <sup>2</sup> £m	Payments on account & Assets under construction £m	Total £m
Cost or valuation for the year ended 31 March 2023						
At 1 April 2022	24,387	433	3,573	1,641	1,538	31,572
Additions	116	-	32	91	1,028	1,267
Disposals	(92)	(1)	(5)	(116)	-	(214)
Transfers	-	-	-	2	(14)	(12)
Impairments	-	(18)	(92)	(14)	(19)	(143)
Revaluations	3,136	6	(144)	-	-	2,998
Reclassified to held for sale	-	-	-	(8)	-	(8)
Reclassifications	-	(4)	162	53	(216)	(5)
Reclassified to right-of-use assets	-	(13)	(48)	(139)	-	(200)
<b>At 31 March 2023</b>	<b>27,547</b>	<b>403</b>	<b>3,478</b>	<b>1,510</b>	<b>2,317</b>	<b>35,255</b>
Depreciation for the year ended 31 March 2023						
At 1 April 2022	3,286	-	501	963	-	4,750
Charged in year	248	-	118	155	-	521
Disposals	(92)	-	-	(107)	-	(199)
Transfers	-	-	-	-	-	-
Impairments	-	-	(79)	(1)	-	(80)
Revaluations	422	-	(351)	(1)	-	70
Reclassifications	-	-	-	(8)	-	(8)
Reclassified to right-of-use assets	-	-	(6)	(57)	-	(63)
<b>At 31 March 2023</b>	<b>3,864</b>	<b>-</b>	<b>183</b>	<b>944</b>	<b>-</b>	<b>4,991</b>
<b>Carrying amount at 31 March 2023</b>	<b>23,683</b>	<b>403</b>	<b>3,295</b>	<b>566</b>	<b>2,317</b>	<b>30,264</b>
Asset financing for the year ended 31 March 2023						
Owned	23,047	400	3,203	566	2,050	29,266
On-balance sheet PFI and other service concession arrangements	636	3	92	-	267	998
<b>At 31 March 2023</b>	<b>23,683</b>	<b>403</b>	<b>3,295</b>	<b>566</b>	<b>2,317</b>	<b>30,264</b>

## 4. Property, Plant and Equipment (Cont'd)

	Infrastructure Assets <sup>1</sup> £m	Land £m	Buildings including Dwellings £m	Plant and Equipment <sup>2</sup> £m	Payments on account & Assets under construction £m	Total £m
Core department at 31 March 2023	21,549	39	107	34	1,033	22,762
Health Bodies and subsidiaries at 31 March 2023	2,134	364	3,188	532	1,284	7,502
Core department at 31 March 2022	19,067	58	135	37	765	20,062
Health Bodies and subsidiaries at 31 March 2022	2,035	375	2,937	640	773	6,760

<sup>1</sup> Infrastructure assets includes Network Assets as set out in Note 4.1 for Road and Rail Networks, and other Infrastructure assets such as the Fibrespeed asset.

<sup>2</sup> Plant and Equipment includes Information Technology, Fixtures and Fittings, Plant and Machinery and Transport Equipment.

### Land and Buildings, including Dwellings

Land and Buildings, including Dwellings and Freehold land and buildings, are held at valuation being assessed at fair value/market value for existing use. Within that category specialised assets are valued by reference to a depreciated replacement cost approach. Assets held for sale are at market value.

External professional valuations are undertaken every five years for the majority of the Welsh Government estate, and annually for specific assets (usually assets in the strategic sites portfolio). In intervening financial years, between the formal five yearly valuations, freehold land and buildings are adjusted using the latest available indices at March in each financial year to provide a reasonable estimate of valuation. However, where assets are acquired or are significantly altered it is usual that a current valuation is commissioned.

The majority of Welsh Government Core freehold land and buildings had a five year valuation assessment at 31 March 2020, largely by Avison Young Chartered Surveyors. The valuations subject to annual review were predominantly prepared at 28 February 2023 by Alder King. All assets are valued in accordance with the RICS standards for financial reporting as published in their (Red Book) global standards UK supplement.

The Welsh Government Group figures include the Local Health Board (LHB) & NHS Trust Land and Buildings which were revalued by the Valuation Office Agency with an effective date of 1 April 2022. The valuation has been prepared in accordance with the terms of the Royal Institution of Chartered Surveyors' Valuation Standards, 6th edition. LHBs & NHS Trusts apply the revaluation model set out in IAS 16 as adapted by the FReM.

Land and non-specialised buildings are held at market value for existing use, specialised buildings are held at depreciated replacement cost. Indexation is applied in the years between five yearly valuations.

## 4.1 Property, Plant and Equipment Network Assets

	Road Network £m	Network Assets Rail Network £m	Total £m
<b>Cost or valuation for the year ended 31 March 2023</b>			
At 1 April 2022	22,316	2,034	24,350
Additions	92	23	115
Disposals	(92)	-	(92)
Transfers	-	-	-
Impairments	-	-	-
Revaluations	3,059	78	3,137
Reclassified to held for sale	-	-	-
Reclassifications	-	-	-
<b>At 31 March 2023</b>	<b>25,375</b>	<b>2,135</b>	<b>27,510</b>
<b>Depreciation for the year ended 31 March 2023</b>			
At 1 April 2022	3,266	1	3,267
Charged in year	194	52	246
Disposals	(92)	-	(92)
Transfers	-	-	-
Impairments	-	-	-
Revaluations	473	(52)	421
Reclassifications	-	-	-
<b>At 31 March 2023</b>	<b>3,841</b>	<b>1</b>	<b>3,842</b>
<b>Carrying amount at 31 March 2023</b>	<b>21,534</b>	<b>2,134</b>	<b>23,668</b>
<b>Carrying amount at 31 March 2022</b>	<b>19,050</b>	<b>2,033</b>	<b>21,083</b>
Core department at 31 March 2023	21,534	-	21,534
Health Bodies and subsidiaries at 31 March 2023	-	2,134	2,134

### Road Network

The Welsh Government road network is made up of major A-roads known as trunk roads, and motorways. It is treated as a single infrastructure asset and is valued at Depreciated Replacement Cost using the Road Authorities Asset Valuation System (RAAVS) model. The last full valuation of the network was in 2019-20 and is undertaken on a five-yearly interval. Interim valuations use a series of standard costs to value the individual components of the road network and indices to revalue these on an annual basis.



The key indices in the RAAVS model valuation are sensitive to macroeconomic uncertainties. Future fluctuations in those indices may affect the valuation of these assets in subsequent reporting periods. The sensitivity analysis below reflects the impact on the Depreciated Replacement Cost valuation of a percentage point change in the key indices.

	Depreciated Replacement Cost (-) £m	Depreciated Replacement Cost (+) £m
Baxter index – 1% / +1%	(203)	203
BEAMA index – 1% / +1%	(1)	1

## Rail Network

Transport for Wales (TfW) manages the rail network asset known as the Core Valley Lines which comprises the Aberdare, Coryton, Merthyr Tydfil, Rhymney and Treherbert Lines. It is treated as a single infrastructure asset and is valued at Depreciated Replacement Cost using a valuation model undertaken by TfW with support from Atkins Limited (professional valuers) using data provided by TfW. The last full valuation of the network was at 31 March 2022 and is undertaken on a five-yearly interval, with input indices applied to a standard price list of the network's components in interim periods.

To produce this valuation requires the use of assumptions, estimates and professional judgement. The key assumptions within the valuation are considered to be; asset lives and remaining asset lives of the network components, land compensation adjustment and risk factor. Full details of these assumptions and estimation uncertainty are contained within the accounts of TfW.

The following sensitivity analysis reflects the key sources of estimation uncertainty in the valuation, showing the impact of changes in assumptions on the overall value of the CVL asset.

- Scenario 1 shows the impact of increasing or decreasing the remaining asset lives of the components of the modern equivalent railway network by 10%.
- Scenario 2 shows the impact if the land compensation adjustment (normally 45%) were to increase or decrease by 10%; i.e. a compensation adjustment of 35% or 55% respectively.
- Scenario 3 shows the impact of an adjustment to the risk factor applied to the overall DRC valuations, currently 37.2% by an increase or decrease of 10%, effectively showing risk factors of 47.2% and 27.2%.

Type	Depreciated Replacement Cost (-) £m	Depreciated Replacement Cost (+) £m
Scenario 1	(154)	154
Scenario 2	(41)	41
Scenario 3	(112)	112

For more information on the valuation and depreciation of Network Assets see Appendix A – Accounting Policies A.1 and A.2.

## 5. Intangible Assets

	Information Technology			
	At 31 March 2023		At 31 March 2022	
	WG Core £m	WG Group £m	WG Core £m	WG Group £m
<b>Cost or valuation</b>				
At 1 April	89	243	64	194
Newly Consolidated Bodies	-	-	-	12
Additions	10	28	10	35
Disposals	-	(10)	-	(17)
Reclassifications	-	2	15	19
<b>At 31 March</b>	<b>99</b>	<b>263</b>	<b>89</b>	<b>243</b>
<b>Amortisation</b>				
At 1 April	51	132	42	118
Newly Consolidated Bodies	-	-	-	-
Charged in year	15	36	9	29
Disposals	-	(9)	-	(15)
Reclassifications	-	-	-	-
<b>At 31 March</b>	<b>66</b>	<b>159</b>	<b>51</b>	<b>132</b>
<b>Net Book Value at 31 March</b>	<b>33</b>	<b>104</b>	<b>38</b>	<b>111</b>
Net Book Value at 1 April	38	111	22	76

## 6. Financial Assets – Investments and Loans

	Student Loans £m	NHS Trust Public Dividend Capital £m	Other Financial Assets £m	Total £m
<b>Balance at 31 March 2021</b>	<b>3,828</b>	<b>-</b>	<b>1,138</b>	<b>4,966</b>
Newly Consolidated Bodies	-	-	-	-
Additions	891	-	299	1,190
Disposals/Write-Offs	-	-	-	-
Loan repayments	(154)	-	(137)	(291)
Impairments	-	-	7	7
Fair value adjustment	-	-	-	-
Net fair value gains/(losses) on financial assets at fair value through SOCNE (see note 3 Expenditure) <sup>2</sup>	928	-	(24)	904
Policy write-offs	(26)	-	-	(26)
Reclassification	-	-	-	-
Adjustments	-	-	(3)	(3)
<b>Balance at 31 March 2022<sup>1</sup></b>	<b>5,467</b>	<b>-</b>	<b>1,280</b>	<b>6,747</b>
Newly Consolidated Bodies	-	-	-	-
Additions	893	-	164	1,057
Disposals/Write-Offs	-	-	-	-
Loan repayments	(183)	-	(130)	(313)
Impairments	-	-	(18)	(18)
Fair value adjustment	-	-	-	-
Net fair value gains/(losses) on financial assets at fair value through SOCNE (see note 3 Expenditure) <sup>2</sup>	905	-	(87)	818
Policy write-offs	(30)	-	-	(30)
Reclassification	-	-	(16)	(16)
Adjustments	-	-	3	3
<b>Balance at 31 March 2023<sup>1</sup></b>	<b>7,052</b>	<b>-</b>	<b>1,196</b>	<b>8,248</b>
<b>WG Core only</b>				
<b>At 31 March 2023</b>	<b>7,052</b>	<b>237</b>	<b>2,485</b>	<b>9,774</b>
At 31 March 2022	5,467	223	2,495	8,185

<sup>1</sup> Included within the balance carried forward is £241m (2021-22: £179m) due within one year.

<sup>2</sup> Student loans are measured at fair value through Statement of Comprehensive Net Expenditure. The fair value gain on student loans at fair value in 2022-23 of £905m (2021-22: £928m) is attributable to the change in HM Treasury discount rate applicable to financial instruments, which moved from minus 1.1 percentage points to minus 1.3 percentage points during the year, the increase in the RPI, along with two legislative changes introduced to freeze the repayment salary threshold and extend the interest rate cap to March 2023. This increased the carrying value of the student loan balance as the future value of student loan repayments, in real terms, rose. Further details of the student loans fair value measurement and exposure to risks is set out below. Help to Buy Wales financial assets are measured at fair value through Statement of Comprehensive Net Expenditure. Further information on the opening and closing balance of the Help to Buy Wales financial asset and the fair value measurement hierarchy level can be found in the accounts of the [Development Bank of Wales PLC](#).

## Face Value

The table below provides a reconciliation between the carrying value and the face value of student loans issued.

	Student Loans £m
<b>Balance at 31 March 2021</b>	<b>6,163</b>
Additions	891
Repayments	(154)
Interest	178
Policy write-offs	(26)
<b>Balance at 31 March 2022</b>	<b>7,052</b>
Additions	892
Repayments	(183)
Interest	346
Policy write-offs	(29)
<b>Balance at 31 March 2023</b>	<b>8,078</b>
<b>Closing fair value adjustments/impairments:</b>	
<b>At 31 March 2023</b>	<b>(1,026)</b>
At 31 March 2022	(1,585)
<b>Carrying value:</b>	
<b>At 31 March 2023</b>	<b>7,052</b>
At 31 March 2022	5,467

The group's exposure to various risks associated with the financial instruments is discussed in the accounting policies. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial asset mentioned above.

Policy write-offs include amounts written-off by the Student Loans Company in respect of partial cancellation, age, death, bankruptcy and inability to work.

## 6.1 Student Loans

Loans for students in higher and further education are originated and recognised by the Welsh Government.

### Student loans

Under IFRS 9, student loans are recognised at fair value through the Statement of Comprehensive Net Expenditure (SOCNE). In determining the fair value of student loans, the Welsh Government has used a discounted cash flow model (see below) that includes all expected cash flows, including the interest that is expected to be received. As a result, a single fair value movement is now recognised in the Statement of Comprehensive Net Expenditure.

On consideration of the reliability of the inputs used in determining fair value, student loans have been classified as having 'Level 3 inputs' under the accounting standards, defined as: *If one or more of the significant inputs is not based on observable market data, the instrument is included as level 3.* The fair value of student loans is therefore calculated using the Stochastic Earnings Path (StEP) financial model provided by the Department for Education.

The fair value of new loans issued is also calculated using the StEP model which uses data on the demographics of higher education students in order to predict their likely repayments of loans. There are several variations of the model, adapted for borrowers taking different loan types: pre-2012 and post-2012 loans (Undergraduate, Part Time and Postgraduate Masters & Doctoral loans). These models all depend on a complex set of assumptions, particularly on borrowers' earnings. The models are long term in nature, but use the latest available (at time of modelling) OBR short- and long-term forecasts for RPI, base rates and earnings growth. By their nature, the valuation of the student loan books is uncertain as they are highly dependent on macroeconomic circumstances and graduate earnings over the next 30 years, as well as a number of other complex assumptions. The assumptions used in the repayment models are formally reviewed each year and the amounts reflect the estimate at 31 March 2023.

For 2022-23, Welsh Government has moved to a 1 percentage point increase/decrease for all economic conditions for the student loans sensitivity analysis. Previously Welsh Government has used a combination of percentage points, percentage increases/decreases, and 0.1 percentage points for the discount rate. The use of a 1 percentage point increase or decrease, for example for a 9% variable, the impact of 8% or 10% applied for each variable we consider provides a clearer and simpler analysis of the impact of movements in the variables, particularly in years with high volatility in economic conditions. These results are not directly comparable to the 2021-22 disclosure.

## Key Variables

Key **variables** and assumptions used within the model are detailed below. Additionally, the sensitivity of the student loan net book value, at 31 March 2023, to each variable is quantified:

**Discount rate:** The Welsh Government has considered the principles under IFRS 9 and have used the higher of the rate intrinsic to the student loan or the rate as set out in the latest HM Treasury Public Expenditure System (PES) paper, being RPI minus 1.3% (2021-22: minus 1.1%). This is HM Treasury's long term discount rate representing the Government's long term cost of borrowing. A 1 percentage point increase in HM Treasury's Discount Rate will result in a fall in the net book value of the student loan book by £686.4m; a 1 percentage point decrease will result in an increase of £744.2m.

**RPI Inflation:** The model uses RPI rates in line with OBR short-term forecasts (March 2023) until 2027-28, and OBR long-term economic determinants from 2028-29 onwards. Previously the October RPI was used, however, this year the rate is taken at March to closer align with other Administrations. The long-term RPI forecast stabilises at a rate of 2.00% from 2030-31. A higher RPI will increase interest for most loans, which will result in a reduction in carrying amount. In periods experiencing high levels of RPI, legislative provisions can be enabled to temporarily reduce the maximum interest payable on Plan 2 and Plan 3 student loans. A 1 percentage point increase in the predicted RPI will result in a fall in the net book value of the student loan book by £370.7m; a 1 percentage point decrease will result in an increase in net book value of £351.8m.

**Graduate earnings:** The model assumes short-term average nominal earnings growth will be in line with OBR short-term forecasts (March 2023) until 2027-28, and OBR long-term economic determinants from 2028-29 onwards. Long-term earnings growth is assumed to be at a rate of 3.71% from 2028-29, and 3.83% from 2036-37. An increase in graduate earnings will increase the carrying value of student loans. A 1 percentage point increase in graduate earnings will result in an increase in the net book value of the student loan book by £370.1m; a 1 percentage point decrease will result in a fall of £412.1m in the net book value of student loans.

**Graduate earning threshold:** The repayment threshold for all post 2012 loans was uplifted from 1 April of each year from 2018-19 to 2021-22 in line with earnings growth. On 15 February 2022 the Welsh Government announced that the repayment threshold (for tax year 2022-23) on post 2012 loans will be maintained at £27,295pa, the same rate as it was in tax year 2021-22. For pre-2012 loans the 2022-23 earnings threshold was £20,195pa. As a policy decision this has not been subject to sensitivity analysis.

**Graduate Income Distribution:** The model assumes future graduate income distributions will be similar to those of past graduates and are based on historical data for the Labour Force Survey, the British Household Panel Survey and administrative data held by the Student Loans Company. This is not subject to sensitivity analysis.

**Partial cancellation:** Partial cancellation is a Welsh Government policy applicable to maintenance loans, whereby a cancellation of up to £1,500 may be applied on receipt of the first repayment against the loan if the student does not have any outstanding charges, costs, expenses or penalties in relation to the loan or if they are in breach of the loan agreement. As a policy decision this is not subject to sensitivity analysis.

**Base rates:** The model assumes that Bank of England base rates will be in line with OBR forecasts (March 2023) for the entire forecast horizon. A base rate cap is applied to Plan 1 interest rates when the base rate is low and the RPI rate is comparatively high; an increase in the base rate forecast will increase the carrying value in this case. A 1 percentage point increase in the base rate will result in an increase in the net book value of the student loan book by £18.4m, a 1 percentage point decrease will result in a £28.9m fall.

Historical data over the last ten years show how recent changes to earnings growth, RPI rates and base rates compare to current levels and long-term forecasts:

- The long term OBR assumption for earnings growth is currently 3.83%. The OBR forecast for the financial year average of earnings growth in 2022-23 was 5.77% at the time of modelling; in the previous ten financial years, the ONS outturn figures varied between 1.23% and 6.59%.
- The long term OBR assumption for RPI is currently 2.00%. The OBR forecast for March RPI in 2022-23 was 12.91% at the time of modelling; in the previous ten financial years, the ONS outturn figures varied between 0.90% and 9.00%.
- The long term OBR assumption for base rates is currently projected to rise to 3.90% in 2071-72. At the time of modelling, the OBR forecast for the base rate was an average of 2.34% during 2022-23; in the previous ten financial years, the outturns varied between 0.10% and 0.75%.

There are a number of other assumptions used in the model, but changing these to other reasonable outcomes does not have a significant impact on the value of the loan books. Many of the assumptions are independent of each other, although could change at the same time.

Data on the above key variables, including historical, can be found on the Office for National Statistics ([www.ons.gov.uk](http://www.ons.gov.uk)); Office of Budget Responsibility ([www.obr.uk](http://www.obr.uk)); and the Bank of England ([www.bankofengland.co.uk](http://www.bankofengland.co.uk)) websites.

Statistical information on Student Loans can be found on the Student Loans Company website (latest statistical release: [Student Loans in Wales: 2022 to 2023 – GOV.UK](https://www.gov.uk/government/publications/student-loans-in-wales-2022-to-2023) ([www.gov.uk](http://www.gov.uk))).

### **NHS Trusts Public Dividend Capital**

The Welsh Government's investment in NHS Trusts is represented by Public Dividend Capital (PDC). PDC is held in accordance with the FReM interpretation of IFRS 9 at historic cost less impairments, consistent with prior years. On consolidation of the NHS Trusts, the PDC investment is eliminated.

## 6.2 Other Financial Assets

The Welsh Government issues financial instruments, in particular loans, to other public sector bodies in Wales and repayable finance and loans to businesses to support economic development. This lending occurs as part of its normal course of activities and the Welsh Government does not undertake any trading activity in these financial instruments. As simple debt instruments the majority of Welsh Government Core financial assets are held for contractual cash flow collection, and therefore are held at amortised cost under IFRS 9. Help to Buy Wales financial assets are held at fair value through Statement of Comprehensive Net Expenditure, and are eliminated from the Core account on Development Bank of Wales consolidation. There are no material financial assets held at fair value through Other Consolidated Net Expenditure in the Core account.

The fair value of the Help to Buy Wales shared equity loan book is calculated by setting out anticipated future cash flows and discounting these at an appropriate rate. This calculation uses a number of assumptions, notably a forecast for future House Price Index (HPI), a discount rate based on a range of comparable housing bonds, and the profile of loan redemptions. The model uses observable transaction data and HPI forecast data, provided by independent market analysis, to forecast the long term HPI rate in Wales. Further detail on the Help to Buy Wales fair value model can be found in the accounts of the Development Bank of Wales PLC.

Included in 'Other Financial Assets' at 31 March 2023 was £17.8m investment in Cardiff International Airport Limited (CIAL) via WGC Holdco Limited and £26.3m loan from Welsh Government to CIAL. In the 2020-21 financial year as a consequence of the COVID-19 pandemic impact on the aviation industry and CIAL operations, Welsh Government made the decision to write off £42.6m of the airports debt (including accumulated interest) to maximise the likelihood of recovery of the loan, leaving a loan balance at 31 March 2022 of £26.3m. The COVID-19 related closure of the airport for much of 2020-21 also impacted upon the valuation of the WGC Holdco and therefore Welsh Government's investment in the airport, leading to a £43.5m impairment and investment valuation at 31 March 2022 of £17.8m. There have been no changes to the loan principal and investment values in 2022-23.

Group other financial assets excluding those with CIAL noted above comprise: Welsh Government financial interests in joint ventures, other loans and investments, Invest to Save loans with Local Authorities and other public bodies £758m (2021-22: £747m); and, assets held by the Development Bank of Wales PLC £390m (2021-22: £489m) and other group financial assets £4m (2021-22: £1m).



## 7. Inventories

	At 31 March 2023		At 31 March 2022	
	WG Core £m	WG Group £m	WG Core £m	WG Group £m
Development Assets	205	205	173	173
Drugs <sup>1</sup>	22	58	28	61
Telecommunication spares	-	-	-	-
Road salt	2	2	2	2
Other consumables	1	93	1	122
<b>Total</b>	<b>230</b>	<b>358</b>	<b>204</b>	<b>358</b>

<sup>1</sup>Included within the Core drugs inventories at 31 March 2023 is £3.9m (2021-22: £8.9m) of inventory in relation to COVID-19 consumables including lateral flow test kits and medicines transferred to the Welsh Government from other UK Government Departments for nil consideration, as part of the wider COVID-19 pandemic response and distribution of certain supplies procured by the UK Government.

## 8. Trade Receivables, Financial and Other Assets

	At 31 March 2023		At 31 March 2022	
	WG Core £m	WG Group <sup>1</sup> £m	WG Core £m	WG Group <sup>1</sup> £m
Amounts falling due within one year:				
Trade receivables	196	490	205	341
Other tax	15	16	13	98
Prepayments and accrued income	261	365	104	169
	<b>472</b>	<b>871</b>	<b>322</b>	<b>608</b>
Amounts falling due after more than one year:				
Trade receivables	5	159	6	162
Prepayments	14	18	17	19
Other receivables	12	35	-	1
	<b>31</b>	<b>212</b>	<b>23</b>	<b>182</b>
<b>Total</b>	<b>503</b>	<b>1,083</b>	<b>345</b>	<b>790</b>

<sup>1</sup> Included within the total Group trade receivables is £242m (2021-22: £245m) of loans held at amortised cost by Development Bank of Wales PLC. Inclusion in trade receivables reflects the treatment in the underlying audited accounts as loan transactions for Development Bank of Wales PLC are part of their core business.

## 9. Cash and Cash Equivalents

	At 31 March 2023		At 31 March 2022	
	WG Core £m	WG Group £m	WG Core £m	WG Group £m
Balance at 1 April	161	1,482	640	1,828
Newly Consolidated Bodies	-	-	-	8
Net change in cash and cash equivalent balances	(133)	(128)	(479)	(354)
<b>Balance at 31 March</b>	<b>28</b>	<b>1,354</b>	<b>161</b>	<b>1,482</b>
The following balances were held at:				
Government Banking Service	26	197	149	344
Commercial banks & cash in hand	2	1,157	12	1,138
<b>Total</b>	<b>28</b>	<b>1,354</b>	<b>161</b>	<b>1,482</b>

## 10. Trade and Other Payables

	At 31 March 2023		At 31 March 2022	
	WG Core £m	WG Group £m	WG Core £m	WG Group £m
<b>Amounts falling due within one year:</b>				
Taxation and social security	3	128	2	86
Trade and other payables	1,135	2,311	1,099	2,195
Deferred European Union Income	-	-	60	60
Other accruals and deferred income	525	730	938	1,146
Amounts payable to the Welsh Consolidated Fund	19	19	98	97
Obligations under PFI and other service concession arrangements <sup>1</sup>	10	15	-	-
Obligations under leases <sup>1</sup>	5	50	-	-
Obligations under finance leases, PFI and other service concession arrangements <sup>1</sup>	-	-	10	35
	<b>1,697</b>	<b>3,253</b>	<b>2,207</b>	<b>3,619</b>
<b>Amounts falling due after more than one year:</b>				
Trade and other payables	-	18	-	2
Other accruals and deferred income	-	14	-	104
Obligations under PFI and other service concession arrangements	322	360	142	186
Obligations under leases <sup>1</sup>	51	337	-	85
	<b>373</b>	<b>729</b>	<b>142</b>	<b>377</b>
<b>Total</b>	<b>2,070</b>	<b>3,982</b>	<b>2,349</b>	<b>3,996</b>

<sup>1</sup> Headings split and renamed for 2022-23 to reflect the adoption of IFRS 16 and the removal of the distinction between finance and operating leases.

## 11. Provisions for Liabilities and Charges

	At 31 March 2023		At 31 March 2022	
	WG Core £m	WG Group £m	WG Core £m	WG Group £m
Balance at 1 April	1,632	1,731	1,306	1,410
Provided in the year	419	476	625	702
Provisions not required written back	(217)	(244)	(158)	(168)
Transfer	(23)	(24)	-	(4)
Provisions utilised in year	(173)	(203)	(141)	(209)
<b>Balance at 31 March</b>	<b>1,638</b>	<b>1,736</b>	<b>1,632</b>	<b>1,731</b>
Analysis of expected timing of discounted flows:				
Not later than one year	398	463	362	412
Later than one year and not later than five years	421	435	463	481
Later than 5 years	819	838	807	838
<b>Balance at 31 March</b>	<b>1,638</b>	<b>1,736</b>	<b>1,632</b>	<b>1,731</b>

### WG Group only

	Other £m	Welsh Risk Pool <sup>1</sup> £m	Total £m
Analysis of expected timing of discounted flows:			
Not later than one year	76	387	463
Later than one year and not later than five years	(20)	455	435
Later than 5 years	181	657	838
<b>Total</b>	<b>237</b>	<b>1,499</b>	<b>1,736</b>

<sup>1</sup> The Welsh Risk Pool is hosted as part of NHS Wales Shared Services Partnership by Velindre NHS Trust whose accounts can be found at [www.velindre.nhs.wales/about-us/publications/](http://www.velindre.nhs.wales/about-us/publications/).

## 11.1 Welsh Government Core Provisions

Welsh Government Core Provisions include:

### Health Provisions

The Welsh Government has health related provisions, for the Wales Infected Blood Support Scheme (WIBSS) and expected future re-imbursements of the Welsh Risk Pool (WRP).

WIBSS provides a single, streamlined scheme of ex gratia support payments for individuals and their families affected by hepatitis C and HIV through treatment with contaminated blood in Wales.

On 25 March 2021 additional financial support arrangements backdated to April 2019 (to achieve parity across the four UK schemes) were announced for existing beneficiaries. The balance on the WIBSS provision, as of 31 March 2023, is £122.1m (2021-22: £166.8m).

The WIBSS provisions are based on the new parity payment rates with a CPI inflationary uplift applied to future cash flows. These are then discounted according to the rates published each year in the PES paper.

Since 2021-22, annual payments have been inflated by the CPI inflation rates published in the PES paper issued each December. The change from the CIH indices to CPI aligns with the other UK nations since payment parity was introduced. Payments were uplifted to the new rates for the first time in 2021-22 (inclusive of back dated elements from 2018-19 onwards).

On 17 August 2022, following recommendations made in the compensation framework study and the Inquiry's first interim report, the UK Government announced interim compensation payments of £100,000 to be paid to current beneficiaries and bereaved partners in receipt of regular support payments at the time of the announcement. At 31 March 2023, £22.2m had been paid.

WRP assists Welsh NHS bodies with risk management and settlement of disputed claims for alleged medical or employer negligence. WRP balance as of 31 March 2023 is £1,499m (2021-22: £1,430m).

NHS Wales bodies provide for legal or constructive obligations for clinical negligence, personal injury and defence costs that are of uncertain timing or amount at the balance sheet date on the basis of the best estimate of the expenditure required to settle the obligation. Claims are funded via the Welsh Risk Pool Services (WRPS) which receives an annual top-slice allocation from Welsh Government to cover the cost of reimbursement requests submitted to the bi-monthly WRPS Committee. Any shortfall is met directly from members on an agreed risk sharing basis.

Significant estimations are made in relation to on-going clinical negligence and personal injury claims. Assumptions as to the likely outcome, the potential liabilities and the timings of these litigation claims are provided by independent legal advisors.

A provision is made for probable and certain cases in accordance with IAS 37. The provision for probable and certain cases is based on case estimates of individual reported claims received by Legal & Risk Services within NHS Wales Shared Services Partnership. The solicitors estimate the case value including defence fees, using professional judgement and from obtaining counsel advice. Valuations are then discounted for the future loss elements using individual life expectancies and the Government Actuary's Department actuarial tables (Ogden tables) and Personal Injury Discount Rate of minus 0.25%. Future liabilities for certain and probable cases with a probability of 95%-100% and 50%-94% respectively are held as a provision on the balance sheet. Cases typically take a number of years to settle, particularly for high value cases where a period of development is necessary to establish the full extent of the injury caused.

The majority of high value (>£1m) claims settle with a Periodical Payment Order (PPO) where part or all of the final settlement value is paid over the lifetime of the claimant. When cases settle with a PPO arrangement, an individual provision is created by multiplying the claimants' index linked annual payment value by the number of years' life expectancy. The number of years' life expectancy is discounted according to the Ogden table multipliers using HM Treasury's nominal discount rate for general provisions issued annually in the PES paper and an inflation factor.

The Welsh Risk Pool is part of NHS Wales Shared Services, hosted by Velindre NHS Trust and further details regarding the calculation of provisions and the periodical payment orders are contained within the accounts of Velindre University NHS Trust.

In accordance with a Ministerial Direction issued on 18 December 2019, the Welsh Government has taken action to support circumstances where pensions tax rules impacted upon clinical staff who wanted to work additional hours, and have determined that clinical staff who are members of the NHS Pension Scheme and who, as a result of work undertaken in the 2019-20 tax year, face a tax charge on the growth of their NHS pension benefits, may opt to have this charge paid by the NHS Pension Scheme, with their pension reduced on retirement. A corresponding amount will be paid on retirement ensuring that they are fully compensated for the effect of the deduction. This scheme will be fully funded by the Welsh Government with no net cost to NHS Employers. Clinical staff had until 31 March 2022 to opt for this scheme and the ability to make changes up to 31 July 2026. A provision of £21.5m in relation to this was raised in 2021-22. At 31 March 2023 the provision has decreased to £11.7m, principally due to changes in the net discount rate used for accounting purposes.

### **Other Provisions**

This includes various potential pension and employment liabilities in respect of previous employees and provisions in relation to Welsh Government delivery activity.

## 11.2 Welsh Government Group Provisions

Welsh Government Group Provisions include the Core provisions noted above, and provisions held by consolidated entities. Principally these are other NHS Provisions including pensions and provisions for the first £25,000 of clinical negligence claims which is not reimbursed by the Welsh Risk Pool.

## 12. Contingent Liabilities

	At 31 March 2023		At 31 March 2022	
	WG Core £m	WG Group £m	WG Core £m	WG Group £m
Legal Claims – alleged medical/employer negligence	1,193	1,216	1,267	1,288
Potential contractual obligations under the WDA Act 1975	10	10	10	10
Other legal and contractual claims	450	458	94	95
Ukraine super sponsor scheme	15	15	-	-
<b>Total</b>	<b>1,668</b>	<b>1,699</b>	<b>1,371</b>	<b>1,393</b>

### (i) Legal Claims – alleged medical/employer negligence

This reflects that under the Wales Act 2006 the Welsh Government must meet the liabilities of the Welsh Risk Pool should the NHS bodies cease to exist. Contingent liabilities relating to legal claims under the General Medical Practice Indemnity Existing Liabilities Scheme are also included.

### (ii) Other legal and contractual claims

Other legal and contractual claims includes legal and contractual claims in progress and contingent liabilities related to commercial contractual indemnities and guarantees. At 31 March 2023, a new contingent liability of £351m is included relating to Education Mutual Investment Model schemes with Rhondda Cynon Taf County Borough Council and Flintshire County Council. Welsh Government has issued promissory notes regarding the proposed issue of Funding Approval Letters for contributions to Annual Service Payments over a period of 25 years, expected to commence in 2024-25. The value of existing contingent liabilities for commercial contractual indemnities or guarantees increased by £5m as a consequence of inflationary factors. No new guarantees were issued.

### (iii) Ukraine super sponsor scheme

Welsh Government is a super sponsor under the UK Government's Homes for Ukraine scheme. Sponsorship means that Welsh Government supported Ukrainians with visas issued under the super sponsor scheme to come to Wales to receive accommodation and support during the first six months. At 31 March 2023, Welsh Government has a contingent liability of £15m in respect of the possible accommodation costs for Ukrainians who hold a visa under the scheme. From 10 June 2022, the scheme has been paused for new applications.

## 12.1 Unquantified Contingent Liabilities

### **A465 Mutual Investment Model**

On 28 October 2020, Welsh Government entered into a contract with the Future Valleys Project Co Limited (Future Valleys) to design, build, finance and operate a scheme to dual the A465 between Dowlais and Hirwaun (Sections 5 & 6). While substantial risks have been transferred to Future Valleys, as part of the contract, a small number of risks remain with Welsh Government. These include limited additional costs associated with a pandemic, trade tariffs levied on specific goods arising from EU Exit, and potential latent defects relating to specific existing structures should any be discovered. There are no changes for 2022-23.

At the balance sheet date of 31 March 2023 a reliable estimate cannot be made to enable a provision to be created and an unquantified contingent liability is disclosed.

### **Confidential Unquantifiable Contingent Liabilities**

Welsh Government has unquantifiable contingent liabilities, disclosure of which is subject to legal confidentiality. At this stage there is no certainty around the timing or financial outflow, if any, and as such the financial impact is unquantifiable.

## 12.2 Remote Contingent Liabilities

Contingent liabilities are presented here where the likelihood of a transfer of economic benefit in settlement is judged remote. Because of this, they do not meet the IAS 37 criteria for disclosure in the financial statements, but are presented here for transparency purposes. These predominantly relate to situations where guarantees or indemnities have been entered into by the Welsh Government, but where there are currently no indications that these will be drawn upon. While all mitigating actions have been and will be taken to minimise the risk and exposure, the risk cannot be removed altogether. If considered appropriate contingent liabilities for which the probability of crystallisation is rated as greater than remote are disclosed in Note 12 above.

In 2019 the Welsh Government agreed to quantifiable (disclosed) and unquantifiable assurances, warranties, indemnities and potential losses under the 'Grant Agreement' with its rail service provider (Transport for Wales Rail Ltd) and the 'Held Harmless Agreement' with the Department for Transport.

### **Quantifiable Remote Contingent Liabilities:**

£nil.



**Unquantifiable Remote Contingent Liabilities:****Rail Services**

Welsh Government has provided an indemnity to the rail service provider against Department for Transport originated changes to planned track access charges. Welsh Government are similarly indemnified by the Department for Transport.

Welsh Government has provided a guarantee in respect of Network Rail employees joining Transport for Wales and remaining in the Rail Pension Scheme if any deficits are created for the new section of the scheme.

**A465 Mutual Investment Model**

In 2020, the Welsh Government agreed to unquantifiable assurances, indemnities and potential losses in respect of the following three points under the contract with Future Valleys consortium to design, build, finance and operate a scheme to dual the A465 between Dowlais and Hirwaun (Sections 5 & 6). At the end of the contract, the Welsh Government has indemnified Future Valleys against redundancy pay if TUPE regulations do not apply and employment offers are not made to Project Co/Service Providers Staff.

The Welsh Government has indemnified Future Valleys against relevant changes in law, on the occurrence of certain defined changes in law, the parties agree to adjust the Annual Service Charge accordingly.

The Welsh Government has indemnified Future Valleys against uninsurable risk; if certain risks become uninsurable, the parties meet to review how the risk will be shared. If no agreement is reached, the agreement can be terminated in a way akin to Force Majeure, or the Welsh Government takes insurance risk. There is no evidence these three areas will be engaged, and therefore an unquantified remote contingent liability is disclosed.

**Guarantees:**

In special circumstances, the Welsh Government acts as guarantor for its sponsored bodies or in relation to public infrastructure works. None of these guarantees are material.

**Indemnities:**

The Welsh Government has committed to indemnify Housing Stock Transfer organisations against the financial consequences of any future withdrawal of, or amendment to, the VAT Mitigation Scheme.

The liabilities cover ten organisations for £419m and the period of the liability varies. There are no current concerns regarding the continuation of the scheme, and the potential of the liability maturing is considered to be too remote to include as a contingent liability.

The Government indemnity Scheme provides indemnities to enable the National Library of Wales, the National Museum of Wales, and other eligible institutions to borrow objects and artworks. The probability of these guarantees being acted on is counted as too remote to be included as a contingent liability.

The value of these guarantees at 31 March 2023 was £44m (2021-22: £31m).

### Letters of Comfort:

The Welsh Government has issued a Going Concern letter of assurance to RIFW to cover future liabilities of £1m. Given the significant level of reserves in RIFW, the probability of this liability materialising is assessed as remote.

The Welsh Government has issued a Going Concern letter of assurance to Transport for Wales (TfW) to cover existing and future liabilities incurred in accordance with the Management Agreement (between Welsh Government and Transport for Wales) and the periodic Remit letters that Welsh Government issue to Transport for Wales.

## 13. Other Liabilities

	At 31 March 2023		At 31 March 2022	
	WG Core £m	WG Group £m	WG Core £m	WG Group £m
Pension fund deficits	6	7	11	35
National Loans Fund (falling due after 5 years) <sup>1</sup>	10	10	11	10
DBW bank loans	-	-	-	-
Other <sup>2</sup>	-	-	-	1
<b>Total</b>	<b>16</b>	<b>17</b>	<b>22</b>	<b>46</b>

<sup>1</sup> National Loans Fund balances represent National Loans Funds lent onwards by the Secretary of State for Wales originally to the Mid-Wales Development Corporation. They were then passed to the Development Board for Rural Wales (DBRW) in the 1980s; and to the Welsh Development Agency (WDA) when DBRW was abolished in 1998. Following WDA abolition in 2006, responsibility for the repayment of principal and interest falls on the Welsh Government.

<sup>2</sup> Other liabilities included £0m (2021-22: £1m) which are disclosed as current liabilities in the Statement of Financial Position.

## 14. Movements in Working Capital other than Cash

	At 31 March 2023		At 31 March 2022 (Re-presented) <sup>1</sup>	
	WG Core £m	WG Group £m	WG Core £m	WG Group £m
(Increase)/decrease in inventories (excluding development assets)	6	32	(1)	25
<b>(Increase)/decrease in receivables:</b>				
Current	(149)	(261)	(101)	(205)
Non-current	6	(16)	(4)	45
<b>Increase/(decrease) in payables:</b>				
Current	(515)	(396)	67	183
Non-current	174	165	67	57
Capital element of payments in respect of leases and on-balance sheet PFI and other service concession arrangements	17	(239)	10	(38)
Other adjustment	(2)	59	-	(1)
Less movements in the Welsh Consolidated Fund supply payable	82	82	323	323
Less movements in the Welsh Consolidated Fund income payable	2	2	(1)	(1)
	<b>(379)</b>	<b>(572)</b>	<b>360</b>	<b>388</b>

<sup>1</sup> Repayment of loans and transactions with the Welsh Consolidated Fund have been re-presented to provide better clarity of transactions with the Welsh Consolidated Fund.

Movements in working capital other than cash for 2021-22 reflect the impact of receivables and payables held by newly consolidated bodies in 2021-22.

## 15. Leases

Welsh Government has adopted IFRS 16 'Leases' from 1 April 2022, as required by the FReM. IFRS 16 supersedes IAS 17 'Leases' and removes the distinction between operating and finance leases for lessees.

### 15.1 Right-of-Use Assets

	At 31 March 2023		
	Land and Buildings £m	Other £m	Total £m
<b>Cost or valuation</b>			
Initial recognition at 1 April 2022	177	28	205
Reclassifications <sup>1</sup>	67	139	206
Additions	12	142	154
Revaluations	(4)	-	(4)
Derecognition	(21)	-	(21)
Remeasurement	-	-	-
<b>At 31 March 2023</b>	<b>231</b>	<b>309</b>	<b>540</b>
<b>Depreciation</b>			
Reclassifications <sup>1</sup>	6	57	63
Charged in year	24	45	69
Revaluations	(1)	-	(1)
<b>At 31 March 2023</b>	<b>29</b>	<b>102</b>	<b>131</b>
<b>Carrying amount at 31 March 2023</b>	<b>202</b>	<b>207</b>	<b>409</b>
Core department at 31 March 2023	42	-	42
Health bodies and subsidiaries at 31 March 2023	160	207	367

<sup>1</sup> For Welsh Government Core, the carrying amount of reclassifications comprises £13m from Property, Plant and Equipment and £6m from Financial Assets. For Welsh Government Group, the carrying amount of reclassifications comprises £104m from Property, Plant and Equipment related to subsidiary entities that had already applied IFRS 16 prior to 1 April 2022 and £20m from Property, Plant and Equipment for Health bodies.

## 15.2 Lease Liabilities

### Maturity analysis

	At 31 March 2023	
	WG Core £m	WG Group £m
<b>Land and buildings</b>		
Not later than one year	6	25
Later than one year and not later than five years	20	83
Later than five years	34	103
	<b>60</b>	<b>211</b>
Less interest element	(4)	(14)
<b>Present value of obligations</b>	<b>56</b>	<b>197</b>
<b>Other</b>		
Not later than one year	-	37
Later than one year and not later than five years	-	87
Later than five years	-	99
	<b>-</b>	<b>223</b>
Less interest element	-	(11)
<b>Present value of obligations</b>	<b>-</b>	<b>212</b>
<b>Total present value of obligations</b>	<b>56</b>	<b>409</b>
Current	5	57
Non-current	51	352

### 15.3 Amounts recognised in Statement of Comprehensive Net Expenditure

	Year ended 31 March 2023	
	WG Core £m	WG Group £m
Interest expense	1	3
Sub-leasing income	(16)	(11)
Expense for low value and short-term leases	1	6

### 15.4 Amounts recognised in Statement of Cash Flows

	Year ended 31 March 2023	
	WG Core £m	WG Group £m
Total cash outflow for leases	7	65

### 15.5 Reconciliation from IAS 17 Operating Lease Commitments at 31 March 2022 to IFRS 16 Lease Liabilities at 1 April 2022

This table reconciles the amount of the Welsh Government Group's operating lease commitments at 31 March 2022 to the lease liabilities at 1 April 2022, immediately following adoption of IFRS 16.

	WG Group	
	£m	£m
Operating lease commitments at 31 March 2022		232
Adjustments from IAS 17 to IFRS 16:		
Finance lease commitments at 31 March 2022	106	
Impact of discounting	(1)	
Low value and short-term lease commitments	(3)	
Adjustment for irrecoverable VAT reported under IAS 17	(10)	
Assessment of lease extension periods	7	
Service charges and other elements outside the scope of IFRS 16	(16)	
Other	6	
Sub-total of reconciling items		89
Lease liabilities at 1 April 2022		321

## 16. Capital and Other Commitments

### 16.1 Capital Commitments

Contracted capital commitments not otherwise included within these financial statements.

	At 31 March 2023		At 31 March 2022	
	WG Core £m	WG Group £m	WG Core £m	WG Group £m
Property plant and equipment	88	624	102	591
Investments and loans	10	10	16	16
<b>Total</b>	<b>98</b>	<b>634</b>	<b>118</b>	<b>607</b>

### 16.2 Commitments under PFI and Other Service Concession Arrangements

The Local Health Boards have nine PFI contracts, eight of which are on balance sheet. Due to the introduction of IFRS 16, in 2022-23 the existing off-balance sheet PFI was identified as containing a lease, therefore the Right of Use Asset relating to the lease has been recognised on transition. There are no contracts with an individual total commitment of greater than £500m. Details of the individual schemes are included in the individual Local Health Board statutory accounts.

#### 16.2.1 Off-balance sheet

##### Bute Avenue PFI contract

Since 2000 the Welsh Government has been committed to pay £5.1m annually, index linked, to the primary contractor associated with the Bute Avenue (PFI) project, until November 2025. The private sector partner maintains for 25 years (from 2000-01) the Bute Avenue road network. After this time the road will be transferred to Cardiff County Council. The road is not an asset of the Welsh Government. The total charged in the Statement of Comprehensive Net Expenditure in respect of off-balance sheet PFI transactions was £11,395,349 (2021-22: £9,726,967); and the payments to which the Welsh Government is committed, are as follows:

	At 31 March 2023 £m	At 31 March 2022 £m
Not later than one year	12	10
Later than one year and not later than five years	24	31
Later than five years	-	-
<b>Total</b>	<b>36</b>	<b>41</b>

## 16.2.2 On-balance sheet

### A55 PFI contract

The A55 road network is maintained by contractors for a period of 30 years (from 1998), after which time the ownership of the A55 will revert to the Welsh Government. The road is treated as an asset of the Welsh Government and unitary payments comprise of two elements – imputed lease charges and service charges.

The total amount charged in the Statement of Comprehensive Net Expenditure in respect of the service element of on-balance sheet PFI or other service concession transactions was £10,386,445 (2021-22: £4,572,817). Total future obligations under on-balance sheet PFI and other service concession arrangements are given in the table below for each of the periods.

	At 31 March 2023 £m	At 31 March 2022 £m
<b>Minimum lease payments</b>		
Not later than one year	12	12
Later than one year and not later than five years	48	48
Later than five years	12	24
	<b>72</b>	<b>84</b>
Less interest element	(7)	(9)
<b>Total</b>	<b>65</b>	<b>75</b>

	At 31 March 2023 £m	At 31 March 2022 £m
<b>Service elements due in future periods</b>		
Not later than one year	8	10
Later than one year and not later than five years	9	14
Later than five years	(3)	-
<b>Total</b>	<b>14</b>	<b>24</b>



### A465 Mutual Investment Model

On 28 October 2020, Welsh Government entered into a contract with Future Valleys to design, build, finance and operate a scheme to dual the A465 between Dowlais and Hirwaun (Sections 5 & 6). The contract has been entered into under the Welsh Government's Mutual Investment Model. This contractual arrangement meets the definition of a service concession arrangement and is to be accounted for on-balance sheet.

The project consists of a construction element (split into five phases), during which time Future Valleys will be responsible for converting the A465 from Dowlais Top to Hirwaun to two lanes in each direction. The agreement expires 30 years after the completion of the final construction phase due May 2025, during which time Future Valleys will operate and maintain Sections 5 & 6 of the A465. Annual Service Payments will be payable from Welsh Government to Future Valleys from the date of completion of the first phase of construction in July 2024, through to the end of the agreement. The total commitment inclusive of irrecoverable VAT is £1,455m (2021-22: £1,455m), with £143m due later than one year and not later than five years (2021-22: £98m), and £1,312m due later than five years (2021-22: £1,357m).

An asset under construction of £267m (2021-22: £78m) and associated liability of £267m (2021-22: £78m) have been recognised at 31 March 2023 (included in Notes 4 and 10).

## 16.3 Other Financial Commitments

The Welsh Government has entered into non-cancellable contracts (which are not leases, PFI contracts or other service concession arrangements) for services. The payments to which the Welsh Government is committed, analysed by the period during which the commitment expires are as follows:

	At 31 March 2023		At 31 March 2022	
	WG Core £m	WG Group £m	WG Core £m	WG Group £m
Not later than one year	377	426	390	438
Later than one year and not later than five years	233	327	323	463
Later than five years	268	268	287	287
<b>Total</b>	<b>878</b>	<b>1,021</b>	<b>1,000</b>	<b>1,188</b>

The Welsh Government provides grant funding for a number of entities on an annual basis. These grants have been committed to within the latter part of the year ended 31 March 2023 in order to provide security to the recipient organisation. As they relate to the year ending 31 March 2024 and are funded by the Welsh Government's budget allocation for the year ending 31 March 2024, they have not been disclosed within the above commitments.

Transport for Wales Rail Limited (TfWRL) is a wholly owned subsidiary of Transport for Wales (TfW), which has operational responsibility for the safe and reliable delivery of rail services for the people and communities of Wales and the Borders. TfWRL whilst wholly owned and managed by TfW, is operating under its own licence and approvals, regulated by the independent Office for Rail and Road in its role as regulator for the UK rail industry.

The Operator of Last Resort Grant Agreement between TfWRL and Welsh Ministers identifies a five year term from 7 February 2021. Welsh Ministers are cognisant both of the potential revenue (farebox) funding risks and their statutory duty for the provision of passenger services under S30 of the Railways Act 1993 over this period. Given the continued volatility in passenger figures following the COVID-19 pandemic, it is impossible to estimate reliably the value of this subsidy for future years at the current time.

Included within other financial commitments is £143m (2021-22: £188m) of TfWRL commitments for fixed track, depot and station access charges. TfWRL has assessed these charges as not meeting the definition of a lease under IFRS 16, therefore they are included as other financial commitments.

## 17. Related Party Transactions

The Welsh Government receives most of its funding from the Welsh Consolidated Fund.

The Welsh Government funds its Welsh Local Authorities, NHS Bodies in Wales, subsidiary companies and Sponsored Bodies. These bodies are regarded as related parties with which the Welsh Government has had various material transactions during the period. In addition, the Welsh Government has had a number of transactions with other government departments and central government bodies, primarily the Welsh Office, the Rural Payments Agency and the Department for Work and Pensions.

None of the Welsh Ministers, key managerial staff or other related parties have undertaken any related party transactions with the Welsh Government during the year, except as noted below:

Mark Drakeford (First Minister) and Vaughan Gething (Minister for Economy) are members of the Cardiff and Vale Credit Union, which in 2022-23 received £252,803 of grant funding.

Lesley Griffiths (Minister for Rural Affairs and North Wales, and Trefnydd) is Vice-President of Llangollen International Eisteddfod which received £77,000 of grant funding in 2022-23.

The spouse of Jane Hutt (Minister for Social Justice and Chief Whip) is a Trustee and Director of Cardiff and Vale Citizens Advice which received payment of £12,240 in year for services provided to the Welsh Government.

Jeremy Miles (Minister for Education and the Welsh Language) and Rebecca Evans (Minister for Finance and Local Government) are members of Celtic Credit Union, which in 2022-23 received £521,533 of grant funding.

Julie Morgan (Deputy Minister for Social Services) is Vice President of City Hospice which in 2022-23 received £28,088 of grant funding.

Lynne Neagle (Deputy Minister for Mental Health and Wellbeing) is Vice-President of the Torfaen Museum Trust which received £98,704 of grant funding in 2022-23.

Ellen Donovan (Non-Executive Director) is a non-executive director of Marie Curie Cancer Care which received £144,921 of grant funding in 2022-23. Ellen is also a non-executive director of the Human Tissue Authority which received £62,450 of grant funding in 2022-23.

Eluned Morgan (Minister for Health and Social Services) was (interest ceased March 2023) an influential committee member of St David's Festival of Ideas which in 2022-23 received £6,365 of grant funding.

Aled Edwards (Non-Executive Director) is Chair of Brecon Beacons National Park Authority which received £4,373,451 of grant funding in 2022-23.

Gareth Lynn (Non-Executive Director) is the Independent Chairman of Trustees of the Milford Haven Port Authority Retirement Benefits (pension) scheme. The appointment is made by Milford Haven Port Authority and is remunerated. Milford Haven Port Authority received £39,853 for services purchased in 2022-23.

Meena Upadhyaya (Non-Executive Director) is a Trustee of Race Equality First which received £252,564 including grant funding in 2022-23. Meena is a Trustee of Race Council Cymru which received £160,875 including grant funding in 2022-23.

The partner of Tracey Burke is a governor of Cardiff and Vale College which received £67,190,525 in 2022-23. Her partner is also the Chair of the Board of Governors of Cardiff Metropolitan University which received £6,597,027, including grant and funding under the EU's Common Agricultural Policy, in 2022-23. Welsh Government also received £10,700 of income from Cardiff Metropolitan University in 2022-23 principally in relation to room hire and public sector training events.

Whilst related party transactions have been identified and disclosed above for Ministers and Senior Officials, being transactions between Welsh Government and entities with which the individuals have a related party relationship, they would have not been directly involved with either the procurement exercise to award contracts nor in the process of awarding any grants.

Related party transactions of the NHS Bodies in Wales and other subsidiary companies are disclosed in their own published accounts.

## 17.1 Results of Consolidated Wholly Owned Companies

	Year Ended 31 March 2023		Year Ended 31 March 2022	
	Profit/(Loss) £m	Share Capital and Reserves £m	Profit/(Loss) £m	Share Capital and Reserves £m
Development Bank of Wales Group <sup>1</sup>	(24)	313	(20)	332
Regeneration Investment Fund for Wales LLP	1	48	-	47
WGC Holdco Limited	-	18	-	18
Careers Choices Dewis Gyrfa Limited	(5)	24	(5)	(17)
Transport for Wales Group	(26)	1,619	(30)	1,522

<sup>1</sup> Investment of 49,999 ordinary £1 shares, 25p part paid.

These accounts have been consolidated using draft figures where final accounts are not available, being not materially different to those disclosed.

## 17.2 Other Minor Subsidiaries and Interests

The following Welsh Government Joint Ventures are included in the consolidated accounts:

- International Convention Centre Wales Limited – The Welsh Government owns 50% of the issued share capital of the International Convention Centre Wales Limited, with the other 50% being held by The Celtic Manor Resort Limited.
- Airbus Endeavr Wales (formerly EADS Foundation Wales) – a joint interest in a company limited by guarantee. Joint ownership is held with Airbus Defence and Space Ltd (formerly Cassidian Holdings Limited) and Cardiff University.

The following Welsh Government interests are not included in the consolidated accounts:

Welsh Government – Non Ministerial Departments – subject to a designation order but immaterial for consolidation:

- Welsh Revenue Authority

Welsh Government Subsidiaries – subject to a designation order but immaterial for consolidation:

- Design Commission for Wales Limited (Design Commission for Wales/Comisiwn Dylunio Cymru)
- Meat Promotion Wales Limited/Hybu Cig Cymru Cyf
- Industry Wales (Sector Development Wales Partnership Limited)
- Life Sciences Hub Wales Limited
- Centre for Digital Public Services Limited
- National Academy for Educational Leadership
- International Business Wales Limited
- Children's Commissioner for Wales
- Future Generations Commissioner for Wales
- Older People's Commissioner for Wales
- Comisiynydd y Gymraeg/Welsh Language Commissioner
- Cwmni Egino Limited
- GCRE Limited<sup>1</sup>
- Adnodd Cyfyngedig (Bilingual Educational Resources Company)
- Estyn (His Majesty's Chief Inspector of Education and Training in Wales)
- Qualifications Wales
- Education Workforce Council

<sup>1</sup> GCRE Limited activities in 2022-23 exceed the materiality level for consolidation, but are immaterial to the WG Group as a whole. Although designated for consolidation, work is in progress with the Office for National Statistics to assess whether the initial classification assigned to GCRE may be amended retrospectively. Office for National Statistics classification of GCRE Limited is expected to conclude later in the 2023 financial year or early 2024.

Welsh Government Subsidiaries – not subject to a designation order and immaterial for consolidation:

- Welsh Development Management Limited

### **Student Loans Company Limited**

Welsh Government holds one share with a nominal value of £1. Joint ownership is held with the Department for Education, Scottish Government and Northern Ireland Government. The share gives the Welsh Government 5% holding in the company.

### **NHS Charities**

NHS Charities in Wales are subsidiaries of the Local Health Boards and NHS Trusts. They are not subject to a designation order and are immaterial for consolidation.

The Statutory Accounts of entities noted in 17.1 and 17.2 can be found either on their own websites or at Companies House [www.gov.uk/government/organisations/companies-house](http://www.gov.uk/government/organisations/companies-house).

## **18. Events after the Reporting Period**

NHS Wales bodies were notified in a pay circular letter issued on 25 May 2023 by the Welsh Government, of the additional pay arrangements for employees covered by the Agenda for Change terms and conditions in Wales for 2022-23, which will be funded by the Welsh Government. NHS Wales bodies will make a one off non-consolidated, prorated “recovery payment” for staff employed on the Agenda for Change terms and conditions (this includes most NHS staff including nursing staff but excludes medical staff). These costs have not been recognised in the 2022-23 financial statements because the obligating event was the publication of the offer agreed with the Minister on 20 April 2023 and therefore post 31 March 2023. The costs will be accounted for in the 2023-24 Annual Accounts of NHS Wales bodies. The estimated cost is £95m.

On 1 April 2023 the Community Health Councils (CHCs) hosted by Powys LHB were replaced by Llais, (Citizens Voice Body). Llais is an independent national body, which will represent people across Wales in shaping health and social care.

### **Managing Reinforced Autoclaved Aerated Concrete (RAAC)**

UK Governments have been aware of some of the vulnerabilities of RAAC since the 1990s. The Welsh Government has been working with the UK Government and other devolved governments since 2018 to consider the potential management implications for buildings with RAAC across the public sector estate. The UK Government (Department for Education) reported on 31 August 2023 that incidents had emerged over the summer period which raised concern over a potential higher safety risk. In response a cross-Welsh Government working group has been established to oversee the response to this fast-moving and complex

issue. The Welsh Government has commissioned, and has requested other public sector building owners and/or estate owners and/or those responsible for managing premises to commission urgent new surveys of public sector buildings including schools. No presence of RAAC has been identified within the Welsh Government Administrative Estate. Premises at five schools, two universities and three Further Education colleges in Wales have been identified as having RAAC along with six sites within the NHS Wales Estate.

The risks and costs associated with RAAC rest with the building and/or estate owners, landlords and/or those responsible for managing the premises. This includes the costs associated with the identification and management of RAAC. The Welsh Government invests in the public estate through strategic capital investment programmes such as the Sustainable Communities for Learning Programme and the NHS All Wales capital programme. The Welsh Government has provided Hywel Dda University Health Board with £12.8m from the NHS All Wales capital budget to manage and remediate RAAC issues identified at Withybush Hospital, in Haverfordwest.

## **19. Authorised for Issue**

The Principal Accounting Officer authorised these financial statements for issue on 29 November 2023.

# Appendix A – Accounting Policies

## A.1 Property, Plant and Equipment

### Network Assets

Network assets are valued at depreciated replacement cost (DRC) in line with the guidance in the FReM for specialised assets for which market valuations are not available. To produce these valuations requires the use of assumptions, estimates and professional judgement.

For the road network the model used to produce the valuation is the Road Authorities Asset Valuation System (RAAVS).

For the rail network the model used to produce the valuation is undertaken by TfW with support from Atkins Limited (professional valuers) using data provided by TfW.

Full valuations are undertaken of network assets at intervals not exceeding five years. Interim valuations use a series of standard costs to value the individual components of the network assets and indices to revalue these on an annual basis. The date of last full valuation for Network Assets are included in Note 4.1.

### Road Network

The trunk road network is recognised as a single infrastructure asset in accordance with the applicable guidance outlined in the FReM. However, it comprises four distinct elements that are accounted for differently: land; the road pavement; structures (such as bridges and culverts); and communications (such as variable message signs).

The road pavement element is valued using agreed rates determined to identify the gross replacement cost of applicable types of road on the basis of new construction on a green-field site. These rates are re-valued annually using indices to reflect current prices.

Structures are valued using agreed rates determined to identify the replacement cost of applicable types of structure on the basis of new construction on a green-field site where these are available but special structures, which tend to be one off by their nature, are valued using specific costs that are updated to current prices.

Communications are valued using agreed rates determined to identify the replacement cost of applicable types of communications.

Land is valued using rates from the Valuation Office Agency split by Local Authority and rural/urban values, the valuation also includes an assessment of land purchase compensation costs.

All maintenance that maintains the service potential of the road network will be capitalised. Subsequent expenditure that adds to the service or life of the road network is capitalised.

New roads are reclassified from Assets under Construction when the structural details have been provided by the Agent authority to input into model, which may be some time after the road has opened.

Transfers of the responsibility for maintaining sections of the road as part of the trunk road network from or to the Local Authority network are referred to as 'trunkings' or 'de-trunkings' respectively. The trunking or de-trunking of roads from or to Local Authorities is treated as a transfer from or to other government departments. Roads and structures de-trunked are effectively dealt with as disposals in accounting terms at nil consideration. The associated profit or loss is processed through the general fund.

The indexation factors applied to the model are:

Road Pavement and Structures – Baxter index

Communications – BEAMA index

Land – Land indices produced by Valuation Office Agency

Upwards movements in value are taken to the revaluation reserve. Downward movements in value are set off against any credit balance held in the revaluation reserve until the credit is exhausted and thereafter expensed in the Statement of Comprehensive Net Expenditure.

## Rail Network

The rail network Core Valley Lines (CVL) asset is recognised as a single infrastructure asset in accordance with the applicable guidance outlined in the FReM. However, it comprises six distinct elements that are accounted for differently: earthworks; structures; electrification, plant and signals; operational property; track; and telecoms.

The DRC is calculated by first determining a gross replacement cost for the CVL Network. The gross replacement cost is then adjusted (or "depreciated") to reflect management's best estimate of the condition and capacity of the CVL Network; this adjusted gross replacement cost is the depreciated replacement cost.

The gross replacement cost is determined in line with guidelines issued by the Royal Institute of Chartered Surveyors. The guidelines require specific assumptions including:

- a modern equivalent asset which is treated as being a Network identical in function, scale and connectivity, but constructed using modern specifications and methods; and
- instantaneous build on a green-field site.

To arrive at the final DRC valuation, the gross replacement value is adjusted to reflect management's best estimate of the remaining useful lives of the assets, taking into account the condition and capacity of the Network.



The indexation factors applied to the model are:

Land – The Consumer Prices Index including owner occupiers' housing costs (CPIH)

Buildings – Retail Prices Index (RPI)

All renewals that maintain the service potential of the rail network will be capitalised. Subsequent expenditure that adds to the services or life of the CVL asset is capitalised.

Enhancements and renewals of the CVL asset are included as a single amount at cost as assets under construction, until they are brought into use, at which point the asset is transferred into the Rail Network category and valued at DRC.

Upwards movements in value are taken to the revaluation reserve. Downwards movements in value are set off against any credit held in the revaluation reserve until the credit is exhausted and thereafter expensed in the Statement of Comprehensive Net Expenditure.

## Land and Buildings (including Dwellings)

The Welsh Government and its related bodies capitalise freehold property where it is retained for use by the organisation itself. Freehold land and buildings are held at open market value for existing use, the exception is properties of a specialised nature held at depreciated replacement cost. Land and buildings are valued using professional valuations either every five years, or annually, with appropriate indices in intervening years for non-annual valuations. The Welsh Government uses the Investment Property Databank (IPD) Monthly Index for Midlands and Wales indices.

## Plant and Equipment

Plant and equipment (which include plant and machinery, transport equipment, information technology and fixtures and fittings), are at historical cost. As these asset classes have a short useful economic life, reliable revaluations of these assets could only be obtained at prohibitive cost. No significant estimation techniques are used in the valuation of these asset classes.

The minimum level for capitalisation of individual assets and grouped assets is £5,000.

## Heritage Assets

The Welsh Government holds a number of non-operational heritage assets where the cultural, educational and historical value is unlikely to be fully reflected in a financial value derived from a market mechanism or price. These assets are of a specialist nature and reliable valuations either cannot be obtained or could only be obtained at a prohibitive cost. The Welsh Government, therefore, does not capitalise these assets in the accounts.

## A.2 Depreciation

### Road Network

The depreciation charge for the roads network consists of three elements:

- i. annual maintenance charge;
- ii. an estimate of the permanent deterioration in the condition of the network in the year (which has been calculated by the computer model based on latest actual data on the condition of the network referred to in the non-current assets note above); and
- iii. calculated depreciation of the structures and communications.

Depreciation is accounted for in respect of the road pavement by reference to the service potential assessed by condition surveys that are carried out over the whole network as part of a rolling programme that covers every section of road at least every five years. The annual depreciation charge for the road surface is the value of the service potential replaced through the maintenance programme, plus or minus any adjustment resulting from the annual condition survey. The Structures and Communications elements are depreciated using the straight line method applied to the re-valued replacement costs, and also inspected every five years to identify any other changes. Land is not depreciated.

Road component lives are in the following ranges:

Network surface	up to 20 years
Network structures	20 to 120 years
Network communication	2 to 15 years
Land	is not depreciated

### Rail Network

The components of the railway network are depreciated over their estimated remaining useful economic lives; these are typically weighted averages for a range of components, given the complexity of these structures. These weighted averages are summarised below:

Earthworks	94 years
Structures	25 years
Signalling and Power	25 years
Operational Property	19 years
Track	12 years
Telecoms	7 years

This is a critical judgement based on the available data, careful judgement is required in some cases, especially for components that are rarely replaced, such as structures and earthworks. Some components are capable of very long lives, however for this valuation, lives are capped at 100 years due to inherent uncertainty beyond that period.

Depreciation methods, useful lives and residual values are reviewed at each Statement of Financial Position date.

Other Assets

Depreciation is provided at rates calculated to write-off the value of intangible assets and other property, plant and equipment assets by equal instalments over their estimated useful lives.

Dwellings	Remaining life
Freehold buildings	up to 85 years
Plant, machinery & Transport equipment	5 to 15 years
Information technology	3 to 10 years
Intangible software assets	2 to 10 years
Fixtures & fittings	3 to 20 years

Freehold Land and Assets under Construction are not depreciated.

Impairments of tangible fixed assets are charged to the Statement of Comprehensive Net Expenditure in the period in which they are incurred.

A.3 Research and Development

Research and development expenditure is charged to the Statement of Comprehensive Net Expenditure in the year in which it is incurred, except where it relates to a clearly defined project and where the benefits can reasonably be regarded as assured. The expenditure deferred is limited to the value of future benefits expected and is amortised through the Statement of Comprehensive Net Expenditure on a systematic basis over the period expected to benefit from the project.

## A.4 Financial Assets

### Loans and Repayable Finance

Welsh Government issues loans and repayable finance to group companies (e.g. Development Bank of Wales (DBW)), other public sector bodies and private sector companies for the purpose of economic development or policy implementation objectives. These financial assets are held for the purpose of collecting the contractual payments of the principal and any interest chargeable, and are held at amortised cost in accordance with IFRS 9.

Help to Buy Wales loans managed by DBW are shared equity loans and are held at fair value through the Statement of Comprehensive Net Expenditure.

### Public Dividend Capital

Public Dividend Capital issued is held at historic cost less impairments in accordance with the FReM interpretation of IFRS 9.

### Investments

Investments in subsidiary group entities are held at cost in the Welsh Government Account in accordance with IAS 27. Investments in joint ventures are held at fair value.

Loans and equity investments made by Development Bank of Wales are accounted for in accordance with IFRS 9 whereby debt instruments held to collect contractual payments of the principal and interest are held at amortised cost and equity investments are held at fair value through Profit and Loss. Full details of the Development Bank of Wales accounting policies for financial assets including expected credit losses are set out in their Annual Report and Accounts.

### Student Loans

The Welsh Government's accounting policy is to recognise an addition to the student loan book once the Student Loans Company (SLC) has issued the loan to the student. Student loan repayments are collected by the SLC and His Majesty's Revenue and Customs (HMRC). For repayments made via the SLC, the Welsh Government recognises the repayment when the SLC has received the cash and updated the borrower record. For repayments collected via the tax system, this is recognised when the amounts which HMRC estimate as being due to the Welsh Government for the financial year are received. Student loans values are shown net of estimated future write-offs in respect of the non-recovery of loans and are reviewed annually.

In accordance with the FReM application of IFRS 9, student loans are classified as Loans and Receivables and are carried at fair value through Statement of Comprehensive Net Expenditure. Detailed explanation of the valuation approach is set out in Note 6. Disclosures relating to risk, required by IFRS 7, are set out in Accounting Policy A.17.

## A.5 Non-current Assets Held for Sale

Non-current assets are classified as held for sale if their carrying amount will be recovered through sale rather than continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale and this should be expected to be completed within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

## A.6 Inventories

Development assets, comprising land held for future development and built properties not required for own use, which are held with the ultimate intention for resale, are shown at the lower of historic cost and professional asset valuation, any impairment on revaluation being written off to the Statement of Comprehensive Net Expenditure. Material reversals of prior year impairments are written back to the Statement of Comprehensive Net Expenditure where there is current evidence of increased value resulting from earlier year's expenditure.

Other Inventories are valued at the lower of replacement cost and net realisable value. The Welsh Government does not consider there to be a material difference between the replacement cost and historic cost of stocks. Stocks with a finite useful life are written-off at the end of their lives.

## A.7 Operating Income

Operating income relates directly to the operating activities of the Welsh Government and the related bodies. The Welsh Government adopted IFRS 15 Revenue from Contracts with Customers from 1 April 2018. IFRS 15 introduced a new five stage model for the recognition of revenue from contracts with customers. All Welsh Government revenue which falls within the scope of this Standard, has been accounted in accordance with it.

Revenue from the European Union in respect of the European programmes, funds and initiatives is brought to account in line with grants payable in respect of these amounts and is shown in Note 2. The funds are paid to the Welsh European Funding Office. These funds are then transferred to the relevant department within the Welsh Government and are accounted for within Note 3.

## A.8 Other Operating Expenses

Other operating expenses for goods or services are recognised when, and to the extent that, they have been received. They are measured at the fair value of the consideration payable.

## A.9 Value Added Tax (VAT)

The Welsh Government recovers some elements of VAT for business services and contracted out services. For other goods and services expenditure these are recorded inclusive of VAT.

## A.10 Early Departure Costs

The Welsh Government is required to meet the additional cost of benefits beyond the normal PCSPS benefits in respect of employees who retire early. The Welsh Government provides in full for this cost when the early retirement programme has been announced and is binding. The Welsh Government may, in certain circumstances, settle some or all of its liability in advance by making a payment to the Government Banking Service at the Bank of England for the credit of the Civil Superannuation Vote. Similar arrangements are in place for Health Bodies employees who retire early.

For pre-merger employees and ex-employees of the former Welsh Development Agency in the Rhondda Cynon Taff Pension Scheme, the Welsh Government meets the additional cost of benefits beyond the scheme benefits in respect of employees who retire early.

## A.11 Leases

### IFRS 16 Transition

Welsh Government has adopted IFRS 16, as interpreted and adapted in the FReM, with effect from 1 April 2022. IFRS 16 has been applied retrospectively, as required by the FReM, with the cumulative effect at the date of initial application recognised as an adjustment to the opening balance of taxpayers' equity.

The following practical expedients and exemptions have been applied in accordance with HM Treasury IFRS 16 Application Guidance:

- Contracts previously identified as containing a lease under IAS 17 and IFRIC 4 have not been reassessed at the date of initial application and have been accounted for as leases.
- Hindsight has been used in determining the lease term where the contract contains options to extend or terminate the lease.
- The incremental borrowing rate of 0.95% has been applied to the lease liabilities recognised at the date of initial application.
- The transitional provisions have not been applied to leases with terms that ended within twelve months of the date of initial application.
- No adjustments have been made for leases of low-value assets below £5,000.

In accordance with the FReM, intra-UK government agreements are treated as contracts, even where not legally enforceable. Such contracts are treated as within the scope of IFRS 16 where they convey the right to use an asset.

Further information regarding the adoption of IFRS 16 for Health bodies in Wales can be found in their statutory accounts.

Development Bank of Wales Group, Career Choices Dewis Gyrfa Limited and Transport for Wales Group, as subsidiary companies preparing statutory accounts under Companies Act 2006, had already applied IFRS 16 from 1 April 2019. In line with Welsh Government's accounting policy of only making consolidation alignment adjustments where the impact is material, no adjustment on consolidation has been made for the immaterial timing differences of adopting IFRS 16 in Welsh Government's Consolidated Accounts for 2022-23.

WGC Holdco Limited and Regeneration Investment Fund for Wales LLP do not have leases.

## As a Lessee

Where a lease is identified, a right-of-use asset and a corresponding lease liability are recognised at the commencement date. This is with the exception of short-term leases and leases for which the underlying asset is of low value. For such leases, the lease payments are recognised as an expense on a straight-line basis over the lease term.

Short-term leases are those with a term of twelve months or less. A £5,000 threshold has been set for identifying assets that are of low value.

## Initial Measurement

The lease liability is calculated based on the present value of unpaid lease payments over the applicable lease term determined in accordance with IFRS 16. The lease liability is discounted using the HM Treasury rates promulgated in PES papers as the incremental borrowing rate.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability, plus any initial direct costs incurred and an estimate of costs to restore the underlying asset, less any lease incentives received.

## Subsequent Measurement

The lease liability is adjusted for the accrual of interest, payments, reassessments and modifications, for example reappraisals of the probability of the options given by the existing lease contract, such as where an extension option is no longer expected to be exercised.

Right-of-use assets are depreciated on a straight-line basis over the associated lease term. The right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

Right-of-use assets are subsequently measured using the cost model as a proxy for current value in existing use. The cost model is used as a proxy because there is no material difference between the valuation produced by the cost model as compared to the revaluation model.

## As a Lessor

Where Welsh Government acts as a lessor, it is determined at lease inception whether each lease is a finance lease or an operating lease.

Lease payments received under operating leases are recognised as income on a straight-line basis over the lease term.

## A.12 Grants

Grants payable or paid are recorded as expenditure in the period that the underlying event or activity giving entitlement to the grant occurs.



## A.13 Employee Benefits

### A.13.1 Short-Term Employee Benefits

Salaries, wages and employment-related payments are recognised in the period in which the service is received from employees.

### A.13.2 Pensions

The majority of present and past employees of the Welsh Government are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) which are described within the Accountability Report.

The defined benefit elements of the scheme are unfunded. The Welsh Government recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payments to the Principal Civil Service Pension Scheme (PCSPS) of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of the defined contribution schemes, the Welsh Government recognises the contributions payable for the year.

All actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised through reserves in the period in which they arise.

Some former Welsh Development Agency staff, current Development Bank of Wales PLC staff and Career Choices Dewis Gyrfa Ltd staff participate in a number of Local Government Pension Schemes in Wales which are multi-employer funded schemes.

Some Welsh Government staff contribute to: Department of Health and the Nurses Welfare Trust schemes.

Employees of Health bodies participate in the NHS pension scheme. Information on this scheme can be found in the NHS Summarised Accounts.

Employees of Transport for Wales participate in the Railways Pension Scheme.

Detailed accounting policies and disclosures of the employer pension liabilities / assets included in the Welsh Government Consolidated Account for subsidiary entities can be found in the NHS Summarised Accounts (NEST & NHS Pension Scheme), TFW Group accounts (Defined contribution & Railways pension Scheme), DBW Group accounts (Defined contribution and Local Government Pension Scheme) and Career Choices Dewis Gyrfa Ltd accounts (Local Government Pension Scheme).

## A.14 Private Finance Initiative and Other Service Concession Arrangements

HM Treasury has determined that government bodies shall account for infrastructure service concession schemes where the government body controls the use of the infrastructure and the residual interest in the infrastructure at the end of the arrangement in accordance with the principles of the requirements of IFRIC 12. The service concession asset is recognised as an item of property, plant and equipment together with a liability to pay for it. The services received under the contract are recorded as operating expenses.

The annual unitary payment is separated into the following component parts, using appropriate estimation techniques where necessary:

- a) Payment for the fair value of services received;
- b) Payment for the service concession asset, including finance costs; and
- c) Payment for the replacement of components of the asset during the contract 'lifecycle replacement'.

The fair value of services received in the year is recorded under the relevant expenditure headings within programme costs.

Service concession assets are recognised as property, plant and equipment when:

- a) it is probable that future economic benefits associated with the asset will flow to the organisation; and
- b) the cost of the asset can be measured reliably.

The above asset recognition criteria, together with the specific terms and conditions of the binding agreement, are considered when determining whether to recognise the service concession asset during the period in which the asset is constructed or developed.

Service concession assets under construction are recognised and valued in the same way as other non-current assets of the same generic type.

Completed service concession assets are measured initially at fair value when they come into use in accordance with the principles of IFRS 16. Subsequently the assets are measured at fair value, which is kept up to date in accordance with the principles of IAS 16.

The service concession liability is recognised at the same time as the service concession asset. This is measured at the same amount as the fair value of the service concession asset and is subsequently measured as a lease in accordance with IFRS 16. An annual finance cost is calculated by applying the implicit interest rate in the lease to the opening lease liability for the period and is charged to the Statement of Comprehensive Net Expenditure. The element of the annual unitary payment that is allocated as a lease rental is applied to meet the annual finance cost and to repay the lease liability over the contract term.

## A.15 Exchange Rate Gains and Losses

The Welsh European Funding Office requests programme funding from the European Commission at the Euro equivalent level to the sterling required and pays out funds in sterling. The exchange gain or loss on these transactions is calculated and accounted for in line with IAS 21.

Other transactions in foreign currencies are translated into sterling at the rate of exchange ruling at that date. Exchange differences are taken into account in the Statement of Comprehensive Net Expenditure.

## A.16 Provisions

In accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets, provisions for liabilities and charges are made at the year-end where present legal or constructive obligation exists (i.e. a present obligation arising from past events), the outflow of resources that will be required to settle the obligation is probable and a reasonable estimate of the obligation can be made.

Where the time value of money is material, provisions are discounted to present value using HM Treasury's discount rates.

## A.17 Contingent Liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of Welsh Government, or a present obligation that is not recognised because it is not probable that a payment will be required to settle the obligation or the amount of the obligation cannot be measured sufficiently reliably.

Contingent liabilities are disclosed in Note 12, as required by IAS 37, where the likelihood of a transfer of economic benefit in settlement is judged as greater than remote. Remote contingent liabilities are disclosed in Note 12.2, as required by the FReM, for transparency. Remote contingent liabilities include guarantees, indemnities and letters of comfort.

## A.18 Financial Instruments

IFRS 7 requires the disclosure of information which allows the user to evaluate the significance of financial instruments on financial performance, and the nature and extent of its exposure to risks arising from financial instruments.

As the majority of the Welsh Government's resources are met by the Welsh Consolidated Fund, financial instruments play a more limited role in creating risk than would apply to a non-public sector body of a similar size.

### Credit Risk

The Welsh Government's objective is full recovery of debt, which we actively pursue. The policy is to operate normal credit control procedures for the management of risk of default by trade debtors through the Accounts Receivable function. Due to the nature and value of debtors, the credit risk associated is deemed as minor. IFRS 9 introduced a forward looking model of expected credit loss, and a three-stage approach to providing for debts. Due to the low credit risk, stage 1 and 2 expected credit losses for Welsh Government are immaterial. Stage 3 provisions for doubtful debts are made once debts are over 6 months old.

The Welsh Government has a statutory obligation to issue student loans, and is not permitted to withhold loans on the basis of poor credit rating. Exposure to the risk of non-repayment of loans is managed and monitored, and the impact is accounted for in the annual valuation.

### Market Risk

The main risks are to the Student Loan portfolio from a downward movement in the economy that could result in an increase in borrowers' unemployment, impacting on their ability to repay student loans. Student loans are also impacted due to the potential resultant negative impact on graduate earnings growth, which lengthens the time period before loans are in repayment and extends the repayment period. This may impact the carrying value in the accounts. It can also lead to an increase in write-offs as it increases the likelihood that some graduates may not repay their loans in full by the end of the loan period.

### Foreign Currency Risk

The Welsh Government is exposed to negligible currency risk on its foreign currency transactions, except for funds received from the European Union to the Welsh European Funding Office. Private sector mitigation options are not available. However, total funding received from the European Commission is managed to ensure the available funding is flexibly allocated to projects, enabling targeted expenditure levels to be met. Funding claims from the Commission are also prompt to limit delays between incurring expenditure and its reimbursement.

## Interest Rate Risk

The Welsh Government's variable rate financial assets are predominantly its student loans which have an interest rate cap set at RPI or the Bank of England base rate plus 1%. The interest rate on pre-2012 loans is the lower of RPI and the Bank of England base rate plus 1%. The amount of interest repayable is therefore subject to fluctuations in the base rate and RPI. The probability of Welsh Government recovering the face value of loans issued is increased when the Bank of England base rate is low and the rate of inflation is comparatively high, because the base rate cap comes into operation for these loans. The impact of the interest rate risk for student loans issued under the pre-2012 scheme is factored into the carrying value as the student loan repayment model calculates the impact of interest rate on expected future cash flows. There is inherent risk in forecasting the amount of interest payable and if base rates that are lower than RPI are experienced, the future cash flows will be impaired further.

## Liquidity Risk

The Welsh Government only borrows from the National Loans Fund, and relies primarily on funding received from Parliament via the Welsh Consolidated Fund for its cash requirements. There is no reason to believe that future funding will not be forthcoming, therefore on this basis it is not exposed to liquidity risks. It also has no material deposits, and all material assets and liabilities are denominated in sterling, so it is not exposed to interest rate risk or currency rate risk other than the risks arising from receipt of funds from the European Commission in Euros.

Where the time value of money is material, provisions are discounted to present value using HM Treasury's real discount rates.

## A.19 Newly issued accounting standards not yet effective

A number of revised and new accounting standards and interpretations have been issued but are not yet effective and have therefore not been adopted in these accounts, these are currently being considered by the Financial Reporting Advisory Board (FRAB) for inclusion within a future FReM. The following Standard may have an impact on future Welsh Government Consolidated Accounts when adopted:

### **IFRS 17 Insurance Contracts – effective 1 April 2025**

The International Accounting Standards Board (IASB) has issued IFRS 17 Insurance Contracts which replaces IFRS 4 Insurance Contracts. The new standard sets clearer expectations on the recognition, classification and measurement of assets and liabilities in relation to insurance contracts. IFRS 17 is effective for accounting periods beginning on or after 1 January 2023. HM Treasury has issued guidance on the application of the Standard noting the mandatory adoption for central government bodies of 1 April 2025, with early adoption permitted on a case-by-case basis.