

Scrutiny of Accounts: Welsh Government 2022-23

December 2024



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Scrutiny of Accounts: Welsh Government 2022-23

December 2024



About the Committee

The Committee was established on 23 June 2021. Its remit can be found at:
www.senedd.wales/SeneddPAPA

Current Committee membership:



**Committee Chair:
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Welsh Conservatives



Natasha Asghar MS
Welsh Conservatives



Mike Hedges MS
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Chair's foreword

The Public Accounts and Public Administration Committee has undertaken its scrutiny of the Welsh Government Consolidated Accounts 2022-23. The Welsh Government publishes its consolidated accounts ("the Accounts") on an annual basis, which outlines its finances and statutory obligations.

The 2022-23 Accounts were signed off and laid before the Senedd in November 2023, in line with the timetable published by the Welsh Government. This was a few weeks earlier than the 2021-22 Accounts, which were approved and signed on 12 December 2022.

As reported in our Scrutiny of Accounts 2021-22 report, we welcome the Permanent Secretary's commitment to annually publish the timetable for the preparation and publication of the Accounts. We still believe this is essential for transparency in financial reporting. We are disappointed, that at the time of our reporting, the Welsh Government has yet to publish the timetable for its 2023-24 Accounts.

Despite the existing challenges and complexities in finalising the accounts, we believe the Welsh Government has an opportunity to lead the way in financial reporting, including transparency around the timetable for its Accounts, and it is important it sets a high standard as an example for the rest of the public sector in Wales.

A theme throughout our report is the challenges that lie ahead for the Welsh Government in terms of its skills and capacity and the ever-changing demands and reactive pressures its workforce has to meet. It will be crucial that the Welsh Government has the strategic foresight to identify and plan for the potential reallocation of resources and to prioritise competing demands on its workforce.

This will be particularly challenging given the increasing trend in staff sickness absence and the need for succession planning in light of experienced staff leaving as part its recent voluntary exit scheme. The Committee will be keeping a watching brief over these challenges and will monitor the Welsh Government's plans and actions in its next round of accounts scrutiny.

Mark Isherwood MS

Chair of the Public Accounts and Public Administration Committee

Recommendations

Recommendation 1. We recommend that the Welsh Government publishes its timetable for the 2024-25 Accounts once it has been agreed with Audit Wales.
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Recommendation 2. We recommend that the Welsh Government provide the Committee with an update about the preparation for, and approval of, the business case for a replacement finance system, together with information about the plans and associated potential costs if the business case is not approved.
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Recommendation 6. We recommend that the Welsh Government confirms the criteria it adopts for publishing decision reports and why such a report was not published when it decided to acquire a 5 per cent share in Local Partnerships.
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Recommendation 7. We recommend the Welsh Government confirms whether it procures consultancy services and other project work through Single Tender Action, and if so, provide details about the cases in which it has done so.Page 27

Recommendation 8. We recommend that the Welsh Government provide information to the Committee about the areas in which it has identified skills and capacity pressures with its workforce and explain how it plans to address them, including explaining how resources will be reallocated and prioritised to meet these pressures.....Page 27

Recommendation 9. We recommend that the Welsh Government provide the Committee with detailed plans and objectives of how it proposes to take forward the concept of a One Public Service for Wales and the initiatives it has in place to develop and share expertise across Welsh public services.Page 27

Recommendation 10. We recommend that the Welsh Government include, in their accounts, a breakdown of the sickness absence data to differentiate absences due to mental health from other illnesses. Page 28

Recommendation 11. We recommend that the Welsh Government provide information about the actions officials are taking to address the increase in sickness absence and the support provided to staff, as well as the objectives for establishing a health and well-being and safety assurance board and its intended impact. Page 28

Recommendation 12. We recommend the Welsh Government provide the Committee with its assessment of the impact of streamlining its Welsh Government 2025 programme and what this means for its plans for organisational change and improvement.....Page 31

Recommendation 13. We recommend the Welsh Government provide an update about the progress of the work under the Welsh Government 2025 programme, specifically on the skills, capability and priorities of its workforce, together with further evidence to demonstrate how this work is addressing capacity challenges.....Page 31

Recommendation 14. We recommend that the Welsh Government provide the Committee with an update on the outcomes of its recent voluntary exit scheme, including the numbers of staff who have applied to leave the organisation and the cases approved, as well as the criteria for assessing applications and the anticipated savings arising from the scheme.....Page 31

Recommendation 15. Noting the recent Welsh Government’s voluntary exit scheme and the potential loss of experience and expertise within the workforce, we recommend the Welsh Government provide the Committee with information about how the related risks are being mitigated.....Page 31

Recommendation 16. We recommend that the Welsh Government provide the Committee with an update about the review of its performance framework and the development of a balanced scorecard approach to performance reporting, including the scope, methodology and timetable for the review, as well as what information officials expect to include about the revised performance framework in the accounts.....Page 51

1. Introduction

- 1.** The Welsh Government publishes its Consolidated Accounts (“the Accounts”) on an annual basis, which outline its finances and statutory obligations.
- 2.** The 2022-23 Accounts were the third published since the current Permanent Secretary, Dr Andrew Goodall, took up post from 1 November 2021. The Accounts were approved and signed on 29 November 2023.
- 3.** The 2022-23 Accounts were laid by the Auditor General for Wales (“AGW”) before the Senedd on 30 November 2023. He provided unqualified ‘true and fair’ and ‘regularity’ opinions on them.
- 4.** The Public Accounts and Public Administration Committee undertook its scrutiny of the 2022-23 Accounts in March 2024. The Committee took oral evidence from the Welsh Government on 20 March with further evidence provided in writing. We also held a follow-up evidence session on Local Partnerships on 12 June 2024, which was a specific matter of interest arising from our earlier evidence session. This report outlines our findings.

2. Preparing the Accounts

Timetable

5. The 2022-23 Accounts were signed off and laid before the Senedd in November in line with the timetable the Welsh Government shared, in March 2023, with the Committee. This was a few weeks earlier than the 2021-22 Accounts, which were approved and signed on 12 December 2022. We asked Welsh Government Officials what the main challenges were in completing the accounts to the timetable and how they overcame them.

6. The Permanent Secretary explained how the accounts have become more complex each year with an increased range of areas that need focus. We heard that the 2022-23 Accounts reflected new accounting standards and had to cover a range of different organisations, including some of the Welsh Government's arm's-length bodies¹. There are now 17 organisations that Welsh Government has to cover in their budget arrangements and accounts.²

7. Although the Permanent Secretary approved and signed the 2022-23 Accounts a few weeks earlier than those for the previous year, the Welsh Government has yet to return to its pre-COVID-19 timetable for completing its accounts. The 2018-19 Accounts were approved and signed by the then Permanent Secretary in August 2019.

8. In March 2023, the Permanent Secretary told the Committee it would be a 'difficult ask' for the Welsh Government to lay its accounts before the Senedd in August or September each year.³ He noted the "scope of the complexity in the accounts is growing every year", due to an increase in the number of organisations included in the Welsh Government consolidated accounts.⁴

9. The Director of Finance said:

... it's ambitious, but we've agreed a three-year plan for trying to bring the sign-off back to September. As has been said, there will be some complications around that, but that's what we've agreed we will try

¹ RoP, 20 March 2024, paragraph 30

² RoP, 20 March 2024, paragraph 30

³ RoP, 2 March 2023, paragraph 63

⁴ RoP, 2 March 2023, paragraph 63

and do, and in our planning each year with Audit Wales, we will work towards that goal now.⁵

10. We asked officials what progress the Welsh Government had made against the three-year plan since they told us about it last year, as well as what milestones could be shared with the Committee.

11. As well as the challenges of including additional bodies in its consolidated accounts, we heard the timescales for audit have also moved significantly because of the additional complexities involved:

'... whereas the Welsh Government final account would be audited in about seven weeks, it's now to 13 weeks'.⁶

12. We asked whether the Welsh Government have agreed with Audit Wales on the timetable to sign off the 2023-24 Accounts and when would this be published.⁷ Welsh Government officials said they have discussed the timetable with Audit Wales and, at the time of the evidence session (March 2024), the signing of the 2023-24 accounts was unlikely to be brought forward.

13. Officials confirmed the target date for sign-off was 30 November 2024⁸, in line with its completion of the 2022-23 Accounts. Subject to approval by the Welsh Government's Audit and Risk Assurance Committee (ARAC), key dates relating to the audit and publication of the accounts would be included on the Welsh Government website⁹. This is in line with a recommendation made by our predecessor Committee in its report on the scrutiny of the 2017-18 accounts.

14. Discussions were ongoing with Audit Wales regarding the approach for the next three years, the accounts for 2023-24 to 2025-26 accounts. Therefore, the previous three-year planning horizon has been extended to four years¹⁰.

Processes

15. In April 2019, the former Permanent Secretary shared with the previous Public Accounts Committee (PAC) a paper presented to the Welsh Government's

⁵ RoP, 2 March 2023, paragraph 64

⁶ RoP, 20 March 2024, paragraph 37

⁷ RoP, 20 March 2024, paragraph 41

⁸ RoP, 20 March 2024, paragraph 42

⁹ RoP, 20 March 2024, paragraph 42

¹⁰ RoP, 20 March 2024, paragraph 40

ARAC about the lessons learned from the preparation of the 2017-18 Accounts.¹¹

This stated:

'In the medium term the Welsh Government needs to address the fact that it is reliant on complex spreadsheets to consolidate large volumes of data. This will become more of a factor as we consolidate additional public sector organisations. Unfortunately, it was not possible to take this forward for 2018-19. Nevertheless, our finance fast streamer is addressing the problem as part of his final year project. His conclusions and recommendations will be available by September this year'.¹²

16. The PAC noted these improvements were important given the alignment exercise would bring additional bodies within the Welsh Government's accounting boundary.¹³ The purpose of the 'alignment exercise' is to ensure the Welsh Government uses the same boundary for the budget presented to the Senedd as used by HM Treasury for control of public expenditure. It is also necessary for the Welsh Government to prepare its consolidated accounts on the same basis. The Welsh Government is completing this in phases, with public bodies being brought into its accounting boundary as it completes each stage.

17. The paper also set out the resources the Welsh Government had put in place for the preparation of the accounts: a team of five staff, with a Deputy Director to 'oversee the annual accounts along with the grants centre of excellence, governance and tax'.¹⁴ This 'double[d] the number of staff dedicated to the production of the annual accounts for 2018-19'.¹⁵

18. We noted the former Permanent Secretary's comments and, during our scrutiny of the 2022-23 Accounts, we asked officials whether they had addressed the Welsh Government's reliance on complex spreadsheets to consolidate large volumes of data. We also asked what assurance officials could give about the

¹¹ [Audit & Risk Committee paper - Lessons learned from the preparation of the 2017-18 annual accounts](#)

¹² [Audit & Risk Committee paper - Lessons learned from the preparation of the 2017-18 annual accounts](#), paragraph 11

¹³ [Report of the Public Accounts Committee, Scrutiny of Accounts 2018-19: Welsh Government](#), May 2020, paragraph 16

¹⁴ [Audit & Risk Committee paper - Lessons learned from the preparation of the 2017-18 annual accounts](#), paragraph 6

¹⁵ [Audit & Risk Committee paper - Lessons learned from the preparation of the 2017-18 annual accounts](#), paragraph 7

systems and processes used to prepare the accounts and whether they are fit for purpose.¹⁶

19. Officials acknowledged they were still using complex spreadsheets, but progress was being made in moving away from these due to obsolescence issues with the finance system more generally. In explaining this further we were told:

*'... our finance systems have been in place since 2010, and every organisation goes through obsolescence because the companies that provide these tools are constantly upgrading and, actually, remove support from older systems. So, we're looking at replacing our finance system over the next few years and, as part of that, we will be looking at the consolidation aspects of that for the accounts.'*¹⁷

20. We were also told that a 'solid business case' will need to be put forward and approved for the replacement. If approved, it could take another year or two, after a business case had been approved, to implement.¹⁸

Our view

21. As reported in our Scrutiny of Accounts 2021-22 report, we welcome the Permanent Secretary's commitment to annually publish the timetable for the preparation and publication of the Accounts. We still believe this is essential for transparency in financial reporting.

22. However, we note at the time of reporting, the Welsh Government has yet to publish the timetable for its 2023-24 Accounts, over six months after the end of the financial year to which they relate. As with our previous reporting on these matters, we recognise the existing challenges and complexities in finalising the accounts. However, as our predecessor PAC reported, the Welsh Government has an opportunity to lead the way in financial reporting, including transparency around the timetable for its accounts, and it is important it sets a high standard as an example for the rest of the public sector in Wales. We request the Welsh Government address this and publish the timetable for its 2024-25 Accounts once it has been agreed with Audit Wales.

23. We are concerned the Welsh Government is still using complex spreadsheets as part of its accounts preparation process, as we are about the obsolescence of

¹⁶ RoP, 20 March 2024, paragraph 45

¹⁷ RoP, 20 March 2024, paragraph 47

¹⁸ RoP, 20 March 2024, paragraph 47

their finance system. There are related business risks and potential resource implications, in terms of costs and staff time.

24. Given this, we welcome confirmation that the Welsh Government is looking to replace the finance system but are concerned that the business case for a replacement is still subject to approval. We note that, in April 2019, the former Permanent Secretary told the previous PAC that the Welsh Government was developing plans to address their reliance on complex spreadsheets to prepare the accounts. We acknowledge that the Welsh Government dealt with the Covid pandemic in the intervening period and since then there have also been growing complexities with preparing the accounts. However, we are concerned about the risks of continuing to use these complicated spreadsheets.

Recommendation 1. We recommend that the Welsh Government publishes its timetable for the 2024-25 Accounts once it has been agreed with Audit Wales.

Recommendation 2. We recommend that the Welsh Government provide the Committee with an update about the preparation for, and approval of, the business case for a replacement finance system, together with information about the plans and associated potential costs if the business case is not approved.

25. We noted in our Scrutiny of Accounts 2021-22 report that we were encouraged the Welsh Government had agreed to a three-year plan with the AGW, with a shared ambition to finalise the accounts in September. We are disappointed the Welsh Government has not yet made any progress in bringing forward target dates from the end of November and that the original plan to do this over three years has now been extended to four years. We recognise the challenges, including those noted about the finance system and continued use of complex spreadsheets. Nevertheless, it is important that the Welsh Government continues to work with the AGW to bring forward the accounts sign-off to September.

Recommendation 3. We recommend that the Welsh Government provide to the Committee, ahead of the scrutiny of the 2023-24 Accounts, an update about its plans to bring forward its accounts sign-off to September.

3. Welsh Government Workforce

Average Staff Numbers

26. The average number of all Welsh Government staff has increased year-on-year since 2017-18 after falling in successive years from 2014-15. The average number of staff for 2022-23 was the highest it's been over the last ten years (at almost 5,700 FTE), compared to the lowest in 2017-18 (just over 5,000 FTE).¹⁹

27. Table 1 sets out the average number of Full-Time Equivalent ('FTE') staff at the Welsh Government for each of the last ten years, as reported in the accounts.

Table 1: Welsh Government Average Number of Staff, 2013-14 to 2022-23 (FTE)

	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
All staff	5,497	5,556	5,293	5,111	5,022	5,092	5,317	5,421	5,582	5,695
Permanently employed staff	4,995	5,113	5,011	4,978	4,881	4,813	4,891	5,087	5,185	5,250
Other staff	495	433	273	126	132	270	416	322	386	431
Special advisers	7	10	9	7	9	9	10	12	11	14

Source: [Welsh Government Consolidated Annual Accounts, 2013-14 to 2022-23](#)

28. We note the increase in staff, including the significant increase since 2017, and queried whether there had been any period, during that time, when there had been anything that could be described as a cap imposed on the headcount.²⁰

29. The Permanent Secretary confirmed:

'No. We have had, in the past, concerns where our numbers have grown beyond our budget. So, there would be a concern from Ministers, generally, about us managing within that budget. But, in respect of the UK civil service arrangements, which we are part of, we did not have any head-count reductions applied to us, because, of course, Welsh Government Ministers set our budget and, irrespective of the UK civil service arrangements, we were put to the side of those

¹⁹ [Welsh Government Consolidated Accounts 2015-16, 2016-17, 2019-20 and 2022-23.](#)

²⁰ RoP, 20 March 2024, paragraph 100

expectations from UK Government that were being set for their own UK Government departments as well.²¹

30. However, we also heard for Welsh Government costs to remain within budget, it's inevitable there are some headcount limits. The Permanent Secretary stated, "whether it's a head-count limit or whether it's a budget, inevitably, there is a constraint on how we can organise ourselves."²²

31. We noted, from the analysis of staffing figures that over the last five to six years, there has been a growth in the average number of staff categorised as 'other staff'. We sought reasons for this and clarification on whether these staff were permanently employed.

32. While recognising the important role these staff play, the Permanent Secretary noted these were temporary roles. He explained it is a natural part of any organisation, including the civil service, to have flexibility in its workforce arrangements and temporary staff in place.²³ He added that this allowed the Welsh Government to recognise that there are some time-limited programmes in place which would not always require permanent substantive roles. He explained this by way of example:

'A programme for government may give an expectation that we do have a team in place only for a year or two years, and I think it does give us an opportunity to bring some new experience into the organisation. I think our temporary staff arrangements have also helped us to handle some of the diversity representation within the organisation as well'.

33. We heard the Welsh Government operated a range of different contracts, including fixed-term appointments and agency contracts. It also operated secondments and loan agreements with other organisations.²⁴

34. The Permanent Secretary noted the "temporary staff arrangements have also helped us to handle some of the diversity representation within the organisation".²⁵ He added:

²¹ , 20 March 2024, paragraph 107

²² RoP, 20 March 2024, paragraph 109

²³ RoP, 20 March 2024, paragraph 115

²⁴ RoP, 20 March 2024, paragraph 116

²⁵ RoP 20 March 2024, paragraph 115

*'I think one of my worries, as we look at some of the particular challenges that we're facing right now as an organisation, is that there are temporary staff in what feels as though they are substantive roles that will still be required in three years', in five years' time. So, irrespective of the underlying flexibility, I do think we need to take a look at that, but some of the growth has just been that we have been able to step in more quickly with some of our temporary staff arrangements.'*²⁶

Capacity

35. We asked the Permanent Secretary whether the limitations on staff numbers had contributed to some of the capacity constraints, such as the number of lawyers within the Welsh Government to deal with the legislative programme. We referred to evidence provided by the then Minister for Climate Change to the Legislation, Justice and Constitution Committee, which said one of the reasons the Welsh Government agreed to legislative consent motions rather than legislating as a Welsh Government was due to the lack of lawyers and civil service policy experts to tackle that work.²⁷

36. The Permanent Secretary stated:

*'I think they would have had an influence on some of that. Obviously, when we manage within our budget, we make choices. I think the lawyer example, for me, was trying to make sure that we were sensibly using the public money that we have available and just trying to use it to better effect. So, rather than feeling that it was suppressing it, I just thought that there was another route that we could take here, which is that we didn't need to rely on some of the more specialist external advice; we could translate it, actually, into public service areas. But, inevitably, the constraints that we operate in will have an implication and a knock-on effect in some of those areas as well.'*²⁸

²⁶ RoP, 20 March 2024, paragraph 115

²⁷ RoP, 20 March 2024, paragraph 110

²⁸ RoP, 20 March 2024, paragraph 111

37. He added:

‘One area that I’ve really tried to make feel different over the last two years, but certainly 18 months, is making sure that some of the constraints that were affecting the legislative programme and its ability to keep up with some of the expectations—. But we have actually, genuinely, invested in teams there, and that does include deploying some of the legal requirements and expertise that was required as well.’²⁹

38. In June 2023, the Children, Young People and Education Committee wrote to us highlighting its concerns about the capacity of the Welsh Government civil service, particularly in Health and Social Services.³⁰

39. In its Accounts, the Welsh Government notes:

‘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.’³¹

40. We asked the Permanent Secretary about where capacity problems are in the Welsh civil service. The Permanent Secretary explained that, at present, some of these capacity problems were arising from a full and intensive legislative programme which is a priority for the Welsh Government. For example, the Welsh Government has recently undertaken work on Senedd reform, to make sure it has kept up to date with expectations, and the team working on this area has been well-resourced. However, this has meant some expertise has been taken from elsewhere in the organisation.³²

²⁹ RoP, 20 March 2024, paragraph 112

³⁰ Letter from the Chair of the Children, Young People and Education Committee to the Public Accounts and Public Administration Committee on Civil service capacity, 22 June 2023

³¹ Welsh Government Consolidated Accounts 2022-23 – Accountability Report, page 147

³² RoP, 20 March 2024, paragraphs 96-97

41. Furthermore, we heard that over recent years the Welsh Government has adopted new functions and responsibilities and some of the current capacity constraints are arising from the revised responsibilities after EU exit.³³

42. Similarly, the Welsh Government has responded to emerging issues like supporting Ukrainians in Wales and accommodating Ukrainian arrivals. We heard, that since it did not have an existing team for this and recognising it as an area of priority, the Welsh Government had invested resources and created a team to support this work. The Permanent Secretary added:

*'given we're a compact organisation, it probably feels that we're often juggling those different priorities right across the organisation, and sometimes having to choose the one that is right in front of us.'*³⁴

43. In relation to capacity, we also asked about the role of the Civil Service fast stream and the concerns, at a UK level, about the deterioration in applications and the numbers taking part in the fast stream. Also, whether the offer had recently been changed, with successful applicants no longer able to spend their time entirely in Wales.

44. The Permanent Secretary explained that the Welsh Government had taken advantage of the fast stream and it provides an opportunity to 'demonstrate the devolved Government responsibilities in action'.³⁵ He added that he would like to:

*'find a way of pushing into some further, more practical mechanisms around the 'one Welsh public service' concept, which would allow us more to think about exchanges that are more specific to Wales in the round – possible not just the Welsh Government as an institution, but actually more generally across our public services.'*³⁶

45. Furthermore, the proposed national school of government would be part of that thinking too.³⁷

³³ RoP, 20 March 2024, paragraph 98

³⁴ RoP, 20 March 2024, paragraph 99

³⁵ RoP, 20 March 2024, paragraph 114

³⁶ RoP, 20 March 2024, paragraph 124

³⁷ RoP, 20 March 2024, paragraph 126

Local Partnerships

46. We queried the role of a company called Local Partnerships. We sought clarity on the Welsh Government's links to this company and whether using staff in companies such as this assisted the Welsh Government in overcoming some of the budgetary limits placed upon it.³⁸

47. At the time of giving oral evidence, officials were 'not aware' of the company, but they agreed to provide information following the evidence session.³⁹ Following its consideration of this information, the Committee followed up its interest in these matters during an evidence session with the Welsh Government on 12 June 2024.

48. Local Partnerships is a Limited Liability Partnership (LLP), established in July 2009. In its written evidence, the Welsh Government said until January 2018, Local Partnerships was owned equally by HM Treasury (HMT) and the Local Government Association (LGA).⁴⁰ It went on to note that, in January 2018, the Welsh Government had been admitted as a member, acquiring 5% capital at nil cost. HMT's 'share' was reduced to 45%. The Welsh Government confirmed its ownership "offers no entitlement for distributions nor exposure to calls for additional funding."⁴¹ In its written evidence, it notes:

*'WG irrevocably waived any distributions from the 5% holding, and would not be exposed to calls for additional funding should LP ever require such funding.'*⁴²

49. In its Report and Financial Statements for 2022-23, Local Partnerships noted HMT and the LGA are 'designated members', which have more responsibilities than ordinary members. These include acting for the LLP if it is wound up. If this happens, the net assets are to be distributed equally to HMT and the LGA.⁴³

50. As at 31 March 2023, HMT and the LGA had contributed £1.6m of capital to Local Partnerships, which is classified and treated as capital (but not as shares).

³⁸ RoP, 20 March 2024, paragraph 113

³⁹ RoP, 20 March 2024, paragraph 116

⁴⁰ [Letter from the Permanent Secretary](#), Public Accounts and Public Administration Committee – Welsh Government Annual Report and Accounts 2022-23, 15 April 2024

⁴¹ [Letter from the Permanent Secretary](#), Public Accounts and Public Administration Committee – Welsh Government Annual Report and Accounts 2022-23, 15 April 2024

⁴² [Letter from the Permanent Secretary](#), Public Accounts and Public Administration Committee – Welsh Government Annual Report and Accounts 2022-23, 15 April 2024

⁴³ Guidance - Set up and run a limited liability partnership (LLP)

51. Following our evidence session on 12 June 2024, the Director General and Chief Operating Officer at the Welsh Government provided further written information to the Committee. The letter confirmed that no decision report had been produced by the Welsh Government about its acquisition of a five per cent holding in Local Partnerships.⁴⁴

52. The letter set out that the Welsh Government has 14 members of its Local Partnerships staff based in Wales, all but one of whom has worked on projects with the Welsh Government (the exception is a non-client facing operational support officer). This is in the context of Local Partnerships having an average of 75 staff in the year to 31 March 2023.

53. We had requested information about other bodies in which the Welsh Government has an interest and from which it can procure services using the ‘Teckal exemption’⁴⁵, together with information about its use of them, including expenditure incurred, a list of contracts and the nature of the services/work procured under them. Also, confirmation whether the Welsh Government uses Single Tender Action to procure such services and if so, details about the cases in which it has done so.

54. The Welsh Government’s response did not provide the information we requested. It says it does not keep a central list of bodies from which it can procure services using the ‘Teckal exemption’. The letter also states:

*‘For procurement purposes, where Teckal exemption applies, there is no requirement for Welsh Government to go through any form of procurement process including Single Tender Action’.*⁴⁶

55. We asked the Welsh Government how it decides that obtaining consultancy services from Local Partnerships, rather than other external consultants, is appropriate for a project, and does the ability to award contracts to Local Partnerships without competition influence this.

⁴⁴ [Letter from the Welsh Government’s Chief Operation Officer](#), Local Partnerships LLP, 23 September 2024

⁴⁵ Local Partnerships benefits from an exemption from public procurement known as the ‘Teckal exemption’. This allows public sector organisations that participate in the joint control of Local Partnerships to award contracts to Local Partnerships without competition, provided certain requirements are met.

⁴⁶ [Letter from the Welsh Government’s Chief Operation Officer](#), Local Partnerships LLP, 23 September 2024

56. The letter explains that all expenditure incurred by the Welsh Government must comply with Managing Welsh Public Money, which the Committee has noted needs updating. While it adds there is no assumption Local Partnerships will be the default option when officials decide to appoint external consultants, the Welsh Government’s response doesn’t explain how they decide which company to use.

57. On long-term projects, the Welsh Government says “consultants are only used for as long as required”. However, for the Welsh Government Energy Service, it agrees an annual workplan with Local Partnerships to reflect changing requirements.

Financial pressures on resources and staffing

58. In October 2023, the Welsh Government changed its spending plans for 2023-24 since it had:

‘... experienced record prolonged levels of inflation along with continued challenges in the fiscal context, particularly in areas such as public sector pay. As a result, overall, we are having to spend more than previously planned this year, placing unprecedented pressure on the devolved Welsh Budget.’⁴⁷

59. The then Minister for Finance and Local Government (the ‘Minister’) confirmed “every Ministerial portfolio was asked to make a contribution to meeting the pressures we have on a cross-government basis”.⁴⁸

60. In July 2023, the Welsh Government said it needed to take “incredibly difficult decisions” in setting its budget for 2024-25.⁴⁹

61. We asked officials about the scale of the challenge facing the Welsh Government administration given the financial pressures for 2024-25, and how it is responding to them.

62. The Permanent Secretary explained that it was important to:

‘recognise that everything that every organisation is experiencing, because of the last two years of inflationary pressures and pay

⁴⁷ Welsh Government - Update on 2023-24 Financial Position, October 2023, page 1

⁴⁸ Senedd Cymru, Plenary, RoP, 17 October 2023, paragraph 127

⁴⁹ Minutes of the Welsh Government Board Meeting - 14 July 2023

awards and how that translates into costs, Welsh Government, of course, experiences that itself in terms of its own operating costs.⁵⁰

63. He added that, whilst over the years budgets have remained ‘pretty stable’, inflationary pressures have meant the Welsh Government’s budget has to do more with less funding. This has required the Welsh Government to consider how it can work differently as a result of these pressures.⁵¹

64. We noted the residual risk for the ‘Wellbeing of staff’ increased during 2022-23 to ‘very high’ (and critical). We queried why and how the Welsh Government are addressing the risk, particularly given the financial pressures the organisation is facing.

65. The Director of HR explained the risk had increased to reflect several different elements, including the cost-of-living crisis and the related challenges staff feel they face. He added responses to the Welsh Government’s staff survey indicated around 20 per cent of staff felt workload pressures. On that basis, the Welsh Government deemed it was the right time to increase the residual risk, suggesting it was reverting to its previous level.⁵²

66. We heard the Welsh Government was considering the well-being of staff through the new health and well-being strategy, as well as a new approach to look at acceptable workloads and how activity is prioritised across the organisation through Welsh Government 2025. In response to specific questions about the health and well-being support it provides, the Welsh Government said it had a 72 per cent positive response rate in its staff survey. This compares favourably with the Civil Service average of around about 60 per cent, but the Director of HR recognised more work was needed.⁵³

67. He added that part of the challenge is explaining to staff the support that’s available and that the organisation would like them to take up that support.⁵⁴

⁵⁰ RoP, 20 March 2024, paragraph 148

⁵¹ RoP, 20 March 2024, paragraph 148

⁵² RoP, 20 March 2024, paragraph 170

⁵³ RoP, 20 March 2024, paragraph 171

⁵⁴ RoP, 20 March 2024, paragraph 172

Workforce planning and management

68. In its response to the Committee report on the 2021-22 Accounts, the Welsh Government noted it had, in January 2023, published its workforce action plan for year one with:

*'... key 'chapters' of the strategy now in place including a new Values and Behaviours Framework, Health, Safety and Well-being Strategy, Capability and Skills Plan and Promotion and Progression approach. Priorities for 2024 are currently being discussed as part of the overarching WG2025 priorities. Our year one action plan will be shared with the Committee.'*⁵⁵

69. It is committed to reviewing its Workforce Delegation and Accountability Framework by April 2025.⁵⁶ This is later than set out in the Welsh Government's response to Audit Wales' report, 'Welsh Government workforce planning and management' (September 2022), which said it would undertake a formal review "at the end of 2023-24".⁵⁷

70. The Welsh Government rejected the Committee's recommendations that it provide six monthly updates about the development of its new workforce strategy [Recommendation 23] and the introduction of the Workforce Delegation and Accountability Framework [Recommendation 24]. This was on the grounds that these were operational matters.⁵⁸

71. During our scrutiny of the 2022-23 Accounts, the Welsh Government said it launched its new HR information system (Pobl) in July 2023, adding "Work to fully embed the system, further develop reporting capability and enable longer term business improvements continues".⁵⁹

⁵⁵ [Welsh Government response to Public Accounts and Public Administration Committee Report on Welsh Government Annual Report and Accounts 2021-22](#), 12 February 2024

⁵⁶ [Welsh Government response to Public Accounts and Public Administration Committee Report on Welsh Government Annual Report and Accounts 2021-22](#), 12 February 2024

⁵⁷ [Welsh Government response to Audit Wales Report: Welsh Governments approach to workforce planning and management](#), 5 October 2022

⁵⁸ [Welsh Government response to Public Accounts and Public Administration Committee Report on Welsh Government Annual Report and Accounts 2021-22](#), 12 February 2024

⁵⁹ [Welsh Government response to Public Accounts and Public Administration Committee Report on Welsh Government Annual Report and Accounts 2021-22](#), 12 February 2024

72. We asked about the status of the new HR system and if not yet completed, how the Welsh Government was ensuring it has accurate and timely information to support workforce management.

73. The Chief Operating Officer explained that the new HR system had been deployed in July 2023, with the previous systems past their sell-by date and out of support.⁶⁰ He noted the clear business risk and the need to implement those systems but assured us the system was now operating. He added that the Welsh Government also has a long-term strategy, which includes HR, finance and associated systems.⁶¹

Staff Sickness Absence

74. Table 2 sets out the Welsh Government's sickness absence, as reported in its annual accounts, from 2013-14 to 2022-23. It shows, in total, around 43,800 days were lost in 2022-23, matching the highest level reported over the last decade, in 2014-15. Total sickness days in 2022-23 were broadly split between short-term absences (51%) and long-term absences (49%). 48% of staff did not take any sick leave in 2022-23, the lowest level since 2017-18.

⁶⁰ RoP, 20 March 2024, paragraph 139

⁶¹ RoP, 20 March 2024, paragraph 139

Table 2: Welsh Government Sickness Absence, 2013-14 to 2022-23⁶²

	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19*	2019-20	2020-21	2021-22	2022-23
Days lost (short term)	19,156	20,631	18,967	17,354	17,818	16,545	18,321	12,103	21,018	22,329
Days lost (long term)	19,534	23,161	23,977	22,876	22,627	23,840	17,291	14,315	20,109	21,408
Total days lost (12 month period)	38,690	43,792	42,944	40,230	40,445	40,385	35,612	26,418	41,127	43,737
% staff with no sick leave	43%	41%	42%	44%	44%	49%	50%	68%	53%	48%
Average working days lost	7.1	7.9	8.1	7.8	8.0	7.9	6.9	5.1	7.6	8.0

75. The Welsh Government says COVID-19 continued to impact sickness levels during 2022-23, accounting for 13% of all absences.⁶³ ‘Respiratory system’ (including colds) increased by 43% during the year, which could mask further COVID-19 cases given the similarity of symptoms for those with mild cases.⁶⁴

76. While it refers to its Health and Wellbeing practices and Attendance Management Policy, it does not quantify how many days were lost due to mental health, or any reasons other than COVID-19 or respiratory system illnesses.⁶⁵

77. We asked why the number of days lost to sickness in 2022-23 is the highest since 2014-15 and what actions the Welsh Government are taking to address it. The Director of HR told us that the trends being seen are similar to those across the Civil Service and the wider public sector.⁶⁶ The reasons for this are twofold:

⁶² Note* This represents the sickness absence data reported in the 2022-23 Accounts, which differs to that reported for 2018-19 in the 2019-20 Accounts. Source: [Welsh Government Consolidated Accounts 2015-16 \(page 45\)](#), [2016-17 \(page 52\)](#), [2019-20 \(page 93\)](#) and [2022-23 \(page 187\)](#).

⁶³ [Welsh Government Consolidated Accounts 2022-23](#), page 186

⁶⁴ [Welsh Government Consolidated Accounts 2022-23](#), page 186

⁶⁵ [Welsh Government Consolidated Accounts 2022-23](#), page 186

⁶⁶ RoP, 20 March 2024, paragraph 133

long-term sickness absence, and, in particular, around mental health; and, in 2022-23, short-term sickness relating to COVID-19.⁶⁷

78. We heard the well-being of the workforce is of paramount importance, and the Welsh Government has implemented proactive measures to support employee wellbeing.⁶⁸ These include the adoption of a new health and well-being and safety strategy (published last year), mental health and well-being surgeries and proactive case advice support from the HR team. In addition, the Welsh Government has an established occupational health and employee assistance programme.⁶⁹

79. Looking forward, the Welsh Government is to establish a health and well-being and safety assurance board so that it can look at “a more proactive measure” across the organisation of its health, safety and well-being risks.⁷⁰ The Chief Operating Officer added, “there's a lot more that we can do and will be doing in this space”.⁷¹

Our View

80. We are concerned about the lack of information available in the public domain regarding the Welsh Government’s involvement with and use of Local Partnerships. We are disappointed the Welsh Government did not publish a decision report to record its acquisition, in January 2018, of a five per cent holding in the company. We believe there should have been more transparency and openness surrounding this decision.

81. We also believe there should be more transparency in the Welsh Government’s use of Local Partnerships, and other companies from which it procures services using the ‘Teckal exemption’ or Single Tender Action. We were surprised the Welsh Government does not centrally maintain a list of bodies from which it is able to procure services using the ‘Teckal exemption’ or a list of contracts procured through that route.

Recommendation 4. We recommend that the Welsh Government should collate and maintain a list of bodies from which it is able to procure services using the

⁶⁷ RoP, 20 March 2024, paragraph 133

⁶⁸ RoP, 20 March 2024, paragraph 135

⁶⁹ RoP, 20 March 2024, paragraph 135

⁷⁰ RoP, 20 March 2024, paragraph 135

⁷¹ RoP, 20 March 2024, paragraph 136

'Teckal exemption' or a list of contracts procured through that route and once completed, it shares this with the Committee.

Recommendation 5. We recommend the Welsh Government should share with this Committee information about its use of Local Partnerships, including expenditure incurred, a list of contracts and the nature of the services/work procured under them.

Recommendation 6. We recommend that the Welsh Government confirms the criteria it adopts for publishing decision reports and why such a report was not published when it decided to acquire a 5 per cent share in Local Partnerships.

Recommendation 7. We recommend the Welsh Government confirms whether it procures consultancy services and other project work through Single Tender Action, and if so, provide details about the cases in which it has done so.

82. We note several factors have increased pressure on the capacity of the Welsh Government civil service. This is particularly the case with some of the capacity problems described by the Permanent Secretary as arising from a full and intensive legislative programme. We note that this has meant some expertise has been deployed within the organisation.

Recommendation 8. We recommend that the Welsh Government provide information to the Committee about the areas in which it has identified skills and capacity pressures with its workforce and explain how it plans to address them, including explaining how resources will be reallocated and prioritised to meet these pressures.

83. We believe it is important for the Welsh Government Civil Service to be thinking in the longer term about the challenges of ensuring it has the right skills and capacity in place to meet increasing demands and changing areas of priority. Such longer-term planning will help ensure there is a pipeline of talent to future-proof skills and expertise that is required and a National School of Government and One Public Service for Wales will be crucial to that.

Recommendation 9. We recommend that the Welsh Government provide the Committee with detailed plans and objectives of how it proposes to take forward the concept of a One Public Service for Wales and the initiatives it has in place to develop and share expertise across Welsh public services.

84. We are concerned about the increases in staff sickness absence within the Welsh Government. We heard there were two main reasons for this: long-term sickness absence; and short-term sickness relating to COVID-19.

85. We recognise the importance of effectively managing staff absences while ensuring the wellbeing of staff. We note that the Welsh Government is monitoring staff absence levels but it does not quantify how many days lost are due to mental health reasons. In order to ensure these absences are managed appropriately we believe the accounts should include an more detailed analysis of the causes of sickness absence.

86. While we note that the increase in sickness absence is in line with a wider trend across public services, we heard the Welsh Government is providing ‘proactive case advice support from the HR team’ to staff who are unwell. We heard the Welsh Government is looking to establish a health and well-being and safety assurance board so that it can look at “more proactive measure(s)”. The Chief Operating Officer told us “there's a lot more that we can do and will be doing in this space”.⁷² We would welcome information about the actions the Welsh Government is taking to address the increase in staff absence due to sickness, the support being provided to staff, as well as about the role of the health and well-being and safety assurance board and what difference this is expected to have.

Recommendation 10. We recommend that the Welsh Government include, in their accounts, a breakdown of the sickness absence data to differentiate absences due to mental health from other illnesses.

Recommendation 11. We recommend that the Welsh Government provide information about the actions officials are taking to address the increase in sickness absence and the support provided to staff, as well as the objectives for establishing a health and well-being and safety assurance board and its intended impact.

87. In terms of looking beyond the year covered by the Accounts, we note the Welsh Government, like most public sector organisations in Wales, is facing significant financial pressures during the 2024-25 financial year and beyond. We will continue to scrutinise how the Welsh Government is responding to such pressures and the impact on its staff during our scrutiny of the Welsh Government’s 2023-24 Accounts.

⁷² RoP, 20 March 2024, paragraph 136

4. Welsh Government 2025

A three-year plan

88. During 2022-23, the Permanent Secretary introduced ‘Welsh Government 2025’ (‘WG2025’): the “three-year plan for developing the organisation to be fit for purpose in a post-pandemic, post-EU exit world”, supporting Ministers more effectively and delivering for people and communities in Wales within an increasingly challenging financial and global context.⁷³

89. In its 2022-23 Accounts it said, by December 2025, it **wanted** 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 they 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 they work through digital technology.
5. Use their estate to support the Welsh public service in a safe, sustainable, and efficient way.⁷⁴

90. It added, “Welsh Government 2025 will be the catalyst for driving the changes and improvements we need to reach our goals”.⁷⁵

Progress and changes to the programme

91. Progress highlights by April 2023, included:

- new internal promotion arrangements.
- re-design of its offices to support hybrid working.
- final stages of testing for the new HR systems.

⁷³ Welsh Government Consolidated Accounts 2022-23, page 3

⁷⁴ Welsh Government Consolidated Accounts 2022-23, page 66

⁷⁵ Welsh Government Consolidated Accounts 2022-23, page 67

- pilots to explore external digital collaboration.
- work to establish a workforce delegations' framework.
- publication of its new Welsh Government Values and Behaviours Framework.⁷⁶

92. In its 2022-23 Accounts, the Permanent Secretary said “I am pleased with the early progress we have made, particularly given the challenging environment we are operating in”.⁷⁷

93. We asked the Permanent Secretary how Welsh Government 2025 was ensuring the organisation is fit for purpose.⁷⁸

94. The Chief Operating Officer told us, given the budgetary challenges it faced, the Welsh Government 2025 programme had been “refocussed” to three work streams⁷⁹. One of these, 'reshape', is looking at the skills, the capability, the priorities within the organisation, and making sure these are focused in the right areas.⁸⁰

95. ‘Resize’, one of the other workstreams, is looking at how the Welsh Government could manage with fewer staff.⁸¹ On this workstream, we were told the Welsh Government had launched a voluntary exit scheme with the expectation that around 150 staff may leave the organisation.⁸²

Our view

96. Officials have said the Welsh Government 2025 programme “will be the catalyst for driving the changes and improvements we need to reach our goals”.⁸³ Given its importance, we are concerned to hear the programme has been “refocussed”.

97. However, the changes to the Welsh Government’s plans and objectives for the programme were not clear from the evidence. Given this, we would welcome further information about the Welsh Government’s assessment of the

⁷⁶ Welsh Government Consolidated Accounts 2022-23, page 67

⁷⁷ Welsh Government Consolidated Accounts 2022-23, page 2

⁷⁸ RoP, 20 March 2024, paragraph 119

⁷⁹ RoP 20 March 2024, paragraph 128

⁸⁰ RoP, 20 March 2024, paragraph 127 - 128

⁸¹ RoP, 20 March 2024, paragraph 144

⁸² RoP, 20 March 2024, paragraph 146

⁸³ Welsh Government Consolidated Accounts 2022-23, page 67

consequences of streamlining the programme and what this means for its plans for organisational change and improvement.

98. We would also welcome an update about the progress of the work under the programme, specifically on the skills, capability and priorities for its workforce, together with further evidence to demonstrate how this work is addressing capacity challenges.

Recommendation 12. We recommend the Welsh Government provide the Committee with its assessment of the impact of streamlining its Welsh Government 2025 programme and what this means for its plans for organisational change and improvement.

Recommendation 13. We recommend the Welsh Government provide an update about the progress of the work under the Welsh Government 2025 programme, specifically on the skills, capability and priorities of its workforce, together with further evidence to demonstrate how this work is addressing capacity challenges

99. We note the Welsh Government had, at the time of our scrutiny session, launched a voluntary exit scheme with the expectation that around 150 staff may apply to leave the organisation.

Recommendation 14. We recommend that the Welsh Government provide the Committee with an update on the outcomes of its recent voluntary exit scheme, including the numbers of staff who have applied to leave the organisation and the cases approved, as well as the criteria for assessing applications and the anticipated savings arising from the scheme.

Recommendation 15. Noting the recent Welsh Government's voluntary exit scheme and the potential loss of experience and expertise within the workforce, we recommend the Welsh Government provide the Committee with information about how the related risks are being mitigated.

5. Senior Civil Service

100. In April 2022, the Permanent Secretary changed the senior structure of the Welsh Government. This included introducing the role of Chief Operating Officer (COO), responsible for providing leadership to directorates including people and places, finance, and digital and analytical services. Tim Moss took up the role on 1 September 2022.⁸⁴

101. We noted the creation of the COO role had been an ambition of the then First Minister, Mark Drakeford MS, since at least the start of the Sixth Senedd. In May 2021, he told the Senedd appointing a COO would allow the Permanent Secretary to "help make the Programme of the Government succeed".⁸⁵

102. The Permanent Secretary has subsequently made further changes to the structure. In 2023-24, he established the 'Public Services and Welsh Language Group', a merger of the Covid Recovery and Local Government Group (CRLG) and Education, Social Justice and Welsh Language Group.

103. We noted these changes and asked officials what difference they had made to the day-to-day running of the organisation.

104. The Permanent Secretary told us the COO provided a supportive leadership role within the organisation on core corporate services and oversight of finance and the workforce. We heard this has allowed the Permanent Secretary to spend more time "...on that advisor role to the First Minister and Cabinet, particularly on some of the trickier policy areas that Cabinet would expect advice on".⁸⁶ The Permanent Secretary added:

'I have been able to apply more leadership on examples such as the legislative programme that Welsh Government discharges, which does require a lot of time and attention, and it has allowed me, I hope, to think about the strategic outlook of Welsh Government as an organisation, not just as a mechanism that supports Ministers'.⁸⁷

⁸⁴ [Welsh Government Consolidated Accounts 2022-23](#), page 174

⁸⁵ RoP, Plenary, 19 June 2021, paragraph 28

⁸⁶ RoP, 20 March 2024, paragraph 57

⁸⁷ RoP, 20 March 2024, paragraph 57

Senior Civil Service pay

105. In our report on the 2021-22 Accounts⁸⁸, we noted the planned improvements to the framework for delegations for decisions relating to Senior Civil Servants, following the AGW's Public Interest Report, 'Payment to the Welsh Government's Former Permanent Secretary on Termination of Employment'⁸⁹ (September 2022). These included:

- Updating SCS recruitment and resourcing guidance with clear process maps, delegations and approval routes in relation to SCS salaries including areas such as partial retirement and interaction with Welsh Government policies where there may be overlap between Cabinet Office and Welsh Government responsibilities.
- Reviewing the terms of reference for the Remuneration Committee to bring greater clarity to the role and remit & review of the Business Case template and process to enhance the clarity of HR advice provided to the Committee.
- Implementing the Permanent Secretary Terms & Conditions framework, continue to work with the Cabinet Office to better define the respective roles and responsibilities of the Cabinet Office and Welsh Government and develop standard file notes to ensure arrangements with Cabinet Office involvement capture all relevant approvals and policy application.

106. In relation to this final bullet point, in its response to our report on the 2020-21 Accounts (May 2023)⁹⁰, the Welsh Government had previously noted that the Cabinet Office had not yet started the review of its relationship with the Permanent Secretaries of the Welsh Government and Scottish Government.

107. In our report on the 2020-21 Accounts, we stressed the importance of work in this area being properly carried out and completed on a timely basis. As agreed at that time, we revisited this during our scrutiny of the Welsh Government's 2022-23 Accounts and asked the Permanent Secretary to provide an update.

108. The Permanent Secretary acknowledged he had corresponded with us on these matters on numerous occasions and had given a commitment to ensuring

⁸⁸ Report of the Public Account and Public Administration Committee, [Scrutiny of Accounts - Welsh Government 2021-22](#), October 2023

⁸⁹ Audit Wales Report, Payment to the Welsh Government's Former Permanent Secretary on Termination of Employment,

⁹⁰ [Welsh Government response to the Report of the Public Accounts and Public Administration Committee. Scrutiny of the Accounts for the Welsh Government 2020-21](#)

actions were put in place to deliver the required improvements.⁹¹ He confirmed these actions have been overseen by the Welsh Government's Remuneration Committee, adding:

'There are mechanisms that we've put in place, and you may recall us describing last year the protocol that is now in place should there be any requests for part-time working from senior civil service members. We're very clear; there's a pathway to follow in order to decide if that is a decision that makes sense for the organisation alongside the individual. So, those mechanisms are in place'.⁹²

109. The Permanent Secretary explained that other delegation framework mechanisms were in place across the senior civil service to try and balance the central oversight with giving permission to make decisions. He acknowledged the risk of everything having to be done via a committee mechanism and there was a need to enable line managers to feel that they are able, with their experience, to discharge decisions on behalf of the organisation.⁹³

110. We were also told the civil service commissioner arrangements, which oversee Welsh Government appointment and recruitment processes, provide further assurance.⁹⁴

Pay Policy Statement

111. In its report on the 2021-22 Accounts⁹⁵, the Committee recommended the Welsh Government ensured it published the Pay Policy Statement for the year to March by the time the Permanent Secretary approved and signed the Accounts for the same financial year. It added this should start with the Pay Policy Statement for 2023 and the Accounts for 2022-23. This would ensure the Committee is able to scrutinise each year the Pay Policy Statement, alongside the accounts.

⁹¹ RoP, 20 March 2024, paragraph 67

⁹² RoP, 20 March 2024, paragraph 67

⁹³ RoP, 20 March 2024, paragraph 68

⁹⁴ RoP, 20 March 2024, paragraph 69

⁹⁵ Report of the Public Accounts and Public Administration Committee, [Accounts Scrutiny 2021-22 Senedd Commission](#), December 2022

112. The Welsh Government accepted this recommendation adding:

*'The 2023 Pay Policy Statement is now complete and has been agreed internally and is going through the translation and design process. It will be published on the Welsh Government website before the end of February 2024.'*⁹⁶

113. We noted the Pay Policy Statement was not published until 18 March 2024, only two days before the Committee held its oral evidence session. We asked what caused the delay in publication.

114. The Permanent Secretary explained that, with the Chair of the Remuneration Committee standing down in-year, there was confusion about who would sign off the pay policy. In the end, the Permanent Secretary had, as the Principal Accounting Officer, approved the Pay Policy Statement for 2022-23. However, due to an oversight, the document had not been published as directed, causing the delay. The Permanent Secretary apologised for this.⁹⁷

Partial retirement

115. During our scrutiny of the Welsh Government's 2021-22 Accounts, we noted the Director of Propriety and Ethics' application for partial retirement had been approved. The Welsh Government said it implemented additional steps to the approval process, following the AGW's Public Interest Report about the payment to the former Permanent Secretary. This was to "ensure good governance and transparency"⁹⁸. While the number of requests for partial retirement were "very small"⁹⁹, the Welsh Government wanted to ensure it maintained flexibility for all staff, regardless of grade.

116. In our report, we recommended the Welsh Government provided information about who approved the Director of Propriety and Ethics' request for partial retirement. We also sought assurance that the issues identified by the Committee, in relation to the former Permanent Secretary's working arrangements from 1 April 2018, did not apply in this instance. We requested

⁹⁶ ⁹⁶ [Welsh Government response to Public Accounts and Public Administration Committee Report on Welsh Government Annual Report and Accounts 2021-22](#), 12 February 2024

⁹⁷ RoP, 20 March 2024, paragraph 84

⁹⁸ RoP, 2 March 2024, paragraph 97

⁹⁹ RoP, 2 March 2024, paragraph 97

further information about this role and noted that it was being delivered on a part-time basis [Recommendation 9].

117. The Welsh Government's response included this information on a confidential basis.

118. In the 2022-23 Accounts, we noted that two senior officials had applied for, and been approved, partial retirement. We asked the Permanent Secretary how many of his senior team had partially retired, how he was managing the reduction in capacity and ensuring parity of treatment with other members of the senior team.

119. The Permanent Secretary set out the changing context for part-time working and partial retirement occurring within public services and the civil service as people get older and work later into life.¹⁰⁰ The Permanent Secretary told us there are:

*'We have nine civil servants out of our senior civil servant body who are partially retired [...] that's out of 217 people who we have in the senior civil service, so it's a small percentage. We have looked at the arrangements elsewhere, not least within the UK civil service, and there seem to be very similar arrangements in place.'*¹⁰¹

120. He added, across the organisation as a whole, a total of 144 staff had taken partial retirement. He noted the organisation was likely to see an increase in partial retirement requests as individuals can access pension arrangements earlier and continue working. Reflecting on the positives of this, he said the organisation could provide flexibility while retaining knowledge and experience.¹⁰²

Our View

121. In relation to the Pay Policy Statement we are disappointed that it was not published in time for our scrutiny of the Welsh Government's Annual Report and Accounts. We hope that the statement for the financial period 2023-24 will be published at the same time the Welsh Government Accounts for 2023-24 are laid before the Senedd.

¹⁰⁰ RoP, 20 March 2024, paragraph 76

¹⁰¹ RoP, 20 March 2024, paragraph 77

¹⁰² RoP, 20 March 2024, paragraph 78

122. We welcome the Welsh Government's flexible approach to partial retirement and particularly that this flexibility extends to staff at all grades in the organisation. It is positive to hear that this is helping to retain knowledge and experience but the Committee would like to understand how the Welsh Government is managing the changes to roles, responsibilities and capacity as a result of the reduction in working hours when staff take partial retirement. The Committee also wishes to explore about the work the Welsh Government is undertaking to ensure there is pipeline of talent. We would like to discuss these and the Welsh Government's approach to succession planning during our scrutiny of the 2023-24 accounts.

6. Losses and Special Payments

Losses

123. The Welsh Government reported 131 losses in 2022-23, with an aggregate value of £13.2m (2021-22: 150 losses, value £12.3m)¹⁰³. The value of six of these individually exceeded £300,000 and, as required by Managing Welsh Public Money, the Welsh Government reports these separately in its accounts.¹⁰⁴ These include the write-off of expired non-COVID-19 drug stocks (£1.5m), COVID-19 medicines and lateral flow tests (£1.3m) and road project write-offs (£5.7m). We set out information about the other three losses below.¹⁰⁵

Holiday Free School Meals Grant

124. An error in the administration of the Holiday Free School Meals Grant resulted in an overpayment of £1.885m across all local authorities and is reported as a loss.¹⁰⁶ This occurred because the payments to local authorities for administering the scheme were made at a “higher rate than intended for a period of time”.¹⁰⁷

125. In the Accounts, the Welsh Government states:

“... 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”¹⁰⁸.

126. It goes on to say it has strengthened guidance and processes for the administration of the grant, with the administration fee reset at the “appropriate” level¹⁰⁹.

¹⁰³ Welsh Government Consolidated Accounts 2022-23, Accountability Report, p165

¹⁰⁴ Welsh Government Consolidated Accounts 2022-23, Accountability Report, p165

¹⁰⁵ Welsh Government Consolidated Accounts 2022-23, Accountability Report, p165

¹⁰⁶ Welsh Government Consolidated Accounts 2022-23, Accountability Report, p148

¹⁰⁷ Welsh Government Consolidated Accounts 2022-23, Accountability Report, p148

¹⁰⁸ Welsh Government Consolidated Accounts 2022-23, Accountability Report, p148

¹⁰⁹ Welsh Government Consolidated Accounts 2022-23, Accountability Report, p148

127. The Welsh Government’s Director of Finance provided further details, explaining:

“When we looked at it in terms of potential recovery, the local authorities had actually obviously complied with the grant's terms and conditions. But also, when we looked at the administrative fee in terms of the work that was needed, it was actually felt that probably the higher figure was probably more realistic than the original figure. Because the original figure was set at the £5, not the £10, we felt that it was important to be transparent and report that through our losses statement”¹¹⁰.

128. He went on to state that, at the time the fund was established, responsibility had been split across two directorates. However, the responsibility now sat with one directorate. He also noted, since then, a grant assurance panel had been established, which we understand to have been established in September 2018, explaining:

“... when we're looking at new schemes like this, or any other schemes across the Welsh Government, the panel is there to advise policy officials when they're putting grants in place, but they're also there to challenge certain issues. And one of the things that we have come to learn how to challenge is the administrative cost. We always ask about the administrative costs, as well as the other terms and conditions”¹¹¹.

Special payments

129. During 2022-23, the Welsh Government agreed a compensation payment, including costs, of £1.3m for a “third party claim due to a road traffic incident”, with further disclosures prohibited on the “ground of legal privilege¹¹². This is included as a ‘special payment’ in the 2022-23 Accounts.

¹¹⁰ RoP, Public Accounts and Public Administration Committee, 20 March 2024, p208

¹¹¹ RoP, Public Accounts and Public Administration Committee, 20 March 2024, p209

¹¹² Welsh Government Consolidated Accounts 2022-23, Accountability Report, p149

130. The Permanent Secretary provided some further context (within the parameters of the aforementioned legal privilege restrictions):

“... one of the reasons that we were exposed to it is because, of course, Welsh Government owns and is responsible for the strategic road network in Wales...”

... the circumstances that are connected with the claim, they have been reviewed and considered. We've ensured that the lessons have been learned, and that's been fed back into the network maintenance programme. You were asking about how we are involved in it: because we are responsible for the road network”¹¹³.

Our view

131. The Committee is thankful to the Welsh Government for their candour in providing further information about the losses and special payments made during the year. We will always be interested in exploring issues such as these in detail, as it's vitally important that this Committee seeks accountability for any losses from public finances.

¹¹³ RoP, Public Accounts and Public Administration Committee, 20 March 2024, p212-213

7. Governance and Assurance

Audit and Risk Assurance Committee

Role

132. In his introduction to the Accounts, the Chair of the Audit and Risk Assurance Committee ('ARAC') says:

"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"¹¹⁴.

Committee papers

133. In this Committee's previous report, we reiterated our predecessor Committee's recommendation on the publication of ARAC records, suggesting that the Welsh Government should publish, as a minimum, the agenda for the ARAC along with a summary of the issues arising in the meetings¹¹⁵.

134. This recommendation was accepted by the Welsh Government, who stated:

"The Welsh Government is aware of the recommendation accepted previously to publish ARAC Agendas and a summary of issues covered. The work of the ARAC Secretariat has been affected in recent years by the impact of Covid, changes in working practices and reorganisation within the Welsh Government which has led to publication not being prioritised"¹¹⁶.

135. In his evidence to the Committee, the Permanent Secretary confirmed that this recommendation would be implemented shortly, stating that the meeting for

¹¹⁴ Welsh Government Consolidated Accounts 2022-23, Annual Report, p4

¹¹⁵ Public Accounts and Public Administration Committee, Scrutiny of Accounts 2021-22: Welsh Government, p51

¹¹⁶ Letter from the Welsh Government's Permanent Secretary to the Chair of the Public Accounts and Public Administration Committee, 12 February 2024

validating the minutes was being held the following day, with the publication to follow shortly afterwards¹¹⁷.

Internal Audit

136. In 2022-23, the Welsh Government's Internal Audit Services issued 42 reports, with "limited assurance" opinions provided for 7 of those reports, and a "no assurance" opinion in 1 other¹¹⁸.

137. During the Committee's scrutiny of the Welsh Government's 2021-22 Accounts, we recommended the Welsh Government provide, in its accounts, additional information where the Head of Internal Audit provides limited or no assurance, as well as where there is identified fundamental weaknesses¹¹⁹.

138. However, this recommendation was rejected by the Welsh Government on the grounds that it had compared the information in its accounts with that reported by other devolved administration and UK Government Departments. It concluded it already discloses more about internal audit outcomes¹²⁰. The letter suggested:

"The better outcome is sufficient openness and transparency in the Governance Statement about critical controls issues or risks which have not been managed effectively as part of the risk mitigation commentary, rather than increased information about internal audit activity. It might, perhaps, provide greater assurance to a reader that such control issues have been disclosed if this were to be confirmed by the Head of Internal Audit for inclusion in the commentary on their annual assurance opinion".

139. In response to question about "limited assurance" opinions from internal audit during 2022-23, the Permanent Secretary told the Committee:

"... this is, again, a good example of how we use internal audit within the organisation, because whilst, on the one hand, it can give us assurance and confidence on a range of corporate systems, the

¹¹⁷ RoP, Public Accounts and Public Administration Committee, 20 March 2024, p226

¹¹⁸ Welsh Government Consolidated Accounts 2022-23, Accountability Report, p140

¹¹⁹ Public Accounts and Public Administration Committee, Scrutiny of Accounts 2021-22: Welsh Government, p51

¹²⁰ Letter from the Welsh Government's Permanent Secretary to the Chair of the Public Accounts and Public Administration Committee, 12 February 2024

advantage of an internal audit service is for us to actually use it to point towards problems and issues in the organisation. From a limited assurance perspective, I'd almost be more worried if we had everything with 'substantial assurance' and 'reasonable', because I think it would mean that we're not looking for areas"¹²¹.

140. He reported 18 recommendations had been made in those reports, of which 12 had been implemented to the satisfaction of the internal audit team¹²². In relation to the outstanding recommendations, he stated:

"The six actions that remain are more complicated in some respects, because... they relate to the sustainable procurement area, and one of the things that we've got to work our way through there, in an organisation that is now budget constrained and with an inability to just appoint because we want to, because we have to manage within the money, if we want to meet some of the criteria that internal audit have highlighted on procurement..."¹²³.

141. In relation to the "no assurance" report, he explained that it related to project delivery and the organisation's approach to risk¹²⁴.

142. When challenged about whether more information could be provided to the public on these reports, the Permanent Secretary stated that he was sure there was a way for the Welsh Government to "satisfy the committee on its recommendations", albeit he reiterated his opinion that the Welsh Government provides more information than equivalent organisations¹²⁵.

143. He explained there was "partly a protective approach to the internal audit function itself", noting he was anxious that they feel that they can "openly and transparently do those things internally in the organisation, without feeling that it's always about the kind of external understanding"¹²⁶.

144. However, he committed to reviewing and developing the information that they provide in public, to provide further satisfaction to the Committee¹²⁷.

¹²¹ RoP, Public Accounts and Public Administration Committee, 20 March 2024, p237

¹²² RoP, Public Accounts and Public Administration Committee, 20 March 2024, p238

¹²³ RoP, Public Accounts and Public Administration Committee, 20 March 2024, p238

¹²⁴ RoP, Public Accounts and Public Administration Committee, 20 March 2024, p239

¹²⁵ RoP, Public Accounts and Public Administration Committee, 20 March 2024, p241

¹²⁶ RoP, Public Accounts and Public Administration Committee, 20 March 2024, p241

¹²⁷ RoP, Public Accounts and Public Administration Committee, 20 March 2024, p242

Risks

145. The Welsh Government set out more information about its risk profile in the 2022-23 Accounts than they have customarily done so, following a series of recommendations from this Committee, as well as its predecessor. The 2022-23 Accounts provide an overview of the Corporate Risk Register, showing the assessment of the residual risk score at the start and end of the year¹²⁸. It shows¹²⁹:

- The residual risk of impact and likelihood of 8 of the 20 risks at year-end was assessed to be “very high” (regarded as “critical risks”). These included the “Wellbeing of staff” and “Major Projects & Programmes”, the residual risk of which had increased in-year.
- Four new risks had been identified during 2022-23: “Equality, Diversity and Inclusion” (very high); “Welsh language” (high); “End of Structural Funds Programme” (high); and “Core Valley Lines” (medium). It sets out further information about these.
- Two risks have been removed: “Cross Cutting Strategies” (assessed as high risk at the start of the year); and “UK GDPR” (assessed medium risk at the start of the year).

Internal Control Questionnaires and Assurance Statements

146. The Permanent Secretary noted in the 2022-23 Accounts that one of the key sources of assurance for the organisation is the Annual Internal Control Questionnaire (ICQ), which requires Directors to complete a self-assessment of the effectiveness of their Group’s frameworks of internal control¹³⁰.

147. The Accounts show that the majority of the scores for 2022-23 were consistent with the assessments from 2021-22¹³¹. However a “cluster of variances” are noted in relation to:

- Project Delivery – 29% reduction in confidence level;
- Regulatory and Propriety – 41% increase in confidence level;
- Complaints – 20% increase in confidence level.

¹²⁸ Welsh Government Consolidated Accounts 2022-23, Accountability Report, p158

¹²⁹ Welsh Government Consolidated Accounts 2022-23, Accountability Report, p159-162

¹³⁰ Welsh Government Consolidated Accounts 2022-23, Accountability Report, p143

¹³¹ Welsh Government Consolidated Accounts 2022-23, Accountability Report, p143

148. When asked how the figure for project delivery should be interpreted, the COO explained, following a review into project and programme management in 2022, some findings led to an increase in risk which influenced the internal control questionnaire¹³². He expanded on this, stating:

“... it's an example of governance working, in terms of carrying out a review, understanding that, actually, the risks that we're facing are higher than we first thought, changing the risk register, getting further information through the ICQ process, and then actually putting a programme of work in place”¹³³.

Managing Welsh Public Money

149. Managing Welsh Public Money, which sets out the framework and principles for managing public resources responsibly in the public interest, was last updated in October 2018¹³⁴.

150. In its 2021-22 Accounts, the Welsh Government said that its Corporate Governance Centre of Excellence began a refresh of the guidance in April 2021, which had been due to commence in 2020 but had been paused to “focus on COVID-19 priorities”¹³⁵. As part of our scrutiny of the 2021-22 Accounts, the Committee recommended that the Welsh Government provide a timetable for updating Managing Welsh Public Money, with an indication of when it is likely to be published¹³⁶. In response, the Welsh Government said:

“Welsh Government is aware of the importance of Managing Welsh Public Money and the need for it to be updated. However, it is a lengthy and complex document where much of the underlying guidance has changed significantly over the last few years. We are currently considering the resourcing implications and will provide the Committee with a further update before the summer recess”¹³⁷.

¹³² RoP, Public Accounts and Public Administration Committee, 20 March 2024, p234

¹³³ RoP, Public Accounts and Public Administration Committee, 20 March 2024, p235

¹³⁴ Welsh Government, Managing Welsh public money, October 2018

¹³⁵ Welsh Government Consolidated Accounts 2021-22, Accountability Report, p127

¹³⁶ Public Accounts and Public Administration Committee, Scrutiny of Accounts 2021-22: Welsh Government, p51

¹³⁷ Letter from the Welsh Government's Permanent Secretary to the Chair of the Public Accounts and Public Administration Committee, 12 February 2024

151. In a Public Interest Report concerning the governance arrangements at Amgueddfa Cymru, the AGW noted a discrepancy between the Welsh Government’s “calling in” arrangement for its Arm’s Length Bodies and the guidance in Managing Welsh Public Money, which he described as being “not conducive to robust stewardship of public money”¹³⁸.

152. The Committee concurred with the AGW and recommended that the Welsh Government should set out a specific target date for publishing the updated version of Managing Welsh Public Money and to keep the Committee informed of their progress¹³⁹.

153. We sought an update during our scrutiny of the 2022-23 Accounts. The Permanent Secretary acknowledged the organisation “need[s] to commit to reviewing it”.¹⁴⁰ However, an official was not able to confirm a date by which the Welsh Government expected to complete the review.¹⁴¹

154. On 3 October 2024 we received a timeline for the updating of Managing Welsh Public Money from the Welsh Government. The update sets out that Welsh Government is aware of the importance of Managing Welsh Public Money and the need for it to be updated. However, they stated that it also a lengthy and complex document where much of the underlying guidance has changed significantly over the last few years.

155. Consideration has been given by the Welsh Government to the resourcing implications of updating the document and in July 2024 the Welsh Government identified resource to support the team in undertaking the update to Managing Welsh Public Money.

156. The letter concludes that given the resourcing implications the Welsh Government’s new Director of Finance is working to identify those essential elements within Managing Welsh Public Money that require an immediate update and these will be prioritised. As these chapters get updated they will be issued. Furthermore, in a slightly slower timeframe, the Welsh Government will undertake a comprehensive review of the entire document and hope this piece of work will be completed by December 2025.

¹³⁸ Audit Wales, Governance arrangements relating to an employment dispute at Amgueddfa Cymru – National Museum Wales, p33

¹³⁹ Public Accounts and Public Administration Committee, Scrutiny of Accounts: Amgueddfa Cymru 2021-22, June 2024

¹⁴⁰ RoP, 20 March 2024, paragraph 229

¹⁴¹ RoP, 20 March 2023, paragraph 231

Our view

157. The Committee acknowledges the Permanent Secretary's evidence on the detail provided on internal audit reports and welcomes his commitment to strive to include more information in the accounts about them. We believe the Welsh Government has the opportunity to be an exemplar in its transparency, and this is an issue where it can demonstrate best practice for other organisations.

158. The Committee will not reiterate its previous recommendation from our scrutiny of the Welsh Government's 2021-22 Accounts, given the Permanent's Secretary's commitment. We will review this as part of our accounts scrutiny work going forward

159. We welcome the Welsh Government's implementation of its previous recommendations in relation to documenting organisational risk and believe this has enabled a greater understanding of the risks the organisation is facing..

160. The Committee remains concerned about the pace of the work to update Managing Welsh Public Money and has expressed this separately in our work on Amgueddfa Cymru. We will not reiterate our recommendation in this report. However, we take this opportunity to emphasise again that action is required to address the points made in that report, as well as by the AGW in his report on 'Governance arrangements relating to an employment dispute at Amgueddfa Cymru – National Museum Wales'.¹⁴² Given its importance, we will continue to monitor closely the Welsh Government's progress in updating the document.

¹⁴² Audit Wales Report, [Governance arrangements relating to an employment dispute at Amgueddfa Cymru – National Museum Wales](#), November 2023

8. Outturn against budget – Income

161. During its scrutiny of the 2018-19 Accounts, the PAC noted the Welsh Government’s actual income for 2018-19 was £281 million less than its budget of £1.2 billion, a variance of 23% of the budget¹⁴³. It reported the Welsh Government’s income has been at least 10% below budget each year since 2015-16, exceeding 20% in 2015-16 and 2018-19.¹⁴⁴

162. The former Permanent Secretary told the PAC the reason for this was that EU funding accounted for most of the Welsh Government’s income and the timing of its receipt was difficult and complex to predict¹⁴⁵. She added that, if the Welsh Government set its income budget too low and more EU funding was received than expected, it would be required to surrender to the Welsh Consolidated Fund any amounts over and above the budget.¹⁴⁶

163. Furthermore, if the amounts held in the Wales Reserve at the year-end exceed the threshold, the Welsh Government would be required to return funding to the Treasury. The former Permanent Secretary explained the budget has to be carefully managed to mitigate the risk of losing income for Wales:

“Setting the budget high makes sure that we don’t lose money that we could spend on Welsh priorities. And, again, it’s a balance between setting it realistically high and not setting it so low that we then breach it and can’t use the money for Wales.”¹⁴⁷

164. In its 2022-23 Accounts, the Welsh Government reports income, which falls in the scope of the income ambit, was £1.439bn, exceeding the amount authorised by the Senedd (£1.375bn). The Welsh Government notes the ‘excess income’ is “attributable to non-cash income, there are no excess cash receipts to surrender”¹⁴⁸.

¹⁴³ Report of the Public Accounts Committee, [Scrutiny of Accounts 2018-19: Welsh Government](#), May 2020

¹⁴⁴ Report of the Public Accounts Committee, [Scrutiny of Accounts 2018-19: Welsh Government](#), May 2020

¹⁴⁵ Report of the Public Accounts Committee, [Scrutiny of Accounts 2018-19: Welsh Government](#), May 2020, paragraph 34

¹⁴⁶ Report of the Public Accounts Committee, [Scrutiny of Accounts 2018-19: Welsh Government](#), May 2020, paragraph 35

¹⁴⁷ Report of the Public Accounts Committee, [Scrutiny of Accounts 2018-19: Welsh Government](#), May 2020, paragraph 36

¹⁴⁸ [Welsh Government Consolidated Accounts 2022-23](#), p188

165. The Welsh Government also explains:

“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.”¹⁴⁹

166. Having noted the comments of the former Permanent Secretary that the Welsh Government set its budget for income high to avoid losing the income for Wales, we asked why funds were not surrendered to the Welsh Consolidated Fund when its income for 2022-23 exceeded the budget.

167. The Welsh Government’s Director of Finance explained that the Welsh Government did not return any cash to the Welsh Consolidated Fund in this particular case as the surplus was driven by non-cash income, and particularly that relating to student loans. We heard this was quite an unusual event arising from the sudden increase in interest rates during the second half of the year. He said:

‘... the student loan model estimates the interest that we're due, going forward, and it tracks against the retail price index. So, what happened here was, when we were looking at the model, in terms of the non-cash interest that we had to accrue, going forward, we did see in that particular year quite a large increase in the interest rates during the year. I think they went from about 1.5 per cent to 9 per cent. So, that meant, in the latter half of the year, we saw this large increase in the potential interest that we had to accrue within the accounts, going forward.’¹⁵⁰

¹⁴⁹ Welsh Government Consolidated Accounts 2022-23, p188

¹⁵⁰ RoP, 20 March 2024, paragraph 247

9. Performance Reporting

168. In its report on the 2021-22 Accounts, the Committee recommended the Welsh Government should review the information it includes in the accounts about its Performance Framework, since without any targets for, and commentary about, specific measures, it is not possible to understand how the Welsh Government is performing [Recommendation 17].

169. In its response, the Welsh Government said it is reviewing its Performance Framework to ensure that it was “making best use of the data we have to support and improve Welsh Government’s organisational performance, across the diverse range of activities carried out by the organisation”.¹⁵¹ It is also:

‘... considering the best way to approach publishing our data externally, to ensure that the range and complexity of the performance information that is contained in our reports can be clearly conveyed in an accessible and easy to understand format.’

170. The Welsh Government reports twice a year to its Board about the Performance Framework.¹⁵² In its 2022-23 Accounts, it says the third annual cycle of reporting was completed in 2022-23. The minutes of the Board meeting in July 2023 noted:

‘Reflecting on this being the third cycle of reporting, Gareth [Lynn, ARAC Chair] asked whether the exercise is giving the organisation the information it needs to assess its performance and suggested that now might be an appropriate time to review and refine the process. Sharon [Cross] welcomed the suggestion and agreed that the framework is currently based on management information and staff perceptions and added that investment would be needed to include external feedback. The Chair queried whether it might be possible to include a pulse survey of targeted senior stakeholders.’¹⁵³

171. Noting the Welsh Government’s response in February 2024 to our report on the 2021-22 Account, which said it was reviewing its Performance Framework, we

¹⁵¹ [Welsh Government response to the Public Accounts and Public Administration Committee Report – Welsh Government Annual Report and Accounts 2021-22](#), 12 February 2024

¹⁵² [Welsh Government Consolidated Accounts 2022-23](#), page 56

¹⁵³ Minutes of the Welsh Government Board Meeting - 14 July 2023, paragraph 3.8

asked officials what they saw as the limitations of the current framework in giving the organisation the information it needs to assess its performance.

172. The COO, who is leading the review, explained the current performance framework is a “comprehensive review of the organisation's performance”¹⁵⁴ and covers 23 specific areas. While it provides a detailed overview of the organisation, he said its comprehensive nature can be a disadvantage. This is in terms of the resource it requires and it's a “backward-looking framework”¹⁵⁵ in reporting on performance during the previous year (and earlier). The COO said this limits its ability to help the Welsh Government drive performance in the organisation.¹⁵⁶

173. To address this, the COO explained the Welsh Government's Executive Board had recently considered a paper to review the performance framework and to look at other options going forward. It was agreed that the organisation should take more of a balanced scorecard-type approach to performance reporting. This would look at key performance indicators across several different elements of the balanced scorecard.¹⁵⁷

Our View

174. We welcome the Welsh Government's review of its performance framework and its acknowledgement that a different approach is needed to help drive performance. We note the work being done to develop a balanced scorecard approach but are not clear on how this approach will improve performance reporting.

175. We also note it has taken a long time for the Welsh Government to reach this point. We have raised issues about the reporting of performance in the accounts, as had our predecessor Committee. We note the comments at the Board meeting in July 2023 and the Permanent Secretary's confirmation, in February 2024, that the performance framework was under review. We request that the Welsh Government update the Committee about the review of its performance framework, including the scope, methodology and timetable, as well as what information officials expect to include about the revised performance framework in the accounts.

Recommendation 16. We recommend that the Welsh Government provide the Committee with an update about the review of its performance framework and

¹⁵⁴ RoP, 20 March 2024, paragraph 189

¹⁵⁵ RoP, 20 March 2024, paragraph 189

¹⁵⁶ RoP, 20 March 2024, paragraph 189

¹⁵⁷ RoP, 20 March 2024, paragraph 189

the development of a balanced scorecard approach to performance reporting, including the scope, methodology and timetable for the review, as well as what information officials expect to include about the revised performance framework in the accounts.

10. Implementing the Committee's recommendations

176. In its report on the 2021-22 Accounts, the Committee noted it was “regrettable that the Committee has felt the need to reiterate four recommendations made to the Welsh Government during previous accounts scrutiny”. We recommended:

‘The Welsh Government should provide to the Committee, at the time the Permanent Secretary approves and signs the 2022-23 Accounts if not before, an update about the recommendations it and its predecessor Committee made following accounts scrutiny which it has yet to action. This update should include an explanation of why the Welsh Government has not yet acted on the Committee recommendation, as well as the proposed timeframe for implementation. [Recommendation 7]’¹⁵⁸

177. The Welsh Government accepted the recommendation, noting it had assessed 59 recommendations, made in the reports on the accounts from 2017-18 to 2020-21.¹⁵⁹ It said “Of these 59 recommendations, 9 are outstanding or partially outstanding”¹⁶⁰, providing information about them.. These include our, and our predecessor Committee’s, recommendations (including reiterated recommendations) about:

- Reporting performance.
- Producing a Whole of Government of Wales Account.
- Working with sponsored bodies about the publication of Board and ARAC papers.
- The Welsh Government’s compliance with the Financial Reporting Manual.

¹⁵⁸ Report of the Public Accounts and Public Administration, Scrutiny of Accounts 2021-22: Welsh Government,

¹⁵⁹ [Welsh Government response to the Public Accounts and Public Administration Committee Report – Welsh Government Annual Report and Accounts 2021-22](#), 12 February 2024

¹⁶⁰ [Welsh Government response to the Public Accounts and Public Administration Committee Report – Welsh Government Annual Report and Accounts 2021-22](#), 12 February 2024

- The publication of Welsh Government ARAC papers.
- The Welsh Government's actions to improve record keeping processes.
- The Cabinet Office work on its relationship with the Permanent Secretaries of the Welsh and Government and Scottish Government.
- Providing six monthly updates on progress with Post Completion Monitoring, COVID-19 Business Grants.

Our view

178. Throughout our scrutiny, we have noted and welcomed the improvements to the Welsh Government's accounts over the last five years or so and hope that our work has been a constructive contribution to those improvements.

179. As a Committee, we are keen to continue working with the Welsh Government to drive further changes to its accounts. The Permanent Secretary expressed the seriousness with which he and his staff take the Committee's scrutiny and in response to the Committee's recommendations, and that he hoped the Committee could see the judgments being made about continuing to try and improve the accounts.¹⁶¹

180. Being more specific, the Permanent Secretary explained:

*'I think the particular area that we've picked up from committee recommendations [...] has just been to make it more visual and to try and bring it to life a little bit. That's not because I feel it's perfect at this stage, and it will continue to develop, but we'll await your next committee recommendations with interest, and, as always, we will reflect on them very seriously and see what we can do with that to make it a better document.'*¹⁶²

181. In terms of priorities for further improvements in the 2023-24 Accounts, the Permanent Secretary told us that he would like to:

'find some way to give that insight into the functions and responsibilities of the Welsh Government—obviously, understandably,

¹⁶¹ RoP, 20 March 2024, paragraph 257

¹⁶² RoP, 20 March 2024, paragraph 259

*through a financial lens, but I think showing where that impact occurs on behalf of Wales feels really important.*¹⁶³

182. Through our accounts scrutiny work, we will review these changes and will continue to monitor the Welsh Government's implementation of our recommendations.

¹⁶³ RoP, 20 March 2024, paragraph 261

Annex 1: List of oral evidence sessions.

The following witnesses provided oral evidence to the committee on the dates noted below. Transcripts of all oral evidence sessions can be viewed on the [Committee's website](#).

Date	Name and Organisation
20 March 2024	Dr Andrew Goodall, Permanent Secretary Welsh Government Tim Moss, Director General and Chief Operating Officer Welsh Government Gawain Evans, Director of Finance, Welsh Government Dominic Houlihan, Director of People and Places, Welsh Government