



Llywodraeth Cymru
Welsh Government

Welsh Government Consolidated Accounts

2021-2022



gov.wales

Government of Wales Act 2006

Accounts of the Welsh Government are prepared pursuant to Section 131 of the Government of Wales Act 2006 for the year to 31 March 2022, together with the Certificate and report of the Auditor General for Wales thereon.

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



Dr Andrew Goodall

Permanent Secretary

Overview

I am pleased to present these, my first, consolidated accounts on behalf of the Welsh Government. I took up the Permanent Secretary role during the financial year in November 2021, following my predecessor Shan Morgan's five-year term.

It is perhaps inevitable that I must first reflect upon our response to COVID-19 in Wales. The pandemic has had a huge impact on me as a leader in public services but will have affected all at a professional and personal level. Like so many others, I have been involved in some very distressing circumstances over the last two years, and I know just how tough and challenging it has been.

It has tested our resilience as individuals and as organisations like never before. The way in which our teams have worked together to protect the public and support each other during that very difficult time has made me immensely proud.

But the pandemic has also made us think about how we deliver services in a way that we could not have previously anticipated. Public services have come together to address the challenge and we have seen a truly collaborative effort across the public sector, a real testament to the way we work in social partnership in Wales.

We have some exceptional examples of how the Welsh Government and our partners across the public service in Wales have come together to deliver at speed – the vaccination programme, and Test, Trace and Protect are just two examples. You will find many more in this report. We will continue to learn from our experiences throughout the pandemic and make sure that we retain the practice that has worked well.

The way we have been able to use virtual meetings and new techniques to collaborate and deliver our priorities with our partners across the public sector in Wales has also been a game-changer.

We want to retain the many benefits we have seen from having to work smartly during the crisis for the longer term. We have dramatically reduced our carbon footprint and environmental impacts and maximised our productivity by cutting out most of our non-essential business travel. This is an area where we can show real leadership across the public sector and wider economy in the future.

The way we will develop SmartWorking for the future will be one of the major planks of Welsh Government 2025, our three-year plan for organisational development and change in Welsh Government. My focus will be to build on the lessons learned throughout the pandemic and develop the organisation to ensure that we are equipped to operate effectively in a post-pandemic, post-EU Exit world.

The development programme will include our longer-term workforce, workplace and digital strategies; new and innovative projects that will transform the way we work; and a continuous improvement drive that all staff can be part of in discharging our role to support Ministers and to improve outcomes for the citizens of Wales.

Since I took up my role in November, I have been talking to colleagues across the organisation about our values, our behaviours, and what actions we need in place to equip us for the next three years and beyond. However, while undertaking that whole-organisation conversation I have also supported more immediate decisions that will move us in the right direction. For example, I have undertaken a Group re-structure to provide more direct alignment to the Ministerial portfolios and Programme for Government delivery. It will also result in a more balanced set of responsibilities for Directors General and facilitate cross-government working.

I have also introduced a new Accountability and Delegations Framework to start to release some of the controls on resourcing that were necessary to help us manage during the pandemic crisis and ensure responsibility for decision-making sits at the appropriate level across the organisation.

Over the last two years we have proven just how adaptable and innovative we can be, and how effectively we can work with our partners to achieve things that we never thought possible.

We need to take this same open-minded and adaptable approach to challenging the way we work more broadly. This includes changing some of our long-established systems, processes and operating models to enable us to focus our time on the things that really matter to us and our Ministers, meeting their objectives in this Government term to create a fairer and greener Wales.

Finally, I would just like to take this opportunity to pay tribute to my predecessor Dame Shan Morgan for her leadership of the organisation over the past five years, including the exceptional circumstances of the pandemic response. I want to continue to build upon the strong foundations and team-working that Shan put in place to take the Welsh Government Civil Service forward in a very different world than the one we might have envisaged five years ago.

Dr Andrew Goodall CBE
Permanent Secretary

12 December 2022

Introduction by Welsh Government Audit and Risk Assurance Chair

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

The risk environment throughout the year continued to be dominated by the COVID-19 pandemic and both its direct and indirect impact on operational effectiveness and delivery. The Welsh Government ARAC and Group ARACs continued to monitor closely the COVID-19 risk register as well as the corporate and group risk registers. I am pleased to report that the level of scrutiny and engagement with officials has been particularly good. Moreover these registers have continued to evolve and have become an increasingly key component of effective risk management across the organisation.

The Welsh Government ARAC met six times throughout the year and the Group ARACs on a quarterly basis. At each meeting COVID-19 updates were routinely received and scrutinised. At its May 2021 meeting the Welsh Government ARAC devoted a substantial part of its agenda to scrutiny of presentations from officials on COVID-19 specific issues including the governance environment in relation to COVID-19, the COVID-19 risk register, the assurance framework, counter fraud and the move to restart and recovery.

In addition to these regular meetings the Welsh Government ARAC met on four additional occasions to consider the following:

- A briefing meeting with Audit Wales in November 2021 regarding progress of their review of the 2020-21 consolidated accounts.
- A cross-ARAC awareness event in March 2022 focussing on climate change and the wide-ranging challenges and implications of a move to net zero.
- A cross-ARAC development day in April 2022 to discuss and review the ARACs' role in governance, oversight, and scrutiny. The day also afforded a training and development opportunity for ARAC members who received a presentation from the Government Internal Audit Agency.
- A presentation from the Permanent Secretary in March 2022 on the organisation's revised group structures that took effect on the 1 April 2022.

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

Last year, the Auditor General for Wales qualified his audit opinion on the accounts of the Welsh Government on three matters of which two are also relevant for the 2021-22 financial statements. The first was on the difference of opinion on the accounting treatment of estimated costs arising from the Ministerial Direction on senior clinicians' pension tax. In the opinion of the Auditor General the estimated costs should have been reflected in the 2020-21 financial statements as a provision. Welsh Government officials included a contingent liability for the estimated costs at note twelve to the financial statements for 2020-21 with the intention of making a provision for the costs in the 2021-22 financial statements, consistent with the accounts of the consolidated NHS Bodies in Wales.

The second was in relation to the possible effects of a payment made to the former Permanent Secretary. In the opinion of the Auditor General for Wales he had been unable to obtain sufficient audit evidence about the working arrangements of the former Permanent Secretary and an element of the payment made. The background to the former Permanent Secretary's working arrangements and the payment made were set out in the Governance Statement of the 2020-21 Annual Report and Accounts on pages 138 to 141.

As a consequence of these two qualifications last year, this year's annual accounts are expected to be qualified for these two matters.

At the date of signing this introduction it is encouraging to note that the COVID-19 pandemic continues to recede significantly although the threat has not altogether disappeared and may never do so. The legacy impact of COVID-19 is likely to remain challenging for a number of years, not least of all, in the NHS. In addition to this significant risk a new set of substantial existential risks emerged towards the end of the financial year as a consequence of the invasion of Ukraine by Russia and the war that has ensued. This has precipitated an energy crisis across the globe with a significant increase in inflation and the myriad impact on the cost of living for citizens. These risks will be monitored very closely by officials and the Welsh Government ARAC and Group ARACs alongside the regular programme of internal audit assurance and risk management work.

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

Gareth Lynn FCCA

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

Contents

8	Part One:
8	What's in the Report and Accounts: A snapshot
9	Welsh Government Reporting
11	Introduction to the Welsh Government
12	The Cabinet
14	The Civil Service
17	Programme for Government
19	Responding to COVID-19
22	Group Response to COVID-19
36	Managing EU Transition
39	Responding to the Ukraine Crisis
41	Cost of Living
43	Climate Change
52	Sustainability Reporting
54	Meeting our Commitment to the Well-being of Future Generations
59	Managing our Legislative Programme
62	Digital Agenda
65	Welsh Government Performance Framework
72	Welsh Government Funding Flows
73	Welsh Government Tax Policy and Fiscal Forecasting
74	Welsh Government Accounting Boundary, Account Relationships and Borrowing

80	COVID-19 Expenditure
83	Welsh Government Top Areas of Spend
88	Administering Grant Funding
94	Welsh European Funding Office
98	Welsh Government Statement of Financial Position
100	Organisational Strategy and Development
104	Our Commitment to Dignity and Respect
117	Working Bilingually
119	Correspondence and Complaints
121	Part Two:
121	Accountability Report
123	Governance Statement
210	Part Three:
210	The Accounts

What's in the Report and Accounts: A snapshot

This is the Welsh Government Annual Report and Accounts for 2021-22. It provides a detailed representation of our finances and how they have been managed. It covers our statutory obligations and how we have met them. It also covers the Welsh Government as an organisation throughout the year.

The Welsh Government Annual Report¹ is the vehicle for the Programme for Government which can be found on the Welsh Government website. As in previous years, the Annual Report and Accounts is split into three sections.

Part One of the narrative begins with the key reports covering the delivery and activities of the Welsh Government and Civil Service. It provides an overview of what the Welsh Government is responsible for and the relevant legislation, the membership of the Cabinet for the period, the senior leadership of the organisation during the accounting year and the Programme for Government.

It then moves on to provide updates on how we have responded to COVID-19, managed the transition from EU membership, our response to the Ukraine crisis, the cost of living, our climate change and sustainability reporting, and met our commitment to the wellbeing for future generations. It also covers the legislative programme, our digital agenda and performance framework.

The funding and expenditure section covers funding flows, tax policy and fiscal forecasting, the accounting boundary, relationships and borrowing. There is also a section detailing our COVID-19 expenditure. It also provides our top areas of spend, how we administer grant funding and provides our balance sheet.

The final section of part one covers our internal arrangements from future strategies, our commitment to dignity and respect, working bilingually through to how the organisation handles its correspondence and complaints.




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




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

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

Welsh Government Reporting

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

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

Key reports						
	Ministerial			Organisation	Statistical Data	
	Budget process	Outturn Report	Welsh Government Annual Report	Annual report and Accounts	Well-being of Wales Report	Future Trends Report
Timings 	Not specific but prior to the summer recess the Minister for Finance is required to write to the Business Committee to agree the budget timetable	Within 3 weeks of the sign off of the annual accounts	As soon as is reasonably practicable following the end of the financial year	By the 30 November each year	As soon as practicably possible following the end of the financial year – but reliant on National Survey data in June/July	Within 12 months of an election – slides updated regularly
Timings This Year 	Draft budget 21 December 2020 Final budget 2 March 2021 1st Supplementary Budget 22 June 2021 2nd Supplementary Budget 15 February 2022	Within 3 weeks of the sign off of the annual accounts	June 2022	TBC	Late September	Future Trends Report 2021 published December 2021
Scrutiny 	Finance and subject Committees	Finance Committee	Plenary debate First Minister Scrutiny Committee	Public Accounts and Public Administration Committee	N/A	N/A

Introduction to the Welsh Government

At a Glance

The Welsh Government is the devolved government for Wales which works across key areas of public life such as health, education, the economy, agriculture and the environment.

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

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

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

More information about what the Welsh Government is responsible for can be found on the Welsh Government website².

2 www.gov.wales/what-our-role

The Cabinet



For the period from 1 April 2021 to 12 May 2021 the Cabinet and Ministers were:

Rt. Hon Mark Drakeford	First Minister
Rebecca Evans	Welsh Minister for Finance and Trefnydd
Vaughan Gething	Welsh Minister for Health and Social Services
Lesley Griffiths	Welsh Minister for Environment, Energy and Rural Affairs
Julie James	Welsh Minister for Housing and Local Government
Jeremy Miles	Counsel General and Minister for European Transition
Eluned Morgan	Welsh Minister for Mental Health, Wellbeing and Welsh Language
Ken Skates	Welsh Minister for Economy, Transport and North Wales
Kirsty Williams	Welsh Minister for Education
Hannah Blythyn	Deputy Minister for Housing and Local Government
Jane Hutt	Deputy Minister and Chief Whip
Julie Morgan	Deputy Minister for Health and Social Services
Dafydd Elis-Thomas	Deputy Minister for Culture, Sport and Tourism
Lee Waters	Deputy Minister for Economy and Transport

Further to the Senedd Elections, the First Minister appointed Ministers and Deputy Ministers from 13 May 2021 as follows:

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

The Civil Service

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

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

The Senior Leadership Team

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

Shan Morgan was Permanent Secretary to 31 October 2021, Andrew Goodall became Permanent Secretary from 1 November 2021, prior to which he was Director General Health and Social Services Group/ Chief Executive, NHS Wales.



Andrew Goodall
Permanent Secretary

- Welsh Treasury
- Finance
- Governance and Performance
- Corporate Services
- Digital Data & Technology
- COVID-19 Recovery & Restart



Tracey Burke
Director General Education and Public Services Group

- Care Inspectorate Wales
- Communities and Tackling Poverty
- Education
- Healthcare Inspectorate Wales
- Housing and Regeneration
- Local Government
- Welsh Language Division



Des Clifford

Director General Office of the First Minister Group

- Cabinet Division
- Cabinet Office
- Communications
- Constitution, Justice and European Transition
- International Relations and Trade
- Legal Services Department
- Office of the First Minister
- Office of the Legislative Counsel
- Social Partnership and Fair Work
- Welsh European Funding Office
- Welsh Tribunals
- Co-Operation Agreement Unit



Reg Kilpatrick

Director General Covid Coordination

- Civil Contingencies and National Security
- Coronavirus Control Planning
- Recovery and Restart
- Community Safety



Judith Paget³

Director General Health and Social Services Group

- Cafcass Cymru
- HSS Finance
- Nursing
- Planning, Delivery and Performance
- Population Health
- Primary Care and Mental Health (from 1 October 2021, previously Mental Health, Vulnerable Groups and NHS Governance and Primary Care and Health Science)
- Social Services and Integration
- Technical Advisory Cell (TAC)
- Technology, Digital and Transformation
- Workforce and Corporate Business
- Vaccines

³ Chief Executive, NHS Wales (from 1 November 2021)

**Andrew Slade****Director General Economy, Skills and Natural Resources Group**

- Business and Regions
- Culture, Sport and Tourism
- Economic Infrastructure
- Climate Change, Energy and Planning
- Environment and Marine
- ESNR – Finance and Operations
- Land, Nature and Food
- Office of the Chief Scientific Advisor
- Office of the Chief Veterinary Officer
- Skills, Higher Education and Lifelong Learning (SHELL)
- Welsh Government Commercial and Procurement Directorate

Programme for Government

Following the Senedd elections in May 2021 a new Welsh Government Cabinet was formed and on 15 June the Programme for Government (PfG) for this Senedd term was published.



The Programme for Government contains the well-being objectives; the areas that as a government the biggest contribution can be made towards the well-being goals. The commitments set out under the well-being objectives are collectively owned by Cabinet recognising the need for cross-government working.

In December 2021, the government signed the Co-operation Agreement with Plaid Cymru, setting out a shared programme of work for the next three years. To recognise this extended programme, an updated Programme for Government was published on 7 December 2021 to include the commitments in the Co-operation Agreement.

Despite the challenges of the last year – the continuing impacts of COVID-19, the emerging cost-of-living crisis, the humanitarian challenges of Afghanistan and Ukraine – the Welsh Government has organised itself to bring focus and energy to delivery of the Programme for Government. New Group structures were adopted in April 2022, to realign our resources and functions to Ministerial priorities more effectively.

A robust reporting cycle has been introduced for the Programme for Government, with monthly reporting overseen by the Executive Committee and the Welsh Government Board. Cabinet receive half termly updates on progress and the First Minister chairs the Programme for Government Cabinet Sub Committee that meets monthly to drive delivery.

The Welsh Government's programme for organisational development "WG2025" is aligned to the Programme for Government. It provides a platform for conversations across Welsh Government about how the organisation can continually improve to support Ministers deliver for the people of Wales.

Responding to COVID-19



Almost all parts of the Welsh Government have continued to play a key role in the ongoing response to the Covid-19 pandemic. Over the first part of the year the focus was on carefully and gradually moving away from the most stringent protections put in place during the winter to keep Wales safe.

We moved down through the levels in our alert levels framework as we entered the summer period and the rates of infection and harm reduced. As we reached alert level one, we published an update to our strategic response framework, the Coronavirus Control Plan, to set out the next steps we would take as we moved to a new baseline of protective measures called alert level zero⁴.

Recognising that the autumn/winter period would bring further challenges and was likely to involve new waves of infection, colleagues across Welsh Government came together to prepare a further update to the Coronavirus Control Plan⁵. This plan aimed to provide as much certainty as possible to businesses, the public and other organisations of our response and focussed on two core planning scenarios:

4 www.gov.wales/coronavirus-control-plan-alert-level-0-zero

5 www.gov.wales/coronavirus-control-plan-autumn-and-winter-2021-update

- **Covid Stable:** we would not need to re-impose significant restrictions, as pressures on the NHS can be managed as part of normal NHS planning for winter, recognising a few increased risks.
- **Covid Urgent:** recognised new and unexpected COVID-19 pressures such as a new variant, could emerge, in which case more significant action to protect public health and people's lives might be needed.

Alongside this strategic planning, officials across the whole organisation continued to undertake reviews of the regulations at least every 21 days. This process provided regular professional and technical analysis and advice to Ministers, often responding very rapidly to emerging and uncertain evidence and the unpredictable nature of the pandemic.

The emergence of the Delta variant and the greater threat of harm increased the intensity of this work and required significant amount of our resources across the organisation to support the work we were doing. When the Omicron variant emerged in December we responded quickly and effectively, in response to clear scientific advice. Regulations and guidance were quickly put in place, and it is pleasing to note we maintained the support of the public in Wales to our response throughout this period.

We continue to learn lessons from our experiences during the pandemic. One of the real positives has been the much closer partnership working that has emerged, despite this already being a strength in Wales. We have brought partners together in a wide range of forums – businesses and business groups, trade unions, public service leaders, and a range of others – to discuss the very difficult challenges we have all faced and to help identify solutions together.

Our partners have informed and supported the development of advice and guidance and the development and delivery of sector specific business support packages. They have also played a crucial role in providing real-time feedback on emerging issues and enabling the learning of lessons.

The success of our vaccination programme and the ability of the test, trace and protect services to respond to the quickly changing patterns of demand have been notable successes.

As we moved into spring, we planned for a gradual transition away from emergency measures to manage COVID-19 challenges on a business-as-usual footing. We continued to use our Covid Stable and Covid Urgent planning scenarios developed as part of the coronavirus control plan. In March we published a new plan to replace our Alert Levels Framework, Together for a Safer Future: Wales' long-term COVID-19 transition from pandemic to endemic⁶.

This new plan is underpinned by seven principles. These include: a more targeted response as we move over the long-term to endemic COVID-19, prioritising those at greatest risk of harm; continuing to adopt a gradual, proportional and evidence-based approach; and renewing our focus on tackling inequalities.

The plan sets out how our approaches will change in relation to our public health response, vaccination programme, testing and contact tracing, and wider support, including for businesses and vulnerable people.

6 www.gov.wales/wales-long-term-COVID-19-transition-pandemic-endemic

Work is underway across Wales to implement the plan. This will include the redeployment of civil service resources to support the integration of our previous Covid specific approaches into our wider public health response for communicable diseases, and in particular respiratory infections.

The infrastructure supporting our wider response to COVID-19 is also being scaled back so it remains proportionate to the ongoing risk and enables scarce resources to be redirected to other government priorities. At the same time, we are putting in place robust contingency arrangements that will enable us to escalate our response as necessary. We continue to liaise with the UK Government on contingency planning given the dependencies identified about funding and infrastructure.

Group Response to COVID-19

Health and Social Services Group

Health and Social Services Group (HSSG) has an overarching responsibility for addressing public health emergencies. The threat from COVID-19 continues to be the most significant public health emergency of our time.

During 2021-22, we faced further COVID-19 waves driven by the uncertainty of new variants, on top of what was already a fragile health and care system following a prolonged period of pandemic response, all in addition to the usual winter pressures and challenges. In the meantime, the Group has continued to balance the requirements and expectations upon it in relation to the ongoing pandemic response, oversight of the NHS and social care, government business and business as usual.

The Technical Advisory Cell (TAC) is a shared resource which has continued to be central not only to the Group's response, but also that of wider Welsh Government. TAC commissions and interprets advice from the Joint Committee on Vaccinations and Immunisations (JCVI), Medicines and Healthcare Products Regulatory Agency (MHRA), SAGE, Public Health Wales and other sources (international and domestic) to provide evidence-based advice to officials and ministers across.

TAC advised on Covid urgent/stable planning scenarios and published a risk communication and behavioural science paper on Living safely with COVID-19 in Wales⁷, both of which were used to inform the Welsh Government's transition plan⁸. TAC also established a new wastewater monitoring report to track background levels of COVID-19 pathogens in sewage outflows. It is published weekly and continues to provide regular advice to Ministers – e.g. for each 21-day review cycle and policy modelling updates.

Other key TAC products that provide regular surveillance and analysis of the pandemic have also continued through the Covid Situational Report (CSR), behavioural insights through Ipsos Mori surveys and focus groups, a Covid evidence summary (the TAC brief), international monitoring, forecasting and operational research.

TAC continues as the Welsh Government lead for COVID-19 science at a UK level and the science/policy interface between academia and relevant expert organisations in order to commission, receive or publish relevant scientific evidence on COVID-19. All of which helps to inform decision making across the full range of policy areas within Welsh Government.

The HSSG COVID-19 Planning and Response arrangements which were stood up in February 2020 remain in place and the Technical Advisory Group continues to meet on a weekly basis. The Group has now met over 100 times.

7 Living safely with COVID-19 in Wales

8 www.gov.wales/wales-long-term-COVID-19-transition-pandemic-endemic

The Group provides a critical and external facing co-ordinating and briefing function across health and social care. Acting as a barometer for the system, the Group identifies and mitigates issues via a system risk tracker. The supporting HSSG COVID-19 Planning and Response Cell also remains active, alongside its business-as-usual strategic planning and emergency planning responsibilities. These arrangements are kept under regular review and will remain in place for as long as required.

The Senior Military Liaison support to the Group was formally stood down in July 2021, however informal liaison and contact remains. Discussions were reactivated December in light of the emerging new variant to horizon scan potential risks and to test contingency plans.

The Welsh Ambulance Services NHS Trust (WAST) benefitted greatly from additional support provided by military personnel until the end of March 2022. Despite some resistance from WAST trade unions, this arrangement provided much needed resource at a time of significant operational pressures.

Vaccination Programme: The priority for the COVID-19 vaccination programme heading into 2021-22 is the roll-out of the spring booster for the very vulnerable (care home residents and people who are immunosuppressed) and the elderly (over 75 years). While this very narrow eligibility criteria is responsible for relatively small numbers, the rollout has been hampered by very high infection rate in care homes.

The other focus has been on vaccinating children and young people. The JCVI advised on 22 December that some 5–11-year-olds (i.e. those with health conditions that put them at risk from COVID-19) should be offered the vaccine.

33% of these 5–11-year-olds accepted the vaccine. Subsequently the JCVI advised, on 16 February, that all 5–11-year-olds should receive a ‘non-urgent’ offer of two doses of a COVID-19 vaccine.

Health and Social Care workers in Wales responded so well to the invitations to receive COVID-19 vaccinations that we did not need to make vaccination mandatory, as in England.

Public Health: Expert public health input has continued to be a fundamental component of our response. Key features continue to be:

- Ongoing population surveillance that tracks, monitors and helps us understand the nature and progression of COVID-19 in our communities, and in particular settings. COVID-19 surveillance data has continued to be regularly published to aid transparency and situational awareness.
- Provision of expert public health advice to Ministers. This takes many forms, including published Chief Medical Officer advice to inform Cabinet Decisions relating to our 21-day review processes; regular interactions with Ministers to advise on epidemiology and public health interventions; and public health input to inform a very broad range of policy responses, including in particular over this period vaccination, infection prevention and control, Test, Trace, and Protect, non-pharmaceutical interventions, and international travel.

Therapeutic Agents: The therapeutic agents dexamethasone, tocilizumab, sarilumab and remdesivir have been made available for patients hospitalised with COVID-19 throughout the pandemic in response to emerging evidence from the RECOVERY platform trial and other commercial and non-commercial clinical trials. Dexamethasone, tocilizumab and sarilumab are repurposed medicines, licensed for non-COVID-19 indications but shown to have a beneficial effect on outcomes.

A digital system has been developed in partnership between Digital Health and Care Wales (DHCW) and the newly established pharmacist-led National Antiviral Service (NAVS) hosted by Cardiff & Vale University Health Board. The system identifies eligible individuals from codes within their medical history or prescribed medicines who are linked to positive PCR and more recently self-reported Lateral Flow Device (LFD) test results.

Test, Trace and Protect (TTP): TTP has played a vital role in reducing transmission throughout the pandemic. We have mobilised an unprecedented infrastructure of testing sites and laboratories alongside alternative technologies including lateral flow tests (LFTs).

The emergence of the Omicron variant has placed significant pressure on TTP services with the highest level of demand for testing that we have ever experienced during December and January. PCR testing levels reached over 200k a week in late December / early January surpassing the levels seen in September 2021. There was also a significant demand for lateral flow tests that required us to work with UKHSA to increase distribution capacity and procure additional tests. This involved distribution levels reaching over 5 million a week compared to around 1 million distributed during November.

Primary and Community Care: Primary care contractors continue to move through recovery phases, with the “Green” phase formally commencing on 1 April 2022. Infection control measures remain a key consideration, coupled with local risk assessments. Immediate priorities for the recovery of services include acceleration of cluster development, contract reform to drive positive changes in service models and delivery and improving access to services. Many services have already reinstated all routine services alongside the focus on urgent needs.

Infection control measures remain a constraint on capacity for the recovery of routine dental care. Dental patient throughput in 2021-22 was 53.3% of pre-pandemic levels however this is more than double the number in 2020-21. Practices are prioritising urgent care and cases where further delay will cause harm.

We are restarting the dental reform programme from April 2022 using the learning so far. This means those practices choosing to opt-in to the reform programme can focus on providing preventive dental care for patients. It will also help open up access for new NHS patients. Provisional information from health boards suggests more than half of all dental practices will opt-in to the new measures.

New ways of working have been introduced across community pharmacies to prevent pharmacy closures and ensure continued access to medicines. Clinical community pharmacy services, such as the Common Ailment Service (CAS), have been prioritised to reduce demand on other parts of the NHS. Additional funding of up to £2.5m was made available to all community pharmacies across Wales in the period January to March 2022 to support sustainability with a proportion (approximately £0.7m) available for increased CAS activity.

Secondary Care: The pressures across the secondary system remain relentless and restoring NHS activity to near normal levels remain a challenge; it will not be a quick recovery and given the current elective activity levels and increasing NHS waiting list volumes it will take several years to redress.

Whole system urgent and emergency care pressures are still clearly visible, some of which cannot be addressed by secondary care alone. The six goals of urgent and emergency care have been relaunched – with a strengthened expectation on implementation and delivery that will hold health boards and trusts to account for that delivery.

PPE: The supply and distribution of high-quality PPE to frontline health and social care workers has been a critical part of the Welsh Government's response to the COVID-19 pandemic.

The latest management information from NHS Wales Shared Services Partnership (NWSSP) shows that from 9 March 2020 up to 28 March 2022 over 1.3 billion items of PPE have been issued to the health and social care sectors in Wales. The data also shows that the current demand for and supply of PPE in Wales remains stable.

Nosocomial Transmission: Minimising the nosocomial transmission of COVID-19 within hospitals and other enclosed settings has been a national priority throughout the pandemic. COVID-19 has caused widespread disruption to NHS services. The virus is highly transmissible and consequently nosocomial transmission has been evident in all Welsh health boards, hospitals and many care homes.

Although 'nosocomial' traditionally refers to hospital acquired disease, response to the pandemic has required action in all closed settings, including care homes, community hospitals, independent hospitals and residential centres for clinically vulnerable individuals such as people with learning disabilities.

It is clear that throughout the pandemic, high community transmission rates result in a higher number of hospital admissions and consequent increases in nosocomial transmission. Public Health Wales data shows that as the SARS-CoV-2 community transmission rate rose exponentially throughout December 2021, driven by the Omicron variant, and again in March 2022 associated with the higher transmissibility of Omicron BA2, so too did the number of hospital acquired infections.

Hospital Visiting Guidance: The hospital visiting guidance has been kept under regular review during this period to ensure that it remains proportionate and fit for purpose. A hospital visiting group, with representatives from Welsh Government and all health boards and trusts in Wales (including Public Health Wales) met fortnightly to consider whether any changes are needed to the guidance.

Care Home Visiting Guidance: The care home visiting guidance has been kept under regular review during this period to ensure that it remains proportionate, fit for purpose and consistent with changes in the 21 Day review. It was updated and re-issued nine times during this period with Version 14 published in January.

The policy team worked collaboratively with Care Inspectorate Wales, Public Health Wales, the Chief Medical Officer's division and stakeholders. It maintained regular engagement with officials in other UK Departments. The Visitor Guidance Stakeholder Group with wide sector representation met regularly to inform the development of the guidance. The breadth of stakeholder representation on the group was noted by the Older People's Commissioner. Version 14 of the guidance has been superseded by the Social Care Transition Plan.

Social Care Transition Plan: The Social Care Transition Plan⁹ was published on 28 March and is intended to provide clarity to the social care sector on what infection prevention and control measures should remain in place throughout the transitional period of April to June 2022. The Social Care Transition Plan contains guidance on testing, self-isolation and use of PPE for staff across the social care sector, as well as more specific guidance for care home settings in relation to visitors and residents as restrictions ease.

These changes are part of moving gradually away from the emergency response to the pandemic and beginning to live safely with COVID-19. We will continue to ensure we are ready and able to respond to any new variants or outbreaks as we step into this new future.

Long-Covid: The approach to providing services for people in Wales with Long-Covid is based on the National Institute for Health and Care Excellence guidance, advice from clinical colleagues, and aligns to the vision of *A Healthier Wales*. Each health board has developed pathways to services with these being focused on providing care and support as close to home as possible, tailored to meet an individual's specific needs.

People who require access to more specialist medical services only available from secondary care are referred as usual by their GP. Services will continue to adapt as we learn more about the long-term effects of COVID-19.

In June 2021, the Adferiad (Recovery) Programme was launched, and the Minister announced a £5m package to support this. This enabled health boards to further develop services for those experiencing ongoing effects from a COVID-19 infection, and to support staff education and skill development.

This funding also supported the development of a self-management COVID-19 recovery app for people, and for clinicians, the All-Wales guideline for the management of long-covid, providing healthcare professionals with up-to-date advice and learning to support the diagnosis and treatment.

Healthcare Workforce: Our initial response to COVID-19 pressures was directed to boosting NHS workforce numbers and enabling the additional people to be deployed quickly. We ensured that workforce policies and practice encouraged effective infection control measures by supporting those who needed to shield or take time off to self-isolate. We continue to take into consideration the long-term effects of the pandemic response on the health and mental wellbeing of our workforce. This is increasingly important as we move from pandemic response to recovery.

There was not a significant demand for retired clinicians to return to work during the pandemic, but some were utilised and continue to support NHS Wales. The NHS workforce is now at record levels, with over 103,000 staff directly employed by NHS Wales.

9 www.gov.wales/infection-prevention-and-control-social-care

Social Care Workforce: The pressures on social care rose to unprecedented levels, particularly in domiciliary care, and projections indicate that levels of increased demand will continue for some time to come.

Many of those considering social care as a career, or those already working in social care have been attracted by jobs in other sectors where wages are higher and personal responsibility is lower. Social care workers have also been attracted by jobs in health where terms and conditions are better.

This has, in turn put more pressure on the existing workforce who have worked through the emotional stress and physical demands of the pandemic. We provided wellbeing support for all the social care workforce and two financial recognition payment schemes for social care staff that provided essential care to our most vulnerable citizens during the COVID-19 pandemic. We announced the decision to pay social care workers the Real Living Wage at the end of 2021 as the first step to fair work and sustainable solutions for the valuable social care sector.

Unpaid carers: to mitigate the financial impact of the pandemic on unpaid carers, the Carers' Support Fund was established in 2020. The fund ran for two years at a cost of £2.5million and provided unpaid carers with small grants of up to £300 to pay for a range of essential items including fuel costs. This year, we are providing a one-off payment of £500 to 57,000 unpaid carers in receipt of Carers Allowance.

A lack of respite options also had a negative impact on unpaid carers during COVID-19 as many struggled to cope without their usual formal and informal support networks. In response, £3million was allocated to local authorities in 2021-22 to increase and diversify access to short breaks.

This year, funding of £9million over three years has been announced to create a national short breaks scheme for unpaid carers of all ages. The scheme will be managed by a third sector organisation who will work with delivery partners to ensure unpaid carers from all areas in Wales have equal access to a range of short breaks tailored to their individual needs.

Strategy for an Ageing Society: the strategy was launched in 2021 and aims to support older people to re-engage with their communities post COVID-19 and work towards an age friendly Wales. This financial year, funding of £1.1million has been allocated to local authorities (50k per authority) to fund a post to champion age friendly services and policies and ensure robust mechanisms for engaging with older people are in place.

Loneliness and Social Isolation: we took a number of actions during the pandemic to try and support people to stay connected with family and friends and to access the support they might need, including providing funding of £400,000 for the Friend in Need initiative, which was delivered on our behalf by Age Cymru. Launched on 2 June 2020, it provided older people with a weekly telephone call from a trained, volunteer befriender to have a chat, provide re-assurance or answer any queries they might have.

£285,000 of this fund was provided as grants to local authorities to support and add value to their local befriending schemes by, for example, providing training for volunteers or increasing capacity of existing programmes.

We also launched our £1.5m Loneliness and Social Isolation Fund in 2021. The three-year fund will support front-line, local, grass-roots organisations, which bring people of all ages together, helping them to build social connections in and across communities.

Children's Services: we know that the pandemic has presented enormous challenges to vulnerable families and placed considerable pressure on children's services, the family courts and our third sector partners. Despite the pressures, local authorities have been able to maintain stability across their services resulting in fewer new entrants to care, fewer placement moves and improved placement stability. Planned exits from care have also reduced during the pandemic with young people staying in care longer.

To help mitigate the impact of COVID-19 and provide continued support to local authorities and partners we have made significant investment of COVID-19 reserve monies in delivering preventative approaches. These investments include:

- £2.49m to relieve court case backlogs and support revocations from care.
- £2.2m for local authorities to develop family group conferencing.
- £1.6m to help divert cases from the Child Protection Register.

The £1m St David's Day Fund has continued to provide direct financial support to care leavers so they can access opportunities that will help them make a successful transition towards independent living and successful adult lives. During the pandemic we have made the fund more flexible so it can better support the needs of care leavers adversely impacted by COVID-19. We have also established an additional £1m Covid Hardship Fund akin to the St David's Fund, to support any additional needs for care leavers arising from COVID-19.

To support local authority children's services to successfully manage contact with children and families whilst maintaining their statutory functions, we led work with the Heads of Children's Services, wider policy colleagues and the Office of the Children's Commissioner, to develop and publish Operational Guidance for Children's Social Services which was regularly updated throughout the pandemic.

Education and Public Services Group

Education and Public Services (EPS) Group continued to support the Welsh Government in prioritising central co-ordination and communications on COVID-19. At a policy level, we liaised with key stakeholders including Welsh Local Government Association, the housing sector, emergency services, education unions, childcare and early years providers and the third sector, to develop mitigation and recovery actions and identify those most vulnerable, in order to provide appropriate targeted guidance and support where needed.

We allocated circa £437m to our Local Authority Hardship Fund to provide emergency financial assistance to local authorities to support their response to the pandemic. This recognised the wide range of additional costs they faced, as well as the lost income.

This vital assistance ensured their response to the pandemic did not create an undue financial burden on them. They also received £19m to support them with the negative impact of COVID-19 on council tax collection.

The local authority settlement was amended to increase funding by £60m, this extra resource was unencumbered and intended to support local authorities to manage their budgets more effectively over the period 2021-22 to 2024-25 against the context of inflationary and service pressures and the ending of the Local Government Hardship Fund.

In Education, we recognise the impact that the pandemic is continuing to have on our learners and responding to COVID-19 has continued to create significant challenges. The Renew and Reform plan¹⁰, published in June 2021, outlines our commitment to supporting learners' wellbeing and progression in response to COVID-19.

In establishing the Renew and Reform programme, the ethos and focus of which was co-developed with external partners and based on evidence of best practice, we provided a structure within which Welsh Government could respond in an agile and learner-focused way to the challenges faced by COVID-19 and the face-to-face learning lost during lockdowns.

The programme has a clear focus on wellbeing as the foundation for learning and progression, and our approach has been replicated and supported in other parts of the UK. The programme was supported by funding of £278m in the 2021-22. This includes funding to continue our Recruit, Recover and Raise Standards programme to safeguard the additional resources already in schools and settings to support ongoing recovery, including support to learning and development in childcare settings which deliver early education.

In addition to this, £13m was allocated directly to early years learners in schools and childcare settings. We provided an extra £7.5m to support learners moving towards exams in 2022, through resources and additional teaching time, to ensure learners are adequately prepared for their next steps.

This sat alongside funding for local authorities, and colleges and sixth forms, to engage learners and support their transition to next steps. We have also continued to provide free school meals during term-time and during school holiday periods.

¹⁰ www.gov.wales/renew-and-reform-supporting-learners-wellbeing-and-progression.html

Whilst the impact of COVID-19 is affecting all learners, it is disproportionately affecting vulnerable and disadvantaged learners, particularly children and young people with Additional Learning Needs (ALN). To address this, we provided £9m to local authorities to support children and young people with ALN to improve their wellbeing (with a further £1m allocated from ESNR Group for ALN learners in Further Education colleges).

We have provided an additional £2.5 million for youth work services to ensure that young people in Wales get the support they need. This funded youth work services to increase the emotional mental health and wellbeing of our children and young people. It recognised that youth workers have a vital role to play to help children and young people recover from the pandemic.

We continued to provide support for the Welsh language to overcome some of the challenges and mitigate the effects of COVID-19 on the delivery of our Welsh Language Strategy, *Cymraeg 2050*¹¹, and particularly the aim to double the daily use of Welsh. Increasing opportunities to use the language is at the heart of *Cymraeg 2050*, whether that is at home, in educational settings, in the community or in the workplace.

COVID-19 reduced the opportunities to meet with others and experience the Welsh language. To overcome this, we invested £2.2m in late immersion provision to provide additional support for schools, to help learners enter Welsh medium education and to develop bilingual skills for life to ensure every pupil has been able to gain the skills and confidence needed to continue their learning through Welsh.

We provided £0.2m to the National Eisteddfod, Wales' largest Welsh language cultural event, to help support, rebuild and enable everyone in Wales to continue to celebrate our unique Welsh culture.

Ongoing support was also required for children, families and the wider childcare, playwork and early years sectors. The impacts of the pandemic on children and young people are broad, spanning physical, social, emotional and cognitive development with increased waiting times to access some services.

To tackle this, we provided £7m additional funding for Early Help initiatives through the Local Authority Hardship Fund and invested £8m in our Child Development Fund for children under the age of five. Beyond this we secured additional funding to support the provision of free play, sporting and cultural activities for children and young people aged 0-25 through our Summer of Fun and the Winter of Wellbeing.

In total we secured £5m to support the Summer of Fun, of which £4.55m was allocated to EPS with the remaining £450k allocated to ESNR. The Winter of Wellbeing received £20m in funding, of which £15.7m was allocated across EPS. Both schemes were aligned to the Renew and Reform programme. Additional capital funding of £11.6m was also secured to support Flying Start settings, childcare and play provision.

Childcare settings continued to face challenges as they recovered from the impacts of the pandemic. An additional £3.5m was provided to local authorities to enable them to provide sustainability grants to childcare settings based on local needs. This funding was provided from underspends on the Childcare Offer, which saw some volatility in take-up at the start of the financial year before stabilising.

11 www.gov.wales/sites/default/files/publications/2018-12/cymraeg-2050-welsh-language-strategy.pdf

At the start of the pandemic, we provided both the funding and guidance needed by local authorities to ensure anyone sleeping rough or in inappropriate accommodation was provided with appropriate temporary accommodation, together with the support they needed to stay safe. Local authorities and third sector organisations' commitment and partnership working has meant that over 19,800 people who were previously homeless have been brought into temporary accommodation since the start of the pandemic.

The 'no-one left out' approach was funded by the Local Authority Hardship Fund in 2021-22 on a needs led basis. Local authorities were able to claim for specific costs incurred, which included additional B&B, hotel and other accommodation provision, additional support services and security provision. As of March 2022, £41.5m had been claimed from the Hardship Fund.

The Hardship Fund was a short-term support mechanism directly associated with the COVID-19 response and ceased at the end March 2022. The Welsh Government has allocated £10m in 2022-23 to continue to support these homelessness costs. This is with the expectation that local authorities should gradually transition from using high levels of temporary accommodation to rapid rehousing.

The next phase is for authorities to prepare and publish their Rapid Rehousing transition plans which will set out how services will change in terms of support and supply. Building on this, and to support the next phase of our response to our long-term goal of ending homelessness, an increase of £40m (or 30%) for the Housing Support Grant was included in the Budget, taking it to £166.7m for 2021-22.

The purpose of this grant is to prevent homelessness and support people to have the capability, independence, skills and confidence to access and/or maintain a stable and suitable home. This uplift has been maintained in the 2022-23 Budget.

We also launched the £10m Tenancy Hardship Grant through local authorities. The grant was available for private tenants, not in receipt of housing-related benefits, who had fallen into serious rent arrears due to COVID-19. Applications were made by tenants and paid directly to their landlord or agent, thereby immediately removing the risk of eviction for their rent arrears. In January 2022 a change was made to the scheme to also allow social housing tenants who were not in receipt of housing-related benefits to apply for grants. This scheme closed on 31 March 2022.

Third sector organisations and their volunteers were at the forefront of our response to the pandemic and provided much needed support to some of the most vulnerable individuals in our communities. We supported the sector in their response through our £9m COVID-19 Third Sector Response Fund.

We were concerned what impact lockdown would have on those affected by Violence Against Women, Domestic Abuse and Sexual Violence (VAWDASV). We worked closely with the third sector and public sector partners to ensure that COVID-19 safe services could be offered and recognised that there would be an increased impact on services, we allocated an additional £1m to this from Welsh Government VAWDASV revenue grants.

We allocated £38m to fund a Winter Fuel Support Scheme which saw eligible households receive £200 non-repayable grant to help with the cost of fuel over the winter period in 2021-22.

We invested an additional £14.7m in our Discretionary Assistance Fund (DAF) to continue to provide individuals and families across Wales with support to help mitigate some of the financial pressures and challenges they faced during this period. As well as responding to an increased number of claims, we were also able to continue with the rule relaxations concerning the number and frequency of Emergency Assistance Payment (EAP) awards that an individual was eligible to apply for during this period. These rule relaxations also helped to support those individuals who were impacted by the UK Government's decision to cut the £20 per week uplift to universal credit.

We made £1.5m available to fund income maximisation activities, including the delivery of a second national Claim What's Yours campaign (through all media platforms including TV and radio) and to increase advisor capacity within Advicelink Cymru to better manage the demand from people who need help to navigate the complex social security system.

£4.84m was allocated in total to tackling food poverty and addressing the root causes of food poverty. At a time when the pandemic resulted in a significant increase in the number of households seeking emergency food provision, the funding supported interventions which not only helped with immediate food provision for food banks that were struggling to keep up with demand, but it also supported action on prevention, sustainability, and resilience.

To support individuals further, and to remove barriers to self-isolation due to loss of income, we established a self-isolation support scheme. This provided payments to certain eligible individuals who were unable to work from home and were asked to self-isolate by the Test, Trace, Protect service, or the NHS COVID-19 App.

The rate of payment was £500 per claim and was increased temporarily on 07/08/2021 to £750 and reverted to £500 on 28/01/2022 to reflect the shorter period of self-isolation. The scheme will run until 30 June 2022. Parents and carers on low incomes, with children who are self-isolating, are also eligible for this additional support.

From June 2020, with testing and Personal Protective Equipment (PPE) available, Care Inspectorate Wales (CIW) resumed risk assessed inspections where there were concerns about people's safety and wellbeing. Between June 2020 and March 2022 CIW carried out 1,464 inspections of adult and children's regulated services. Assurance checks of each local authority were also carried out to ensure they were fulfilling their statutory functions. They published their findings in a 'National overview report' in November 2021.

Throughout the pandemic, Healthcare Inspectorate Wales (HIW) has been keeping its activity under close review, risk assessing every piece of work to ensure it is appropriate and proportionate given the ongoing pandemic situation. They developed a new methodology and inspection approach, conducted entirely offsite, to allow them to deploy their resource in a more agile way, responding to specific risks and issues whilst taking account of revised operating models during the pandemic.

They continued to undertake onsite inspection work where they considered there to be a high risk to patient safety because of specific issues and where it was not possible to gain assurance remotely.

Economy Skills and Natural Resources Group

The priority of the Economy, Skills and Natural Resources (ESNR) Group continued to be supporting all parts of the economy by ensuring businesses had access to support as we transitioned through the pandemic moving from critical support packages to recovery. Our pandemic response activity continued amidst the suite of work across the group to implement EU exit whilst responding to emergencies such as the outbreak of Avian Flu.

Since the start of the pandemic, the Welsh Government has invested more than £2.6bn in support of businesses with the aim of helping them to survive and to protect people's jobs. In considering the case for government intervention, officials took account of both the evidence of need and value for money (VFM) in the context of the key Accounting Officer (AO) tests.

The main economic funding interventions the Group delivered have been the Economic Resilience Fund (ERF), the Cultural Recovery Fund (CRF) and the Non-Domestic Rates linked grants (NDR), Development Bank of Wales Coronavirus Loans (CWBLS) and NDR Rates Relief. The package was overseen by the Welsh Government in its entirety but administered to qualifying business directly (ERF and CRF), through Development Bank of Wales (CWBLS) and Local Authorities for the NDR and local discretionary funds.

Welsh Government economic assistance was an important complement to UK Government schemes in safeguarding employment, particularly the job retention scheme. To deliver the ERF and CRF during 2021-22, over 100 Welsh Government staff were mobilised to deliver the support schemes at short notice drawn together from across the organisation for up to six weeks at a time.

This included working in close partnership with the local authorities across Wales to deliver the NDR linked grant and ERF schemes. In 2021-22 we made almost 39,500 grant payments totalling £135.74m through the ERF, CRF and ERF-NDR COVID-19 schemes.

An independent impact and evaluation report of the ERF 2020-21 schemes, published in April 2022, found that £95m was delivered to Welsh businesses through the third and fourth round of the ERF and local authority managed Start-Up Grant safeguarding 60,000 jobs.

We administered a new £5m Covid RD&I scheme, ensuring R&D activity was a viable alternative to furloughing staff. The Covid RD&I support scheme awarded funding to 41 projects involving 34 Welsh Businesses and 3 Research Organisations. £4,919,998 of grant was awarded to support projects in five key areas:

- Infection Control & Testing
- Medical Products, Devices & Equipment
- Personal Protective Equipment (PPE)
- Sanitisation Techniques and Products
- Digital Solutions

The Group continued to provide support to all Cultural, Sport and Tourism sectors to facilitate successful and safe re-openings through alert levels as we transitioned through the pandemic to support recovery. We continued to support the visitor economy whilst also balancing public health messaging with restrictions in particular through the Addo campaign.

In the later part of 2021, the team promoted shoulder seasons through our autumn / winter campaign during which the industry reported positive visitor numbers and confidence for the season ahead. As the economy re-opened, we continued to support the events sector and pilot events to facilitate opening and advice/guidance on opening and closure in line with movement between Alert Levels. Following the re-opening of the Cadw estate, despite the continued challenging circumstances, there was strong recovery of visitor numbers and income.

Our support for the heavily impacted public transport system continued. Whilst passenger numbers have started to improve there has been a continued need for support of rail services to offset the impact of reduced passenger farebox and increased costs due to Transport for Wales (TfW) now having to manage the rail operator of last resort. This is a situation that is likely to remain for some time to come although, through TfW, we are supporting a number of initiatives to encourage people back onto public transport.

We have also continued to support the bus industry through the Bus Emergency Scheme (BES). We have been adapting its terms to reflect the emerging position for the industry taking account of returning passengers and Welsh Government's own aspirations for the future of bus operations within Wales.

Key to this has been ensuring that people have been able to access essential services and that key workers have been able to get to their places of employment. Also ensuring that there is an appropriate operational bus network still in existence as we come out of the pandemic.

Case Study

Economic Resilience Fund

The Economic Resilience Fund (ERF) provided funding for businesses in Wales to support their employees where they were closed and or turnover severely impacted by Covid regulation during lockdowns and restrictions.

Covid support for business was delivered in partnership with all 22 Local Authorities (LA) in Wales using a combination of LA business rates aligned flat rate grants alongside bespoke application led grants assessed by Civil Servants.

The Scheme provided 39,500 awards with a combined value of over £135m to businesses in the 2021-22 financial year. This approach led to the team winning the UK Civil Service Project Delivery Award.

The ERF scheme had an entirely online process including an eligibility checker and online application form delivered through Business Wales and linked to the Welsh Government finance system (SAP).

The Eligibility for the scheme finessed and improved to target businesses impacted directly as the restrictions changed through the summer and winter of 2021, ending with a far greater emphasis on Tourism, Hospitality and Leisure departing from the cross economy remit in 2020-21.

The importance of teamwork, empowerment and delegation alongside communication with the business community to explain eligibility and application process. This has allowed an ongoing learning process and a continuous improvement culture.

Managing EU Transition



Work related to the UK's exit from the EU has remained a key priority for the Welsh Government.

We are moving from a period of transition towards a post-EU membership operating model, but work continues to ensure we take the necessary steps arising from the Trade and Cooperation Agreement, and to seek to support citizens, businesses and communities in Wales as best we can to adapt to our new relationship with the EU.

Ministers have also continued to attend some meetings of the UK Government's XO Cabinet Committee, subsequently renamed the Global Britain (Operations) Committee, which oversees EU transition from a UK Government perspective.

Recognising the changed ways of working as a consequence of leaving the EU, we worked to understand how the previously EU-operated functions now returning to Wales can be brought into our post-EU operating model. These functions bring new responsibilities to the Welsh Government and require additional capacity and capability across a number of diverse policy areas.

We have continued to work on the Common Frameworks programme, which manages many of these returning functions. Frameworks have been operational at an official level since the end of 2020. After the 2021 elections for the Welsh and Scottish Parliaments, Ministers responsible for the frameworks programme from the four nations agreed a common approach to outstanding cross-cutting issues, allowing the majority of frameworks to be published for scrutiny by legislatures early in 2022. Scrutiny has begun in some framework areas and will continue in 2022-23.

Recognising the contribution to our communities made by the thousands of EU, EEA and Swiss citizens who live in Wales, we have provided free support to help them ensure that they can continue to live and work here. The package of support, known as the EU Citizens Immigration Advice Services, has meant that European citizens have been able to access the help they have needed to make an application to the European Union Settlement Scheme (EUSS) and to remain legally resident in Wales.

To support businesses through the transition, we have also continued to make available Business Wales, our free business support and advice service. Business Wales has continued both to provide direct advice and to liaise with the UK Government on arranging and signposting webinars and other advisory communications for Welsh businesses.

There have been significant operational consequences for Welsh Government business-as-usual as a consequence of EU transition. We have had to absorb many new functions such as a new borders infrastructure and operating regime. We have had to manage a high volume of complex UK and English legislation, much of it driven by proposed changed approaches to Retained EU Law; and of course we continue to manage the implications arising from the loss of EU investment funding (ERDF, ESF and RDP) and the transition of these funding flows to national funds.

In March 2022, the Minister for Economy announced over £4 million to support Welsh businesses find new export opportunities in global markets, investment in programmes designed to create new exporters and to support existing exporters to grow and expand into new overseas markets as well as a new programme of international events.

We have also continued to work collaboratively with our public sector partners on EU transition matters. The Local Government EU Transition Advisory Panel of representative Local Authority Chief Executives, established by the Welsh Government in 2018, met regularly and our funding for a Brexit Coordinator in every local authority, and the WLGA support programme, continued to the end of 2021-22.

This provided valuable input on a range of impacts and issues across Wales. For health and social services, collaboration has involved a balance of ongoing operational matters such as maintaining Welsh and UK-wide arrangements for managing the supply of critical goods and taking forward new arrangements in important areas such as reciprocal healthcare and health security.

We have also focused on areas of longer-term policy reform where these will have operational impacts for the sector in Wales, as well as other policy and regulatory developments. We have maintained oversight of activity through a UK/EU Transition Leadership Group with representation from NHS and social care organisations.

We have updated and refined our cross-government working and governance structures. All post-EU matters (including Rest of the World Trade) are now considered by an Implementation Board, which provides strong governance to our range of critical work on implementation issues and trade negotiations.

The Implementation Board continued to report to the Assurance Board chaired by the Permanent Secretary, which provides the necessary oversight and assurance to our work. The Cabinet Sub-committee on European Transition and Trade met for the last time in March 2021 prior to the Senedd election in 2021, and Ministerial oversight of EU transition matters is now undertaken through normal Ministerial and Cabinet structures.

One of those matters relates to our borders and the new arrangements required to check goods entering Wales from the EU. A significant programme of activity has been taking place to establish Border Controls in Wales to support biosecurity through documentary checks and physical inspections on the import of products that can affect human, animal and plant health, such as live animals, plants, and high-risk foods and feed. These physical inspections were required to take place at a designated Border Control Post (BCP). The necessity for, and approach to, undertaking the checks across Great Britain has been defined in the UK Government's Border Operating Model (BOM) which has been the subject of numerous revisions over the last two years.

The most significant change was announced by the Minister for Brexit Opportunities in April 2022 which delayed the introduction of new border controls to the end of 2023, together with a review of the operating regime, including more technological solutions, with proposals expected to be announced in autumn 2022. Welsh officials are involved in the UK Government's work to develop those proposals, to better understand what they will mean for border controls in Wales, and the implications for the resources invested in the programme to date.

EU Transition – Headcount and Costs

To support our cross-government working and effective governance of EU transition during 2021-22, Welsh Government incurred £11.4m expenditure in 2021-22 for staffing costs related to the EU Transition teams, and staff across the Welsh Government Groups working on EU Transition project activity. The £11.4m comprised £4.4m (68 staff) for the central transition team and £7m (101 staff) within the Welsh Government groups.

Subsidy Control Legislation

From 1 January 2021 the EU State aid rules no longer applied to funding and other forms of support measures granted to business by UK public authorities, including the Welsh Government. In place of the EU State aid rules the UK committed to introducing its own domestic subsidy control regime and during 2021 the UK Government drafted the UK Subsidy Control Bill following public consultation at the start of the year.

This high-level 'skeleton' Bill frames the parameters of the future UK subsidy regime, with operational detail to be provided in subsequent secondary legislation and non-legislative guidance. Welsh Government officials have engaged with officials in UK Government and other devolved governments on an ongoing basis, including via fortnightly quadrilateral and Wales-UK bilateral meetings, to influence development of the Bill to better reflect Welsh Government priorities, including pre-publication and via Government amendments following its laying before Parliament.

As work started on the development of secondary legislation at the start of 2022, officials refocused efforts to engage early with drafting officials to embed Welsh Government priorities at the start of the development process. Development of these regulations and supporting guidance is ongoing. The new Subsidy Control Act received Royal Assent in late April 2022 with entry into force currently intended for autumn 2022 following the passing of supporting secondary legislation.

Responding to the Ukraine Crisis



The UK Government opened the Homes for Ukraine visa scheme on 14 March 2022 with the Welsh Government Super Sponsor route going live on 25 March 2022.

A group of Civil Servants was rapidly drawn together from across Government Departments to establish a team and deliver the Scheme on behalf of Welsh Government. The team was led by Director Housing and Regeneration and Director Communities & Tackling Poverty. They were supported by three Deputy Directors and several other Civil Servants.

Partnerships were quickly formed between key stakeholders including Welsh Government Officials, Local Authorities, Local Resilience Forums, Local Health Boards and third sector organisations. Multi-agency planning was subsequently conducted to establish a model to enable the Welsh Government Super Sponsor Scheme and support the safe arrival of people from Ukraine. A hierarchy of meetings were also established to support the governance of the scheme including a civil contingencies structure with regular weekly Ministerial meetings.

This model included the establishment of a Contact Centre and helpline operating 24/7. The function of the Contact Centre was to help coordinate the movement of people and track their safe arrival in Wales. Contact Centre staff were transitioned from their now redundant roles as Contact Tracers supporting the fight against COVID-19 to form a Contact Centre staff. Language support was established through the Wales Interpretation and Translation Service. The Wales Nation of Sanctuary website was also updated to allow people to understand the scheme including how to apply.

A network of Arrival Hubs was established in a number of key transport nodes across Wales by Local Authorities working in partnership with Welsh Government officials and Transport for Wales. The role of Arrival Hubs was to welcome people to Wales, help to treat any immediate health or welfare needs and support travel plans. Arrival Hubs offered a private area for people to rest and take refreshments, were highly visible in nature and operated 24/7. The Contact Centre coordinated the movement of people through Arrival Hubs and onward travel to Welcome Centres.

A network of Welcome Centres was created to provide initial accommodation for people arriving in Wales under the Homes for Ukraine Super Sponsor Scheme. They were established in a family activity centre, a university and a hotel amongst other types of facilities. Welcome Centres provided an area for people to feel safe and facilitate engagement with organisations to support the full health and welfare needs of people arriving from Ukraine. Some quarantine facilities and pet accommodation were secured to support people arriving with pets.

All of this activity was conducted through partnership and at pace over a short timeframe. The early investment in the scheme by Welsh Government has ensured the safe arrival of people into Wales from the very start of the Scheme and has ensured that Wales is viewed as a nation of sanctuary by those arriving.

Cost of Living



As the impact of rapid increases in the cost of living began to emerge during the latter part of the financial year, the Welsh Government supported Ministers to develop a team Wales response.

Ministers held Summits on the cost of living crisis with key stakeholders, and developed responses to tackle both the immediate impacts and to work together to improve longer term community resilience.

Between November 2021 and the end of March 2022 a package of support worth £380m was announced for low income households to meet the immediate cost of living pressures. This package of support was delivered across 2021-22 and 2022-23. The support package included funding for a 2021-22 Winter Fuel Support Scheme which provided a £200 payment for eligible households to help meet the cost of essential bills over the winter period.

It provided an extra £14.7m in 2021-2 for a more flexible Discretionary Assistance Fund ensuring support for people who need emergency and urgent help during the pandemic. It also enabled winter fuel assistance for off-grid homes and boiler repair grants between 1 October and 31 March for households unable to afford their next delivery of oil or LPG due to extreme financial hardship.

A further £3 million was allocated to relieve the pressures of increasing demand on food banks and support action to help tackle food poverty. This built on the £2 million investment which was provided for the third year running to support community food organisations to help tackle food poverty.

The Cost-of Living Support Scheme was designed to offer immediate support to households and comprised a £152m fund for providing direct payments of £150 to over one million lower income households. The parameters for the scheme were set by the Welsh Government and it was complemented by a £25m discretionary scheme which allowed local authorities to support households who were not eligible for the main scheme.

In order to establish and implement the scheme rapidly, the work of the Welsh Government council tax policy team and local government revenues teams was re-prioritised and officials worked in close collaboration to design payment arrangements based on the use of existing council tax records. The use of existing, verified tax records meant that payments could be targeted towards eligible households and paid directly into bank accounts or to named householders with limited additional processing or checks being required.

It also removed the need for households to apply for support, resulting in high take-up rates.

The collaborative approach meant that the operational details and guidance for both the main scheme and the discretionary scheme were agreed within a few weeks of the initial announcement, enabling payments to begin shortly afterwards.

A second national Claim What's Yours benefit take-up campaign delivered messages across all platforms, including TV, radio, and social media and people responding to campaign's call to action were helped to claim over £2.1m of additional income. A programme of training for frontline workers which aimed to deliver increased advice and support on welfare benefits through existing family support models was developed and rolled out. In collaboration with local authorities officials developed and published a Best Practice Toolkit which identifies 'what works' in helping to simplify and streamline the application process for devolved benefits making them more accessible.

Climate Change



Now more than ever we need to take strong collective action to minimise the scale of change and tackle the inevitable impact on our climate and how we live our lives, something we and the rest of the world are already experiencing.

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

This change in emphasis is reflected in our organisational structure, with the introduction of a Director General for Climate Change, Tracey Burke, from 1 April 2022. It mirrors the Ministerial portfolio structure introduced in May 2021, with Julie James MA Minister for Climate Change and Lee Waters MA as Deputy Minister for Climate Change. The new portfolio brings together the key sectors of the environment, energy housing, planning and transport portfolios to enable more integrated and whole systems consideration to the way we work, our policies and investment decisions.

This commitment to tackle climate change is reflected in our sustainable development¹² and environmental legislation¹³ which are already recognised as world leading. We have strengthened our legislative framework and ambition by setting net-zero emissions by 2050 as the legal target, creating a new pace of change in recognition of the scale and urgency of the challenges from climate change.

We have developed a comprehensive system to monitor delivery of our actions and values, including: a monitoring and reporting system, independent progress reports from the Climate Change Committee and scrutiny from the Senedd and its Committees. The Climate Change Portfolio Board, chaired by the Director General, now provides strategic governance for the development and delivery of climate policy, taking an informed and joined up view.

The Board includes all areas of Welsh Government who contribute to tackling, or are impacted by, climate change and provides opportunity to create synergies. It ensures mandate holders (those with relevant policy or operational responsibilities) are accountable for their actions and that the portfolio remains on course to deliver the desired outcomes in accordance with our legislative targets.

Net Zero Wales

The Welsh Government intends to publish a plan to reduce our carbon footprint in 2022-23. In line with policy 77 in the Net Zero Wales Plan, the Welsh Government is developing a strategy and plan to achieve net zero carbon as an organisation, in support of the collective ambition of a net zero public sector by 2030 (Net Zero Wales policy 76).

In pursuit of its ambition to become a net zero organisation by 2030, the Welsh Government is intending to make firm commitments against each of the main areas of emissions, such as the efficiency of our buildings, how we use them and move between them, how we operate our business and the goods and services we buy. Where appropriate, these will target quantified absolute carbon emissions reductions, set against a 2018-19 baseline.

¹² www.legislation.gov.uk/anaw/2015/2/contents

¹³ www.legislation.gov.uk/anaw/2016/3/contents/enacted

Case Study

Wales Transport Strategy

The Wales Transport Strategy (WTS) was published in 2021 and set out a new way of thinking that places people and climate change at the front and centre of our transport system. The WTS has three priorities:

1. Reducing the need to travel in the first place by bringing jobs, shops, services and facilities close to where people live.
2. Making the sustainable transport modes of walking, cycling and public transport a natural attractive choice.
3. Encouraging everyone to make those sustainable transport choices.

Alongside climate change, social justice and equality are major priorities for this Welsh Government and this plan seeks to deliver on all three.

Delivering priority 1 involves planning ahead for better physical and digital connectivity, more accessible services, more home and remote working and more active travel. Examples include: publishing our remote working strategy in March 2022 and opening a network of 25 pilot hubs; and, the multi-million pound Wrexham Gateway project which will create better connected bus and rail transport routes into the town centre and redevelop the site around the Wrexham General station, including commercial development and upgrades to the civic and amenity spaces.

Delivering priority 2 means investing in low carbon, accessible, efficient and sustainable services and infrastructure that enable more people to walk, cycle and use public transport, and low emissions vehicles. For example: we consulted on our ambitious bus reform proposals to give the public sector control on the frequency and routing of bus services, which will in turn enable us to extend their reach and better integrate them with other modes and ensure they meet the needs of communities across Wales.

To deliver priority 3 we are embedding a strategic approach to behaviour change through all our interventions to ensure we are providing: – the opportunity to make sustainable transport choices – the capability to use sustainable transport – the motivation to make a shift away from private car use. For example, we have a focus on increasing active travel for journeys to school. We are working with partners to encourage holistic approaches that combine infrastructure improvements through new routes and facilities or street closures as part of school streets with promotional interventions. Our Active Journeys programme continues to work with a large number of school communities across Wales to encourage children and families to walk, scoot or cycle to school for all or part of their journeys.

Delivering the WTS and reducing emissions from transport requires fundamental change that reaches deep into society and the lives of individuals. We have to act together, right across society, with social partners, governments, communities and businesses working collaboratively to change how we travel. It is clear that delivery needs to be different in different places and solutions must be tailored to support our rural communities as well as the more urban areas of Wales.

We are not waiting for the 2022-23 plan and have made good progress as demonstrated below.

Welsh Government Administrative Estate

Action to tackle climate change is an inherent part of the Welsh Government's over-arching workplace strategy and asset management planning. The approach to improving the environmental performance of the administrative estate is delivering very positive results. Substantial reductions in carbon emissions and energy continue to be achieved, as well as reducing the amount of waste sent to landfill and water consumed.

Biodiversity is also being improved across the estate. As set out in the State of the Estate in 2020-21 report¹⁴ our actions have reduced the carbon emission from the estate by 13% this year in comparison to last as part of a 76% reduction over the last 11 years. Recycling (including anaerobic digestion) increased from 34 to 60 tonnes over the same period.

This momentum is being maintained. Future emissions reporting will be aligned with the new Welsh Public Sector Net Zero Carbon Reporting Scheme. And a pathway has been developed to achieve net zero-carbon on Welsh Government's administrative estate by 2030. A number of feasibility studies have been completed and from these studies, a prioritised programme will be developed.

Impact of Equipment Provision

With remote or hybrid working now the default for nearly all staff, the need for a maintainable fleet of laptops has become fundamental. From January 2022 a rolling replacement of laptops has been established, replacing approximately 150 laptops every month. To tackle the carbon impact of this, the Welsh Government have agreed with our supplier to adopt a carbon programme, ensuring that laptops are carbon neutral across their manufacture, shipping and usage.

This is in addition to the supplier's existing efforts to ensure sustainable production. This is combined with secure disposal by a local supplier who ensures that equipment is responsibly refurbished or broken down and recycled, recovering valuable metals in the process.

14 www.gov.wales/welsh-government-administrative-estate

Building Occupancy and Travel

Building occupancy levels have been significantly lower in response to the pandemic. The average number of staff attending an office during November 2021 to April 2022 was 350, representing an average daily reduction of staff on-site of 2845 or just over 10% of pre Covid levels.

The distribution of our offices across Wales means that most staff live reasonably close to their place of work, however reduced office attendance has on average avoided travel for commuting purposes of approximately 15000 miles per day (using a variety of modes of transport which is not available). The reduction in travel, for commuting and business, and associated emissions in response to COVID-19 workplace restrictions offer significant long-term environmental benefits which we will aim to realise as we transition to blended ways of working.

We continue to promote sustainable travel choices and in June 2021 we launched a Green Car Scheme for staff. The scheme allows staff to lease a new ultra-low carbon emission car emitting 50g/km CO₂ or less and pay for it through a salary sacrifice. The Green Car Scheme is supporting staff wishing to respond to the climate emergency, as well as demonstrating the Welsh Government's commitment to tackling climate change.

Alongside Net Zero Wales and COP Cymru, the Welsh Government published Working Together to Reach Net Zero¹⁵ which recognises and showcases the all-Wales approach to tackling climate change with pledges and case studies from every corner of the country. We are committed to collaboration as everyone needs to play a part in the changes we make.

Tackling climate change is not an issue which can be left to individuals or to the free market. It requires collective action, and we recognise the central role we have in making collective action possible. This enabling responsibility is embedded across the actions of the Welsh Government as demonstrated by the examples below.

Circular Economy

In March 2021, we published our circular economy strategy, Beyond Recycling¹⁶, which sets out our commitment to developing a universal culture of re-use, repair and remanufacture within our communities and town centres. This will not only prevent waste and help us to decarbonise, but also enable to realise the economic and social benefits. The transition to a circular economy represents a key opportunity to support regional economic development by encouraging shorter supply chains and a more local and regional focus on sourcing materials.

In 2021-22 Wales' municipal recycling rate was 65.2% exceeding the statutory minimum target of 64%. The high rate of municipal recycling in Wales saves over 400,000 tonnes of CO₂ per year from being released into the atmosphere and is a key contribution to tackling climate change.

¹⁵ www.gov.wales/working-together-reach-net-zero-all-wales-plan

¹⁶ www.gov.wales/beyond-recycling

The Welsh Government sets the statutory targets for Local Authorities, has invested over £1bn since devolution in household recycling, run the behaviour change campaign “Be Mighty. Recycle” and provides access to specialist consultancy service to improve waste services through the WRAP Cymru Collaborative Change Programme. But ultimately it is a ‘Team Wales’ effort – the Welsh Government, Local Authorities and Welsh citizens recycling at home.

We are continuing to invest in infrastructure projects across Wales to increase these recycling rates further, to reduce emissions in the waste and recycling operations (including the replacement of diesel vehicles with battery powered equivalents) and to increase the resilience of these operations to climate change.

We are also continuing to innovate and improve our policies, for example on major reforms on how waste packaging materials will be managed in the future, and a proposal for a deposit return scheme for Wales to include a wide range of containers and material types: 50ml to 3lt in size, glass and PET plastic bottles, steel and aluminium cans.

Energy

Net Zero Wales set out our ambition to establish a public sector renewable energy developer. This new function will support the development of renewable energy projects on public land in Wales in a way that retains greater benefit and value for communities and citizens in Wales. We have established a board to take this work forward supported by external input with development and community energy expertise. Feasibility work is underway looking at those sites with the greatest development potential. This work will inform our scale of our ambition.

To support our ambition to moving to a sustainable net zero energy system in Wales, it is essential that we have the enabling infrastructure in our energy networks. We are progressing our Future Grid project to take a strategic approach to grid infrastructure. We have appointed the Energy System Catapult to support this work and are working constructively with the gas and electricity network operators to develop agreed scenarios for how Wales will meet the net zero energy system by 2050 and then what infrastructure is needed to deliver it.

As part of a wider review of the barriers and opportunities to scaling up renewable energy in Wales, the Deputy Minister for Climate Change led a deep dive process to identify actions that will increase the deployment of renewable energy in a way that retains wealth and value in Wales. This process concluded with 21 recommendations for short, medium and longer term action to support the vision to generate renewable energy to at least meet our energy needs and accelerate actions to reduce energy demand and maximise local ownership retaining economic and social benefits in Wales¹⁷.

The deep dive group is now supporting implementation of those recommendations. Early implementation of these recommendations includes additional financial support for Community Energy Wales scaling up Welsh Government support to £750,000 over the next three years.

¹⁷ [Renewable energy deep dive: recommendations \[HTML\] | GOV.WALES](#)

Public Sector

The Welsh Government has this year, for the first time, collected and analysed data from across the public sector, shared on a voluntary basis, to establish the baseline carbon footprint of the public sector, which includes the Welsh Government. In May 2021 we published the Welsh Public Sector Net Zero Reporting Guide¹⁸, and the Pathway¹⁹ which aims to be a universal guide for use by Welsh public bodies to estimate baseline emissions and develop a strategic approach to achieve net zero.

It is encouraging to see such a high level of response and engagement with the reporting process in the first round of submissions, with 80% of organisations reporting for 2020-21. The findings and experiences of this pioneering first year of reporting were published in June 2022²⁰ and will be reviewed annually as an important part of helping to shape our actions and priorities.

This new reporting is being done in parallel with most organisations having developed or are in the process of writing action plans. We are supporting the development and delivery of these plans through the Welsh Government Energy Service and Wales Funding Programme, which provided £16m of investment in public sector and community-based projects in 2021-22.

The combination of financial and technical support since the introduction of the service in 2018 has helped the public sector and community enterprises in Wales to secure investment of £155 million to develop energy efficiency, renewable energy and zero emission vehicle projects. The investment this year will create £123 million in savings and income for public sector organisations and community enterprises over the lifetime of the projects, saving 253,000 tonnes of CO₂ – the same amount of CO₂ as 400 square kilometers of trees absorb in a year – that is three times the size of Cardiff.

Health and Social Care

NHS Wales alone emits the largest emissions in the Public Sector due to the size of the estate, the energy intensity of providing a 24/7 all year-round service and the demand for health care services and goods. This influenced the development and approach within the NHS Wales Decarbonisation Strategic Delivery Plan²¹, (the Delivery Plan), published in March 2021, developed through a partnership approach with the NHS. This includes 46 initiatives that provide a roadmap for the decarbonisation actions needed, as a minimum contribution for NHS Wales to meet its 34% carbon emission reduction target.

The Welsh Government have established a National Programme and National Programme Board (a collaboration of Welsh Government, clinicians, NHS and Social Care leaders and representatives), to lead and support the climate change and decarbonisation agenda for health and social care in Wales.

18 www.gov.wales/public-sector-net-zero-reporting-guide updated July 2022

19 www.gov.wales/sites/default/files/publications/2021-07/a-route-map-for-decarbonisation-across-the-welsh-public-sector.pdf

20 www.gov.wales/sites/default/files/publications/2022-05/public-sector-net-zero-data-recommendations.pdf

21 www.gov.wales/sites/default/files/publications/2021-03/nhs-wales-decarbonisation-strategic-delivery-plan.pdf

The National Programme plays a critical leadership role setting the direction for the health and social care sector, expanding plans into the parts of the system not covered by the Strategic Delivery Plan and driving delivery against key commitments. In 2021-22, £13m in capital funding was set aside for the NHS decarbonisation programme, which Health Boards and NHS Trusts were able to access through the peer assessed Estates Funding Advisory Board.

It has supported a range of health schemes including LED light upgrades, efficiency projects and solar panels. In addition, capital loans through the Wales Funding Programme 2021-22 have supported other health projects including a hospital-owned solar farm within Swansea Bay University Health Board.

Alongside the challenge of reducing emissions, it is inevitable that health and social care systems in Wales will be at the forefront of responding to the detrimental impacts of the Climate Emergency on both health outcomes and service delivery. The Welsh Government has started working with key stakeholders to understand what adaptation activity has happened to date.

The Health and Social Care sector's approach to adaptation planning is less mature than decarbonisation, and we recognise that to move forward at pace external expertise may be needed to build awareness and develop the guidance and toolkits needed to support improved plans.

Local Government

Despite the significant challenges with EU transition and the ongoing response to COVID-19, Welsh Local Authorities recognise the importance of tackling climate change and all want to see a green (and just) recovery. As a result of a joint agreement between Welsh Government, the WLGA and Local Authorities:

- The Partnership Council for Wales, the political forum for Ministers and public sector leaders including all 22 LA Leaders, has climate change as a standing agenda item at all meetings in recognition of its importance and priority for action. As a result of this political leadership all local authorities have Decarbonisation Action Plans in place, reflecting individual authorities' commitments and the range of decarbonisation initiatives and work happening across Wales.
- The Welsh Government has supported the establishment of a Local Government Decarbonisation Strategy Panel (set up in November 2020) to help lead, support and give strategic overview to decarbonisation work in local government. The Strategy Panel comprises representative chief executives from local authorities across Wales who represent their region (not just their own organisation), members from Welsh Government, Welsh Local Government Association and trade union side along with technical experts and meets monthly. Working together, the Panel share expertise, evidence, and solutions to ensure investment, strategy and policy are as effective as possible.

The Strategy Panel is using the Public Sector Decarbonisation route map²² and the four priority areas (Transport, Buildings, Land Use and Procurement) as a high level framework for a consistent strategic approach and a 'Team Wales' approach. Through 2021 the Strategy Panel developed ambitious Net Zero commitments in collaboration with Welsh Government, signed off by local authority leaders at Partnership Council, and included in Net Zero Wales.

- Welsh Government has allocated £1.49m funding over five years for WLGA to deliver a support programme to help authorities reduce emissions and meet their Net Zero commitments. This central coordination supports consistency of approach, avoids duplication of effort and ensures lessons learned or pilot projects are consistently shared so that activities can be developed or scaled up to get the most from finite resources. A detailed joint review of each authority's action plan²³ has identified good practice, gaps and next steps to identify where further support should be focused.

The programme is delivering a range of support including toolkits, commissioned research on suitable interventions, training to build knowledge and expertise, and events to facilitate sharing of best practice.

22 www.gov.wales/net-zero-carbon-status-2030-public-sector-route-map

23 www.wlga.wales/SharedFiles/Download.aspx?pageid=62&mid=665&fileid=3262

Sustainability Reporting

The information presented below relates to the Welsh Government Administrative Estates, more information on which is presented on page 46 to 47.

GHG	2014/ 2015	2015 / 2016	2016 / 2017	2017/ 2018	2018 / 2019	2019 / 2020	2020 / 2021	2021 / 2022
Total gross Emissions (tonnes CO2e)	8.4	6.9	6.3	5.4	4.2	3.7	3.5	3.0
Total Gross Emissions Scope 1 Gas (tonnes CO2e)	1.3	1.1	1.1	1.1	1.0	1.0	1.6	1.4
Total Gross Emissions Scope 2 Electricity (tonnes CO2e)	7.1	5.8	5.2	4.3	3.2	2.6	1.8	1.5
Electricity gwh	13.4	11.8	11.6	11.2	10.5	10.3	8.1	7.3
Gas gwh	7.1	5.8	5.8	6	5.7	5.8	8.8	7.9
Expenditure on Energy (£M)	2.1	2.1	2.1	2.0	2.1	2.1	2.5	2.1
CRC Allowances	0.16	0.27	0.1	0.1	0	0	0	0

Waste (tonne)	2014/ 2015	2015 / 2016	2016 / 2017	2017/ 2018	2018 / 2019	2019 / 2020	2020 / 2021	2021 / 2022
Total waste	500	498	563	350	372	284	50	72
Landfill	127	112	104	41	3	3.8	1.1	1.4
Waste to Energy					41	47	15	10
Reused / Recycled	314	322	396	222	245	150	24	47
AD Food	59	64	63	87	83	83	10	13

Waste (%)	2014/ 2015	2015 / 2016	2016 / 2017	2017/ 2018	2018 / 2019	2019 / 2020	2020 / 2021	2021 / 2022
Landfill	25.4%	22%	18%	12%	0.8%	1%	2%	2%
Waste to Energy					12%	17%	29%	14%
Reused / Recycled	62.8%	64%	70%	63%	66%	53%	49%	66%
AD Food	11%	12%	11%	25%	22%	29%	20%	18%

Waste (%)	2014/ 2015	2015 / 2016	2016 / 2017	2017/ 2018	2018 / 2019	2019 / 2020	2020 / 2021	2021 / 2022
WATER (m3 per person / year)	8	8	7.1	6.3	6.2	5.6	2.1	2.5

Case Study

COP26 and COP Cymru

In November 2021, the Welsh Government along with organisations from across Wales stood up to tackle climate change by representing Team Wales at COP26 in Glasgow (the UN's Climate Change Conference) and here at home, by organising COP Cymru.

COP26 highlighted the role partnership working needs to play at all levels.

It was good to hear first-hand how being a globally responsible nation means reducing our own emissions but also being considerate about how our actions affect other nations and how we have a responsibility to help others lower their emissions. We demonstrated this commitment by signing the landmark Beyond Oil and Gas Alliance declaration at COP26, joining ten other nations and regions to put an end to oil and gas exploration by 2035.

COP Cymru featured a series of events and climate change discussions between 28 October and 26 November 2021.

We launched our Net Zero Wales Plan, held four COP26 Regional Roadshow events across Wales and Wales Climate Week; a five-day nation-wide conversation on the collective action needed to ensure Wales meets its climate change targets and adapts to the changing weather patterns.

The successful programme covered 38 sessions and involved 200 speakers who engaged with over 3,800 virtual attendees.

We were able to bring together Welsh Government officials with stakeholders, organisations, community groups and individuals from across Wales to stimulate an important debate on the urgent action needed to respond to the climate emergency.

Meeting our Commitment to the Well-being of Future Generations



The Well-being of Future Generations Act (the WFG Act) requires Welsh public bodies to think more about the long-term, to work better with people, communities, and each other, to focus on preventing problems before they occur, and take a more joined-up approach.

The Well-being of Future Generations Act's seven well-being goals and sustainable development principle (five ways of working) provide a clear framework for public service decision-making.

Leadership

Over the last year, we have accelerated activity under the Future Generations agenda through our National Stakeholder Forum. Established in January 2021, the Forum have provided input on areas such as diversity in sustainability, raising awareness and understanding of the Well-being of Future Generations Act, and the Welsh Government's approach to implementation.

For the first time, the Welsh Government have published our well-being objectives as part of the Programme for Government²⁴ for this Senedd term. This demonstrates the central role of the Well-being of Future Generations Act in our thinking and policymaking and will maximise Welsh Government's contribution to Wales' seven well-being goals. Alongside the Programme for Government, we published the well-being statement²⁵ which sets out how our well-being objectives meet our statutory duty under the Well-being of Future Generations (Wales) Act 2015.

In 2021, the Welsh Government sent six officials to be participants in the 2021-22 cohort of the Future Generations Leadership Academy. The Academy is helping equip young people across Wales with the skills, confidence, and enthusiasm to champion the values and ethos of the WFG Act.

Responding to scrutiny

The WFG Act has received considerable scrutiny on its effectiveness as a legislative framework to improve Wales' sustainability. The reports from the Public Accounts Committee (fifth Senedd), Future Generations Commissioner, and Auditor General provide a plethora of findings and ideas on how Government and public bodies can embed sustainable development in how they work. These reports remain an integral part of the cycle of the Act and in October 2021, we published the Welsh Government's response²⁶ to these reports, outlining the action we will be taking in the months and years ahead.

In January 2022, the Future Generations Commissioner launched a Section 20 Review²⁷ into how the machinery of *Welsh Government implements the Well-being of Future Generations Act*. We are jointly committed to continuous improvement, and value this opportunity to better understand how Welsh Government currently works, to identify practical improvements, and to share our learning with the wider public sector.

The review will feed into our approach to continuous learning and improvement in how the Welsh Government deepens how it acts in accordance with the sustainable development principle, building on the progress we have made.

24 www.gov.wales/programme-government

25 www.gov.wales/programme-for-government-2021-to-2026-well-being-statement

26 www.gov.wales/welsh-government-responses-to-reports-on-the-well-being-of-future-generations-wales-act

27 www.futuregenerations.wales/section-20/

Shaping Wales' Future

Through the WFG Act and its seven well-being goals, we have a framework for Wales' future: a Wales that is economically, socially, and environmentally just, and a Wales we would want our children and grandchildren to inherit from us. In 2021, we launched our Shaping Wales' Future programme, which brings together the national milestones, national indicators, and the Future Trends Report.

Our national milestones provide targets for us to aim for in the future and give us a sense of the scale and pace of change needed and our national indicators, which measure our progress in working towards our well-being goals. In 2021, we consulted on the first wave of national milestones and changes to the national indicators. Based on the outcome of this consultation, we have added four more national indicators on justice, travel, housing costs and digital inclusion—all matters that we have been told play a larger role in shaping our national well-being than they did before the pandemic, bringing our total to 50 national indicators²⁸.

We also laid the first wave of national milestones²⁹ and, in summer 2022, we consulted on the second wave of national milestones, with the aim of publishing these at the end of 2022. We also published the second edition of the Future Trends Report³⁰ in 2021, which brings together, in one accessible place, authoritative information on the key social, economic, environmental, and cultural trends that are likely to affect Wales' future well-being. The setting of the national milestones, updating our national indicators and a renewed look at the future trends shaping Wales ensure that the well-being goals remain relevant to people's lives now and the challenges we face today and in the future.

In September 2021, we published the latest Well-being of Wales report³¹. The annual report, published by the Welsh Government's Chief Statistician, helps us assess whether we are making progress against the seven national well-being goals. In September 2022, we will publish the next edition of the report, which will provide the first update on the progress towards the national milestones.

As part of the Shaping Wales' Future programme, we also launched a blog platform³², which is being used to inform stakeholders of our progress and to continue the conversation with our stakeholders.

Building international reputation and networks

In response to international interest in the Welsh Government's approach to the WFG Act, we continue to share our experience with other countries and regions. As a member of the Wellbeing Economy Governments partnership (WEGo) we collaborate with officials from Scotland, New Zealand, Finland, Iceland and Canada to build expertise, share policy practices, and advance our shared ambition of building economies underpinned by wellbeing. In November 2021, during COP26, leaders from the WEGo nations met to reaffirm their commitment to the transition to a wellbeing economy to help address the global climate emergency.

28 www.gov.wales/wellbeing-wales

29 www.gov.wales/well-being-future-generations-national-indicators-2021

30 www.gov.wales/future-trends-2021

31 www.gov.wales/wellbeing-wales-2021

32 www.shapingwalesfuture.blog.gov.wales/

Our membership of Regions4³³ – a global network of over 43 states and regions working on sustainable development, climate change and biodiversity – remains an important network to connect with others on advancing sustainable development. In 2021, the First Minister spoke at the Regions4 event on ‘Building a Sustainable and Resilient Future’ alongside our global partners.

His key message of locality and solidarity reflects the importance of the community in playing its role in achieving the well-being goals. The Minister for Social Justice spoke at the UN Global Contact Network UK’s summit on ‘Responsible Business and Sustainable Development Goals’, in which she set out the Welsh Government’s ambitious sustainable development agenda and commitment to future generations.

We will continue to lead on the well-being agenda through our international efforts, delivering on our well-being objective to give Wales the strongest possible presence on the world stage.

Policy Capability

Policy making is one of four core executive functions identified in the Welsh Government Performance Framework. Although the measures in this theme are still in development, the 2021 People Survey saw just over a quarter of Welsh Government staff aligning themselves to the policy profession, 26% of respondents reported that ‘Policy’ best reflects the type of work they do in their main job. This was a slight increase from the previous year (24%).

Over the last year, we have accelerated activity to strengthen our policymaking capability. Our aim is to build a high performing policy system that supports and enables good decision making. This is underpinned by driving improvements and professionalism in policymaking and creating a culture that supports and fosters a skilled, engaged, and innovative policy profession to create better policy.

In 2021 we developed further the policy capability framework to support policy makers development and learning journey. The policy capability framework and corresponding support offer are a key mechanism for a system-wide improvement in policy capability, design and delivery underpinned by the Welsh approach to policy making. Focusing on people, it describes the knowledge, skills and behaviours (include the WFG aspects) needed to design and deliver policy effectively within a Welsh context, and provides a development pathway for policymakers, aspiring policymakers and policy teams to build understanding of what good policy makers know and do.

In early 2021 we undertook a review of our policymaking capability during a crisis to ensure the Framework and its attributes remained fit for purpose following the COVID-19 Pandemic. The insights from this will feed into the development of the policy capability framework and offer for policy makers across Welsh Government.

33 www.regions4.org/

The template for Term of Government remit letters includes a requirement to meet in full the well-being duty set out in the Well-being of Future Generation Act (Wales) 2015. New Term of Government Remit Letters are required to be in place following the 2021 Senedd Cymru election in May 2021, as and when they fall due. It will be the responsibility of Arms-length body (ALB) Partnership Teams to assess to what extent ALBs are fulfilling those requirements, based on monitoring information provided to them by the Bodies.

Public Services Boards

Public Services Boards (PSBs)³⁴ were established under the WFG Act as statutory partnerships in each local authority (although some have merged to larger footprints). Their key purpose is to deliver a well-being plan, which describes how the how members will work together to improve the economic, social, environmental and cultural well-being of its area.

Welsh Ministers are invited participants on each PSB, and they are represented by members of the Senior Civil Service. They play an important leadership role in confirming the commitment to the WFG Act. More specifically, they are part of board discussions and contribute insight on activities and key developments across the Welsh Government. They also share intelligence from PSBs to the Welsh Government to better inform policy and delivery. They provide a key connector role between national government and front-line public services, supporting the commitment to One Welsh Public Service.

34 www.gov.wales/public-services-boards

Managing our Legislative Programme



Managing work on the Welsh Government's legislative activities is a major focus for the organisation.

The need to make a significant volume of subordinate legislation to respond rapidly to the COVID-19 pandemic in recent years has meant the Welsh Government has needed to carefully prioritise its legislative work. Over the last year there has also been a significant focus on responding to the UK Government's legislative programme.

Primary Legislation

The Counsel General and Minister for the Constitution made a Statement³⁵ to the Senedd in July 2021 setting out the Government's legislative priorities for the coming year. During the period covered by these accounts, the Government has undertaken a significant work on those priorities set out in the Counsel General's announcement and responded to the new Programme for Government by making progress on those commitments that require primary legislation to be delivered in the course of the sixth Senedd. As a result, four Bills have since been introduced into the Senedd:

35 www.gov.wales/oral-statement-legislative-programme-7

Tertiary Education and Research (Wales) Bill

The Tertiary Education and Research (Wales) Bill provides for the establishment of a new Commission for Tertiary Education and Research. The Commission for Tertiary Education and Research will be the regulatory body responsible for the funding, oversight and regulation of tertiary education and research in Wales. Tertiary education encompasses post-16 education including further and higher education, adult community learning and work-based education, apprenticeships and local authority maintained school sixth forms.

Welsh Tax Acts etc. (Power to Modify) Bill

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

Social Partnership and Public Procurement (Wales) Bill

This Bill provides for a framework to enhance the well-being of the people of Wales by improving public services through social partnership working, promoting fair work and socially responsible public procurement.

Historic Environment (Consolidation) (Wales) Bill

The purpose of this Bill is to consolidate the law relating to the historic environment in Wales.

Subordinate Legislation

An extensive amount of Welsh subordinate legislation has been prepared and made during this period, including a large number of items of legislation made in response to the pandemic.

Alongside this the Welsh Government has also brought forward programmes of subordinate legislation to deliver other key priorities, including the implementation of Acts of Senedd Cymru passed during the Fifth Senedd / Assembly, such as the Additional Learning Needs and Education Tribunal (Wales) Act 2018, the Local Government and Elections (Wales) Act 2021, and the Curriculum and Assessment (Wales) Act 2021.

UK Legislation

The Welsh Government has also responded to a significant number of UK Parliamentary Bills over the last year where these made provision in devolved areas and prepared Legislative Consent Memoranda for these Bills. Between 1 April 2021 and 31 March 2022 the Welsh Government laid legislative consent memoranda and tabled legislative consent motions in relation to 19 Bills.

Those Bills were also collectively subject to 24 supplementary legislative consent memoranda of varying degrees, such as the Building Safety Act 2022 which received four supplementary consent memoranda.

Case Study

Managing the largest ever GB outbreak of Avian Influenza

In October 2021, England confirmed the first Avian Influenza (AI) outbreak of the Winter Season. This was followed by an outbreak in pheasants on a large shooting estate in Wales – the first ever outbreak of the highly infective H5N1 subtype in Wales.

The Office of the Chief Veterinary Officer (OCVO) was challenged like never before as six infected premises were confirmed in Wales and required disease control measures to be put in place to stop the spread of disease. In addition, outdated H5N1 legislation in Wales was creating unprecedented costs to industry and imposing unfeasible disease control requirements.

In response to this, the Animal Disease Policy (ADP) Team delivered two key pieces of legislation to save field delivery resourcing and reduce unprecedented costs to industry. In addition, the team, supported by volunteers across the division, oversaw over 2000 license applications to enable movement of birds and eggs to and from high-risk zones.

The ongoing outbreak has highlighted the importance of preparedness to ensure sufficient resourcing and capability is available both within policy and veterinary teams and within Welsh Government delivery agencies. In addition, it has put a spotlight on the benefits of effective communications and awareness raising of disease mitigation among animal keepers.

Digital Agenda



In the year 2021-22, we have continued to advance our digital approach within the Welsh Government and across the public sector in Wales.

From responding to the pandemic to providing a safe haven for people fleeing war, digital and data have been key enablers to developing and providing the services people need. The speed and agility with which the Welsh Government has been able to respond to these global events was made possible by the strong partnerships we built with our public sector colleagues in the Centre for Digital Public Services, Local Government and Health.

Data Map Wales, our single geospatial platform for the Welsh public sector, was used during Storm Eunice to keep vulnerable people safe during an emergency situation, via its emergency response application JIGSO. It demonstrated in real time how sharing a variety of data from different sources securely supported quick and effective decision making which could save lives.

We also supported several sprint projects for the Wales Data Nation Accelerator. This collaboration among universities ran a series of demonstrator projects here in Wales to develop solutions using data-driven technologies.

In education, the Hwb Programme continued to play a crucial role in providing learners and practitioners with access to digital content and services. Hwb services included a range of teaching and learning tools, Office 365 and Google workspace, as well as national infrastructure to support device and user management. The Hwb Programme also invested a further £15m in Education Technology, enabling maintained schools to embrace the transformational benefits which digital and technology could have on education.

During the year, the Centre for Digital Public Services continued to build digital capability across Welsh public services at pace. It helped improve the way digital services were delivered in Wales by taking forward transformative projects in partnership with organisations including Sport Wales, Welsh Revenue Authority and Neath Port Talbot Council. It also delivered training to nearly 600 public sector leaders and elected members, giving them a better understanding of the digital approach and how it can be used to help people and staff.

In the third sector, a new partnership developed in 2021 to promote good digital practice across the sector in Wales. Newid is delivered by Wales Council for Voluntary Action (WCVA), Wales Co-operative Centre and ProMo-Cymru, and funded by the Welsh Government. Newid conducted a baseline survey of digital skills in the third sector to identify how best to help people fully embrace and embed digital ways of working.

Digital Health and Care Wales (DHCW) was established in April 2021 and, in its first year, has worked across sectors to achieve towards a common goal of transforming people's health and care through digital.

DHCW has led on major programmes including the successful roll out of the Welsh Nursing Care Record, which transformed nursing by turning a paper process into a digital service, and the development of the NHS Wales App, which will empower people to play an active part in their own health and care. The Welsh Government's Digital Priorities Investment Fund also provided £75 million investment in digital transformation projects across the NHS landscape in Wales.

The Chief Digital Officer for local government in Wales continued to drive delivery of user-centred, accessible and innovative services for people across local authorities. Alongside this, our Local Government Digital Transformation Fund supported digital transformation projects which solved common problems collaboratively across local government in Wales.

In the year 2021-22, the Welsh Government made approximately £1 million available via the Transformation Fund to improve public services through digital technology.

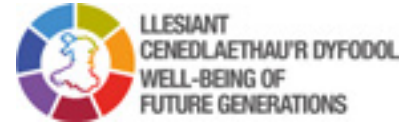
Despite the easing of Covid-19 restrictions and Welsh Government staff having the option to return to Welsh Government offices at the start of 2022, the majority of staff chose to work remotely. Indeed, it is unlikely that the ratio of home to office-based IT users will ever return to pre-pandemic levels. Recognising this, IT Services used new tools to improve the organisation's ability to detect and respond to any cyber events, further safeguarding the IT infrastructure from increased risks that a large remote workforce may bring.

IT Services also worked with the Facilities team to update audio-visual equipment across the Welsh Government estate which helped facilitate hybrid meetings and provide collaborative spaces. A rolling replacement cycle for user devices was established to ensure staff can access to effective, maintainable and evergreen IT.

A programme of work, aimed at building digital confidence and competence across the workforce, progressed through the provision of training and was accompanied by productivity software upgrades.

In recognising the importance of digital skills, the Welsh Government has continued to develop its digital, data and technology (DDaT) capability and to recruit into the profession. Two cohorts of DDaT apprentices have now successfully completed the scheme and have been matched into permanent DDaT roles. We plan to run the scheme again in future years. During 2021-22, we also expanded the apprenticeship programme by introducing a Level 4 DDaT apprenticeship and a number of apprentices are completing the qualification while working in DDaT roles.

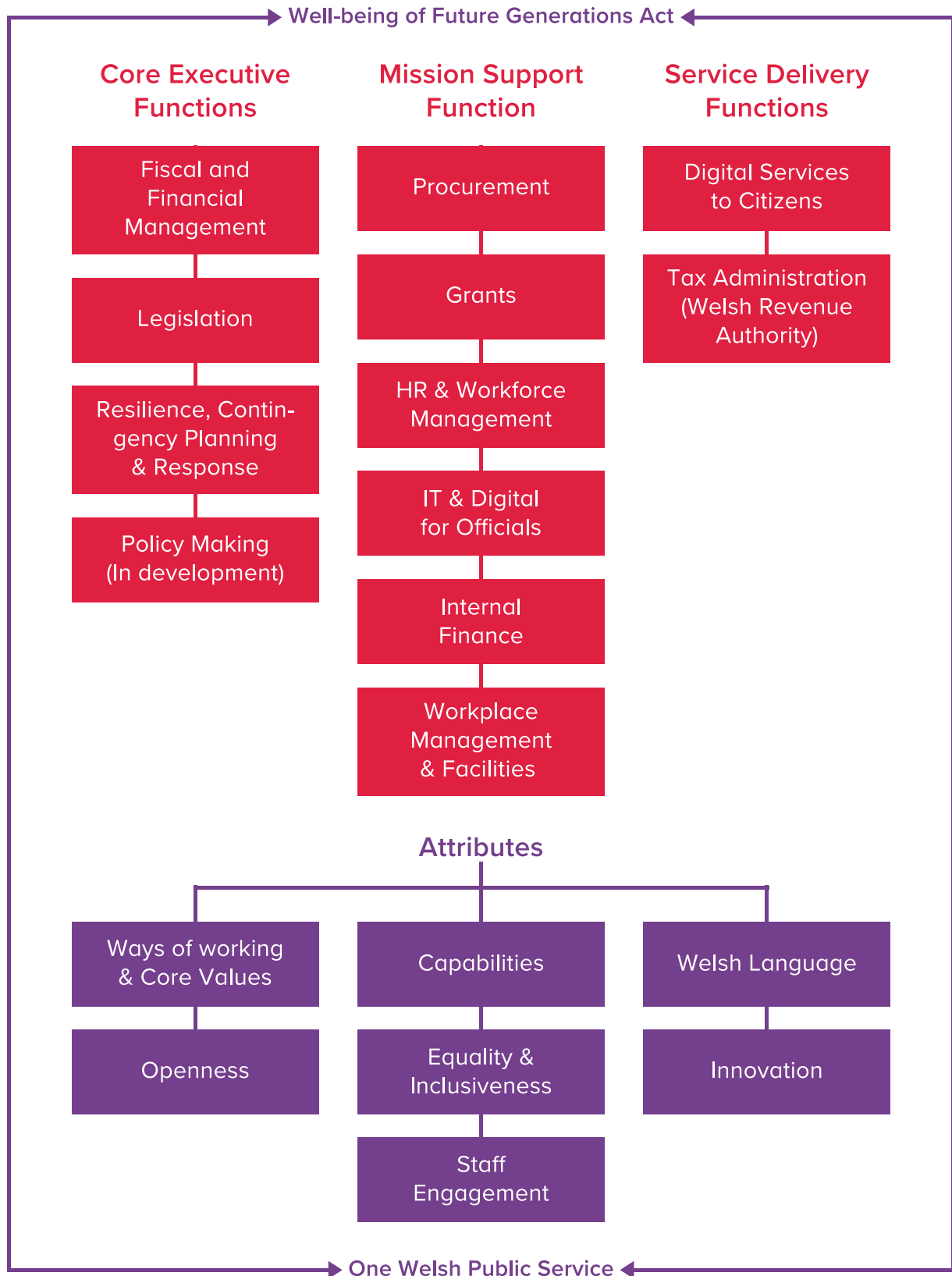
Welsh Government Performance Framework



The Welsh Government Performance Framework was adopted as the approach for monitoring the performance of the Welsh Government Civil Service in 2019. The framework is based on the International Civil Service Effectiveness Index (InCiSE) and has been adapted to align with Welsh Government's strategies, priorities and objectives through consultation with the Board, senior managers and researchers.

The aim of the Welsh Government Framework is to drive improvements in the organisational effectiveness of the Welsh Civil Service by focusing on operational performance and the responsibilities of the Permanent Secretary in respect to the running of the organisation. It currently consists of 19 themes that are divided into two groups – functions ('what we do') and attributes ('how we do it').

Performance against the framework is reported biannually to the Welsh Government Board. The second annual cycle of reporting was completed in summer 2022.

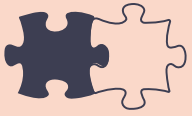








Reporting on the Attribute Themes

The first report of the 2021-22 cycle focused specifically on the attribute themes and was discussed by the Board in March 2022, following consideration of the report by the Executive Committee.

The Executive Committee highlighted Welsh language and equality and diversity as key areas that were important to focus on. The Board discussed these key areas and, in addition, emphasised the importance of in-depth insight on staff engagement with the organisation. It was agreed that reporting against the framework should be reviewed on an ongoing basis to ensure ongoing alignment with Welsh Government strategy, particularly the WG2025 change programme, as well as to ensure effective integration within wider organisational mechanisms.

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

Attribute Theme	Measure	Source	Score	Reference Period	Score for Previous Periods	
Ways of Working and Core Values 	Sustainable Development Principle index score*	Welsh Government pulse survey	77%	September 2021	72% (March 2020)	N/A
Openness 	Percentage of information requests completed by statutory deadline	Welsh Government administrative data	80%^	Calendar year 2020	89%	90% (Calendar year 2018)
Capabilities 	Percentage of staff who agree that learning and development activities they have completed in the last 12 months have helped to improve their performance	People Survey	47%	October 2021	46% (October 2020)	52% (March 2020)

Attribute Theme	Measure	Source	Score	Reference Period	Score for Previous Periods	
Equality & Inclusion 	Percentage of staff who identify as being part of an equality group	Welsh Government administrative data	2.8% Black, Asian and Minority Ethnic 5.9% Disabled 3.6% Minority sexual orientation	Financial year 2020-21	2.6% Black, Asian and Minority Ethnic 5.8% Disabled 3.3% Minority sexual orientation (Financial year 2019-20)	2.4% Black, Asian and Minority Ethnic 5.5% Disabled 2.9% Minority sexual orientation (Financial year 2018-19)
Staff Engagement 	Employee Engagement Index Score	People Survey	68%	October 2021	69% (October 2020)	66% (March 2020)
Welsh Language 	Number of complaints relating to the Welsh Language Service Delivery Standards	The Welsh Government's Annual Report on compliance with the Welsh Language Standards	26 complaints	Financial year 2020-21	24 complaints (Financial year 2019-20)	38 complaints (Financial year 2018-19)
Innovation 	Percentage of staff who agree their team is encouraged to come up with new and better ways of doing things	People Survey	81%	October 2021	81% (October 2020)	77% (March 2020)




* The index score is an average of positive responses (agree or strongly agree) across five questions that capture Welsh Government staff's views on how regularly they feel they are able to put the Wellbeing of Future Generations Act's Sustainable Development Principle (five ways of working) into practice.






^ The pandemic has had an impact on the timeliness of our responses to information requests. This was discussed with the ICO early in the pandemic and a statement was issued on the Welsh Government website informing the public of potential delays. More recent data indicates that performance has improved since this time towards pre-pandemic levels.



Reporting on the function themes

The Board received the second report on function themes in July 2022. At the session, the Board raised three key areas of focus for action. These were that the Welsh Government should continue to enhance its work on delivering a high-quality legislative programme, should sustain its existing focus on programme and project management capability, and, although the indicators in this theme are still in development, should still ensure an ongoing focus on actions to enable the Welsh Government to deliver world-class policy development and advice.

The table shows the overview measures that were discussed.

Function Theme	Measure	Source	Score	Reference Period	Score for Previous Period	
Fiscal & Financial Management 	Number of milestones achieved within Welsh Government's financial engagement open government commitment	UK Open Government National Action Plan 2019 to 2021: Welsh Government end of term self-assessment report	5 of 5 milestones achieved	2019 – 2021	N/A	N/A
Resilience, Contingency Planning & Response 	Emergency Co-ordination Centre Wales [ECC(W)] and First Response total days in operation	Welsh Government administrative data	ECC(W) – 27 days First Response – 50 days*	April 2021 – March 2022	N/A	N/A
Legislation 	Bills announced and introduced in the legislative year	Legislation administrative data	5 Bills announced and 4 introduced within legislative year	July 2021 – July 2022	7 Bills announced and 5 introduced within legislative year (July 2019 – July 2020)	5 Bills announced and 4 introduced within legislative year (July 2018 – July 2019)

Function Theme	Measure	Source	Score	Reference Period	Score for Previous Period	
Procurement 	Proportion of influenceable spend won directly by Wales-based businesses, including SMEs	Welsh Government administrative data	51%	Financial year 2021-22	44% (Financial year 2020-21)	43% (Financial year 2019-20)
Grants 	Number of queries dealt with by the Grants Centre of Excellence	Welsh Government administrative data	2267 queries	Financial year 2021-22	2650 queries (Financial year 2020-21)	1767 queries (Financial year 2019-20)
HR & Workforce Management 	Percentage of external applicants to the Welsh Government posts by minority groups	Annual Employer Equality Report	9% Disabled 7% Black, Asian and Minority Ethnic 7% Minority sexual orientation	Financial year 2020-21	6% Disabled 7% Black, Asian and Minority Ethnic 7% Minority sexual orientation (Financial year 2019-20)	6% Disabled 6% Black, Asian and Minority Ethnic 6% Minority sexual orientation (Financial year 2018-19)
ICT & Digital for Officials 	Percentage of staff reporting that they had the tools they need to do their job	People Survey	84%	October 2021	84% (October 2020)	80% (March 2020)
Internal Finance 	Percentage of payments made within 10 days of invoice receipt	Welsh Government administrative data	95%	Financial year 2020-21	96% (Financial year 2020-21)	93% (Financial year 2019-20)

Function Theme	Measure	Source	Score	Reference Period	Score for Previous Period	
Workplace Management & Facilities 	Welsh Government administrative estate total carbon emissions	State of the Estate Report	3500 tonnes	Financial year 2020-21	3713 Tonnes (Financial year 2019-20)	4236 Tonnes (Financial year 2018-19)
Digital Services for Citizens 	Number of interactive digital services available to the citizen	Welsh Government administrative data	49 services	May 2022	41 services (March 2021)	28 services (October 2018)

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

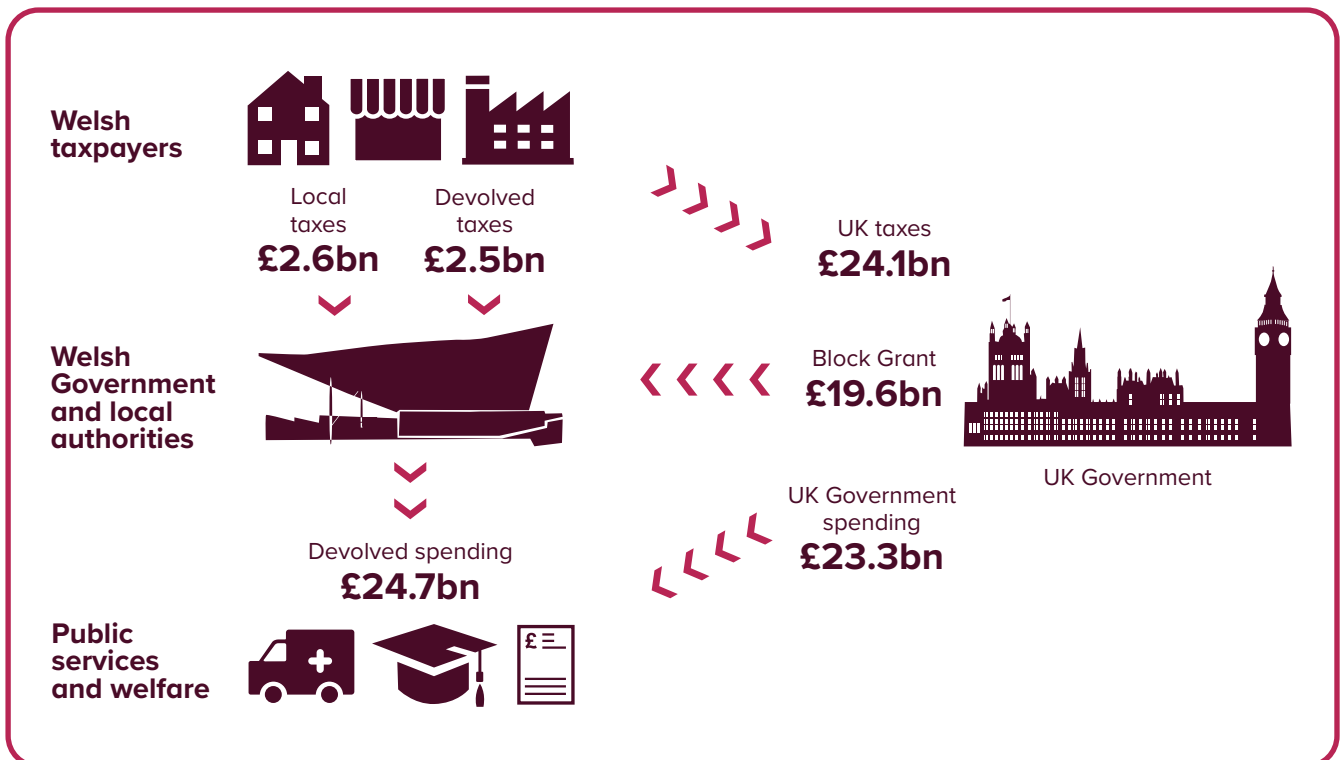
Welsh Government Funding Flows

The Welsh Government Budget authorises the amounts and purposes for which funding is provided to Welsh Ministers for the delivery of Welsh Government activity. The following infographic uses the Welsh Government's 2nd Supplementary budget for 2021-22 and projects forward other taxes and spending from the 2020-21 Office for National Statistics (ONS) Country and Regional Public Sector Finances (CRPSF) statistics using the Office for Budget Responsibility's (OBR) March 2022 Economic and Fiscal Outlook.

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

How are Welsh public services paid for post tax devolution?

Figures relate to 2021-22



Welsh Government Tax Policy, and Fiscal Forecasting

The Welsh Government Budget provides detail on the government's financing, taxation and Main Expenditure Group (MEG) level allocations, and sets out the government's revenue and capital spending plans, including detailed portfolio spending plans.

Details of the Welsh Government budgets³⁶ can be found on the Welsh Government website. The Budget is supported by the Chief Economists Report³⁷ and the Welsh Tax Policy Report³⁸ which are both available on the Welsh Government website.

The Welsh Taxes Outlook³⁹ is prepared by the Office of Budget Responsibility (OBR) and provides the assessment of the wider fiscal framework in which the Budget is set. This can be found on the OBR website.

Further information on our Fiscal Framework and Devolved Taxes⁴⁰ can be found on the Welsh Government website.

36 Welsh Government Budgets www.gov.wales/welsh-government-budgets

37 Chief Economists Report 2020 www.gov.wales/welsh-budget-2021-chief-economists-report

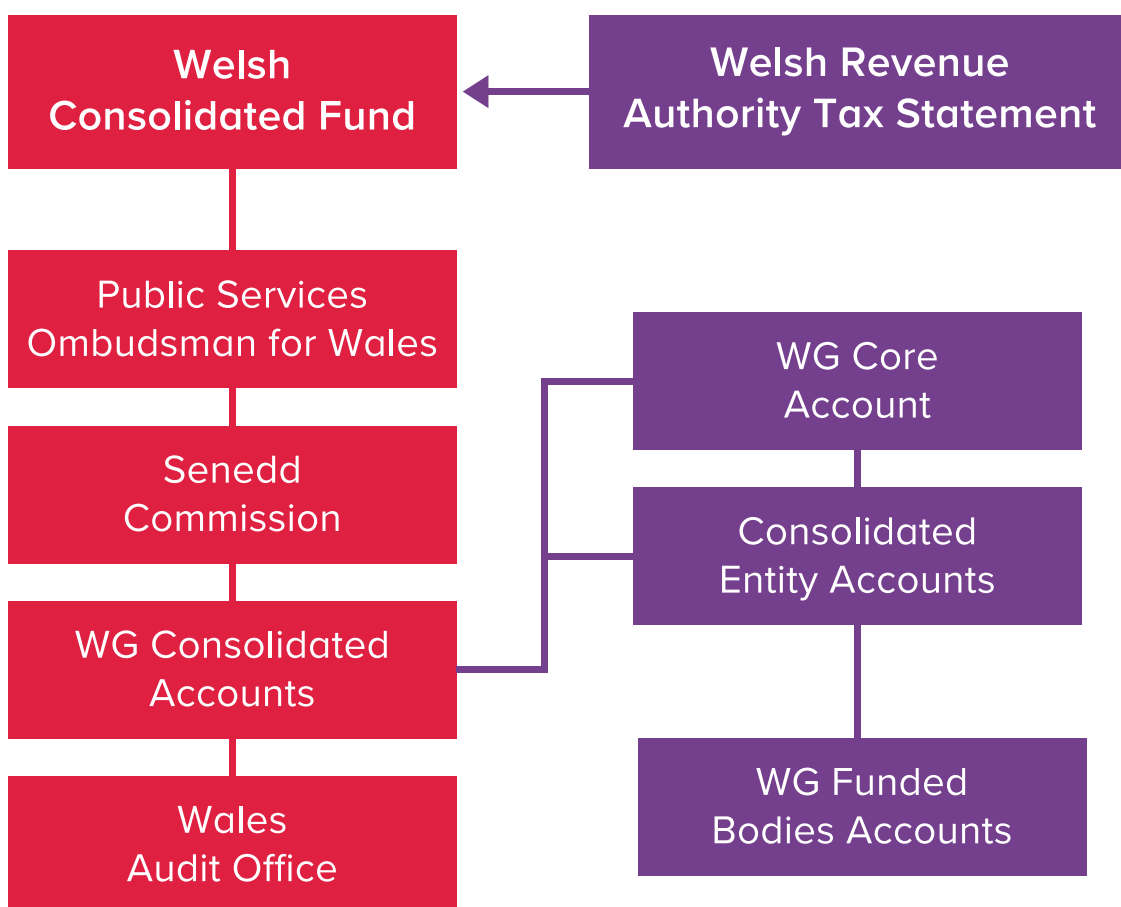
38 Tax Policy Report 2021 www.gov.wales/tax-policy-report-2021

39 Welsh Taxes Outlook – December 2020 – Office for Budget Responsibility www.obr.uk/wto/welsh-taxes-outlook-december-2021/

40 Welsh Taxes www.gov.wales/tax-policy-framework-update-html

Welsh Government Accounting Boundary, Account Relationships and Borrowing

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



The Welsh Consolidated Fund Account

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

The Welsh Revenue Authority Tax Statement

This account reports on Devolved Tax receipts for the Land Transaction Tax and the Landfill Disposals Tax. The Annual Report can be found on the Welsh Government website.⁴¹

Accounts of the bodies funded directly from the Welsh Budget

- The Public Services Ombudsman for Wales⁴²
- The Senedd Commission⁴³
- The Welsh Government Consolidated Accounts
- The Wales Audit Office⁴⁴

The Welsh Government Consolidated Accounts and Accounting Boundary

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

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

41 Welsh Revenue Authority Annual Reports and Accounts www.gov.wales/welsh-revenue-authority-annual-reports-and-accounts

42 Ombudsman Annual Report Accounts www.ombudsman.wales/annual-report-accounts/

43 Senedd Commission www.business.senedd.wales/mglIssueHistoryHome.aspx?lId=2850

44 Wales Audit Office Annual Report and Accounts www.audit.wales/publication/annual-report-and-accounts-2021-22

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

Welsh Government Group

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

The NHS Wales Informatics Service (NWIS), which was hosted by Velindre University Trust since 1 April 2010, ceased to be hosted by the Trust on 1 April 2021, and became a new Special Health Authority, Digital Health & Care Wales.

During 2020-21 Transport for Wales established two new subsidiary entities, TfW Innovation Services Limited and Transport for Wales Rail Limited which took over the operation of the Wales and Borders rail services.

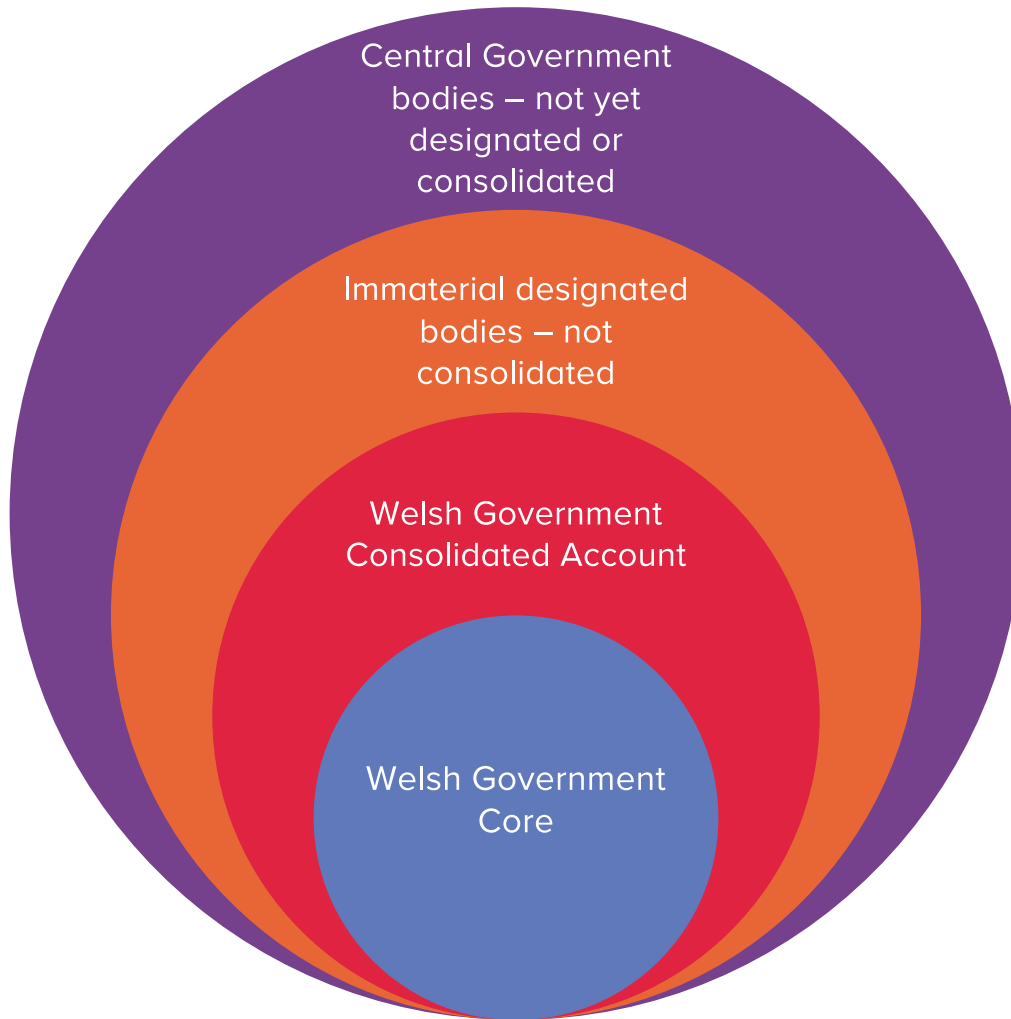
These entities were not included in the 2020-21 consolidated accounts as they did not meet the requirements of the accounting boundary, however they have been consolidated from 1 April 2021 further to an ONS classification decision. On 6 August 2021 Transport for Wales acquired Pullman Fleet Services Limited, a fleet maintenance and servicing company, Pullman Fleet Services Limited was classified as a Public Corporation and therefore is not required to be consolidated into the Welsh Government Accounts, however as it is immaterial it is included within the consolidation of the total Transport for Wales Group.

Cwmni Eginio was established as a 100% owned Welsh Government subsidiary on 24 June 2021 to take forward energy and nuclear technology development at the Trawsfynydd site. Cwmni Eginio is not material for consolidation within the Welsh Government Consolidated Accounts for 2021-22.

GCRE Limited was established as a 100% owned Welsh Government subsidiary on 24 August 2021 to take forward the development of a world class rail testing centre and associated research & development facilities at the Nant Helen surface mine and Onllwyn coal washery at the head of the Dulais and Tawe Valleys. GCRE is not material for consolidation within the Welsh Government Consolidated Accounts for 2021-22.

Whilst the Welsh Government funds Welsh Government Sponsored Bodies they are not consolidated into these accounts as they do not fall within the consolidation accounting boundary.

Welsh Government Accounting Boundary



Welsh Government Accounting Boundary Entities



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

Classification

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

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

Designation

Only entities classified as central government are designated. Designation under the GOWA 2006 (Budget Motions and Designated Bodies) Order⁴⁵ is the legal process that gives the Welsh Government the legal authority to spend. Designation brings the income and expenditure on an accruals basis of Welsh Government central government entities within the Ambits of the Budget Motion i.e. within the Welsh Government Budget voted by the Senedd and the Accounts consolidation boundary, as the Government Financial Reporting Manual sets consolidation boundaries based on designated bodies.

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

Borrowing

Under Section 121 of Government of Wales Act 2006 (amended by Wales Act 2014 and 2017) additional borrowing powers were conferred on Welsh Ministers with effect from April 2018. Any sums borrowed and repaid under these provisions are done via the Welsh Consolidated Fund and therefore are reflected in those accounts. In 2018-19 £65m was paid into the Welsh Consolidated Fund from the National Loans Fund. No borrowing powers were exercised in 2021-22. On 31 March 2022, the outstanding balance is £59m.

⁴⁵ <https://www.legislation.gov.uk/primary+secondary?title=the%20government%20of%20wales%20act%202006%20%28budget%20motions%20and%20designated%20bodies%29%20order>

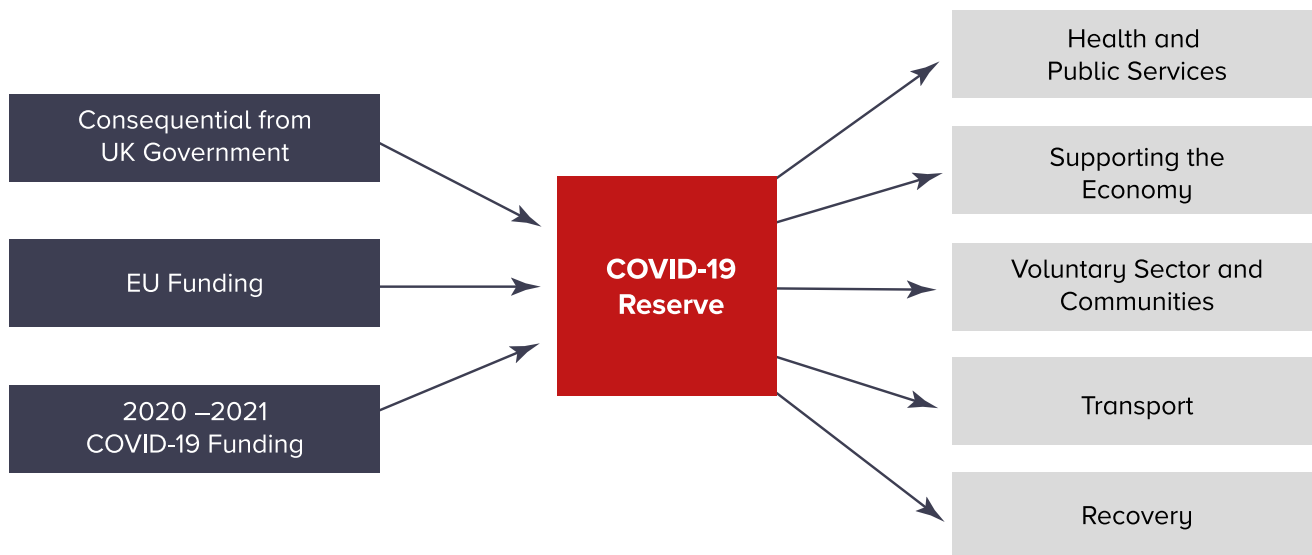
COVID-19 Expenditure

The need for a continuing response to the COVID-19 pandemic continued to place pressure on the Welsh Government's budget for 2021-22. Following the model adopted in 2020-21 to maximise the impact of available resources to respond, a COVID-19 reserve was created from reallocation of Welsh Government Budgets, transfers from reserves and UK government consequential funding.

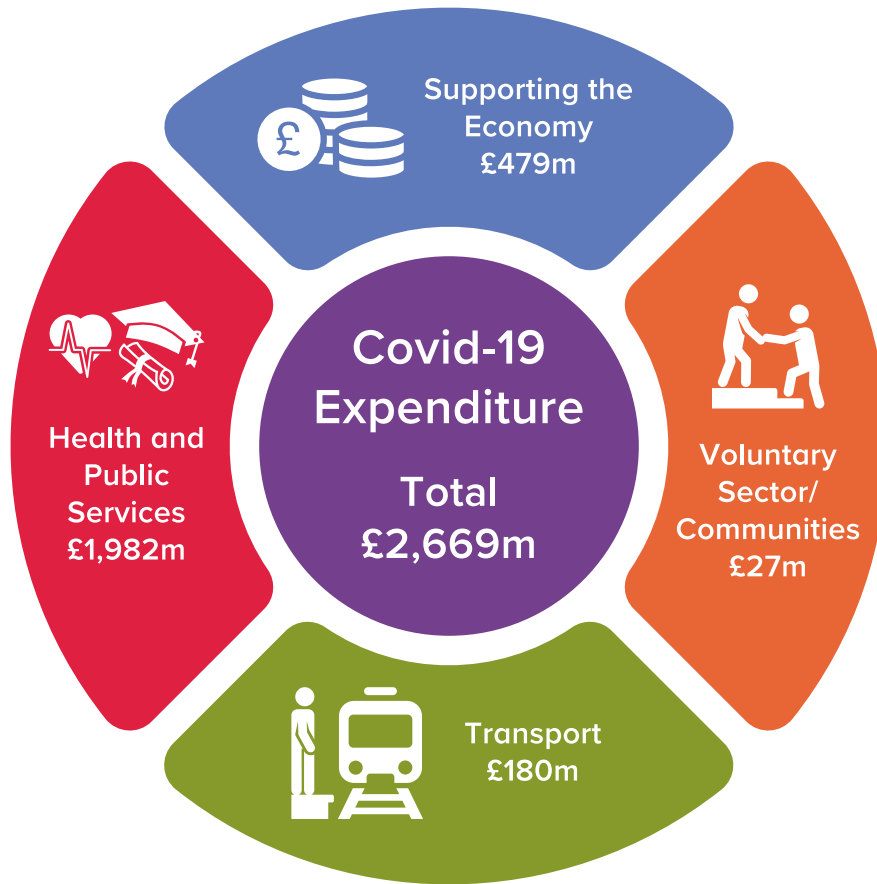
From very early on in the pandemic, a dashboard approach was developed to provide regular updates to the Cabinet, Board and finance officials across Welsh Government. This proved an effective tool throughout for providing an overview of Welsh Government COVID-19 funding allocations and was maintained in 2021-22.

The basic structure follows the outline below:

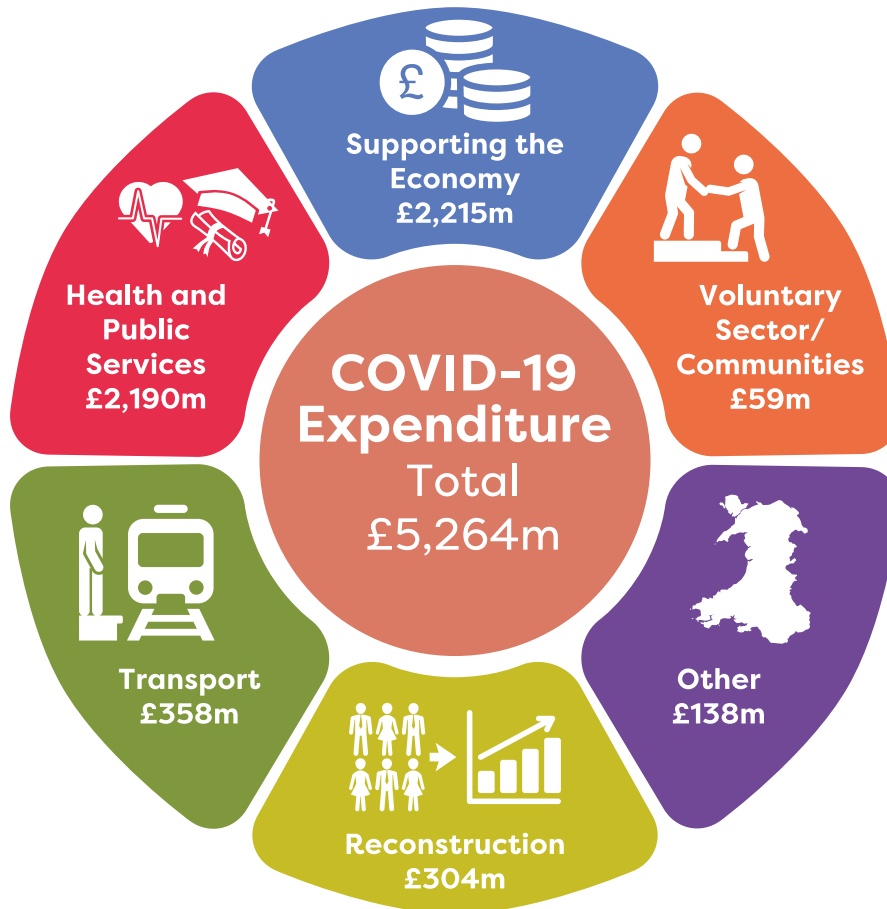
In 2021-22 COVID-19 response expenditure has been integrated into the monthly financial management process and monitored accordingly throughout the year. The following infographic shows how public funds have been spent on COVID-19:



COVID-19 Expenditure 2021-22



COVID-19 Expenditure 2020-21



This expenditure in 2021-22 includes:

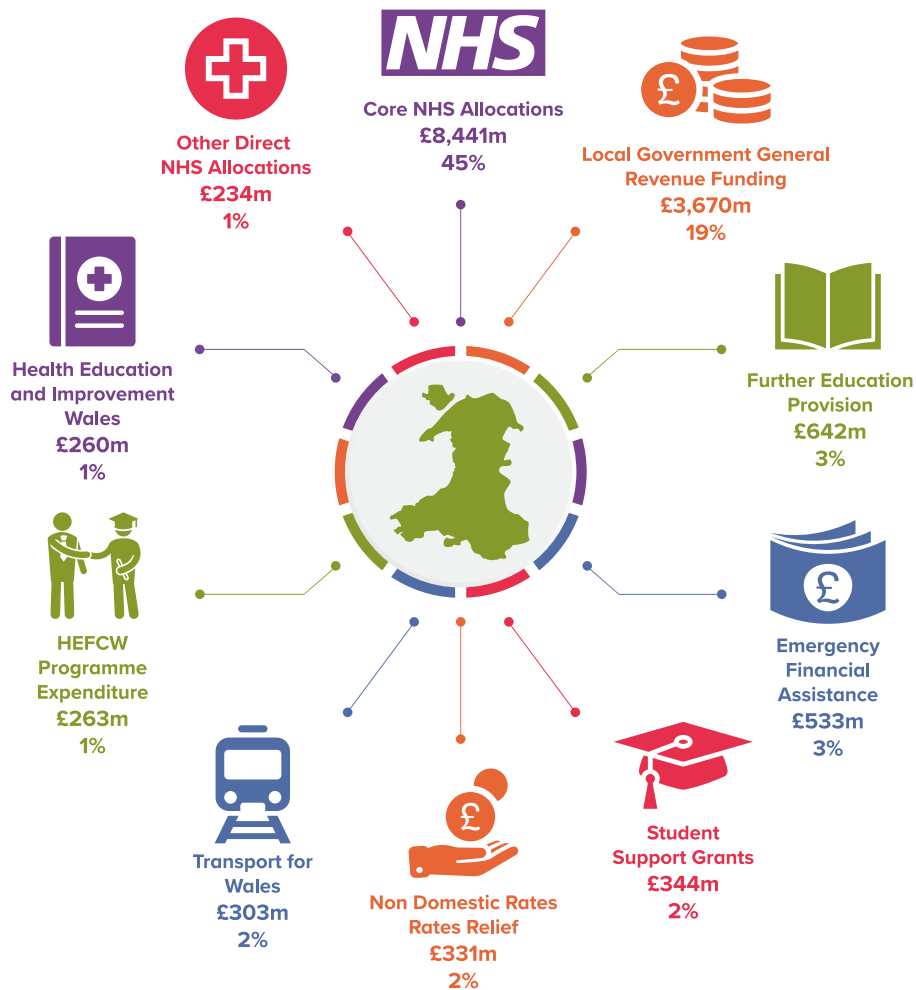
- Additional funding for delivery partners to support them to respond to COVID-19 or to deliver Welsh Government outcomes – particularly extra funding to Welsh NHS Bodies and Local Authorities
- Grant payments by the Welsh Government directly to qualifying recipients – such as businesses in receipt Of the Economic Resilience Fund or the Cultural Recovery Fund.
- Additional funding and grants to support maintaining travel services in light of the COVID-19 impacts upon passenger numbers including Rail Support and Bus Support.
- Additional funding and grants to enable public services to respond to and recover from the pandemic including Social Care Recovery, Further Education Support and Schools catch up.

Welsh Government Top Areas of Spend

The following infographics show the top 10 areas of spend for the Welsh Government in 2021-22. The analysis is by Budget Expenditure Line, as used in the Main Expenditure Group tables accompanying the Budget Motion.

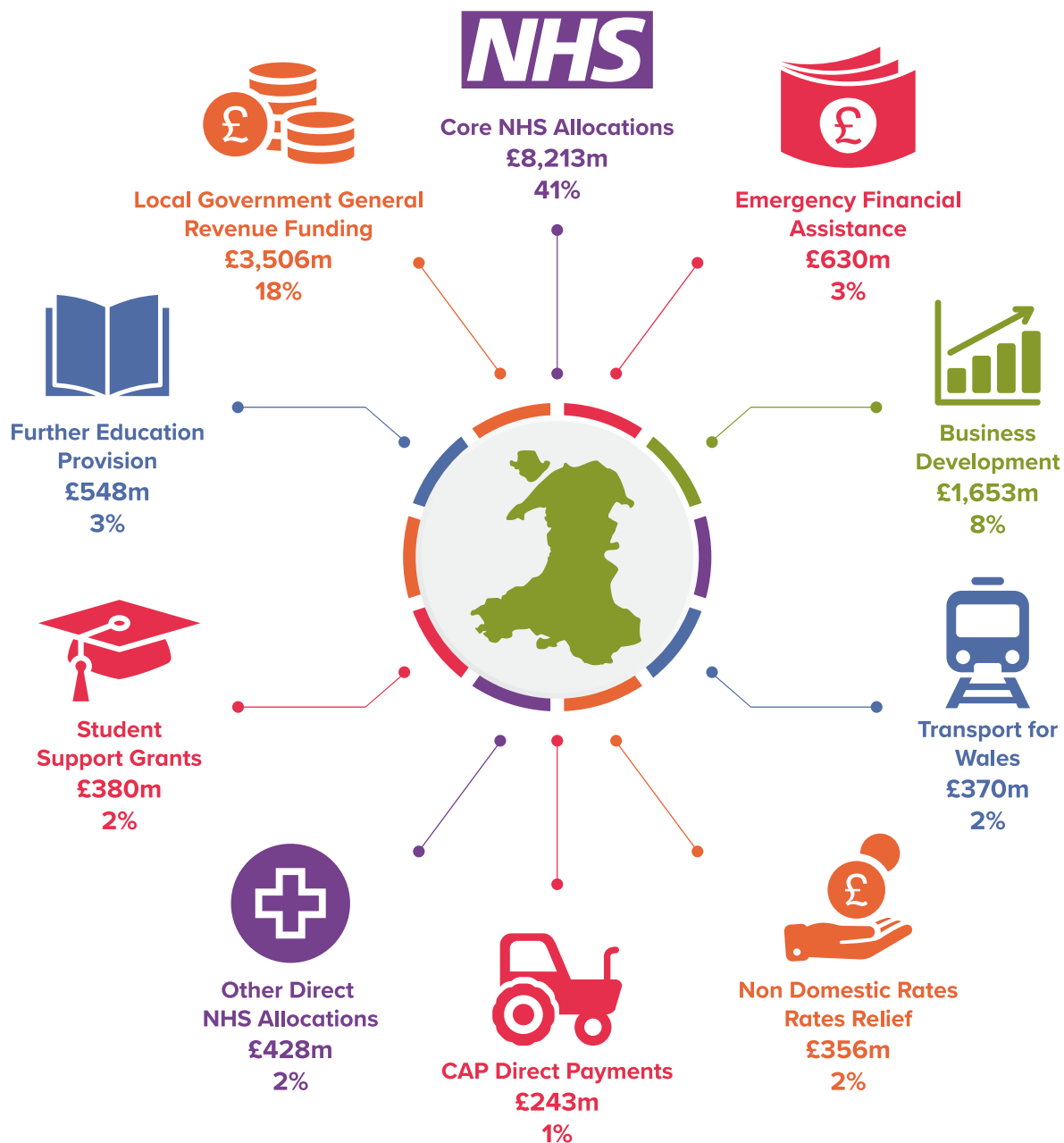
The Welsh Government’s top 10 revenue and capital budget expenditure areas are:

The Welsh Government’s top 10 revenue budget expenditure areas



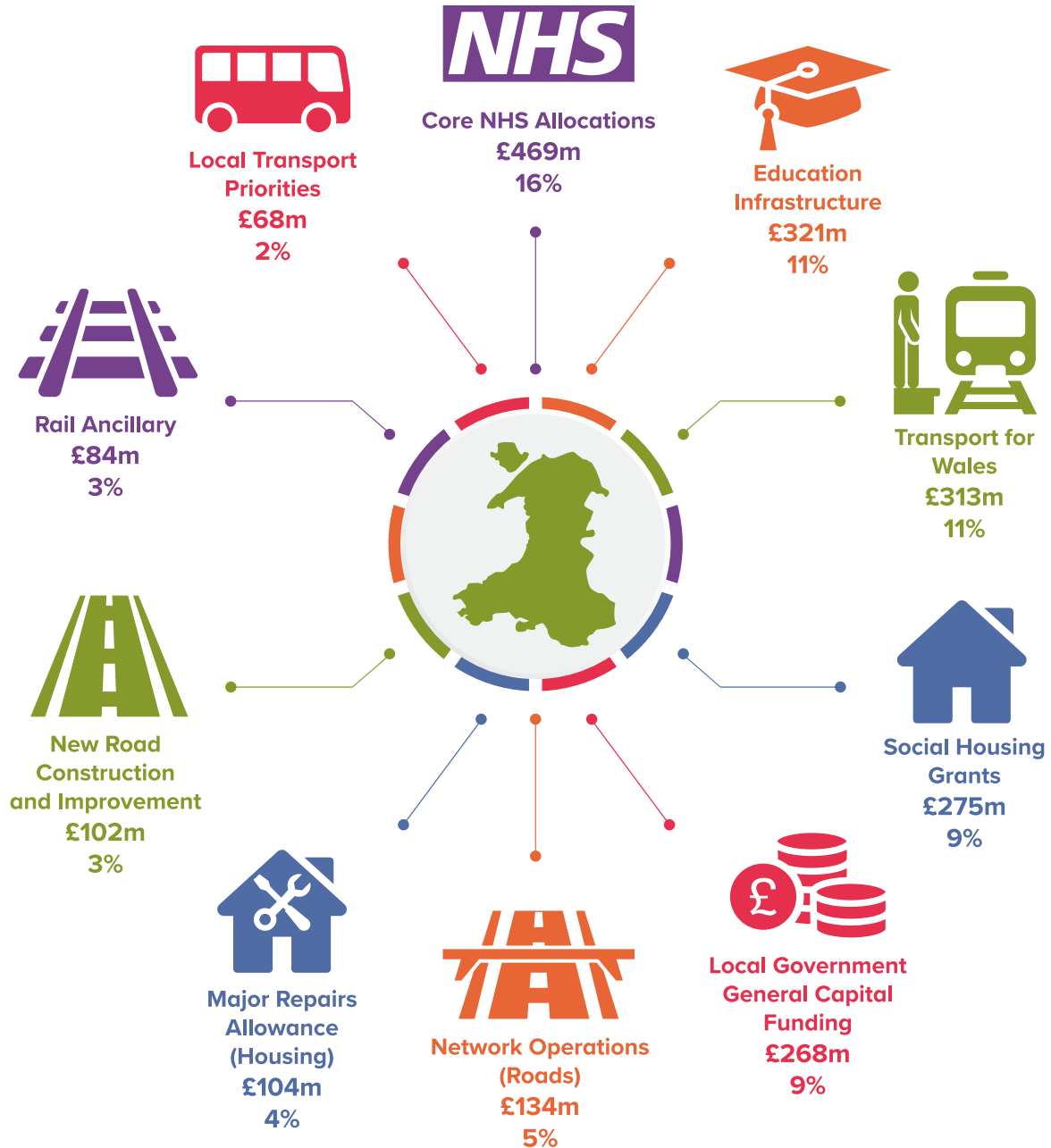
WG Revenue Outturn: £18,867m Top 10 total: £15,021m
80% of the revenue budget

For comparison, the top 10 revenue budget expenditure areas last year (2020-21) were



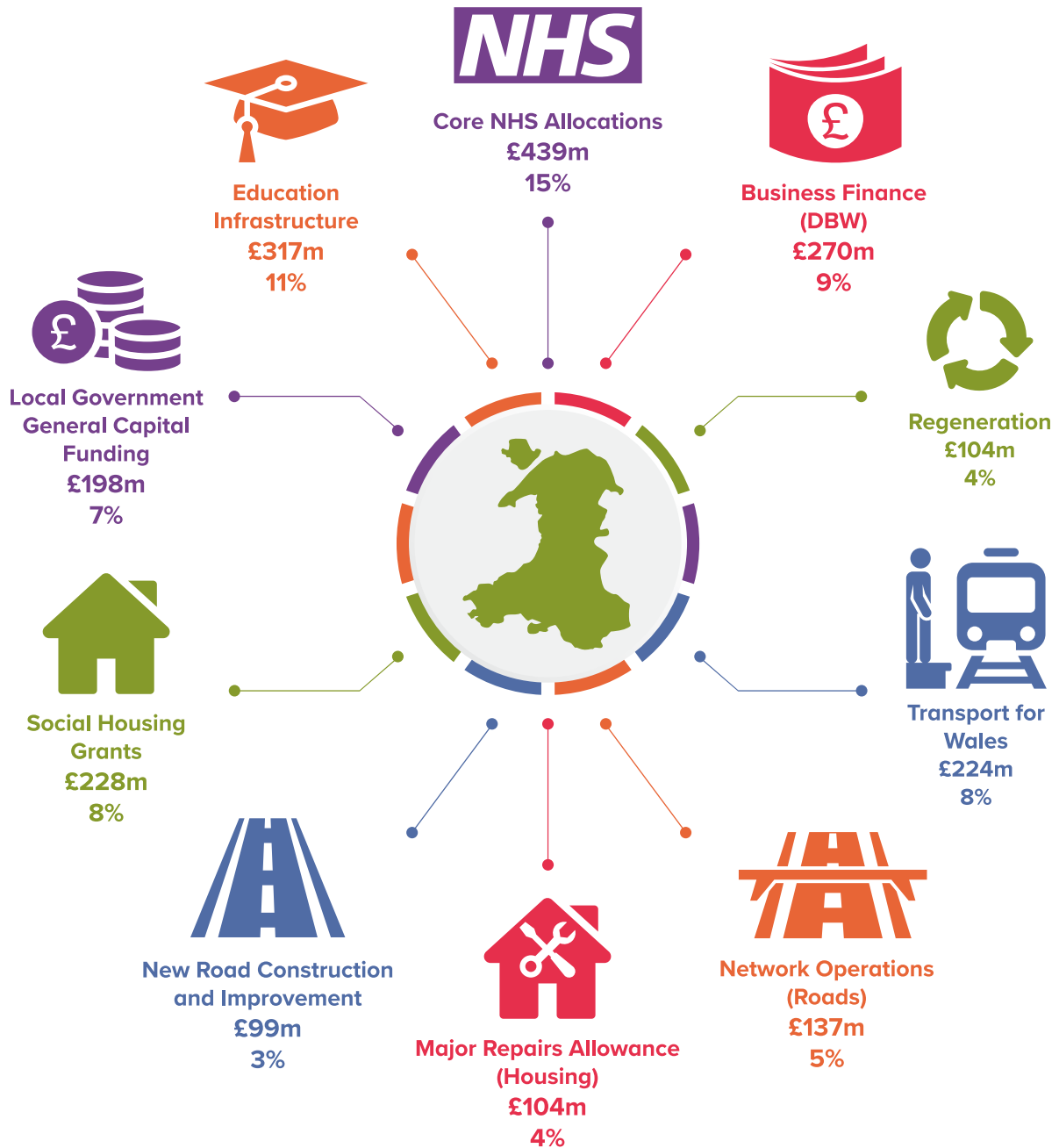
WG Revenue Outturn: £19,910m Top 10 total: £16,328m
82% of the revenue budget

The Welsh Government's top 10 capital budget expenditure areas



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

For comparison, the top 10 capital budget expenditure areas last year (2020-21) were



WG Capital Outturn: £2,956m Top 10 total: £2,119m
72% of the capital budget

New to the top 10 revenue this year are:

HEFCW Programme Expenditure

This provides grant-in-aid funding for the Higher Education Funding Council for Wales (HEFCW) which is the public body operating between the Welsh Government and higher education providers. HEFCW provide funding for higher education teaching, research and innovation, and supports Welsh Government priorities for higher education.

Health Education and Improvement Wales

This includes the funding for the Health Education and Improvement Wales Special Health Authority which sits alongside the Health Boards and NHS Trusts in Wales to lead on the education, training, development and shaping of the healthcare workforce in Wales.

New to the top 10 capital this year are:

Rail Ancillary

This is a loan to Rhondda Cynon Taf for delivery of infrastructure improvements around the Treforest and Taffs Well area.

Local Transport Priorities

The purpose of the Local Transport Fund is to develop integrated, effective, accessible, affordable and sustainable transport systems that support our strategic outcomes.

Annually Managed Expenditure

HM Treasury recognises the volatility and demand led basis of certain programmes and the resultant difficulty in estimating costs over a period of time. As a result, these programme budgets are managed on an annual basis and funding cover is generally provided by HM Treasury. The budget are classified as Annually Managed Expenditure (AME). Of these budget within the Statement of Resource outturn £775m or 71% (2020-21: £826.5m, 82%) related to Student Loans issued net of repayments in the year.

Administering Grant Funding

Grant Funding

The Welsh Government's provision of grant funding supports a broad range of organisations, businesses and projects across the whole of Wales. This includes the public, third and private sectors. The Welsh Government's definition of a grant is "all non procured payments to external bodies or individuals for activities which are linked to delivering Welsh Government policy objectives or statutory obligations".

It is important that we distinguish between grants and procurement as VAT is applicable on procurement and must be paid over to HMRC. The Welsh Government has approximately 380 active grant schemes in place on PayGrants (the main corporate system) and issues circa 11,000 award letters each year (excluding Covid grants).

Grants are divided into two distinct categories:

1. Unhypothecated grants include those payments provided to health bodies and local government and account for £13.9bn of the £20.8bn total paid in grants for 2021-22.
2. Hypothecated grants represent payments where there are specific deliverables and criteria surrounding the purpose of the grants and account for the remaining £6.9bn of funding.

Grants Centre of Excellence – Background

The Grants Centre of Excellence (GCoE) has continued to support staff across Welsh Government throughout 2021-22 in developing and delivering grant funding. The team undertakes two key functions:

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

Where queries are more complex in nature the GCoE works with teams from across the Welsh Government, including colleagues from subsidy, legal services and internal audit. The GCoE works particularly closely with legal services to update terms and conditions for the standard (and mandatory) grant award letter template to ensure the clauses remain up to date and fit for purpose.

Recent improvements have included revising the clauses on buying goods and services and tightening some of the notification event clauses. Ensuring the terms and conditions are regularly updated and robust allows the Welsh Government to suspend, withdraw and reclaim funding should it become necessary.

Due to the UK leaving the European Union in January 2020, GCoE also had to ensure the award letter terms and conditions could be adapted to take account of the new UK subsidy rules, World Trade Organisation rules and the other commitments and protocols that could affect the legal basis in which award letters could still issue. GCoE will continue to work closely with colleagues within Subsidy Control Unit to ensure the new grant guidance and terms and conditions will reflect the new Subsidy Control Act that received Royal Assent in April and the supporting secondary legislation due to be legislated upon in the second half of 2022.

The team continue to answer the hundreds of queries it receives during the year, as well as providing face to face (virtual) support and advice to grant managers for specific queries on any part of the end-to-end grants process. The team have also taken the opportunity to review and refresh all guidance, templates and checklists that are available to grant managers on its intranet pages, allowing anyone across the Welsh Government to access them.

A number of newsletters and grant managers notes have also issued throughout the year, covering topics such as updates on the award letter, updated guidance on GDPR issues, sharing information on the Grants Assurance Panel and advice regarding the Job Retention Scheme.

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

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

GCoE engaged with over 200 grant managers across the Welsh Government as well as other teams such as legal services, internal audit and budget and government business, to help shape the work. In parallel, GCoE also engaged with the Third Sector Partnership Council Sub-Committee (made up of representatives of third sector organisations), who provided feedback, views and comments from a third sector perspective which helped shape the final policy and guidance.

Through the workshops and engagement that was undertaken Grant Managers were very positive with many welcoming the new policy, they could see the very real benefits and efficiencies that could be achieved. GCoE have provided a number of drop-in sessions that grant managers can attend which provides an overview of the work and to seek help and advise on any specific grant queries they may have.

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

The Grants Assurance Panel

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

Panel members are drawn from key areas of the business to provide constructive challenge, scrutiny and assurance for new/proposed hypothecated grant schemes. Members include officials from legal services, governance, cabinet office, internal audit, counter fraud and procurement.

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

GCoE has undertaken a review of the panel and have contacted all grant managers attending the panel over the last 12 months to ask for feedback and to see if any improvements could be made. Panel members were also asked for views.

Overall feedback has been positive and grant managers have welcomed the introduction of a pre-meeting with GCoE ahead of the panel meeting to fully understand the process ahead of the main meeting. Grant Managers have appreciated having feedback, support and guidance on their schemes at an early stage of development.

GCoE has also recently met colleagues within the UK Cabinet Office to discuss how they operate their grants panel and to share ideas and experiences. GCoE will continue to promote and raise awareness of the panel as well as sharing emerging themes across the Welsh Government.

The Central Due Diligence Team

The Central Due Diligence Team was introduced in April 2019 and reports to the Head of the GCoE.

The team have developed systems and processes to enable them to provide grant managers with corporate due diligence and governance checks on organisations that the Welsh Government is considering funding.

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

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

Where risks are identified the team provide recommendations to the grant manager on mitigation action.

For example, recommending cross company guarantees, payments in arrears, tighter monitoring or obtaining further information, forecasts or clarification on areas of concern.

During 2021-22 the team have undertaken over 470 assessments. These are uploaded on to the Due Diligence Hub to enable access by all grant manager and other teams across the Welsh Government.

As well as providing the corporate assessments the team have also provided bespoke advice and guidance to grant managers on individual awards and schemes, attended team meetings providing specific advice and worked with legal services to strengthen the standard grant terms and conditions from a due diligence perspective.

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

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

Wider engagement

The Due Diligence team will continue to work with other organisations and wider engagement is planned moving forward with various departments and organisations, such as UK Cabinet Office, Scottish Office, fraud prevention agencies and other grant giving bodies in order to share best practice and lessons learnt relating to due diligence.

Grant Funding from the Welsh Government

The data for 2021-22 is based on the system of “industry keys” to provide a picture of funding by sector.

Table 1: Welsh Government Total Grant Funding by Financial Year

	2019-20 £bn	2020-21 £bn	2021-22 £bn
Grant provided (£bn)	16.4	21.2	20.8

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

Hypothecated Grant Funding	2019-20 £bn	2020-21 £bn	2021-22 £bn
Local Authorities	1,468	2,625	2,727
NHS	80	86	79
Central Government & Public Corporations	809	1,073*	1,164
Welsh Government Sponsored Bodies	59	141	210
Funding to Education	506	600	686
Private Sector	441	2,827	1,547
Third Sector	340	461*	516

* Restated for corrections to classifications

The main reason for the reduction of £1.3 billion in hypothecated grants to the Private Sector in 2021-22 is that 2020-21 was an exceptional year in which Welsh Government provided @£1.9 billion of support to businesses to respond to the COVID-19 pandemic and the impact of national and local trading restrictions. Welsh Government has continued to support businesses affected by the COVID-19 pandemic in 2021-22, however as the national response to the pandemic has changed so the need for direct grant support to affected businesses has reduced. Support in the 2021-22 financial became more targeted on the Tourism, Leisure and Hospitality sectors which reduced the level of businesses eligible for funding.

Welsh European Funding Office

Welsh European Funding Office Update on the Progress on the Delivery of EU Structural Funds Programmes in Wales 2021-22

The Welsh European Funding Office Programme (WEFO) is responsible for managing the European Social Fund (ESF) and European Regional Development Fund (ERDF) programmes in Wales for the 2014-2020 funding round. The Withdrawal Agreement Act came into effect in January 2020 and the UK left the European Union (EU) on 31 January 2020.

This means existing ESF and ERDF programmes will be completed as if the UK were still an EU Member State. Project expenditure until 31 December 2023 will be eligible for EU support, with final project expenditure being reimbursed during the 2024-25 financial year. WEFO has committed 100% of the EU Structural Funds allocation for 2014-2020, investing over £2.1bn, driving a total investment of over £4bn (at the 31 of March 2022) which also includes the repurposing of EU structural funds to support the COVID-19 response in Wales.

To date, EU projects supported by the 2014-2020 programmes have created over 27,100 jobs and over 5,100 new businesses. In addition, over 19,000 businesses have been supported, almost 33,300 people have been helped into work, and just over 133,900 qualifications have been achieved.

Tables 1-4 illustrate:

- WEFO's progress with committing the grant available under the Structural Funds it delivers in Wales, as of 31 March 2022 – Table 1.
- A breakdown of the projects by sector is outlined in table below – Table 2 (approved) and Table 3 (claims).
- Annual grant payments made April 2021 to March 2022 – Table 4.

Table 1: Approvals by Programme

Hypothecated Funding (£m)	West Wales ERDF £m	East Wales ERDF £m	West Wales ESF £m	East Wales ESF £m	TOTAL
Allocation	1,043	175	702	177	2,097
Grant Value	1,062	184	709	151	2,106
Number of Operations	108	40	73	44	265
% Approved	102%	105%	101%	85%	100%

Ireland/Wales	€m
Allocation	79
Grant Value	78
Number of Operations	23
% Approved	99%

Table 2: Approved EU Funded Projects as at 31 March 2022

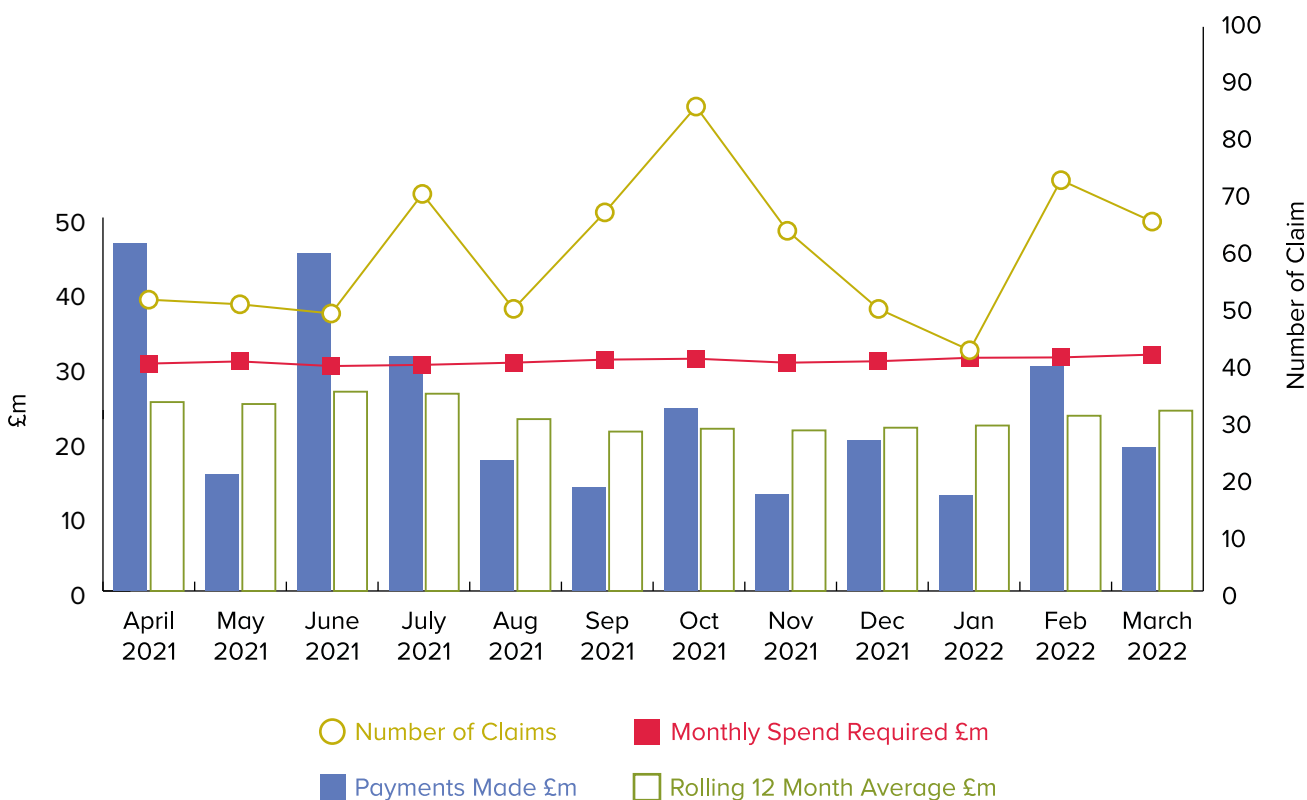
	Number of Projects approved	Total Investment		EU Grant	
		Amount £m	Share	Amount £m	Share
Welsh Government	74*	2,167	55%	1,027	49%
Third Sector	32	198	5%	152	7%
HE/FE	77	632	16%	389	18%
Private Sector	20	569	15%	302	15%
Local Government	62	369	9%	236	11%
Grand Total	265	3,935	100%	2,106	100%

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

Table 3: Analysis of Claims by Sector

	Cumulative DP Expenditure £m	Eligible Expenditure Processed £m	Expenditure Variance £m	DP Grant £m	Grant Paid to Date £m	Grant Variance £m
Welsh Government	1,318	1,098	220	593	490	103
Third Sector	125	105	20	89	80	9
HE/FE	490	447	43	302	271	31
Private Sector	491	452	39	257	232	25
Local Government	249	217	32	161	140	21
Grand Total	2,673	2,319	354	1,402	1,213	189

Table 4: Grant Payments



Welsh Government Projects

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

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

	Total cost	EU contribution
Economy Skills and Natural Resources I	£1,556,042,902	£676,447,514
Education and Public Services	£234,869,595	£118,340,755
Health and Social Services	£37,222,027	£25,915,836
	£1,828,134,524	£820,704,105

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

WEFO Response to COVID-19

The situation around COVID-19 remains under constant review. Delivery of projects may well become an issue particularly those that are due to complete towards the end of the programming period. WEFO continues to work flexibly with organisations to ensure, as far as possible delivery is not disrupted.

The European Union's Coronavirus Response Investment Initiative (CRII) has provided a package of flexibilities for the use of European Structural and Investment Funds in response to the economic impacts of COVID-19.

WEFO have taken advantage of CRII and have earmarked around £120m of EU funds to support the second wave of the Economic Resilience Fund. Further phases for the Development Bank Wales (DBW) COVID-19 Wales Business Loan Scheme and more generally business support activities as well as health service costs connected to COVID-19, to support the recruitment of additional medical staff and purchases of PPE.

The funding has been sourced due to shifts in the exchange rate and forecast decommitments, there will be no impact on the funding or delivery of existing EU structural funded projects within the current 2014-2020 programme.

Welsh Government Statement of Financial Position

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

Welsh Government Consolidated Assets	2021-22 £bn	2020-21 £bn
Physical Assets		
Road network (Trunk roads including motorways)	19.1	17.2
Rail network (Core Valley Lines)	2.0	2.6
Land & Buildings (including the NHS Estate)	3.5	3.5
Assets under construction (mainly Roads and Rail)	1.5	1.5
Financial Assets		
Student loans portfolio	5.5	3.8
Help to Buy Wales portfolio	0.4	0.4
Development Bank of Wales loans	0.2	0.1
Other loans and investments	0.9	0.7
Cash	1.5	1.8
Other assets	1.7	0.9
Total Assets	36.3	32.5

Welsh Government Consolidated Liabilities	2021-22 £bn	2020-21 £bn
Trade & other payables	2.2	2.1
Accruals and deferred income	1.2	0.5
Welsh Risk Pool provision for clinical negligence claims	1.4	1.1
Other provisions	0.3	0.3
Other liabilities	0.7	1.0
Total Liabilities	5.8	5.0
Net Assets	30.5	27.5

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

The main increase in the value of liabilities relates to the increase in accruals. These arise from Welsh Government schemes towards the end of the financial year implemented to provide support in response to the emerging Cost of Living crisis and to support additional funding to Local Authorities for example through the Revenue Settlement Grant.

Organisational Strategy and Development

Finding space to focus on the future of the organisation while dealing with the daily impact of the COVID-19 crisis was challenging. Almost overnight, the Welsh Government moved from being a largely office-based working culture to one in which the vast majority of staff were working remotely with everything that entailed. Despite the on-going challenges of crisis working, we were able to spend some time involving senior leaders and colleagues at all levels in capturing our experience with the aim of helping us 're-set' the organisation for the future, building on what has gone well and learning from what has been most difficult.

Welsh Government 2025

The organisation-wide conversation that we started during the latter stages of the pandemic crisis on 're-setting' the organisation for the future is now being taken forward through Welsh Government 2025 (WG 2025), the new Permanent Secretary's organisational development programme for the next three years. WG 2025 will bring together our Future Workforce, Workplace and Digital Strategies with new pieces of work focused on transformational change and a focus on continuous improvement that all our staff will be encouraged to get involved in.

The underlying aim of WG 2025 is to build on what we've achieved throughout the pandemic and ensure we are fit for purpose to support Ministers and deliver better outcomes for Wales in a post-pandemic, post EU world. While the engagement phase of WG 2025 is scheduled to run from March 2022 through to September, it has not held up decisions that move the organisation in the right direction. This includes re-aligning our DG-head Groups to more closely reflect Ministerial portfolios. The new Group structure came into place on 1 April.

Workforce Strategy

The last two years have had a significant impact on our workforce and the way we organise ourselves and work together with our partners. During this time, the Executive Committee agreed a number of interim arrangements which were designed to support the flexibility the organisation needed during the pandemic response. While some work on longer-term strategic workforce planning was paused to allow a concerted focus on crisis resourcing, we were able to continue working on important aspects of equality, diversity and inclusion; capability and talent; flexible working; and performance and development. All of this will now feed into a new Workforce Strategy which is being developed as part of Welsh Government 2025.

One of our highest priorities during the year was to continue supporting our staff to work safely, whether in the office or remote environments. Working in social partnership with our trade unions, we maintained our internal 'Keep Welsh Government Safe' set of arrangements including a robust COVID-19 workplace risk assessment and support package for all staff. Every team was required to maintain and regularly update a SmartWorking Team Charter, setting out how they would stay connected, collaborate and deliver their priorities together.

Given the First Minister's encouragement to the public to work from home wherever possible, 'virtual by default' remains our position almost all meetings taking place on-line, even when some colleagues are participating from an office base. In July 2021, the Executive Committee agreed proposals for a SmartWorking Learning Phase to support the Welsh Government Civil service in moving from the predominantly remote working to a 'blended' operating model for the future.

The six guiding principles which underpin the Learning Phase are Safety, Productivity, Wellbeing, Community, Connection and Carbon & Cost Reduction. The SmartWorking Learning Phase will be evaluated this autumn and the findings will be used to help inform WG 2025 and shape our future workforce, workplace and digital strategies.

Throughout the past year, ensuring our staff resources were directed towards our most critical gaps remained another top priority. Controls at both Group and corporate level were in operation to help steer resources to crisis roles, Programme for Government and statutory priorities. The Priority Resourcing Panel, chaired by the Permanent Secretary, continued to meet to consider resourcing issues with an increasing focus on strategic business cases to build capacity in critical areas and consider alternative deliver models.

As we have emerged from the most intense period of crisis management, decisions on staffing issues are increasingly being taken at Group and team level and a new Delegation and Accountability framework is currently being introduced as part of WG 2025 to ensure that decisions can be taken at appropriate levels within the organisation.

During a very challenging year, we also prioritised workplace equality, publishing a new Equality, Diversity and Inclusion Strategy (2021-26)⁴⁶ for the Welsh Government which sets out ambitious plans and targets for shaping our workforce of the future. We are committed to becoming an exemplar employer; increasing our diversity through a range of measures that attract more diverse candidates and enable staff from all backgrounds to reach their potential and create equality of opportunity for all.

The Equality, Diversity and Inclusion Strategy will also help us meet the challenging targets we have set ourselves as part of our commitment to becoming an anti-racist organisation that is representative of all the communities we serve and where racist attitudes have no place.

46 www.gov.wales/workforce-equality-diversity-and-inclusion-strategy-2021-to-2026-html

Our staff satisfaction surveys continue to provide a positive snapshot of the experience of our workforce. Our 2021 People Survey results show that we continue to perform well compared to the UK Civil Service, with almost all theme scores above the benchmark and more than three-quarters of comparable survey questions also performing above the UK benchmark. While the overall results continue the positive trend of recent years, we are not complacent about the areas where we can improve. All Deputy Directors were asked to hold discussion sessions with their teams to identify where local improvements could be made and, at a corporate level, the feedback from these discussions also helped inform the Executive Committee discussion and decisions on workforce issues.

Throughout the past year, we have continued to engage, involve and formally consult our recognised Trade Unions on our interim arrangements and our longer-term planning. The input and challenge from representatives continues to inform the improvements we are taking to address workforce challenges and support our staff.

Future Workplace Strategy

The Welsh Government's Future Workplace Strategy comprises a flexible high-level framework of guiding principles which provide the basis for shaping future plans for our administrative estate. The strategy's over-arching aim is to deliver a twenty-first-century, sustainable administrative estate fully compatible with Welsh Government's operational needs, primary goals and policy objectives.

The strategy is aligned with Welsh Government's Programme for Government, reflecting the need for assets to also benefit local economic, environmental and social needs whilst driving progress towards net zero carbon by 2030. The Workplace Strategy does not sit alone but is one of three new organisational strategies including workforce and digital which will form the central planks of WG 2025 and progress toward a new operating model, embedding a permanent change in working patterns.

There is also a direct correlation with Welsh Government's wider aims to embed remote working across all sectors of Wales. The size, shape and location of the Welsh Government's estate will be primary considerations going forward and efficiency, performance and affordability of the asset remain over-arching aims. As part of its estate optimisation plan collaborative opportunities for space sharing with other public sector bodies are being actively explored.

Digital Innovation Strategy

The Digital Innovation Strategy, currently in development as part of WG 2025, will articulate the Welsh Government's internal digital ambitions, and will support the Future Workforce and Future Workplace Strategies. It is aimed at transforming the Welsh Government into an exemplar organisation.

The Digital Innovation Strategy focuses on seven key digital principles and four principles which support the Future Workforce and Future Workplace Strategies. These include principles around user-centred design, Welsh Language Standards and accessibility, integrated digital services for staff, developing connected and accessible data, secure and resilient services and iterating frequently for an empowered service owner.

In addition to the technology changes based on these principles, the strategy will also focus on the development of digital skills, recruitment and progression across the Welsh Government and the Digital Data and Technology (DDaT) profession. The Digital Innovation Strategy builds on the success built through the pandemic and will deliver robust and high-quality digital services to all staff including increased digital skills throughout the organisation. This will be supported by greater capacity DDaT resources for in-house DDaT design, support, development and management.

Our Commitment to Dignity and Respect

Keeping the Welsh Government Safe

Throughout the pandemic, the health, safety and wellbeing of staff was at the heart of all our decision-making.



Keeping us safe, connected and working as productively as possible has been our priority. Executive Committee took a considered and cautious approach to decision-making when it comes to our own ways of working. Moving from 95% of us working remotely, to a position where we can enable more people to work from our offices, has been slow and incremental; always responding to the latest public health advice.

We carried out detailed surveys and risk assessments of our offices – as well as a full organisational-level risk assessment which is required by law. We continued to adopt Welsh Government guidance in place for all organisation with everyone working from home if they are able to do so.

We put in place package of support to help people work comfortably and safely. We prioritised getting specialist equipment to people with occupational health needs and put in place a system for remote advice and assessments for staff who have developed concerns that their home working arrangements were affecting their health. We provided a wide range of guidance and support for those who experienced wellbeing challenges while working from home.

We held regular check-ins with specific conversations about our health, wellbeing and working arrangements. Where needed, an individual risk assessment was in place to help people establish their level of risk and the actions that need to be taken to ensure they can work safely. Senior Leaders held structured conversations with their teams to develop a Safe Transition Team Charter that captured how the team is going to work together and stay safe.

We want to retain the many benefits we have seen from SmartWorking during the crisis for the longer term – including easier collaboration within the organisation and with Ministers across Wales and reductions in our environmental impact. For most of us, working remotely for at least part of the week will be our default position for the foreseeable future.

In the summer 2021, our Executive Committee agreed proposals for a SmartWorking Learning Phase to support the Welsh Government Civil Service in moving from the predominantly remote working to a ‘blended’ operating model for the future. The six guiding principles that underpin the Learning Phase are Safety, Productivity, Wellbeing, Community, Connection and Carbon & Cost Reduction.

Given the First Minister’s encouragement to the public to work from home wherever possible, ‘virtual by default’ remains our position but our messaging is adjusted to allow in-person meetings at our offices where there is a need.

Wellbeing

We had already signalled that health and wellbeing was a key priority in supporting staff by the development of strategies on Health and Wellbeing and Mental Health. This was developed in 2017 in partnership with Trade Union colleagues and with engagement with staff. Support in mental health and wellbeing is a key element of the strategy.

The Time to Change Pledge, signed by the Permanent Secretary in May 2019, forms the basis for our Mental Health Strategy. This details our key commitments to providing an inclusive and supportive workplace, where mental health stigma and discrimination is actively challenged and staff have the tools and support structure to facilitate a positive mental health culture within the workplace.

Core services were therefore already in place prior to COVID-19 and provided a solid platform for further development and enhancement to meet the wellbeing challenges presented by the pandemic. Our services are aligned to enable staff to access support in ways that suit their needs – via external providers, internal support mechanisms and on-line resources. Core Services include:

- Occupational Health – this service provides neutral, independent medical advice for staff and managers when a health need is affecting work, or if work is having a negative impact on health.
- Employee Assistance Programme (EAP) – under the EAP emotional and practical support is provided to staff for any problems at work or at home. The service is available 24 hours a day, 365 days a year. The telephone counselling, management support, Lifestyle and Zest sites are available 24/7.
- Counselling via the EAP and Specialist Counselling provider – under the EAP telephone and self-administered online support is available. The Welsh Government specialist counselling provider delivers services such as Cognitive Behavioural Therapy.
- On-line resources to enable staff and line managers to access information and guidance for their own and colleagues' wellbeing.
- Provision of a range of workplace adjustments to support staff by removing the barriers they may face in work. The Workplace Adjustments service we offer includes:
 - provision of an online DSE assessment tool for all staff
 - a Specialist DSE Assessment service
 - provision of physical workplace adjustments such as specialist chairs, keyboards and mice; or assistive software
 - non-physical adjustments such as changes to a person's duties, working patterns or interpreter support
 - specialist workplace needs assessments
 - provision of a free eyesight scheme.
- The introduction of the wellbeing hour for staff to use for a range of wellbeing activities each week.

During the pandemic we further strengthened our support across all areas and developed new interventions and actions to respond to emerging wellbeing needs. The Executive Committee have maintained a focus on the wellbeing of the organisation, including through analysis of our wellbeing data and insight, by featuring wellbeing as a regular topic in our all staff 'Let's Talk' session and having wellbeing as a focus for discussion in performance and development check-ins that line managers hold with their staff.

With the appointment of a new Occupational Health provider in April 2020, we delivered improvements to the service, and adapted it to meet our changing needs. These included reducing average waiting times for appointments and improved provision of reports; a focus on continued support by arranging follow up appointments and reviews for staff experiencing mental ill-health; and delivering consultations by Microsoft Teams or telephone as an option. This enhanced support continued in 2021-22.

Significant effort has gone into further strengthening support for mental health and wellbeing as this has shown to have been the wellbeing area particularly affected since the pandemic. The Able Futures mental health support programme was launched providing up to nine months 1:1 support via a bespoke package tailored to individual requirements.

In July 2021 we also launched a network of Mental Health Allies across the organisation to provide in the moment emotional support. Our on-line resources were expanded and improved to include a Line Manager's Mental Health Guide and Conversation Toolkit to bolster line management capabilities, and a Wellness Action Plan (WAP) tool which covers the management of stress triggers and challenges faced by employees in the workplace now and in the future.

In 2021-22 we continued our training programmes in mental health awareness for individuals, peers and line managers, and delivered further awareness raising sessions on how to manage current issues of concern such as Burnout, Life After Covid and Understanding Traumatic Incidents.

We continue to adjust and develop further resources to support staff.

Strategic Equality Plan 2020-2024 Employer Objective

The Equality Act 2010 places a General Equality Duty on Welsh public authorities to have 'due regard' to the need to eliminate unlawful discrimination, harassment and victimisation, as well as to advance equality of opportunity and to foster good relations between people who share a protected characteristic and those who do not.

The Specific Duties, as set out in the Equality Act 2010 (Statutory Duties) (Wales) Regulations 2011 include the requirement to publish equality objectives which are designed to help an organisation better perform their public sector equality duties. Our Strategic Equality Plan 2020-2024 was published in April 2020, with the objective "We will be an exemplar employer" by:

- increasing diversity
- removing barriers
- supporting staff from all backgrounds to reach their potential, creating equality of opportunity for all.

Workforce Equality, Diversity & Inclusion Strategy 2021-2026

The Workforce Equality, Diversity & Inclusion Strategy 2021-2026 sets out how we will meet our Strategic Equality Plan objective. During the year we have made considerable progress in a number of areas:

Anti-Racism

Both our Workforce Equality, Diversity & Inclusion Strategy and the Anti-Racist Wales Action Plan commit us to being an Anti-Racist organisation. During the year we:

- Held an all staff Let's Talk session on Race on 23 March 2022.
- Procured a training provider to develop and deliver a suite of anti-discrimination training for Welsh Government staff, including anti-racism.
- Convened a stakeholder group (including our Minority Ethnic Staff Network) that worked with the training provider on shaping the programme content.
- Delivered pilot sessions on anti-racism and safe space conversations.

Social Model of Disability

During the year, we have:

- Reviewed all HR policies to ensure that the language used is social model compliant.
- Procured a new training provider to develop and deliver social model training for Welsh Government staff.
- Convened a stakeholder group (including our Disability Awareness and Support Staff Network) that worked with the provider on shaping the programme content.

Shadow Board

As part of our commitment to improve the diversity of our decision-making fora, we have set up a Shadow Board.

The Shadow Board are a very diverse group of staff, from across the organisation. From various grades, ages, working patterns and protected characteristics, each bringing their own unique perspective and lived experience. Shadow Board members have undergone a comprehensive training programme. They meet two days before the Board to discuss Board papers and then one of the co-Chairs attends Board to give the Shadow Board's views on every item.

This means that the Board is challenged in its thinking by a group of people who reflect the diversity of our organisation. The Shadow Board has been in place since December 2021. A mutual mentoring scheme is also in place for Shadow Board and Board members.

Equality, Diversity & Inclusion Learning and Development Programme

We have undertaken a procurement exercise to contract learning providers to develop and deliver a whole programme of equality, diversity & inclusion learning and development. The programme will include:

- Social Model of Disability
- Anti-discrimination portfolio:
 - conversations about anti-racism
 - safe Space Conversations
 - calling it in/out – Identifying & challenging discriminatory behaviour
 - identifying and understanding micro-aggressions
 - inclusive Workplaces (Leadership, Managers and Teams).

Some of the programmes have now been designed and piloted and will be rolled out shortly, while others are currently in the development stage.

Workforce Diversity Targets

The Workforce Equality, Diversity & Inclusion Strategy 2021-2026 sets us ambitious targets for the recruitment and promotion of disabled and Black, Asian and Minority Ethnic staff and women in the Senior Civil Service (SCS).

For external recruitment these are:

- By 2026 we aim for 20% of people we appoint to be disabled and 20% will be from ethnic minority backgrounds.
- By 2030, we aim to increase this so that 30% of people we appoint will be disabled, in order to make bigger inroads into the very large-scale underrepresentation of disabled people in our organisation. The 30% target for 2030, and the actions we need to take to achieve it, will be reviewed in the light of lessons learnt whilst working to achieve the 2026 target but we want to be clear now that our ambition is to reach 30% appointment of disabled people by 2030.
- More than 50% of appointments to the SCS between now and 2026 will be women.

For internal recruitment these are:

- To promote disabled staff at a level which exceeds their WG workforce population share, to address current under-representation at all levels of the organisation.
- To promote ethnic minority staff at a level which exceeds their WG workforce population share, to address current under-representation at all levels of the organisation.
- For more than 50% of promotions to the SCS to be women.

Progress on targets

The progress made against the six recruitment targets for the calendar year 2021 were analysed and showed that four out of the six recruitment targets were met and more specifically that:

- The 50% targets for the promotion and external recruitment of women to the SCS were exceeded.
- The target for Black, Asian and Minority Ethnic staff to be promoted at higher rate than their Welsh Government population share was exceeded and that the equivalent target for disabled staff was in line with the target set.
- The 20% targets for the external recruitment of ethnic minority and disabled people were not met, with proportions seeing little change from the previous year.

Staff Diversity Networks

There are five diversity networks within the Welsh Government. The networks give underrepresented groups a voice, enable colleagues to share experiences and support each other. They also assist us with internal policy development and equality impact assessments. The co-Chairs of these five networks sit on our Strategic Diversity & Inclusion Steering Group:

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

There are also informal peer support networks for Adoption and Fostering, Neurodivergence, Tinnitus, Carers, Christian Fellowship, Home Alone and Stammering.

Reverse Mentoring

In 2021 we launched another cohort of our successful reverse mentoring scheme and expanded it to staff at Grade 6 level as well as those in the Senior Civil Service (SCS). Around 60 members of staff were reverse mentored this year by staff recruited specifically for their diverse perspectives and lived experience, including disabled, minority ethnic and LGBT+ staff as well as women and those who identify as having a lower socio-economic background.

Gender Pay Gap

The Welsh Government's mean gender pay gap on 31 March 2022 is **6.40%**.

Our methodology for calculating the pay gap has been revised slightly this year to make it simpler and more transparent. The methodology has been revised and quality assured by the Welsh Government's Knowledge and Analytical Services division by combining data from two internal systems, the new approach enables more consistency with other equality reporting and will allow us to apply the same methodology to pay gaps for other protected characteristics in the future.

The published mean gender pay gap on 31 March 2021 was **7.37%** but is not directly comparable to this year's figure. The 2021 figure has been re-calculated using the revised methodology. This gives us a revised mean gender pay gap figure for 31 March 2021 of **7.02%**. Using these directly comparable figures, there has been a reduction in the Welsh Government's mean gender pay gap of **0.61%** percentage points in 2021-22. While not the lowest the organisation's mean pay gap has been, this decrease is encouraging and shows that action taken to tackle the gender pay gap is working.

For the first time this year, we are also able to publish a median pay gap figure. On 31 March 2022, the Welsh Government's median pay gap is 0%, meaning that the median salary for men and women working in the Welsh Government is the same.

While the organisation employs more women than men overall, they are not evenly spread across the grades. The majority of staff at lower grades are women.

The Welsh Government staff pay award in 2021-22 was targeted at our lower grades, with staff from Team Support to HEO receiving a pay increase of **2-3.9%** depending on salary while staff at higher grades received a **1%** increase. This has helped to reduce the gender pay gap.

We will continue to take action to address our gender pay gap by supporting women at all levels of the organisation to develop and further their careers and continuing to strive for a gender balanced Senior Civil Service.

Recruitment

The Welsh Government adheres to the Guaranteed Interview Scheme (GIS) and as part of this scheme advertises all job vacancies as such. Individuals wishing to be considered under the GIS are required to let us know as part of the job application process. We offer the same opportunity when recruiting internally and have extended the principles of the GIS scheme to include Black, Asian and Minority Ethnic staff as well.

We have extended the recruitment adjustments process that we piloted for disabled candidates during our promotion Gateways. The process is now available for internal lateral moves, and we are working on extending this to all external recruitment. The process includes the opportunity for 1:1 advice sessions for candidates who are unsure what reasonable adjustments they could or should ask for, to ensure that they can perform to their best.

Candidates can complete a form, with support from a mentor if required, to record and have agreed any reasonable adjustments to the recruitment process. Where disabled candidates are successful, we ensure that they are matched to roles which are compatible with workplace adjustments.

Outreach

As part of our commitment to increasing diversity, we have put in place a 'Diversity in Recruitment' team to undertake targeted outreach, produce guidance for line managers, heads of profession, HR Business Partners and applicants where appropriate.

Advice on outreach focusing on attracting disabled people and those from a Black, Asian and minority ethnic background and we will develop a placements and pathways plan which will include targeted schemes to enable under-represented groups to undertake work experience and help us develop a pipeline of future employees.

Further information

Further information on the Welsh Government's equality, diversity and inclusion activity as an employer and more detail on related statistics can be found in our Annual Employer Equality Report⁴⁷. These are published on the Welsh Government website by 31 March each year. They are published a year in arrears, so the latest report is for 2020-21.

The Welsh Government champions equality and human rights through the delivery of public services. We continue to promote social justice and challenge discrimination. Our Equality and Inclusion Funding Programme funds seven main strands of work, all led by Welsh equality organisations with relevant expertise and direct links to the communities we aim to support.

The programme is delivered across Wales, representing and empowering people with different protected characteristics and supporting us in achieving our equality objectives. Our combined Annual Equality Reports for 2019-20 and 2020-21⁴⁸ set out work across the Welsh Government and through our partners to deliver the actions and outcomes in the Welsh Government's Strategic Equality Action Plan for 2020-24⁴⁹.

The Report shows how we have worked through the COVID-19 pandemic to meet the needs of people with protected characteristics, as well as those who are marginalised in any way. We place a high value on direct engagement with stakeholders, reflected in our equality forums including the Wales Race Forum, Disability Equality Forum, Faith Communities Forum, Refugees and Asylum Seekers Taskforce and Human Rights Advisory Group. All of these are chaired by Welsh Ministers.

47 www.gov.wales/welsh-government-employer-equality-reports

48 www.gov.wales/equality-welsh-government-annual-report-2019-2020-and-2020-2021

49 www.gov.wales/equality-plan-and-objectives-2020-2024

People Survey

Our staff satisfaction surveys continue to provide a positive snapshot of the experience of our workforce. Our 2021 People Survey results show that we continue to perform well compared to the Civil Service, with almost all theme scores above the benchmark and more than three-quarters of comparable survey questions also performing above the UK benchmark.

Our 2021 Employee Engagement Index Score was consistently high at 68%, maintaining our positive trend of performing at, or above the Civil Service benchmark over the past five years.

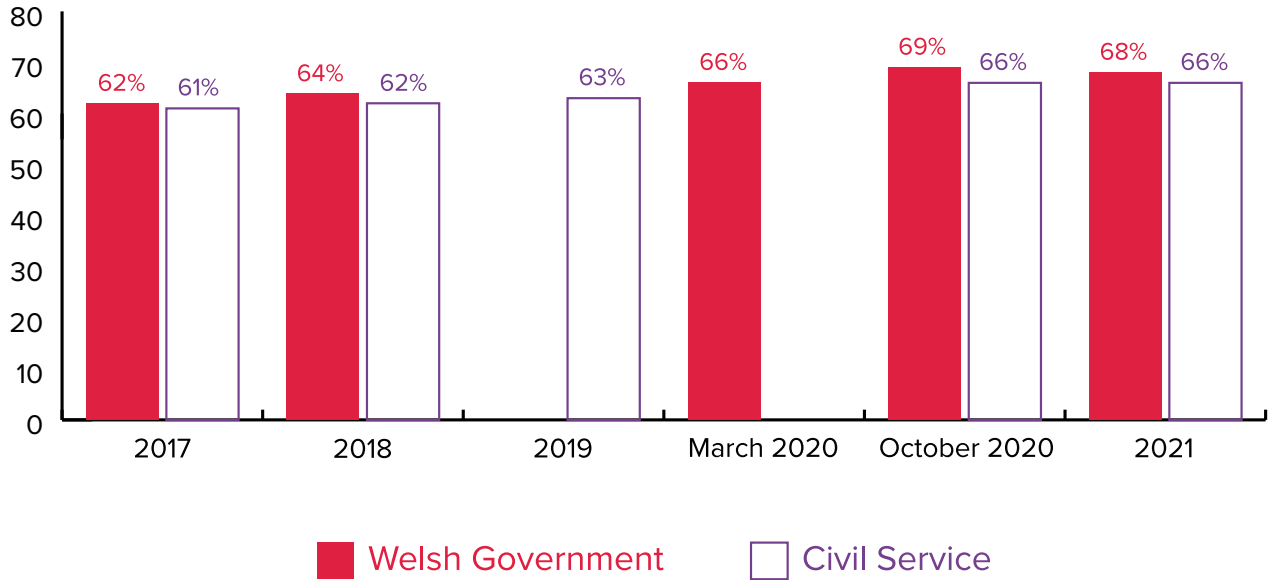
Other highlights included our progress in the themes of 'Leadership & Managing Change' and 'Inclusion & Fair Treatment' which have been two key action areas for the Welsh Government in recent years.

Leadership & Managing Change was historically one of our lower performing themes and below the UK Civil Service benchmark. Through our focus in this area, we saw significant increases in the March and October 2020 surveys (+5 and +12 percentage points) bringing our Welsh Government score above the Civil Service benchmark. We continued to perform above this in 2021.

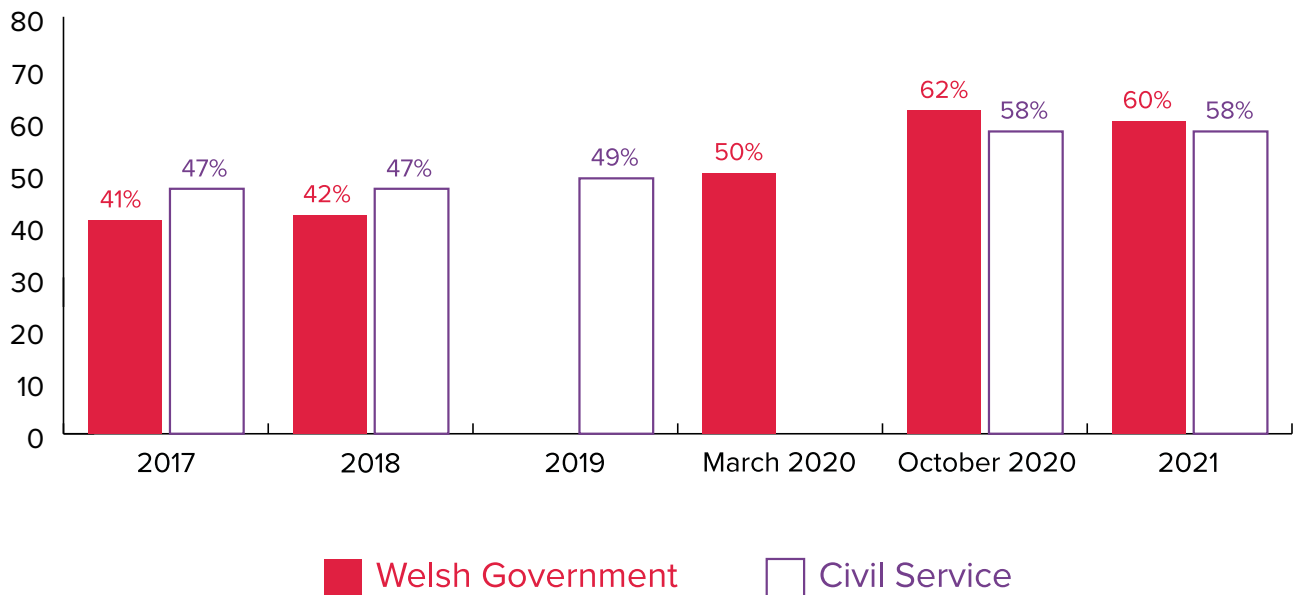
Our Inclusion & Fair treatment Score has generally increased year on year to the highest score in 2020 (86%), consistently performing above the UK Civil Service Benchmark over the past five years.

Staff Survey Trends

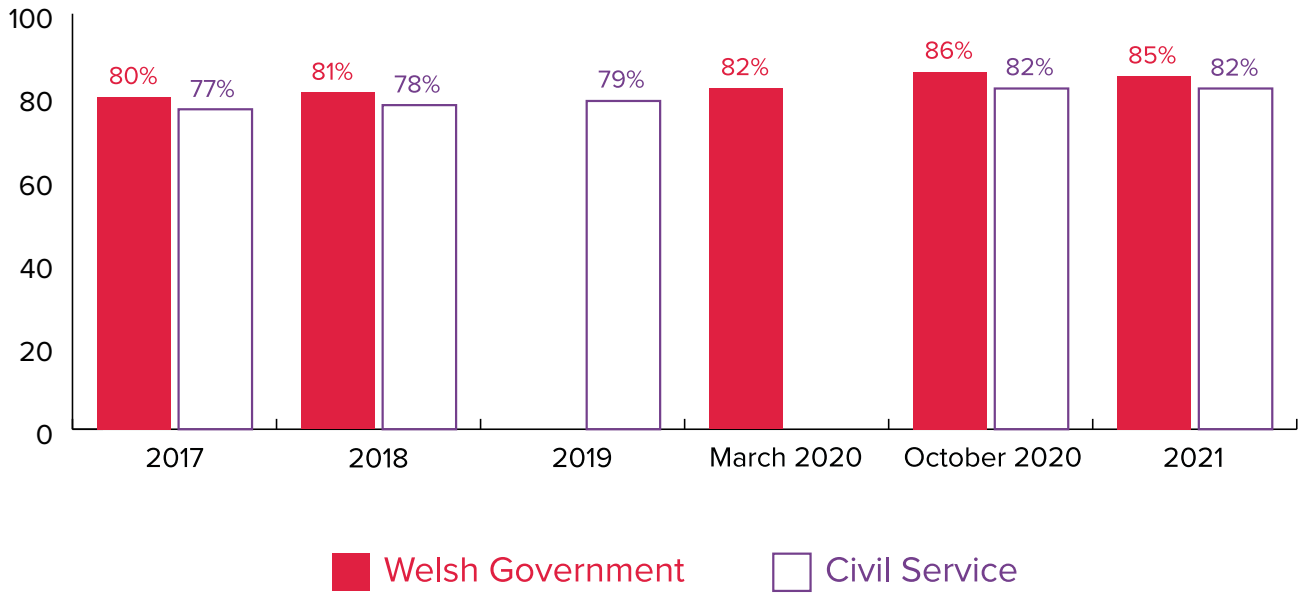
Employee Engagement Score 2017-2021



Leadership & Managing Change Theme Score 2017-2021

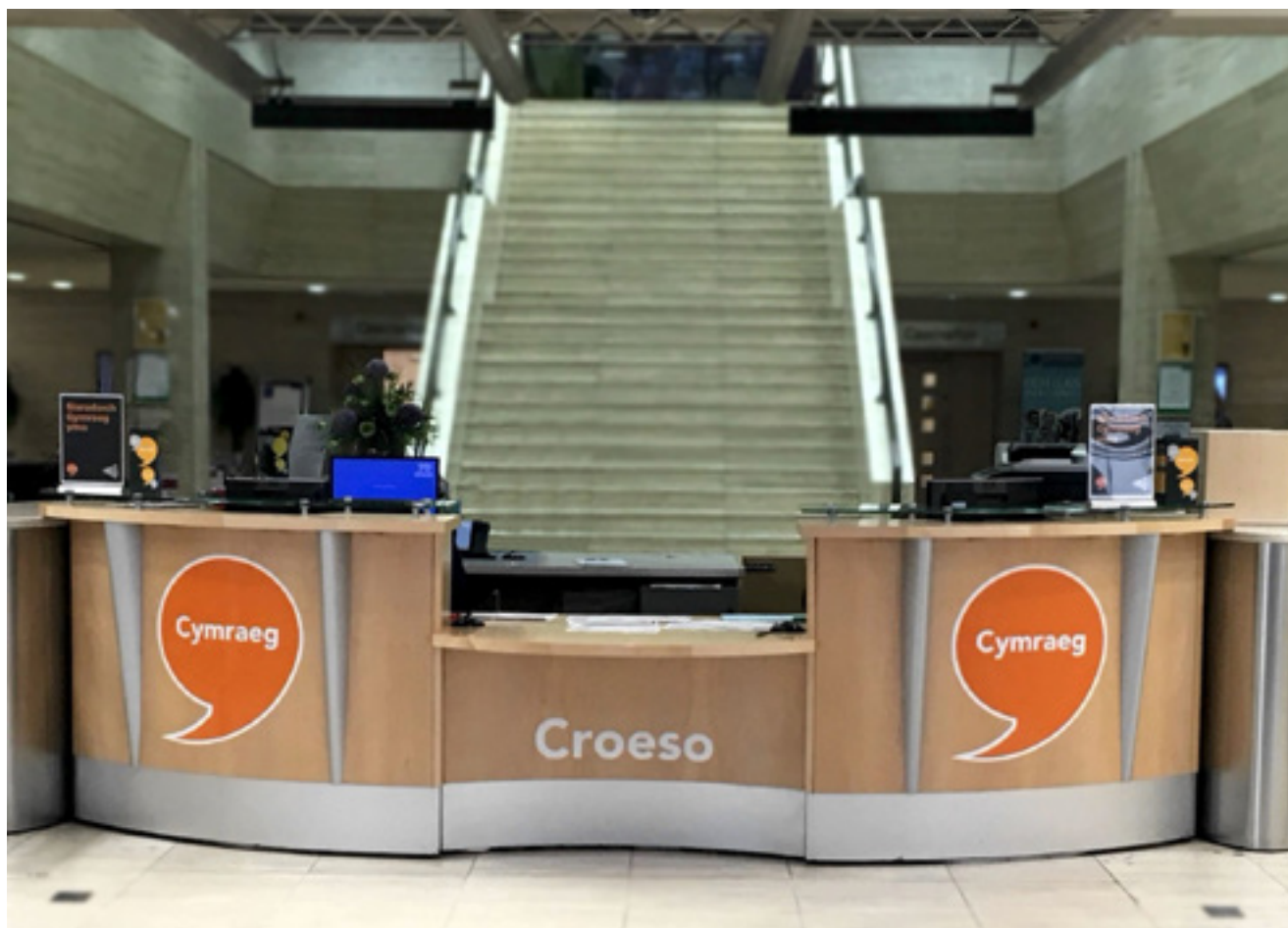


Inclusion & Fair Treatment Theme Score 2017-2021



Working Bilingually

In the Welsh Government's strategy for the internal use of Welsh – “Cymraeg. It belongs to us all” – we have set a long-term goal for the use of the language. This will be a key workstream within Welsh Government 2025 and integral to our future ways of working.



Our aim is that the Welsh Government should become a truly bilingual organisation by 2050, which means it would become a workplace in which it is routine for the Welsh and English languages to both be used naturally and interchangeably.

We have also set a shorter-term goal in the strategy; our aim is that the Welsh Government will become an exemplar organisation in its use of the language compared to similar bodies in Wales by 2025. The strategy can be found on the Welsh Government's website⁵⁰.

"Cymraeg 2050: a million Welsh speakers"⁵¹, the Welsh Government's wider reaching strategy on the development of the Welsh language across Wales, also makes a commitment to lead by example in promoting the use of Welsh in the workplace. The Welsh Government Civil Service has a vital part to play in assisting Ministers to reach the goal of a million speakers, by developing policies to promote the language across Wales, but also in leading the way to promote the use of the language by our employees.

Over the past year we have concentrated on developing and progressing the four underlying themes of the strategy: learning, leadership, recruitment and technology. We have developed and expanded our Welsh language learning programme, resulting in a more varied and accessible offer that has attracted more learners to the programme.

We recognise in our recruitment processes that Welsh language skills are an asset to working in the Welsh Government and we have committed to helping our employees develop and improve their skills. New induction training has been developed for all Senior Civil Servants joining the organisation and we have worked very closely with Microsoft to develop a simultaneous interpretation facility to ensure a good user experience in bilingual Teams meetings.

In line with our statutory duties, we publish an annual report on our compliance with the Welsh Language Standards, the 2021-22 report⁵² can be found on the Welsh Government website.

50 www.gov.wales/cymraeg-it-belongs-to-us-all

51 www.gov.wales/sites/default/files/publications/2018-12/cymraeg-2050-welsh-language-strategy.pdf

52 www.gov.wales/welsh-language-standards-annual-report-2021-to-2022

Correspondence and Complaints

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



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

For the year 2021-22, 84 complaints were handled. The Welsh Government operates a KPI of 85% for complaint responses.

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

	% responded to within agreed timescale
April 2019 – March 2020	78%
April 2020 – March 2021	68%
April 2021 – March 2022	78%

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

There are various reasons that a complaint would not be responded to within the set timescale (such as the complexity of the complaint or level of investigation required). For 2021-22, the COVID-19 pandemic has continued to impact on officials being able to meet timescales as they continue to respond to complaints in relation to the pandemic.

Although most of these complaints did not fall under the Welsh Government's complaints process and were responded to as normal correspondence, they still needed to be handled sensitively and often urgently. Whenever a complaint deadline is extended, it is always communicated to the complainant in advance so they are kept up to date, in line with the PSOW model.

19 complaints were referred to the PSOW (8 less than the previous year) with 1 taken forward to be investigated by the PSOW and one element of the complaint being partially upheld.

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

	Total cases closed over past four years
2018-19	20
2019-20	7
2020-21	5
2021-22	1

We have reviewed our protocols and documentation to ensure that we continue to improve the process for both our customers and our employees and that the service is inclusive and accessible.

Accountability Report 2021-22

Statement of Accounting Officer's Responsibilities

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

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

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

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

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

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

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

Disclosure of Information to Auditors

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

Governance Statement

Introduction

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

In November 2021, I was appointed Principal Accounting Officer and whilst 2021-22 was a year that continued to produce exceptional activity as a result of the COVID-19 pandemic it also represented a period of a return to more business as usual. I have been able to build upon the robust governance foundations and control frameworks put in place by my predecessor and will continue to shape the Welsh Government's internal control framework, with Welsh Government 2025, my three year plan for developing the organisation.

Over the last few years, I recognise that our resilience as individuals and teams has been tested like never before. We have proven just how adaptable and innovative we can be and how effectively we can work with our partners to achieve things we never thought possible. We'll need to continue to develop this approach to challenging the way in which we work, including changing some of our long-established systems, processes and operating models to enable us to continue to improve and enhance governance, control and risk processes.

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

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



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

These include but are not limited to reports from:

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

The Governance Framework

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

Wellbeing of Future Generations (Wales) Act

I am committed to supporting Welsh Ministers in discharging their duty to promote sustainable development (Government of Wales Act 2006) and wellbeing (Wellbeing of Future Generations Act (Wales) 2015). The Wellbeing of Future Generations (Wales) Act 2015 is designed to make sustainable development the central organising principle of government and public bodies, and it follows that the operation, governance and mechanics of government, and the advice and support provided by the Welsh civil service should continually improve to respond to these requirements.

I have launched WG2025, our three year programme for organisational development and a platform for the conversation with our workforce about the changes and improvements we need to make to operate in a post-pandemic, post-EU world. Through WG2025, sustainable development as the core principle of how we work now and in the future will continue to shape, inform and drive the conversation and improvements we are making. Significant employee engagement activity is underway to inform our future approach and ensure the activities we put in place as part of WG2025, support staff to put the sustainable development principle of the Wellbeing of Future Generations Act at the heart of how we behave and everything we do.

We continue to address the challenges and opportunities that the Executive Committee discussed in February 2020 which would enable us to further embed the sustainable development principle in how we work and support Ministers. In 2022 Executive Committee continued to oversee our implementation of the Act, with a focus on how we can better communicate our progress. I will continue to use the internal control mechanisms and governance to drive the changes and improvements expected by taking a wellbeing of future generations approach. We are working collaboratively with the Future Generations Commissioner as they carry out their S.20 Review into "how the machinery of Welsh Government is carrying out sustainable development and safeguarding the ability of future generations to meet their needs". We are jointly committed to continuous learning and improvement in how the Welsh Government acts in accordance with the sustainable development and provides leadership to the wider public sector.

Welsh Public Bodies

The Welsh Government delivers some of its aims and objectives through a number of Public Bodies, including Welsh Government Sponsored Bodies (WGSBs), subsidiary companies and other government-funded public bodies. Accounting Officers are appointed for each body with executive functions and are responsible for an organisation's management of public finances and delivery of its objectives. Accounting Officers are required to sign a governance statement which is published in their body's annual accounts. The relationship with the Welsh Government is defined in written documentation for each body.

The Public Bodies Unit (PBU) has continued to develop the partnership relationship between the Welsh Government and its public bodies. The Public Leaders Forum has continued to meet remotely during the pandemic and has proved to be of great benefit as a forum for dialogue with, and between, public bodies. The Forum is chaired independently and membership has been expanded over the year. PBU has begun rolling out its programme of Tailored Reviews, adopting a consultative and risk-based approach. The Unit has also been leading the delivery of over 100 public appointments each year, and on the implementation of the Welsh Government's Diversity and Inclusion Strategy for Public Appointments in Wales. It is also responsible for taking forward issues of pay parity in the public service in Wales, and on providing support on the creation of new Public Bodies in Wales.

The impact of the pandemic has required PBU to be particularly careful to keep public bodies up to date with guidance from the Welsh Government and also, where appropriate, from the UK Government. For instance, it has worked with colleagues in the devolved Public Sector in Wales, to set out a vision for new ways of working post-pandemic, and supported the delivery of Welsh Government grants designed to support businesses and Public Bodies post-pandemic. The Public Leaders Forum has been helpful in being able to facilitate exchanges of experience on important subjects, such as the Government's vision for Wales.

Welsh Government Internal Arrangements

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

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

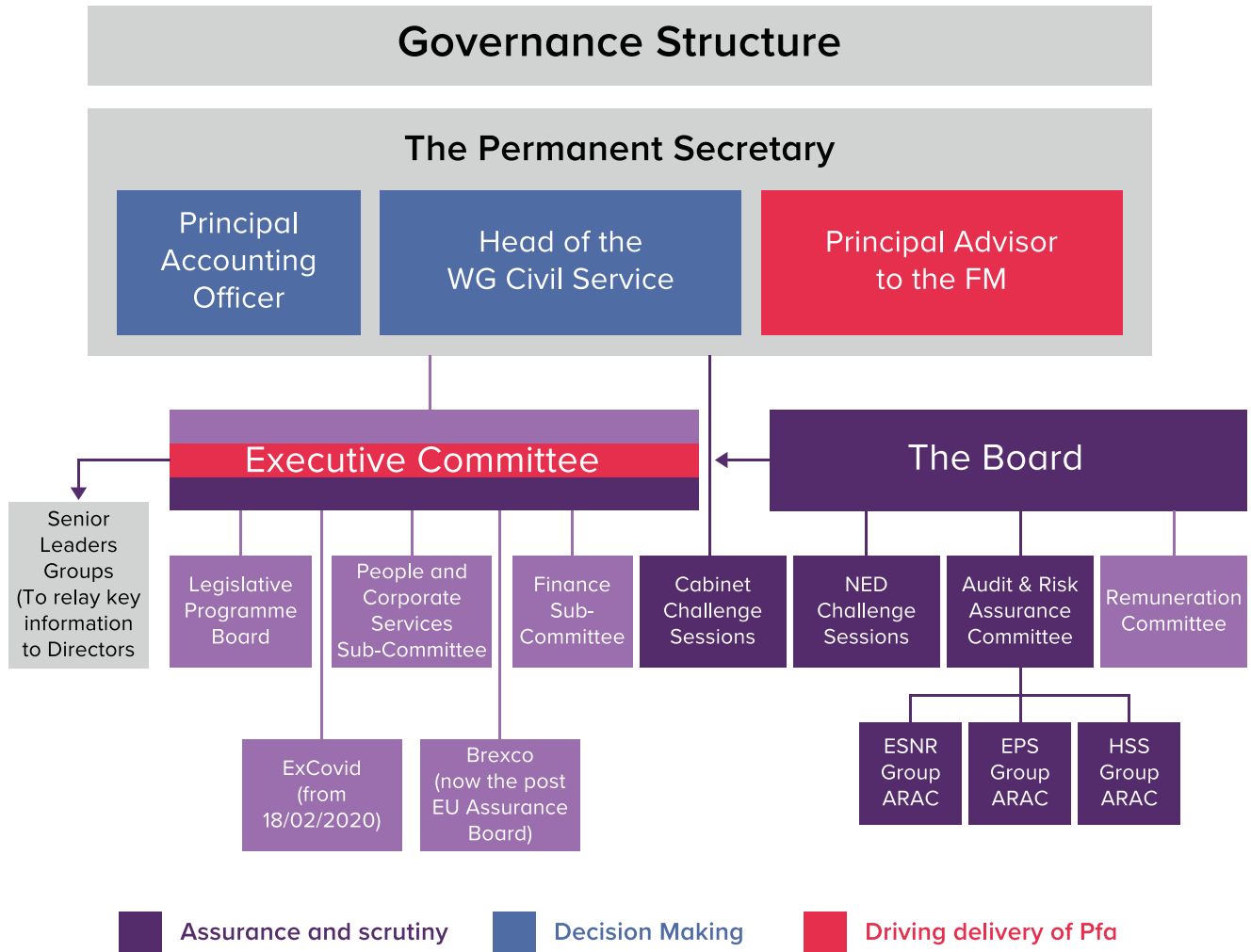
The Corporate Governance Centre of Excellence publish half-yearly all-staff bulletins highlighting some of the principles and processes used to obtain good governance practices across all Welsh Government departments. In April 2021 we informed staff on the best practices to follow when setting up a public body, as public bodies play an important role in the promotion, delivery, funding and scrutiny of public services.

This was followed by guidance published in July 2021 setting out the potential impact of agreeing to make payments in advance and those circumstances where a payment in advance may be appropriate and consistent with the responsibilities of Welsh Government Accounting Officers.

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

In April 2021 the Corporate Governance Centre of Excellence began a refresh of Managing Welsh Public Money. This work was due to commence during 2020 but was paused due to the need to focus on COVID-19 priorities.

The Corporate Governance Structure⁵³



Remuneration Committee is a decision making body as the Permanent Secretary is a standing member of the Committee.

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

Key Performance Indicators

The Welsh Government Performance Framework continued to evolve and develop during the period as new sources of data were able to be incorporated. The Framework provides an overarching picture of how we are performing in the key areas which are my responsibility as Permanent Secretary. I want to make sure that we use this tool to help to drive and focus our management actions and improvements so in the coming year I hope that we will be able to start to have the benefit of time series data in the process and that we will find more ways in which the Framework can be put to practical application.

Corporate Governance Code

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

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

The Board

As Permanent Secretary and PAO, I am supported by the Welsh Government Board, which consists of 16 Members, both Non-Executive and Executive Directors. Shadow Board members also attend as participative observers. The Board advises me in taking key strategic decisions about how the Welsh Government Civil Service is developed to support the First Minister and Ministers to deliver its [Programme for Government](#) and Ministerial priorities. I chair the Board meetings and meet regularly with Board members on a bilateral basis. I have recently re-instated meetings with the Non-Executive Directors collectively every six weeks which had been paused during the pandemic. I have agreed with the First Minister that he will engage with the Non-Executive Directors at least once a year, the last meeting was held in August 2021. A meeting for 2022 is currently being planned.

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

- COVID-19
- EU Transition
- Budget Management and Financial Pressures
- Directors General updates
- Key priorities and resources
- The Corporate Risk Register
- Equality, Diversity and Inclusion

- Annual Accounts
- The Health Service
- Learning & Development
- Communication update
- Welsh Government Performance Framework
- Health and Safety Risks
- Workforce, Workplace and Digital Strategies
- People Survey Results
- Key Performance Indicators
- Programme For Government
- Race Equality Action Plan.

Board Membership and Attendance

There have been changes to the membership of the board over the year. Jeff Farrar left his role as a Non-Executive Director in August 2021 and Shan Morgan stepped down as Permanent Secretary at the end of October 2021. I took up my role as Permanent Secretary on 1st November 2021 and chaired my first board meeting on the 12th November 2021. Judith Paget has been appointed, on secondment, the new temporary Director General for Health & Social Services/Chief Executive NHS Wales.

Current Membership	Meeting Attendance
Andrew Goodall, Permanent Secretary	8/8
Shan Morgan, Former Permanent Secretary	4/4
Ellen Donovan, Non-Executive Director	8/8
Jeff Farrar, Non-Executive Director	1/1
Gareth Lynn, Non-Executive Director	8/8
Meena Upadhyaya, Non-Executive Director	8/8
Andrew Slade, Director General, Economy, Skills & Natural Resources	7/8
Tracey Burke, Director General, Education & Public Services	7/8
Judith Paget, Director General, Health & Social Services/Chief Executive NHS Wales	4/4
Des Clifford, Director General, Office of the First Minister	6/8

Current Membership	Meeting Attendance
Reg Kilpatrick, Director General Covid Crisis Co-ordination	5/8
David Richards, Director, Governance and Ethics	7/8
Peter Kennedy, Director, Human Resources & Corporate Services	8/8
Gawain Evans, Director, Finance	7/8
Natalie Pearson, Head of OD & Engagement	8/8
Andrew Jeffreys, Director, Welsh Treasury	7/8
Helen Lentle, Director, Legal Services	8/8

Board Self-Assessment of Performance

In light of my appointment as new Permanent Secretary, the Annual Board review for 2021 was delayed to allow for a period of reflection to the changes that have come into place. An Annual Board Review survey was circulated to Board members on 6 September 2022. The results are currently being analysed by the Corporate Research Team. In previous review exercises, it was highlighted that the Board had particular strengths in terms of fostering an inclusive and collaborative atmosphere, with the relationships between all members considered to be supportive and professional. Its approach to scrutiny and challenge was also felt to be effective.

The Board's commitment to equality, diversity, and staff engagement is noted as another strength, with membership now being more diverse. In general, the Board considers itself to have the right mix of skills and experience. The Board welcomed, in November 2021, representation from a newly established Shadow Board. The Shadow Board will assist the Welsh Government Board in its role to oversee the governance and organisational strategy for the Welsh Government and provide strategic advice, challenge and assurance for the organisation.

Shadow Board members are appointed with my agreement as Permanent Secretary, following a selection process in line with Civil Service best practice. The Shadow Board meet formally every 6 weeks.

The role of the Shadow Board is to provide:

- A range of different perspectives and views drawn from members' lived experience and the feedback they have been given from others who share their protected characteristics and experience.
- A range of different perspectives from younger people and from people whose grades would not usually enable them to be involved in strategic discussions.
- Support me as Permanent Secretary, in my role as Principal Accounting Officer to ensure that the organisation operates to the highest standards of governance, financial management, management of risks and processing of the annual accounts.

- Strategic advice on the delivery of the Government’s priorities (in the Programme for Government 2021-2026) in line with the objectives of the Wellbeing of Future Generations Act.
- Challenge to the Board when it considers organisational strategy, design and workforce planning to ensure the organisation continues to be fit for purpose and adequately resourced.
- Challenge to the Board to ensure it promotes equality, diversity and inclusion throughout the organisation.

The governance arrangements and the Board agenda are reviewed regularly to ensure they continue to be relevant and reflect the needs of the organisation. Overall, the Board has adapted well to remote meetings and new technology, contributing effectively to the handling of COVID-19.

Board Sub-Committees

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

Board Sub Committee: Audit & Risk Assurance (ARAC)

The Welsh Government’s ARAC supports me on assurance matters. This Committee was chaired by a Board Non-Executive Director (NED), ARACs also operated at Group-level during 2021-22 with their three Chairs making up the remainder of the membership of the Welsh Government ARAC. The ARAC advised me, throughout the year, in my capacity as PAO, on the operation of internal control and the capacity of the organisation to manage risk. Welsh Government’s response to COVID-19 continued to feature at ARAC meetings. All Group ARACs met through the year in line with their quarterly meeting schedule.

During this period a number of additional meetings were held:

- Briefings to update ARAC members on the progress of Audit Wales’ review of the consolidated accounts for 2020-21.
- A cross-ARAC awareness event focussing on climate change was held in March 2022, recognising this is an area that touches on all aspects of Welsh Government activity. It provided a common understanding of climate change, the move to net zero, the various initiatives and adaptations that are being made and the wider implications for Welsh Government.
- I provided a briefing to the ARAC Chairs in March 2022 which outlined the revised group structures to be put in place from 1 April 2022 and the role of the new ARAC structure.
- An ARAC development day was held in April 2022 which provided updates on matters relating to the ARACs role in governance, oversight and scrutiny.

Board Sub Committee: Remuneration

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

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

Executive Committee (ExCo) – including ExCovid

In February 2020, ExCovid was established to oversee and co-ordinate officials' activities during the pandemic, advise me and ensure delivery of key policy and operational objectives ensuring effective support to Ministers.

In November 2021, ExCovid was stood down in line with the proportionate response required. However, ExCo meetings are now held weekly

ExCo is the strategic decision making forum supporting me as Principal Policy Advisor to the First Minister, Principal Accounting Officer and Head of the WG Civil Service. Each ExCo meeting focuses on one of four specific topics and COVID-19 is one of these topics being considered in rotation, ensuring there is sufficient and regular Senior Leader's Team focus on COVID-19.

Throughout 2021-22, I was supported by a leadership team consisting of Directors General, each leading a Welsh Government Group, together with the Directors covering key corporate functions, those being Governance & Ethics, Finance, Welsh Treasury, HR/Corporate Services, Digital Data and Technology and Legal Services; TUS representatives also attend as participative observers.

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

Post EU Assurance Board

I chair the Post-EU Assurance Board, which was established in June 2020 as a sub-committee of ExCo and replaces previous internal governance arrangements related to European Transition. It has routinely met every two months, with the exception of the last two meetings, to provide oversight to the work relating to the UK's exit from the EU and the end of the Transition Period. Supporting the Assurance Board has been an Implementation Board, which met every 4-6 weeks during 2021-22 and which oversees all post-EU matters, including Rest of the World Trade. The Assurance Board membership includes all Directors General, a Non-Executive Board member and a Trade Union Representative.

ExCo Sub Committee: Finance & Corporate Services

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

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

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

ExCo Sub Committee: Legislative Programme Board

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

Non-Executive Challenge Sessions

To provide additional support, challenge sessions chaired by Non-Executive Directors were established to provide assurance on the delivery of key areas of work chosen by Directors General and I, which focus on the First Minister's priorities.

The intention of the challenge sessions was to offer opportunities for constructive scrutiny and discussion. The discussions draw on knowledge and expertise across the organisation to identify where processes can be strengthened, and solutions and options can be put forward to help support delivery of the work. As the challenge sessions were established shortly before the COVID-19 pandemic they were subsequently paused and the NEDs have continued to provide challenge, assurance and support in many other forums.

In August 2021 a meeting was held with the First Minister that built on conversations had in 2019, on how the NED's could support delivery of First Minister's priorities and continue to add value. The First Minister outlined three key areas where he would like the NED's to add additional challenge and assurance:

- social care
- reform of the school year
- reform of council tax.

In order to support the Non-Executive Director's in providing such challenge and assurance, the Welsh Government Board continue to discuss at each meeting one of the key areas set out by the First Minister.

COVID-19

As a result of the global pandemic in March 2020, the previous Permanent Secretary introduced additional measures to provide transparent and focused governance, risk management (risk tolerance) and control to support the Welsh Government in its response to COVID-19. These measures were fully outlined in last year's Annual Governance Statement and some of these measures continued during 2021-22, whilst some ceased as the impact of COVID-19 lessened during 2022. More detail is outlined below and covered in the Internal Audit Section on page 144.

Organisational Changes

In last year's Annual Governance Statement the previous Permanent Secretary outlined the key organisational changes that had been designed to bring together, coordinate and manage the different aspects of the WG COVID-19 response to the pandemic; a significant part of this was the creation of the temporary COVID-19 Restart & Recovery Directorate led by a temporary DG.

These arrangements have remained in place throughout 2021-22. Other Covid specific teams still operate throughout WG, covering activities such as Track, Trace and Protect, Vaccination and Self-Isolation.

All staff engagement events, such as the Let's Talk sessions, have continued and have provided staff with opportunities to hear first-hand the work ongoing throughout the organisation. Regular intranet articles and communications from Senior Management, including the Director of HR setting out latest positions following COVID-19 Regulation reviews, have kept staff up to date on the emerging position and ensured WG internal safety measures continue to keep the workforce safe.

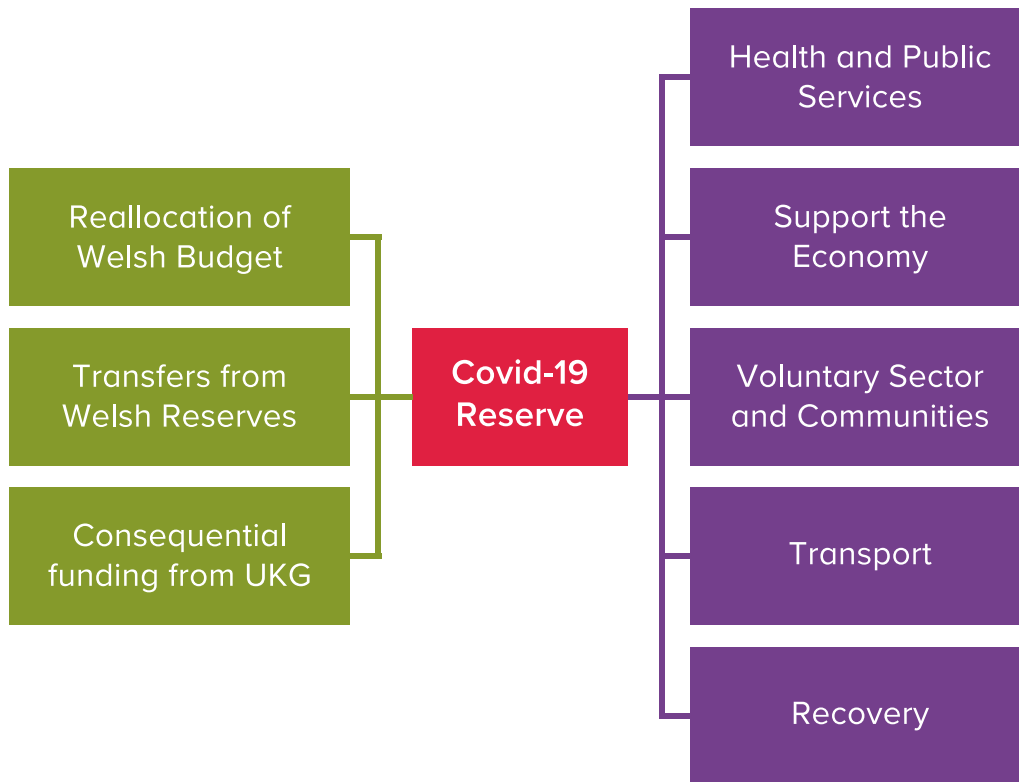
Financial Decision Making

The Ministerial "Star Chamber" was established by Cabinet and the Minister for Finance and Local Government set up an Advisory Panel, to support her in making decisions about funding allocations. Following the allocation of funding for the Recovery Package on 8 October 2021, the First Minister and the Minister for Finance and Local Government agreed the Star Chamber should stand down and the Ministerial advice and decision-making process has returned to the 'business as usual' mode of operation.

The Corporate Governance Centre of Excellence has continued to maintain close scrutiny over Ministerial Advice relating to COVID-19. The funding decision and risk template introduced to support COVID-19 decisions has been removed and pre-Covid processes re-introduced. Lessons learnt from the benefits of the modified templates and processes followed during COVID-19 are being assessed and enhancements to the normal business process will be introduced as necessary.

Tracking Public Money

Both the Budgeting and Government Business Division and Financial Control Division have been responsible for maintaining a strong audit trail to account for the funding identified for the Welsh Government's response to COVID-19 and the varied interventions to which it has been applied. From very early on in the Pandemic, a dashboard approach was developed which has proved an effective tool throughout for providing an overview of Welsh Government COVID-19 allocations. This dashboard continued into the financial year 2021-22 and was also accompanied by an on-going reconciliation of available reserves, allocations, earmarks and spend forecasts from departments. The basic structure of the dashboard is shown below:



A high-level overview of COVID-19 expenditure, reflecting the structure of allocations made is shown on page 81.

COVID-19 Governance

In January 2021, the Coronavirus Strategy Group was established. The Director General Covid Crisis Coordination chairs the Group and its membership consists of Directors and Deputy Directors involved directly in day-to-day management of the response to COVID-19. The purpose of the Group is to provide strategic direction and coherence to the WG response to the pandemic and the impact of the harms caused by COVID-19, reporting to ExCovid Committee and latterly ExCo. The Group initially met weekly but this has reduced to meeting on a three-weekly basis to align with the 21-Day Review cycle.

A Transition Board was established at the start of 2022 to support the transition to 'a new normal' within a 'Covid Stable' scenario, including identifying what 'new normal' looks like.

The Board's key purpose is to provide support, challenge, contribute to and help ensure a co-ordinated approach to projects as part of the Welsh Government's programme to transition to a post-Covid 'new normal'. This includes providing advice and support in identifying and addressing multiple interconnections both internal and external to the WG. It reported to ExCovid and now ExCo.

Specifically the Board considers:

- functions which can be fully stood down
- activities which need to be transitioned into core functions
- contingency planning
- impacts of the pandemic
- cross cutting issues such as finance and governance arrangements
- WG staffing issues.

Welsh Government Stocktake and Lessons Learned

Following the Covid-related lessons learnt work undertaken in 2020-21, ExCo and the Covid Transition Board commissioned a COVID-19 Lessons Learnt Exercise on the WG Civil Service's approach to developing and implementing a cross-government response to the pandemic, which commenced in April 2022.

The exercise was scoped to consider both central and Group level arrangements, focusing on the areas of structures utilised, capacity to deliver, input of expertise, arrangements for assessing impacts and adjusting, management of new policy issues arising, internal communication channels, co-ordination to administer in line with Ministers' preferences, engagement and communication with external organisations and implications of virtual working. It was not within the exercise's scope to consider the appropriateness of any decisions made by Ministers, the effectiveness of measures or the delivery of specific interventions.

The outcome of the exercise, which focused on seeking insights from staff during interviews and focus group discussions, as well as from lessons learnt exercises led by teams, some of which involved engagement with external stakeholders, is a report based on personal recollections and views expressed by people in response to questions and will be considered by ExCo.

The following emerged as areas of particular strength:

- the establishment of a central team with dedicated staff
- our use of evidence and the unprecedented collaborative relationships developed between policy makers and analysts
- cross government working internally and swift communication of decisions
- transparent, trusting and co-productive engagement with partners and stakeholders.

One of the principle areas of further development is the need to review resourcing arrangements to enable a rapid redeployment of people in sufficient numbers in a crisis situation. This issue is being addressed in the ongoing work to strengthen contingency arrangements. The exercise also highlighted the importance of embedding consideration of wider harms in the way we did over time as the pandemic progressed. The knowledge and capability now developed would enable us to operationalise this good practice from the outset in future.

Considering areas for further development identified through this exercise has the potential to enable us to utilise limited resources even more effectively in the future and further galvanise our ability to respond to a crisis requiring a sustained cross-government response.

Covid Inquiry

The Welsh Government has been undertaking preparations for the forthcoming COVID-19 Inquiry, supported by a well-established team. A programme of work has been introduced to put in place mechanisms to enable the organisation to meet requests from the Inquiry and to ensure records have been preserved. During the course of the year a series of pilots have been run to test and refine these mechanisms. Further, two independent reviews of our preparations have been carried out which have provided me with assurance of the arrangements which are in place. Governance arrangements have been kept under review and iterated as the Inquiry's work has progressed. I receive regular progress reports and updates through ExCo, which I chair.

I anticipate supporting the Inquiry will require significant input from staff over the coming years. In recognising these demands, a range of tailored wellbeing and legal support is in place to support those who will be actively engaging with the Inquiry and its work. The resources and support in place cover the potential personal and emotional impact on staff as well as some of the more practical elements of the inquiry. In addition to HR and Trade Union support to staff, our HR Case Advice team can provide confidential and impartial support. The Employee Assistance Programme provides access to webinars and resources that promote good mental health, as well as telephone or virtual one-to-one confidential counselling sessions. The counsellors have a wealth of experience in supporting Welsh Government staff and are available 24/7.

The Welsh Government's social media guidance offers valuable advice on social media engagement and an individual's digital footprint, both in a professional and personal capacity. Where staff are called as witnesses, they will be offered an extensive support package from our Legal services team to assist on the procedural and evidential aspects of the inquiry.

COVID-19 Support for Businesses

During the year we have continued to review and enhance the controls and the control environment put in place to safeguard the funds used to provide business support during the pandemic and to minimise the risk of fraud and error. The context in which we were operating at the time and the speed with which we needed to act to support the economy in Wales when much of it was shut down meant we had to design schemes differently compared to when we are operating under normal circumstances. These challenges were further compounded by the short notice, duration and number of schemes we had to operate on a rolling basis for over two years as the economy responded to different phases of the pandemic. The last payments of the Economic Resilience Fund (ERF) for example were made in May 2022.

Local Authority Grants

- For the Financial year 2020-2021 – We have all 22 Schedule 6 (Certification by LA's Chief Finance Officer) returns covering all or part of the LA administered grant funding, and no issues have been identified.
- LA Fraud returns for expenditure incurred in Financial Year 2021-22 – We have received 18 of 22 returns to date, and the identified level of fraud is below 1% and consistent with expectation.

Of the 18 of 22 Local Authority 2021-22 fraud returns received to date, six cases of fraud have been identified for a combined value of £28,000. The main reason for the low fraud rate was the high level of rejected applications for funding:

- NDR – pre payment at application average rejection rate of 13.4%.
- Discretionary Funds – pre payment at application average rejection rate of 44.4%.

In addition, all grants required an application process, and recipients were generally known as previous recipients of Covid support.

Welsh Government Administered Schemes

The Post Completion Monitoring (PCM) regime put in place to provide assurance over the use of these funds has continued to evolve and improve based on lessons learnt from each of the phases. For the PCM activity on ERF phase 1 and 2 (April to August 2020) all funding recipients have been contacted whether through survey or for fuller PCM information.

As at November 2022 the ERF PCM teams have:

- Issued 9094 surveys to micro businesses supported during phases 1 and 2, receiving returns from 3029 (33%).
- Issued 1257 surveys to SME's supported during phases 1 and 2, receiving returns from 421 (33%).
- Issued 1270 surveys for fuller PCM information to SME's supported during phases 1 and 2, with 599 cases currently being considered and 466 cases closed (36% closure rate).

- Issued requests for information to 52 large businesses supported during phases 1 and 2 with 46 cases closed (88%).
- The cases that have not been closed still have work ongoing by the PCM Team.
- ERF phase 3 (November 2020) is well under way with 1205 surveys issued and 690 returned (57%). There are 804 awards requiring fuller PCM with 342 businesses receiving requests for information to November 2022 and 66 cases closed.
- ERF phases 4 -7 (January – August 2021) began in the summer of 2022, with 3866 surveys issued and 1248 returned (32%) and 236 requests for fuller PCM issued for completion by businesses and 4 cases closed.

Working in parallel with the WG Counter Fraud team to date there have not been any cases of fraud identified as a result of the WG ERF PCM activities undertaken to date, should any concerns be identified, we would refer these to the Head of Counter Fraud for discussion and investigation.

While good progress has been made, there has been a slight delay in the PCM process as resource from PCM team has been redirected to provide further direct delivery as a result of Covid restrictions through to March 2022. The duration of lockdown periods far exceeded expectations so planning and resource management was required. In addition to PCM there is a parallel evaluation and longitudinal survey to supplement PCM and provide learning to be undertaken by Economic Intelligence Wales. The results from these surveys are published with the final cycle due for completion by the end of 2023 but for example, to date 85.8% of respondents agreed that the Welsh Government assistance provided was as important as furlough in safeguarding the employment.

The PCM methodology is based on due diligence helping define the approach subject to level of grant. For all awards above £30k a full PCM process is being undertaken on the whole cohort. For the large volume of awards below £30k a survey and if necessary, follow up approach is being undertaken. For ERF phases 1 and 2, 10,351 Micro and SME surveys have been issued with 3,450 responses received giving a typical return level to date of >30% return and providing a satisfactory degree of assurance over the use of funds.

On balance I am satisfied that the control environment designed for the business support schemes to operate within was commensurate with the risk appetite set by ExCo.

National Fraud Initiative (NFI)

The Welsh Government has supported the National Fraud Initiative (NFI) and have supplied details of grant recipients to HMRC for this purpose. There have been no referrals to date of cases related to ERF and NDR from the NFI.

Assurance Arrangements

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

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

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

Internal Audit

The Welsh Government Internal Audit Service (IAS) delivers a risk-based programme of audit and advisory work to give me assurance on the Welsh Government's framework of governance, control and risk management, providing assignment reports to me and the relevant management team(s) involved. IAS also submitted regular reports on the progress and outcome of its programme of work to the ARACs, at both Group and Welsh Government level. I met periodically with the Head of Internal Audit (HIA) through the year to discuss audit and assurance matters.

The IAS co-ordinates its work with that of Audit Wales. A long-standing joint working protocol underpins the approach taken and periodic liaison meetings have been held to share information. Together, these two independent and objective functions provide me with assurance in respect of the achievement of value for money and the reliability of the financial accounts in the case of Audit Wales, and on the operation of the framework of risk management, governance and control in the case of Internal Audit.

The HIA, in her Annual Assurance Opinion report, provided me with "reasonable" assurance on the operation of the framework of governance, control and risk management within the Welsh Government. Reasonable assurance means that, while arrangements are suitably designed and applied effectively, some matters require management attention in control design or compliance with moderate risk exposure until resolved. The HIA's opinion was informed by the audit assignments performed in the year, for which an assurance opinion is given, and by advisory reviews, for which a traditional audit assurance conclusion is not provided.

The programme of audit work completed during 2021-22, which drives the overall assurance opinion given, produced the following conclusions for the audit reports issued:

Assurance Opinion	2021-22	2020-21	2019-20	2018-19	2017-18
Substantial Assurance	14	12	19	35	16
Reasonable Assurance	25	22	15	30	38
Limited Assurance	3	3	5	9	7
No Assurance	0	0	1	0	0
N/A Summary Reports	2	0	0	0	0
Total	44	37	40	74	61

The HIA issued three limited assurance reports during the year. Where fundamental weaknesses were identified they were isolated to a specific system or process. Where significant weaknesses were identified, even when aggregated, they were not material to the overall opinion. Furthermore, no systemic or systematic concerns or weaknesses were identified from the body of audit work completed.

The type of weaknesses leading to the provision of a limited assurance opinion included:

- Lack of clear and unambiguous evidential trail detailing how decisions were made, the rationale for them and the authorisation process.
- Lack of grant offer letters to control funding relationships.
- Ineffective monitoring arrangements.
- Lack of visibility / poor management information.
- Guidance documentation not updated.
- Insufficient management information to demonstrate compliance.

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

COVID-19 Lessons Learned

In early 2022, IAS published its Review of COVID-19 Assurances: Lessons Learnt and Reflections. It set out what had been learned from the many assurance reviews carried out on COVID-19 interventions and drew on information in the Assurance Maps. The purpose of the report was to share good practice which, if adopted consistently, should assist the WG by:

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

This lessons learned report was shared widely across WG, including the Permanent Secretary, Directors General, Operations Directors, Director of Governance, Director of Finance, COVID-19 Inquiry Team, ARACs and Audit Wales.

COVID-19 Governance Arrangements

The HIA also issued a management letter providing an update on COVID-19 governance arrangements. The management letter set out and confirmed the arrangements relating to:

- the new measures introduced to provide transparent and focused governance, risk management (risk tolerance) and control to support the WG in its response to COVID-19
- the roles of ExCo, ExCovid, Finance and Corporate Services Committee, the Coronavirus Strategy Group and Transition Board
- financial decision making
- expenditure management.

European Funds Audit Team

In February 2022, the European Funds Audit Team (EFAT) submitted its Annual Control Report (ACR) and Opinion to the Commission with its assurance opinion on Structural Funds claimed by Wales for the period 1 July 2020 to 30 June 2021. An unqualified opinion was reported to the Commission for the ESF and ERDF programmes. EFAT also issued an unqualified opinion for the Ireland/Wales Territorial Cooperation Programme for the same period. Both ACRs and opinions were accepted formally by the Commission on 23 February 2022 (Ireland-Wales) and 8 April 2022 (ESF/ERDF).

European Commission Audit

In March 2021, the ECA undertook a virtual audit of the closure of Wales' 2007-13 ESF programmes, with the final closure letter being issued in July 2021. The ECA's closure letter was passed to the European Commission for follow-up. EC auditors visited Wales in December 2021 to undertake a scheduled fact finding mission to review the audit work being carried out by the EFAT for the 2022 annual control report and to follow-up the ECA closure letter referred to above. We subsequently received email confirmation from the EC that all issues are now considered closed. The Commission raised no findings either from its fact-finding mission or its follow-up of the ECA letter (which is now officially closed).

In September 2019, EFAT was subject to an audit by the ECA for the purpose of re-performing EFATs work on a sample of audits to confirm whether the level of assurance EFAT provides to the EC on the ESF and ERDF programmes is adequate. As reported last year, the ECA has closed this audit. However, EFAT continues to dispute one finding regarding state aid for an operation. EFAT, WEFO and WG Legal Services submitted further information which support WEFOs approach to the EC on 31 August 2021. The EC is responsible for following up on ECA findings and EFAT awaits the Commission's reply.

Audit and Risk Assurance Committee (ARAC) Annual Report

Based on its work throughout 2021/22 the Committee is able to provide overall reasonable assurance on the adequacy of audit arrangements for the Welsh Government and also on the arrangements for governance, risk management, and internal control that have been established, based on the range of assurances presented to the Committee and the information provided to it by Officials.

Annual Internal Control Questionnaires and Assurance Statements

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

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

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

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

Overall, the majority of scores were consistent with previous years, with no significant variances in DG's levels of confidence compared to their previous years scores. Following the stocktake and as a result of the challenge and moderation process, three changes were made to ICQs in the areas of Programme and Project Management, Public Bodies and staffing. Staffing was an area that received a significant amount of attention and scrutiny during the ICQ process. In particular issues were raised around staff resilience and wellbeing as a result of the Welsh Government's response to the pandemic. This area has received significant attention by ExCo, the Board and features on our corporate risk register to ensure it is closely monitored and appropriate action taken at the most senior level of the organisation. Further detail can be found on page 159.

Whistle-Blowing

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

I am confident that our whistle-blowing arrangements are transparent, robust and in line with good practice.

Eleven cases were reported to the Panel in the year; this included five cases that were brought forward from the previous year and six new cases during the year. The cases were:

Whistle-blowing Cases	2021-22	2020-21	2019-20	2018-19
Not substantiated	4	3 ⁵⁴	3	4
Resolved internally (staff-related matters)	1	1	6	-
Not a matter for the Welsh Government	-	-	-	-
Advice provided to the Whistleblower	1	1	2	-
Still under investigation	2	5	-	3
Substantiated and action taken	2	1	-	-
Not enough evidence to pursue	1	-	-	-
Total	11	11	11	7

54 Restated from previous year. There was an error in last year's figures showing 4 cases not substantiated and four cases still under investigation. This has been corrected above

External Assurance Panel

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

There were 12 new cases in the year reported to the Panel and 29 new cases reported to the Counter Fraud Team. Some cases considered by Counter Fraud are also considered by the Panel. These cases can subsequently be closed by the Counter Fraud team but remain open with the Panel to explore wider issues of governance and compliance with the case/organisation.

The Panel resolved nine cases in year, five of which were carried forward from the previous year. Eight cases carried forward into 2022-23, half of which are currently referred to the Police.

29 new cases were referred to the Counter Fraud team, with an additional 41 being carried forward from 2020-21. 66 of these cases were resolved during the year with four remaining under investigation.

The figures are still being impacted, although less so than the previous year, by cases being referred because of the provision of COVID-19 support grants. Covid-related referrals came from several different sources:

- Welsh Government fraud reporting lines (telephone & email)
- UK Cabinet Office Counter Fraud Team
- Crime stoppers reports
- Local Authorities and Welsh Police Forces
- Welsh Government teams delivering funds.

Many of the fraud referrals could be investigated relatively quickly and resolved by Counter fraud. Most referrals were made with good intent although a minority were found to be vexatious. In some cases, the evidence was insufficient to meet the criminal standard of evidence to proceed. Other cases could be put down to a genuine misunderstanding or error on behalf of the applicant. In a few cases, applicants appeared to have submitted speculative applications and relied on government to disallow them as not meeting the criteria. There were also instances where fraud was suspected but the cost of criminal prosecution would outweigh the amount involved and civil recovery was a better option. A smaller proportion of referrals required more detailed and thorough investigation.

Counter Fraud	2021-22	External Assurance Panel Cases	2021-22
Carried forward from 2020-21 ⁵⁵	41	Carried forward from 2019-20	5
New cases arising	29	New cases arising	12
Cases resolved	66	Cases resolved	9
Cases remaining	4	Cases remaining	8
Court Case in Progress	0	Court Case in Progress	0
Under police investigation	1	Under police investigation	4
Under repayment monitoring	0	Under repayment monitoring	0
In review by an independent fraud agency	1	In review by an independent fraud agency	0
Total Investigation ongoing	2	Total Investigation ongoing	4
Total outstanding	4	Total outstanding	8

Each case was reviewed for lessons learned and these have been disseminated to appropriate teams for action including through the Grants Centre of Excellence, HR, Procurement Services, Counter Fraud and Group Operations teams, all of whom are represented on the External Assurance Panel.

Conflicts of Interest

Ensuring effective management of any conflicts of interest is a key aspect of any effective governance framework and system of internal control. Within the Welsh Government the controls in place to deal with this include corporate policies and procedures covering conflicts of interest registers and an annual return from all relevant staff published on the Welsh Government Internet site (disclosing all board and similar memberships of third party organisations held by Welsh Government officials).

The Board and each Audit and Risk Assurance Committee (ARAC) also have a Conflict of Interests Registers. Conflicts of interest linked to specific agenda items are also requested at each meeting and formally recorded. The requirements placed on ARAC members are also set out in appointment letters and the Terms of Reference.

⁵⁵ Some Counter Fraud and External Assurance Panel cases carried forward from previous year may be duplicated in the data for reasons described above

The Welsh Government have undertaken an extensive review of the Conflict of Interest policy and procedures, following an Internal Audit Review and in response to UK Civil Service concerns about senior civil servants holding outside appointments which are not compatible with the Civil Service Code. We are currently discussing revisions to the policy with our trade unions and in the light of additional guidance produced by the UK Cabinet Office. In the meantime, whilst I remain comfortable our existing policies and procedures are effective, but will expect to see a strengthened, clearer and more robust policy for all staff and enhanced activity to further raise and maintain awareness of the standards expected from civil servants with regard to external interests, coupled with a stronger reporting mechanism.

Business Critical Analytical Models

An annual assurance exercise has been undertaken by the Welsh Government's analytical Heads of Profession to assess our business critical analytical models and provides me with assurance on these models.

Welsh Government's exposure to analytical modelling risk has continued to increase this year due to more widespread use of modelling. As well as the ongoing high profile use of COVID-19 modelling, two new models were identified this year covering priority policy areas related to climate change, environment and rural affairs. Both are complex and evolving models.

There is a continuing risk in many models of the direct and indirect effects of COVID-19 and the impact this may have had on the assumptions made within them. Some models do not yet have data to draw on which shows the impact of the pandemic (although this is less so than last year), therefore making it challenging to robustly consider any adjustments that may need to be made to the model.

Many models are affected by wider economic factors and potential shocks. Where relevant, these impacts, including those driven by the pandemic had been clearly considered by many teams. The organisation remains vulnerable to external policy or monetary decisions made by HM Treasury, for example in setting the discount rate, which are out of my control

As with last year, some inherent risks continue for many models which rely on Census and population projection data. We are currently at the furthest point out from data collection in the 10-yearly census cycle and the potential compounding effects of COVID-19 and EU exit may exacerbate data uncertainty further. Model owners that make use of Census data have been advised to plan for the transition to data from the 2021 Census when it starts to become available this summer.

The organisational dependence on analytical modelling is likely to increase in future years, particularly in relation to climate change, where complex modelling is in place to track progress towards carbon budget targets and to assess policy options.

Internal Control Issues

The positive assurances I have received provide me with confidence the Welsh Government has, in general, well-designed and sound frameworks of governance and internal control. However, some notable issues have been revealed in the course of the year which have been, or are being, addressed and improvements made, which are set out below.

Losses, Write-Offs & Special Payments

Business Debt Write Offs

During the year, the Welsh Government incurred losses due to two claims being abandoned. I was satisfied that all appropriate measures had been taken to try to recover the amounts owed and writing off the debt was the final and only appropriate option available. The first debt was for £600,000 due from a company called Sorrenson Media Limited which went into administration in 2018. This related to business finance funding and following the conclusion of the bankruptcy proceedings it was confirmed that there would be no dividend payable to the Welsh Government. Due to the nature of the grant mechanism used, the jobs created were held 'in condition' for 5 years. As the 5 year period had not expired, the full amount of the original grant became lodged as debt for accounting purposes.

The second write off was £455,662 relating to W J Developments (Gwynedd) Ltd. The company were awarded Regeneration Investment Grant funding in May 2006 that ended in March 2018 upon which a re-valuation was completed to determine whether any clawback was payable. Following protracted negotiations, it was finally decided to enter a mediation event and the write-off was agreed.

Substance Misuse Funding

A company called Prism received substance misuse capital funding during 2012-13 and 2013-14. In April 2015, Welsh Government officials were made aware that Prism had entered administration with all assets remaining with the liquidator. All possible clawback activity with legal advice was undertaken over the intervening years. Welsh Government received a final dividend of £36,963.95 with £406,506 being written off.

Student Loans Company

With regard to the ongoing reporting of the part-time Grants for Dependents error, the following amounts have been reported through the Welsh Government accounts:

- FY 2020-21 – a write off of £399,424 was made relating to academic year 2018-19, and
- FY 2021-22 – a write off of £223,983 was made relating to academic year 2019-20.

Due to the way in which the data is captured, the write-off total for the 2020-21 academic year is expected to be provided to the Welsh Government by the Student Loan Company (SLC) in November 2022. The value will continue to fall, with academic year 2021/22 being the last applicable year for reporting within the 2023-24 accounts.

We have made a policy change for academic year 2022-23 which means that students on distance learning courses are now eligible to apply for GFDs. This will be for new and continuing students, and while SLC will be unable to accept an application for GfDs from this cohort until late November 2022 due to system changes, all approvals will be backdated to the start of the academic year. Those who are impacted by this error, and who remain in study in 2022-23 academic year (expected numbers are minimal) will no longer be classed as an error and reporting will cease.

A55 Write off

A write off of £9,021,000 asset value of costs associated with the development of the A55 Junctions 14 to 16A improvements was written off in 2021-22. Expenditure was incurred on necessary development work to inform decision making, and the decision not to proceed was made on the basis that the scheme did not fully achieve the aims of the Wales Transport Strategy and Net Zero Wales. Even though the costs written down will no longer be reported in the Statement of Financial Position as assets, the data created through the expenditure remain in Welsh Government ownership and shall be referred to in future studies and projects to maximise value to the public purse.

Pandemic flu stocks and Covid Medicine Write-offs

Pandemic flu stocks and Covid Medicine Write-offs were written off in the year to the value of £449,280 and £452,928 respectively. Stocks of antivirals, antibiotics and consumables are held by the Welsh Government in accordance with UK-wide public health planning. Stock levels required, drug types and reprocessing of drugs are planned and managed nationally and consequently can be volatile. Write-offs occur as a consequence of adjusting national supplies to meet planned need. The write-offs reported relate to expired drugs which are not suitable for use in core NHS services or for treatment of COVID-19. It is an accepted risk of making proper preparations for pandemic flu outbreaks that some stocks are likely to be written off.

Ex-Gratia payments

In response to the UK wide COVID PPE crisis, Welsh Government encouraged local businesses to develop capability to engage in public sector supply chains. Hardshell UK Limited and Surviva Limited developed the capability to supply PPE to the public sector and experienced distress as anticipated demand did not materialise. Both companies requested financial support to mitigate the distress caused and to implement a plan to survive. Based on the information provided, ex-gratia payments were approved to mitigate the hardship experienced. Hardshell UK Limited received £325,000 and Surviva Limited received £330,000.

Other Matters In-Year

Baglan

During 2021-22 the Private Wire Network (PWN) that provides electricity to a number of customers on Baglan Energy Park, as part of the Baglan Bay Power Station asset base went into compulsory liquidation and was put under the control of the Official Receiver (OR). The OR continued to supply power through the PWN for a short time.

Welsh Ministers challenged the decision of the Official Receiver, ("OR"), to terminate power through a private wire network ("PWN"), supplying power to a number of customers on Baglan Energy Park through court proceedings. The Welsh Government took this action to prevent adverse public health and environmental outcomes arising from the OR's action such as the flood risk from failed pumping stations, and significant air quality problems associated with diesel generators. The legal challenge has provided time to enable infrastructure works for a regulated supply of power to businesses, pumping stations, and local street lighting to be completed.

As part of the legal proceedings in the High Court, Welsh Ministers have agreed to provide a cost indemnity to the OR for the ongoing operation / maintenance of the power station, while the matter progressed through the courts and until such time as the power station is made safe and disclaimed. The indemnity for the OR provides coverage against all liabilities, costs, expenses, damages and losses arising out of or in connection with any delay in the termination of the provision of electricity. These costs are likely to crystallise during 2022-23.

Donations for Ukraine

In 2021-22 the Welsh Government provided a £4m donation to the Disasters Emergency Committee (DEC), who had launched a Ukraine Crisis Appeal, bringing together leading organisations in the UK to raise funds for overseas emergencies. In times of crisis, where there are people in life-and-death situations, DEC coordinates effective humanitarian response, getting aid quickly to people who need it. The DEC's model allowed donations to be released quickly, and within days of the launch of the appeal DEC charities were able to start spending funds raised.

In March 2022, further Welsh Government support was offered to host Ukrainian nationals, recognising that Wales is a Nation of Sanctuary, through the Homes for Ukraine sponsorship programme. This included the establishment of immediate accommodation and wrap around services, such as healthcare, education, language and community integration. The Welsh Government provided a £1m donation for Community Foundation Wales towards the Nation of Sanctuary Croeso Fund which was paid in 2021-22.

VAT Arrangements / Tax Planning and Management

As part of a rolling programme of compliance reviews, HMRC has the following three ongoing compliance reviews:

- IR35 Review
- Employer Compliance Review
- VAT Inspection.

Due to HMRC resource issues, only the VAT Inspection has progressed during this period. A repayment of £32,340.93 had to be made to HMRC due to incorrect VAT recovery on miscoded secondment charges.

Information Governance

As PAO, I am responsible for ensuring appropriate arrangements are in place to comply with the core set of mandatory minimum measures to protect information in Government Departments. I am required to assess the risk and ensure that appropriate mitigation strategies are in place.

Where third parties handle information for which the Welsh Government is legally responsible, it is important that advice and guidance is provided to them about how that information must be handled. IT security is assessed prior to contract award, where personal information is processed by third parties and information assurance clauses are included as standard as a part of contract clauses. We also verify that those who process our sensitive information are subject to an independent IT Health Check and meet the appropriate best practice standard e.g. Cyber Essentials / ISO27001.

The Welsh Government has policies and procedures in place to proactively manage cyber security risk, working with the National Cyber Security Centre to secure our digital assets and ICT infrastructure. Security risks (including cyber) are discussed by the Senior Information Risk Owner (Board level security nominee) and the Chief Security Officer on a fortnightly basis. ExCo and I receive security briefings throughout the year.

Incidents Falling Within the Criteria for Reporting to the ICO (Reported):		
Year	Incidents Reported to ICO	Action Taken by ICO
2021-22	2	0
2020-21	2	0

Summary of Other Protected Personal Data Related Incidents			
Incidents deemed by the Data Controller not to fall within the criteria for reporting to the ICO but recorded centrally are set out in the table below			
Type	Nature of incident	2021-22	2020-21
I	Loss of inadequately protected electronic equipment, devices or paper documents from secured Government premises	1	0
II	Loss of inadequately protected electronic equipment, devices or paper documents from outside secured Government premises	2	4
III	Insecure disposal of inadequately protected electronic equipment, devices or paper documents	0	0
IV	Unauthorised disclosure	93	96
V	Other	3	3

All unauthorised data disclosures are logged and investigated. In context however, the number of losses is low when compared to the number of emails sent every month (on average, 1.3 million). Most incidents not reported to the ICO arose from unauthorised disclosures, which were mainly due to specific documents containing personal data being sent or emailed to the wrong person.

The Welsh Government maintains a robust internal reporting process covering all types of incident. After each breach is reported, remedial actions are agreed with management and action tracking is used to monitor completion of those actions. All data breaches are reported to the relevant Director General. Where necessary, lessons to be learnt across the organisation form part of the regular all-staff Security Bulletin.

Data Protection Officer Report

Building on experience gained during the pandemic, I have continued to observe a good, and growing, level of awareness amongst officials of the overarching data protection principles and requirements of UK GDPR. The valuable practical experience and greater technical understanding of data protection gained while responding to COVID-19 has helped officials to use personal data appropriately and securely when delivering to the people of Wales and delivering the Welsh Government response to the Ukraine Emergency.

However, the reprioritisation of resources to the COVID-19 response has also continued to delay progress in addressing improvements identified in prior years, particularly in the case of e-tools to create a more robust record of data processing activity. In addition, the commencement of the new Programme for Government has exposed areas where understanding of UK GDPR needs to improve for the Welsh Government to be able to demonstrate compliance. Further work is required on technical and organisational measures – including training, awareness and early assessment of data protection risk – to address these areas. Some progress has been made in respect of training, The new training module has been rolled out and completion is mandated by 15 September 2022.

Local Accountability

A considerable proportion of the expenditure of the Welsh Government is distributed to Welsh Local Authorities and NHS Wales bodies to deliver policy objectives and a range of front-line services, including health, social care and education. The Director General of the Health and Social Services Group within the Welsh Government is also the Chief Executive of NHS Wales.

Local Authorities

Grant funding is provided to Unitary Authorities, Fire and Rescue Authorities and Police and Crime Commissioners in Wales. The largest single component of grant funding is the annual un-hypothecated settlement for Unitary Authorities which comprises Revenue Support Grant (RSG) and a share of non-domestic rates income. The quantum of funding is set as part of the Welsh Government's annual budget round. It is distributed using a formula which reflects the factors which drive authorities' need to spend to deliver a wide range of services, including education and social care. The formula is maintained, updated and improved through an ongoing programme of work with local government.

Funding is also provided to authorities through grants which can be used only for the specific purposes for which they are provided. Additionally, Unitary Authorities receive some specific grants from UK Government Departments for non-devolved functions, from locally-set council tax, fees, charges and other sources of income. Unitary Authorities also receive Welsh Government grants for capital spending and support for borrowing. This is complemented by authorities' own borrowing capacity, grants from other bodies and capital receipts.

Similar arrangements apply to the revenue provision for Police and Crime Commissioners, who are funded through a mix of RSG and non-domestic rates income from the Welsh Government, Police Grant from the Home Office, specific grants and from council tax. Other authorities are funded through arrangements such as specific grants, levies and precepts.

Each authority is accountable for how it uses the available funding in delivering the functions for which it is responsible. Unitary Authorities, police bodies and fire and rescue authorities must have an appointed officer under Section 151 of the Local Government Act 1972 who has statutory duties to ensure there is proper administration of financial affairs. Authorities are held to account through their scrutiny functions and through direct accountability to their local electorate. Their financial affairs are governed by a statutory accounting and audit framework and their accounts are subject to full annual external audits by the Auditor General for Wales. They have been subject to annual improvement audits conducted by the Auditor General for Wales covering value for money as well as governance and capacity matters, but from 1 April 2021 Unitary Authorities have been subject to a new performance and governance regime requiring them to keep their performance under review and undertake regular peer assessments.

In respect of funding provided for specific purposes, individual grant terms and conditions are the responsibilities of the relevant policy departments. These terms and conditions must have due regard to the Grants Centre of Excellence Minimum Standards for Grant Funding. Adherence to these standards should ensure compliance with the Welsh Government's governance and financial arrangements, relevant law, policy and good practice. With regard to funding provided by the UK Government in respect of non-devolved functions, the arrangements for accountability for the use of this specific funding will be agreed between the local authorities and the relevant UK Government Department. Local authorities will have obligations placed upon them on how this funding is spent in Wales, including compliance with the Well Being of Future Generations (Wales) Act 2015 and their overall financial and other accountability arrangements including local scrutiny. In regard to UK funds impacting on devolved matters and which are allocated directly to local authorities, Welsh Ministers continue to seek co-decision-making arrangements with the UK Government in order to prevent duplication of services and achieve better value for money and outcomes.

A number of significant additional grants or increases in grants were made during the second half of the financial year in response to pressures experienced by local authorities and the provision of additional funding to Welsh Government. The Local Government Settlement was revised at the end of the financial year to increase the funding available to local authorities by £60,000,000. The purpose of this was, as part of Welsh Government's overall budget management, enable Local Authorities to manage their budgets more effectively over the period 2021-22 to 2024-25 against the context of inflationary and service pressures including responses to the climate emergency, and the ending of the Local Government Hardship Fund.

Specific issues

The statutory support package provided to Merthyr County Borough Council since 2019 came to an end on 31 March 2022 in light of the progress made by the Council and its strengthened financial position and improved governance arrangements.

The statutory support package was agreed in June 2019 following a request from the Leader at the time, and in response to concerns raised by Audit Wales. It included an Improvement and Assurance Board, the appointment of short term external advisers for specific areas, and training for members and officers.

It was agreed the statutory support package should be phased and regularly reviewed in order to provide assurance that the support provided remained fit for purpose and continued to add value to the Council's improvement journey.

In October 2021, in light of the progress being made by the Council, the Minister for Finance and Local Government agreed to a final transitional phase of support ahead of the statutory support ending and the Council moving to locally led arrangements for overseeing improvement – once an agreed framework of key tests had been met.

Improvement and Support Conferences, including representatives from Audit Wales, Estyn, CIW and the WLGA, provide insight on where early additional support could be offered to support Local Authority improvement.

Health

Local Health Boards (LHBs) are funded to commission and provide Hospital and Community Health Services and to meet the costs of drugs prescribed by GPs for their resident populations. Funding is also provided to cover payments to independent contractors including GPs, General Dental Practitioners and Pharmacists. Additional targeted funding is used to support the achievement of Welsh Government objectives. Capital funding is provided to support the All Wales Capital Programme and other Welsh Government discretionary capital funding is also provided to support locally identified priorities.

For 2021-22 four out of seven Local Health Boards (LHBs) complied with their statutory break-even duty by operating within their budgets over the three-year period of assessment. Hywel Dda University Health Board and Swansea Bay University Health Board which reported deficits in 2021-22 and previous years did not therefore comply with their duty, Betsi Cadwaladr University Health Board (BCUHB) reported a surplus against their resource limit in 2021-22 and in 2020-21 but did not comply on a cumulative three-year period of assessment. These bodies received qualified regularity opinions from the Auditor General for Wales.

BCUHB also received a qualified 'true and fair' audit opinion on the 2021-22 financial statements as the Auditor General for Wales was unable to obtain sufficient and appropriate audit evidence that expenditure totalling £122.2 million was incurred in the year or has been properly accounted for in the correct accounting period nor was BCUHB able to provide sufficient appropriate audit evidence that Non-NHS payables and accruals of £73.2 million existed. The Auditor General for Wales recommended to BCUHB that the Health Board undertakes a comprehensive exercise to identify, and correct for, the errors in

its accounting records, identifies the corrections it needs to make to ensure that its 2022-23 accounts give a true and fair view; and undertakes a review to understand why these issues occurred and to strengthen its controls accordingly. Further details relating to this qualification can be found in the Annual Report and Accounts of the Health Board.

As a consequence of the qualifications on LHBs noted above, the NHS Summarised Account 2021-22 also received qualifications to the regularity and 'true and fair' audit opinions.

All three NHS Trusts in Wales met their financial duty to break-even over the three-year period of assessment.

As Special Health Authorities, Health Education and Improvement Wales (HEIW) and Digital Health Care Wales (DHCW) are not covered by the three-year statutory duty and are required to break-even in each financial year. 2021-22 is the inaugural year for DHCW, both complied with their annual financial duty.

In 2021-22 all NHS Wales organisations except for Welsh Ambulance Services NHS Trust, HEIW and DHCW included a provision in their accounts for the first time for the 'Scheme Pays' commitments arising from the Ministerial Direction noted on page 162. The Auditor General for Wales has qualified his regularity audit opinion for all NHS Wales organisations (excluding those noted above) and the NHS Summarised Account with respect to this expenditure on the basis the expenditure is irregular and material by nature.

In accordance with the Welsh Government NHS Escalation and Intervention Arrangements; eight out of twelve NHS Wales organisations remained in routine monitoring as at 31 March 2022.

- Swansea Bay University Health Board and Hywel Dda University Health Board were in enhanced monitoring.
- Betsi Cadwaladr University Health Board which previously had been in Special Measures has been in Targeted Intervention status since November 2020. In June 2022 new Targeted Intervention arrangements were put in place to extend to include services at Ysbyty Glan Clwyd focussing in particular on vascular services and the emergency department.
- Cwm Taf Morgannwg University Health Board has remained in Special Measures for maternity services and in Targeted Intervention for Leadership and Culture; Quality and Governance and Rebuilding Trust and Confidence – both escalation requirements arising from issues relating to the former Cwm Taf University Health Board predecessor organisation.

Details on how each organisation in enhanced monitoring, targeted intervention or special measures has taken action in 2021-22 to address the concerns identified are set out in the Governance Statements of the relevant NHS bodies in their Annual Report & Accounts.

Risk Profile

The risk profile of the Welsh Government is extensive and varied, as would be expected from the broad range of different activities in which it is involved. Operational risks arise in the course of delivering key policy objectives and are managed and mitigated on a day-to-day basis across the organisation. In addition, the Welsh Government also carries a number of contingent risks (high impact but unlikely to be realised) which arise from its regulatory responsibilities. Examples of these are its responsibilities in the event of an outbreak of human or animal disease in Wales and its obligations under the guarantees it enters into from time to time to support businesses in Wales.

The outbreak of COVID-19 presented the Welsh Government with the crystallisation of one of these contingent risks and a need to respond to the crisis. Early in the development of the Welsh Government's COVID-19 response, the Principal Accounting Officer at the time set out clearly to the Additional Accounting Officers her position on the appetite for risk in respect of decisions made in response to COVID-19, to guide the management of risk during this exceptional time.

During 2021, a stand-alone COVID-19 Risk Register was created and monitored closely by ExCovid, with risk mitigation actions taken as required. With ExCovid standing down, Covid-related risks have been transferred into the appropriate Corporate and/or Group Risk Registers. These are monitored by the Finance & Corporate Services Committee (under ExCo), ExCo, the ARACs and the Welsh Government Board.

The former Permanent Secretary reported last year that COVID-19 had led to an unprecedented increase in pressures on the Welsh Government. Many of these pressures have continued during 2021-22 with additional demands such as the crisis in Ukraine and cost of living increases. The future path of the economy and public finance is very unclear. These challenges continue to impact risks to the workforce including issues around capacity and staff wellbeing. Effective mechanisms have operated to monitor and provide support to staff, as needed.

During the year four new risks were added to the Corporate Risk Register. The first reflected the risks around the Welsh Government's preparations for the Covid Public Inquiry in Wales. This risk has regularly been updated throughout the year. The mitigations have included the duty of care to staff who may be involved in the Inquiry.

The second new risk related to the cyber threat in terms of business disruption. This risk has been scored highly and in line with the UK Government threat analysis and industry trends. The risk score was further increased during the year due to the additional cyber threats posed by the conflict in Ukraine. Mitigations have been put in place to manage this risk including a range of IT and monitoring solutions.

A risk around the HR system was escalated to the Corporate Risk Register during the year. Due to pressures dealing with the COVID crisis the start of the HR IT systems upgrade project was delayed. This created a risk that the Welsh Government would not have been able to operate effectively when the current HR Information System contract ended April 2022. This risk was significant mitigated by the procurement and installation of a perpetual licence (for unsupported use) to enable continued use of the system, beyond April.

The final new risk added during the year related to Wales being a Nation of Sanctuary and the risks associated with the future affordability of the Ukraine funding commitment. There was no pre-existing budget for this activity and the UK Government funding that was transferred was insufficient to cover all costs. Robust mitigations have been put in place to manage this risk including:

- an established finance workstream to deal with these issues
- developing a clear understanding of costs of essential components of our response to support future cost modelling
- working to negotiate good deal on the package of support provided, e.g. Welcome Centre accommodation.

Capacity to Handle Risk

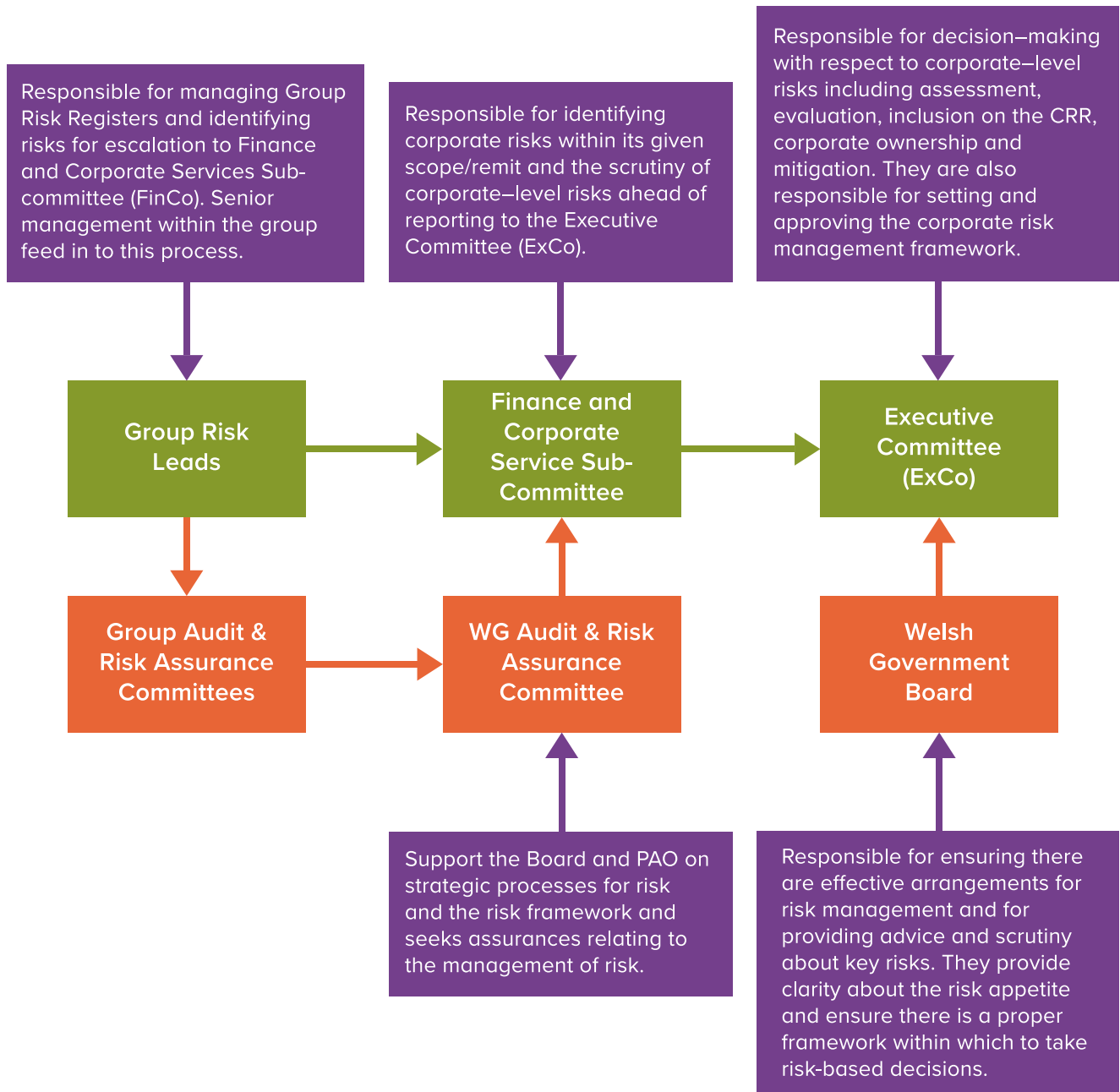
The Welsh Government adheres to the “Main “Principles” for risk management in government set out in HM Treasury’s *The Orange Book; Management of Risk – Principles and Concepts (2019, updated 2020)*.

The Welsh Government’s risk management policy has the key objective of ensuring there is a consistent process in place for measuring, controlling, monitoring and reporting risk across the organisation. Managing risk effectively should not lead the Welsh Government to be unduly risk averse and, in pursuit of its objectives, it is prepared to take risks which have been properly assessed, evaluated and managed to encourage more effective exploitation of opportunities as they arise, whilst accepting some failures may occur.

Corporately, the Board is responsible for overseeing the implementation of the risk management policy and process and for oversight and scrutiny of the mitigations for key risks facing the Welsh Government which might otherwise prevent or hinder the organisation from achieving its strategic objectives. Principally, these are those risks which are so critical they cannot be managed at Group level, together with those of a corporate nature whose impact would be felt across the whole organisation. Corporate risks have been reviewed by the Board twice in the year and by the Welsh Government’s Audit and Risk Assurance Committee quarterly.

Day-to-day management and mitigation of risk is a management responsibility and each Director General has been responsible for managing risk and opportunity in respect of their Group’s key objectives. Group risks were reviewed regularly by senior management teams and by the Group Audit and Risk Assurance Committees and were informed by risk registers maintained by projects and programmes, and risk assessments and risk registers at Divisional level.

The diagram below shows the route map for risk escalation.



Ministerial Direction

In the 2019-20 financial year the former Permanent Secretary sought and obtained a Ministerial Direction⁵⁶ from the First Minister. This was the first Ministerial Direction given since the start of devolution. The Direction was required as a consequence of the policy requirement to ameliorate the impact of some pension and tax changes on higher paid clinicians in the NHS, which had led to a reduction in service capacity because doctors were dis-incentivised to work additional hours for the NHS. The former Permanent Secretary took the view that this scheme was not compatible with some of the provisions in 'Managing Welsh Public Money' (MWPM) relating to tax planning measures and that consequently she needed to seek a Direction from the First Minister.

In 2021-22 all NHS Wales organisations, except for Welsh Ambulance Services NHS Trust, HEIW and DHCW, have included a provision in their accounts for the first time for the Scheme Pays commitments valued overall at £9.503 million.

In 2021-22, the Auditor General for Wales has qualified his regularity audit opinion for nine NHS Wales organisations in respect of their regularity of expenditure recognised as a result of the Ministerial Direction, as a consequence the regularity audit opinion for the NHS Summarised Account 2021-22 was also qualified.

In 2021-22 the Welsh Government has recognised a provision of £25.1m for its' obligations to NHS bodies in Wales to meet their expenditure arising from the arrangements implemented by the Ministerial Direction. Consistent with the treatment in the underlying NHS bodies accounts, the Auditor General for Wales is expected to qualify his Regularity Audit Opinion on the Welsh Government Consolidated Accounts as in his opinion the potential incompatibility of the scheme with the provisions of Managing Welsh Public Money is irregular and the expenditure is material by nature.

2020-21 Welsh Government Consolidated Accounts Qualification

The Auditor General for Wales qualified his audit opinion for the 2020-21 Welsh Government Accounts on the basis of a payment partially accrued in 2020-21 and paid in 2021-22 of £39,123 to the former Permanent Secretary on her departure from the organisation.

I commented upon the circumstances relating to this payment in my 2020-21 Governance Statement and acknowledged the concerns about the keeping of contemporaneous records and the reasons for making the payment to the former Permanent Secretary.

I reiterate my assessment as Principal Accounting Officer that the Welsh Government firmly believes that the former Permanent Secretary did not receive anything that she was not entitled to and was treated no differently by Welsh Government to any other civil servant. The payment was approved in accordance with Managing Welsh Public Money and for the avoidance of doubt, the former Permanent Secretary received payment for credit in lieu of banked hours and payment in lieu of her departure date being brought forward when she left the organisation before the end of her contractual period.

⁵⁶ Ministerial direction regarding the NHS Pension Tax Proposal 2019 to 2020
gov.wales/ministerial-direction-regarding-nhs-pension-tax-proposal-2019-2020

As a consequence of the payment being made in 2021-22 (only accrued in 2020-21) the Auditor General for Wales is expected to again qualify his audit opinion for the 2021-22 Welsh Government Accounts in relation to this matter.

Improving the framework of delegations for SCS salary related decisions

SCS terms and conditions, including the pay remit are not delegated to the Welsh Government and Cabinet Office lead on Permanent Secretary recruitment and many aspects associated with DG recruitment. However Welsh Government recognises that it is important that when decisions are taken regarding SCS salary related decisions, they are transparent and supported by strong governance. The need for continual improvement in relation to the framework of delegations has been identified and the following key areas of planned improvement will be taken forwards:

- Update 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 Business Case template and process to enhance clarity of HR advice provided to the Committee.
- Implement the Permanent Secretary Terms & Conditions framework, continue to work with Cabinet Office to better define the respective roles and responsibilities of Cabinet Office and Welsh Government and develop standard file notes to ensure arrangements with Cabinet Office involvement capture all relevant approvals and policy application.

The implementation of these changes will be overseen by the Remuneration Committee supporting me as Principal Accounting Officer.

Conclusion

The system of internal control has been in place in the organisation for the year ending 31 March 2022 and up to the date of approval of the Annual Report and Consolidated Accounts. It accords with HM Treasury guidance. I have reviewed the evidence provided to me by my review of the effectiveness of the governance framework and can take reasonable assurance that arrangements to secure governance, risk management and internal control, within those areas under review, are suitably designed and applied effectively. Some matters require management attention in control design or compliance with moderate risk exposure until resolved.

The COVID-19 pandemic has continued to present challenges for the organisation but throughout the period I am satisfied that sound governance and assurance arrangements remained in place. My three-year plan, Welsh Government 2025, will continue to build on our existing robust processes and procedures, enhancing and improving our governance and assurance arrangements to help us become the exemplar public service organisation we want to be.

Dr Andrew Goodall CBE
Permanent Secretary and Principal Accounting Officer
12 December 2022

Accountability Disclosures

The following is the statement of losses and special payments as required by the Government Financial Reporting Manual, with individual disclosures where the total amounts incurred are over the limits prescribed in Managing Welsh Public Money of £300,000.

	2021-22	2020-21
Total number of losses	150	170
Total value of losses (£000's)	12,269	129,049

Details of losses over £300,000:		
Claims abandoned	Sorenson Media Limited	£600,000
Claims abandoned	W J Developments (Gwynedd) Ltd	£455,662
Claims abandoned	Prism	£406,506
Store losses	Pandemic Flu Stock write off	£449,280
Store losses	COVID-19 medicine write off ¹	£452,928
Constructive loss	A55 Write off ²	£9,020,862

¹ Write off of COVID-19 medicines that have now expired and are no longer valid for use. These medicines were disposed of.

² Following the publication of the Written Statement in February 2022 on the Roads Review Initial Report for the A55 Junctions 14 to 16 Improvements, capitalised costs excluding properties for the A55 Junctions 15 and 16 Improvements project have been reviewed as part of standard accounting processes and assessed as requiring write off and a small amount of EU funding returned.

Included within the losses noted above are 4 (2020-21: 21) losses incurred in relation to the COVID-19 pandemic amounting to £0.044m (2020-21: £43.0m). COVID-19 losses include events cancelled as a consequence of the pandemic, and losses related to company failures.

Special Payments

	2021-22	2020-21
Total number of special payments	21	14
Total value of special payments (£000's)	1,352	925

Details of special payments over £300,000:		
Ex-gratia payment	Hardshell UK Limited	£325,000
Ex-gratia payment	Surviva Limited	£330,000

Both ex-gratia payments were provided to mitigate hardship experienced in response to the Covid PPE crisis.

More details on the individual losses and special payments disclosed can be found in the Annual Governance Statement on pages 150 to 151.

Gifts made

	2021-22	2020-21
Total number of gifts	3	0
Total value of gifts (£000's)	5,100	0

Details of gifts over £300,000:		
Gift	DEC Ukraine Appeal	£4,000,000
Gift	Community Foundation Wales	£1,000,000

The Welsh Government provided gifts by way of donations for the purpose of contributing support for the humanitarian response to the crisis in Ukraine.

More details on the individual gifts disclosed can be found in the Annual Governance Statement on page 152.

Remuneration and Staff Report 2021-22

Remuneration Policy

The overall parameters for remuneration of senior civil servants⁵⁷ are set at UK Government level following independent advice from the Senior Salaries Review Body⁵⁸, with some flexibility available to organisations within those. The Welsh Government has delegated responsibility for the remuneration of non-SCS staff.

The pay and pensions of Ministers is determined by the Independent Remuneration Board of the Senedd Determination on Members' Pay and Allowances.⁵⁹

Service Contracts

The Constitutional Reform and Governance Act 2010, requires Civil Service appointments to be made on merit on the basis of fair and open competition. The Recruitment Principles published by the Civil Service Commission specify the circumstances when appointments may be made otherwise.

Unless otherwise stated below, the officials covered by this report hold appointments, which are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Further information about the work of the Civil Service Commission can be found at www.civilservicecommission.org.uk

Welsh Government Annual Pay Policy Statement

In line with the 'Transparency of senior remuneration in the devolved Welsh public sector' principles published on 7 December 2015 the Welsh Government has published a pay policy statement on its website.

The Pay Policy Statement covers the Welsh Governments definition of both "senior posts" and "lowest-paid employees" and the relationship between the remuneration of senior posts and that of the lowest-paid employees.

57 Senior Civil Service Pay Award 2021-22 – practitioner guidance – GOV.UK (www.gov.uk)

58 CP 494 – Forty-Third Annual Report on Senior Salaries 2021 – Report No. 93 (publishing.service.gov.uk)

59 Determination – Remuneration Board www.remunerationboard.wales/publications/determination/

It also covers:

- a) demonstrable evidence of affordability and value for money
- b) the number of senior posts within the body with a remuneration package of more than £100,000 in bands of £5,000
- c) the approach to internal talent management
- d) the approach to performance related pay
- e) the approach to providing support for lower paid staff
- f) the highest and lowest pay points, and
- g) the severance policies operated and how and in what circumstances these can be varied.

Remuneration (including salary) and pension entitlements

This section is subject to audit and is covered by the Auditor General's audit opinion.

The following sections provide details of the remuneration and pension interests of the Ministers and the senior management.

Remuneration

The remuneration of the First Minister and his Cabinet team who served during the year, is noted below. These costs are reflected in the accounts of the Senedd Commission and not the Welsh Government. Ministerial salaries include their salaries as Members of the Senedd of £67,649 (2020-21: £67,649). The salary payable to Ministers is the salary payable under the Government of Wales Act 2006 as set by the Independent Remuneration Board of the Senedd.

Benefits in kind related to Members of the Senedd responsibilities are not included in the table overleaf.

Single total figure of remuneration – Ministers

The 2021 Senedd election took place on 6 May 2021. The Cabinet and Ministers served until 12 May 2021 and the new Cabinet and Ministers were appointed further to the election from 13 May 2021.

Ministers	Salary 2021-22 £	Salary 2020-21 £	Benefits in kind 2021-22 £	Benefits in kind 2020-21 £	Pension benefits 2021-22 (to nearest £1000) ^[1] £	Pension benefits 2020-21 (to nearest £1000) ^[1] £	Total 2021-22 (to nearest £1,000) £	Total 2020-21 (to nearest £1,000) £
Mark Drakeford First Minister to 12 May 2021 then First Minister from 13 May 2021	147,983	147,983	-	-	33,000	57,000	181,000	205,000
Rebecca Evans Welsh Minister to 12 May 2021 then Welsh Minister from 13 May 2021	105,701	105,701	-	-	27,000	30,000	133,000	136,000
Vaughan Gething Welsh Minister to 12 May 2021 then Welsh Minister from 13 May 2021	105,701	105,701	-	-	22,000	30,000	128,000	136,000
Lesley Griffiths Welsh Minister to 12 May 2021 then Welsh Minister from 13 May 2021	105,701	105,701	-	-	15,000	29,000	121,000	135,000
Jane Hutt Deputy Minister & Chief Whip to 12 May 2021 then Welsh Minister from 13 May 2021	103,868	89,846	-	-	30,000	32,000	134,000	122,000
Eluned Morgan Welsh Minister to 12 May 2021 then Welsh Minister from 13 May 2021	105,701	105,701	-	-	33,000	31,000	139,000	137,000
Julie James Welsh Minister to 12 May 2021 then Welsh Minister from 13 May 2021	105,701	105,701	-	-	27,000	30,000	133,000	136,000
Jeremy Miles Counsel General & Welsh Minister until 12 May 2021 then Welsh Minister from 13 May 2021	105,701	105,701	-	-	32,000	31,000	138,000	137,000

Ministers	Salary 2021-22 £	Salary 2020-21 £	Benefits in kind 2021-22 £	Benefits in kind 2020-21 £	Pension benefits 2021-22 (to nearest £1000) ^[1] £	Pension benefits 2020-21 (to nearest £1000) ^[1] £	Total 2021-22 (to nearest £1,000) £	Total 2020-21 (to nearest £1,000) £
Mick Antoniw Counsel General & Welsh Minister from 13 May 2021	93,483	-	-	-	12,000	-	105,000	-
Hannah Blythyn Deputy Minister to 12 May 2021 then Deputy Minister from 13 May 2021	89,846	89,846	-	-	28,000	27,000	118,000	117,000
Julie Morgan Deputy Minister to 12 May 2021 then Deputy Minister from 13 May 2021	89,846	89,846	-	-	-	-	90,000	90,000
Lee Waters Deputy Minister to 12 May 2021 then Deputy Minister from 13 May 2021	89,846	89,846	-	-	28,000	27,000	118,000	117,000
Dawn Bowden Deputy Minister & Chief Whip from 13 May 2021	79,461	-	-	-	25,000	-	104,000	-
Lynne Neagle Deputy Minister from 13 May 2021	79,461	-	-	-	10,000	-	89,000	-
Ken Skates Welsh Minister to 12 May 2021	12,502	105,701	-	-	3,000	31,000	16,000	137,000
Kirsty Williams Welsh Minister to 7 May 2021	9,149	105,701	-	-	1,000	29,000	10,000	135,000
Dafydd Elis-Thomas² Deputy Minister to 7 May 2021	7,529	89,846	-	-	28,000	4,000	36,000	94,000

¹ The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) less (the contributions made by the individual). The real increase excludes increases due to inflation or any increase or decrease due to a transfer of pension rights.

² At retirement, following legal advice, the member was given an uplift to his benefits in respect of a Guaranteed Minimum Pension (GMP) anti-franking test that the Scheme carried out due to the Member leaving active service and retiring after GMP age. This uplift accounts for the increase in the single value of pension benefits in 2021-22 relative to the previous years, as it meant that the pension at the end of the disclosure period was higher than it would have been if it was based on the amount of additional office holder pension he had built up to the date of leaving.

Pension details – Ministers

Ministers	Accrued Pension as at 31/03/22 £000	Accrued Pension as at 31/03/21 £000	Real increase in pension at age 65 at 31/03/22 £000	CETV as at 31/03/22 £000	CETV as at 31/03/21 £000	Real increase in CETV at 31/03/22 £000
Mark Drakeford First Minister to 12 May 2021 then First Minister from 13 May 2021	30-35	25-30	0-2.5	591	547	28
Rebecca Evans Welsh Minister to 12 May 2021 then Welsh Minister from 13 May 2021	20-25	20-25	0-2.5	281	247	10
Vaughan Gething Welsh Minister to 12 May 2021 then Welsh Minister from 13 May 2021	30-35	25-30	0-2.5	426	386	8
Lesley Griffiths Welsh Minister to 12 May 2021 then Welsh Minister from 13 May 2021	40-45	40-45	0-2.5	789	727	11
Jane Hutt Deputy Minister & Chief Whip to 12 May 2021 then Welsh Minister from 13 May 2021	70-75	65-70	0-2.5	1156	1134	21
Eluned Morgan Welsh Minister to 12 May 2021 then Welsh Minister from 13 May 2021	10-15	5-10	0-2.5	165	127	20
Julie James Welsh Minister to 12 May 2021 then Welsh Minister from 13 May 2021	20-25	20-25	0-2.5	439	383	24
Jeremy Miles Counsel General & Welsh Minister until 12 May 2021 then Welsh Minister from 13 May 2021	10-15	5-10	0-2.5	152	118	17
Mick Antoniw Counsel General & Welsh Minister from 13 May 2021	35-40	0	0-2.5	666	648	9

Ministers	Accrued Pension as at 31/03/22 £000	Accrued Pension as at 31/03/21 £000	Real increase in pension at age 65 at 31/03/22 £000	CETV as at 31/03/22 £000	CETV as at 31/03/21 £000	Real increase in CETV at 31/03/22 £000
Hannah Blythyn Deputy Minister to 12 May 2021 then Deputy Minister from 13 May 2021	10-15	5-10	0-2.5	107	84	9
Julie Morgan¹ Deputy Minister to 12 May 2021 then Deputy Minister from 13 May 2021	10-15	10-15	N/A	188	197	0
Lee Waters Deputy Minister to 12 May 2021 then Deputy Minister from 13 May 2021	5-10	5-10	0-2.5	116	90	12
Dawn Bowden Deputy Minister & Chief Whip from 13 May 2021	5-10	0	0-2.5	160	125	21
Lynne Neagle Deputy Minister from 13 May 2021	35-40	0	0-2.5	606	566	2
Ken Skates Welsh Minister to 12 May 2021	15-20	15-20	0-2.5	232	224	1
Kirsty Williams Welsh Minister to 7 May 2021	40-45	40-45	0-2.5	617	615	0
Dafydd Elis-Thomas Deputy Minister to 7 May 2021	60-65	60-65	0-2.5	941	918	20

Some members may incur Annual Allowance tax charges as a result of pension accrual during the accounting period.

¹ Julie Morgan is no longer contributing to the Pension Scheme and so did not build up any additional pension this year.

Pension details – Ministers (cont'd)

The Senedd provides a defined benefit scheme, governed by section 18 of the Government of Wales Act 1998. Section 20 (4) of and Schedule 11 to the Government of Wales Act 2006 provides continuity for the Scheme. The Government of Wales Act 2006 has not affected the legal status of the Scheme.

The Scheme provides benefits for Members of the Senedd and Office Holders. All Members of the Senedd are members of the Scheme from the date they enter the Senedd unless they opt specifically not to be. Members do not receive an automatic lump sum, they have the option to commute part of their pension into a lump sum in exchange for a reduced pension.

A Career Average Pension Scheme was introduced from 6 May 2016. Members aged 55 or over on 1 April 2012 were subject to 'Transitional Protection' and continue to have their benefits calculated on a final salary basis for an additional five years until 5 May 2021.

In December 2018, the Court of Appeal ruled that the 'transitional protection' offered to some members of the judges' and firefighters' schemes, gave rise to unlawful discrimination. On 15 July 2019, the Chief Secretary to the Treasury made a written ministerial statement confirming that, as 'transitional protection' was offered to members of all the main public service pension schemes, the difference in treatment needed to be removed from all schemes for members with relevant service.

The Independent Remuneration Board of the Senedd is responsible for the rules of the Members Pension Scheme. Having considered the view of the Pension Board, the Board agreed that a remedy should be adopted to remove the discrimination in the rules of the Members Pension Scheme as a result of the transitional protection provisions they currently contain. The Board consulted with the affected Members and the Senedd Commission on a proposed remedy. Affected Members will be offered an immediate choice to remain in the CARE Scheme or to return to the Final Salary section for the Remedy period 6 May 2016 – 6 May 2021. From the start of the Sixth Senedd all members are in the Career Average Scheme.

The contribution made by the Senedd is currently 19.9% of Members aggregate salaries. Members pay contributions at the rate of 10.5%.

Normal Retirement Age is linked to State Pension Age (or 65, whichever is higher). Any Final Salary pension accrued before 6 May 2021 will continue to be payable at a Normal Retirement Age of 65.

Register of Interests

The Welsh Ministers' Register of Interests disclosing relevant interests is published on the Welsh Government Internet. [List of relevant ministerial private interests \[HTML\] | GOV.WALES](#)

The declaration of interests, identification of potential or actual conflicts of interest and the management of any such conflicts is undertaken in accordance with the Ministerial Code. gov.wales/ministerial-code

Single total figure of remuneration

The Financial Reporting Manual (FReM) requires that all central Government Departments include a Single Total Figure of Remuneration along with a prior year comparative within the remuneration report. Total remuneration includes salary, bonus payments and benefits in kind plus the addition of a pension benefit figure. Pension benefits have been calculated using the methodology used to derive pension values for tax purposes. As a result, the figures can be influenced by other factors such as an individual deciding to make additional contributions or valuation factors that impact the pension scheme as a whole and are, therefore, not always a true representation of the actual amounts of pension paid or earned by an individual in any one year. Nevertheless, this methodology applies to all government departments including NHS bodies.

Single total figure of remuneration – senior officials of the Welsh Government

Senior officials*	Salary 2021-22 £000	Salary 2020-21 £000	Pension benefits 2021-22 £000	Pension benefits 2020-21 £000	Total 2021-22 £000	Total 2020-21 £000
Shan Morgan ¹ Permanent Secretary to 31 October 2021	160-165	135-140	-	-	160-165	135-140
Andrew Goodall ² Permanent Secretary from 1 November 2021	215-220	205-210	-	-	215-220	205-210
Judith Paget ³ Director General	85-90	-	35-40	-	125-130	-
Tracey Burke Director General	125-130	125-130	45-50	45-50	170-175	170-175
Des Clifford Director General	125-130	125-130	5-10	40-45	130-135	165-170
Andrew Slade Director General	125-130	125-130	20-25	60-65	150-155	185-190
Reg Kilpatrick ⁴ Director General	120-125	60-65	100-105	120-125	220-225	180-185
David Richards ⁵ Director of Propriety and Ethics	75-80	105-110	(20)-(25)	45-50	50-55	155-160
Helen Lentle ⁶ Director of Legal Services	100-105	95-100	40-45	65-70	145-150	160-165
Natalie Pearson Head of Organisational Development and Engagement	85-90	80-85	70-75	55-60	160-165	135-140
Peter Kennedy Director of HR	100-105	100-105	15-20	50-55	115-120	150-155
Gawain Evans Director of Finance	105-110	105-110	10-15	55-60	120-125	165-170
Andrew Jeffreys Director of Treasury	100-105	100-105	25-30	45-50	125-130	150-155
Glyn Jones ⁷ Chief Digital Officer	95-100	55-60	40-45	60-65	135-140	120-125
Ellen Donovan Non-Executive Director	10-15	10-15	-	-	10-15	10-15

Single total figure of remuneration – senior officials of the Welsh Government						
Senior officials*	Salary 2021-22 £000	Salary 2020-21 £000	Pension benefits 2021-22 £000	Pension benefits 2020-21 £000	Total 2021-22 £000	Total 2020-21 £000
Jeff Farrar ⁸ Non-Executive Director	5-10	10-15	-	-	5-10	10-15
Gareth Lynn Non-Executive Director	10-15	10-15	-	-	10-15	10-15
Meena Upadhyaya Non-Executive Director	10-15	10-15	-	-	10-15	10-15

¹ Shan Morgan stepped down as Permanent Secretary of the Welsh Government on 31 October 2021. Shan Morgan elected to end her pension contributions and to benefit from her pension on 31 March 2018. In accordance with Civil Service Pension Scheme rules her salary was reduced from 1 April 2018 onwards. On departure she received payment of £80,519 relating to a payment of £31,843 in lieu of her departure date being brought forward, annual leave untaken and an extra-contractual payment amounting to £39,123 (of which £30,289 was accrued at 31 March 2021 as part of the general Employee Benefits accrual) in relation to partial retirement days for which Shan worked, without pay. As disclosed in previous accounts, her salary had been reduced since 1 April 2018 when she elected to end her pension contributions and to benefit from her pension. Typically, where an individual elects to end their pension contributions and to benefit from their pension, hours are reduced to align to reduced salary. In this case, the exceptional demands of the Covid pandemic required her to work full time and weekends with no opportunity to accommodate partial retirement days. Expected practice in these circumstances would be for individuals to recover the days worked through additional leave taken once the exceptional pressures have passed. In the case of the Permanent Secretary her agreed departure date was brought forward which did not allow for compensating days off to be taken. The payment in lieu of her departure date being brought forward is reported as a special severance payment in accordance with Cabinet Office policy on the remuneration of Permanent Secretaries.

² Andrew Goodall was Director General HSSG and Chief Executive NHS Wales for the period 1 April 2021 to 31 October 2021, and then Permanent Secretary from 1 November 2021 to 31 March 2022. The salary pay banding disclosed reflects the payments in total received for both those roles in the year, his comparable Full Time Equivalent Salary as Permanent Secretary is £215,000 to £220,000. Andrew Goodall is seconded from Aneurin Bevan University Health Board and he has chosen not to be covered by the NHS Pension arrangements.

³ Judith Paget was appointed Director General, Health and Social Services Group and Chief Executive NHS Wales from 1 November 2021, her comparable Full Time Equivalent salary is £215,000 to £220,000. She is seconded from Aneurin Bevan University Health Board and is part of the NHS pension scheme.

⁴ Reg Kilpatrick was appointed temporary Director General, Covid Coordination from 28 September 2020, his comparable Full Time Equivalent salary for 2020-21 was £120,000-£125,000 pa.

⁵ David Richards applied for and had approved partial retirement from 1 September 2021 from which date his salary and working hours have been reduced, his comparable Full Time Equivalent salary is £105,000 to £110,000.

⁶ Due to a timing mis-match between an amendment applied to salary and the pension disclosures data, the pension disclosures are based on salary paid in year rather than salary payable for year.

⁷ Glyn Jones post as Chief Digital Officer became part of the Executive Committee from 13 August 2020, his comparable Full Time Equivalent salary for 2020-21 was £90,000 – £95,000. Due to a delay in salary increment processing, pensions disclosures are based on salary paid in year rather than salary payable for year.

⁸ Jeff Farrar resigned as a Non-Executive Director on 15 August 2021.

Register of Interests

The Welsh Government Register of Interests for Senior Officials disclosing relevant interests is published on the [Welsh Government](#) Internet.

The declaration of interests, identification of potential or actual conflicts of interest and the management of any such conflicts is undertaken in accordance with the Civil Service Code, the Welsh Government Declaration of Interests Policy, the contractual terms of Non-Executive Director appointments and the Board Terms of Reference. Further information on the management of interests is set out in the Governance Statement on page 148.

Pension details – senior officials of the Welsh Government					
Senior officials	Accrued Pension at pension age as at 31/03/22 and related lump sum £000	Real increase in pension and related lump sum at pension age £000	CETV at 31/3/22 £000	CETV at 31/3/21 £000	Real increase in CETV £000
Judith Paget ¹ Director General	110-115 plus lump sum of 335-340	2.5-5 plus lump sum of 7.5-10	0	2,594	N/A
Tracey Burke Director General	40-45	2.5-5	617	558	33
Des Clifford Director General	40-45 plus a lump sum of 115-120	0-2.5 plus a lump sum of 0	950	889	2
Andrew Slade Director General	50-55 plus a lump sum of 100-105	0-2.5 plus a lump sum of 0	909	853	5
Reg Kilpatrick ² Director General	50-55 plus a lump sum of 140-145	5-7.5 plus a lump sum of 5-7.5	1,223	1,066	89
David Richards Director of Propriety & Ethics	55-60 plus a lump sum of 175-180	0 plus a lump sum of 0	1,194	1,213	(28)
Helen Lentle ^{3,4} Director of Legal Services	45-50 plus a lump sum of 95-100	2.5-5 plus a lump sum of 0-2.5	893	815	29
Natalie Pearson Head of Organisational Development and Engagement	35-40 plus a lump sum of 95-100	2.5-5 plus a lump sum of 2.5-5	807	703	59
Peter Kennedy Director of HR	35-40 plus a lump sum of 90-95	0-2.5 plus a lump sum of 0	836	783	4
Gawain Evans Director of Finance	50-55 plus a lump sum of 115-120	0-2.5 plus a lump sum of 0	1,059	1,000	(1)

Pension details – senior officials of the Welsh Government					
Senior officials	Accrued Pension at pension age as at 31/03/22 and related lump sum £000	Real increase in pension and related lump sum at pension age £000	CETV at 31/3/22 £000	CETV at 31/3/21 £000	Real increase in CETV £000
Andrew Jeffreys Director of Treasury	35-40 plus a lump sum of 55-60	0-2.5 plus a lump sum of 0	584	542	10
Glyn Jones ⁴ Chief Digital Officer	30-35 plus a lump sum of 50-55	0-2.5 plus a lump sum of 0-2.5	456	410	20

Certain disclosure required by Employer Pension Notice 647 has been omitted in accordance with Article 21 UK GDPR.

¹ No CETV figure is provided for Judith Paget at 31 March 2022 as she has passed retirement age.

² The CETV at 31 March 2021 for Reg Kilpatrick has been recalculated due to a retrospective update to salary data.

³ The CETV at 31 March 2021 for Helen Lentle has been recalculated due to a retrospective update to salary data.

⁴ Due to a delay in salary amendment processing, pensions disclosures are based on salary paid in year rather than salary payable for year.

Salary

'Salary' includes gross salary; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation.

This report is based on payments made by the Welsh Government with the exception of Ministers as noted above.

Senior Civil Servants within the Welsh Government are contractually entitled to be considered for a performance related variable payment. Any payments made are paid at the end of July each year, but no payments were made. It is the role of the Senior Civil Service Remuneration Committee to apply the UK senior pay policy and approve any awards, assessing the relevant contributions and performance of Senior Civil Servants during the year. The Remuneration Committee consists of the Permanent Secretary, five Director Generals and the non-executive Directors.

Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by HM Revenue and Customs as a taxable emolument, is disclosed to the nearest £100. Benefits in kind assessed for the year 2021-22 were £0.

Pay multiples

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the lower quartile, median and upper quartile remuneration of the organisation's workforce. The inclusion of the lower quartile and upper quartile are new reporting requirements for 2021-22.

The banded remuneration of the highest paid director in the Welsh Government in the financial year 2021-22 was £215,000-£220,000 (2020-21: £205,000 – £210,000). This was 5.7 times (2020-21: 5.5) the median remuneration of the workforce, which was £38,160 (2020-21: £37,410). Based on the Permanent Secretary's banded remuneration the ratio is 5.7 for 2021-22 (2020-21: 3.7). As the former Permanent Secretary's remuneration was reduced from 1 April 2018 when she elected to end her pension contributions and to benefit from her pension, the comparison year on year of the relationship to the median salary therefore is distorted for this impact and for the change of Permanent Secretary from 1 November 2021. In 2021-22 the highest paid director is also the Permanent Secretary, additional disclosures for the Permanent Secretary for the following disclosures are therefore not required.

The relationship between the highest paid director remuneration and the lower, median and upper quartiles are shown below:

Year		25th Percentile	Median	75th Percentile
2021-22	Pay Ratio (:1)	7.4	5.7	4.6
	Quartile remuneration (£)	29,430	38,160	47,470
2020-21	Pay Ratio (:1)	7.2	5.5	4.4
	Quartile remuneration (£)	28,850	37,410	47,000

In 2021-22 and 2020-21 no employees received remuneration in excess of the highest paid director.

Reporting bodies are also now required to set out the percentage remuneration change from the previous financial year for the highest paid director; and the average percentage change from the previous financial year in respect of the employees of the entity taken as a whole.

Year	Remuneration percentage change – highest paid director	Remuneration average percentage change – employees as a whole
2021-22	4.80%	2.30%

The required calculation for the highest paid director percentage compares the mid-point of the remuneration banding 2021-22 £215,000 – £220,000 (2020-21: £205,000 – £210,000), rather than the percentage change in actual salary. Using the mid-point of the band for calculation can distort the calculation compared to the actual award received, if the actual change is to move an individual from the upper end of a band in one year to the lower end of a band in the next. For 2021-22 the remuneration percentage change arising from this calculation is higher than the pay award received by the highest paid director.

Further information on Pay Policy, decision-making and Senior Pay can be found in the Welsh Government Pay Policy Statement.⁶⁰

Total remuneration includes salary, non-consolidated performance-related pay and benefits in kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are calculated in accordance with the Occupational Pension Schemes (Transfer Values)(Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Staff Numbers and Costs

The average number of full-time equivalent persons employed (including senior management and special advisers) during the period is as follows:

	Permanently employed staff	Other staff	Special Advisers	Total 2021-22	Total 2020-21
Total	95,995	5,966	11	101,972	95,060
Of which:					
Welsh Government	5,185	386	11	5,582	5,421
LHBs & NHS Bodies*	86,594	5,580	0	92,174	88,411
Subsidiaries	4,216	0	0	4,216*	1,228
Of the Welsh Government total:					
Regulatory & delivery bodies	729	-	-	-	-
Tribunals	28	-	-	-	-

* Transport for Wales Rail Limited and Transport for Wales Innovation Services were consolidated in the Welsh Government Account as part of the Transport for Wales Group from 1 April 2021. The prior comparative at 31 March 2021 including TfW group was 3,558.

Gender Breakdown of Welsh Government staff (unaudited)		
	Male	Female
Board members	60%	40%
Senior Civil Service	55%	45%
All Staff	40%	60%

Our Workforce Equality, Diversity & Inclusion Strategy 2021-2026 sets us ambitious targets on increasing representation of women in the Senior Civil Service. Our aim is that in external recruitment, more than 50% of appointments to the SCS will be women and in internal recruitment, more than 50% of promotions to the SCS will be women. Progress made on these targets:

- In 2021, the proportion of women appointed to the SCS through external recruitment increased to **56.3%**, taking it above the 50% target.
- In 2021, the proportion of women promoted to the SCS increased from 28.6% to **71.4%**, above the 50% target.

Staff costs				
Welsh Government	Permanently employed staff* £m	Other Staff £m	Year ended 31 March 2022 Total £m	Year ended 31 March 2021 Total £m
Salaries	242	16	258	248
Social Security Costs	28	-	28	26
Other Pension Costs	69	-	69	67
Total	339	16	355	341
Recoveries from secondments	(2)	-	(2)	(2)
Net staff costs	337	16	353	339
Consolidated				
Salaries	4,025	418	4,443	4,122
Social Security Costs	405	9	414	368
Other Pension Costs	710	9	719	669
Total	5,140	436	5,576	5,159
Recoveries from secondments	(1)	-	(1)	(2)
Net staff costs	5,139	436	5,575	5,157

* Although stated in a different category in regards to staff numbers, Special Advisers salary, social security and pension costs are included within the Permanently Employed Staff costs figures.

Salaries include gross salaries, performance bonuses payable, reserved rights to London Weighting or London allowances, recruitment and retention allowances, and private office allowances.

Special advisors were paid a total of £1,018,341 (2020-21: £1,100,923) for the year, inclusive of pension and social security costs, and have been included within the figures above. In addition, due to the Senedd Election on the 6th May 2021 the contracts for all Special advisors ceased, and severance payments of £227,407 were made in line with the terms of the Model Contract for Special Advisors (this includes payments for annual leave not taken at contract cessation). On reappointment of certain Special advisors, £87,903 severance payments were recovered and a further £1,099 is in the process of recovery in line with the terms of the Model Contract for Special Advisors. There were 17 Special Advisers in post for all or part of the 2021-22 financial year, equating to 11 average full-time equivalents, as set out in the table above.

The Welsh Government Register of Interests for Special Advisors disclosing relevant interests is published on the Welsh Government Internet. gov.wales/special-advisers-register-of-interests

The declaration of interests, identification of potential or actual conflicts of interest and the management of any such conflicts is undertaken in accordance with the Civil Service Code, the Welsh Government Declaration of Interests Policy and the contractual terms of Special Adviser appointments.

Further information on the management of interests is set out in the Governance Statement on page 148.

The social security and pension costs for temporary and seconded staff under the core figures for other staff have been included in salaries as they are invoiced on a gross basis. Salaries of Welsh Ministers are paid by Senedd Commission and are reflected in those accounts. In respect of the number of senior staff whose salary is above £100k, there were 49 staff whose FTE salary was above £100k as at 31 March. Of these, 8 were part-timers whose actual earnings therefore fell below the £100k threshold and 7 left part way through the year. The target rate for Director level within the Welsh Government is £100,820. This is unchanged since it exceeded £100,000 for the first time in 2020-21 (£100,820). Senior Civil Servants did not receive a pay increase in 2021-22 as they were covered by the UK Government's pay pause. Staff below the Senior Civil Service, where responsibility for pay is delegated to the Welsh Government, did receive a pay award.

Pensions

Civil Service pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or **alpha**, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). From that date all newly appointed civil servants and the majority of those already in service, joined **alpha**. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: 3 providing benefits on a final salary basis (**classic, premium or classic plus**) with a normal pension age of 60; and one section providing benefits on a whole career basis (**nuvos**) with a normal pension age of 65.

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under **classic, premium, classic plus, nuvos** and **alpha** are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS, who were within 10 years of their normal pension age on 1 April 2012, remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 have switched to **Alpha**. Due to the Government plans to remove discrimination identified by the courts in the way that the 2015 pension reforms were introduced for some members, in due course, eligible members with relevant service between 1 April 2015 and 31 March 2022 may be entitled to different pension benefits in relation to that period (and this may affect the Cash Equivalent Transfer Values shown in this report – see below). All members who switch to **alpha** have their PCSPS benefits ‘banked’, with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave **alpha**. (The pension figures quoted for officials show pension earned in PCSPS or **alpha** – as appropriate. Where the official has benefits in both the PCSPS and **alpha** the figure quoted is the combined value of their benefits in the two schemes.) Members joining from 1 October 2002 may opt for either the appropriate defined benefit arrangement or a ‘money purchase’ stakeholder pension with an employer contribution (**partnership** pension account).

Employee contributions are salary related and range between 4.6% and 8.05% for members of **classic premium, classic plus, nuvos** and **alpha**. Benefits in **classic** accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years’ initial pension is payable on retirement. For **premium**, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike **classic**, there is no automatic lump sum, **classic plus** is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 calculated as in **premium**. In **nuvos** a member builds up a pension based on their pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member’s earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. Benefits in **alpha** build up in a similar way to **nuvos**, except that the accrual rate is 2.32%. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The **partnership** pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member) into a stakeholder pension product chosen by the employee from the appointed provider – Legal & General Mastertrust. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer’s basic contribution). Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of **classic**, **premium** and **classic plus**, 65 for members of **nuvos**, and the higher of 65 or State Pension Age for members of **alpha**.

(The pension figures quoted for officials show pension earned in PCSPS or **alpha** as appropriate. Where the official has benefits in both PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes, but note that part of that pension may be payable from different ages.)

Further details about the Civil Service pension arrangements can be found at the website www.civilservicepensionscheme.org.uk

Employees of the Welsh Government belong to the Principal Civil Service Pension Scheme, with the exception of a small number of staff who have elected to retain membership of other public sector schemes.

The Principal Civil Service Pension Scheme (PCSPS) and the Civil Servant and Other Pension Scheme (CSOPS) – known as ‘Alpha’ – are unfunded multi-employer defined benefit scheme but the Welsh Government is unable to identify its share of the underlying assets and liabilities. The Scheme Actuary valued the scheme as at 31 March 2016. Details can be found in the resource accounts of the Cabinet Office.

For 2021-22, employers contributions of £61,789,063 were payable to the PCSPS/Alpha (2020-21: £58,960,519) at one of four rates in the range 26.6 to 30.3 per cent (2020-21: 26.6 to 30.3) of pensionable earnings based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2021-22 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, an occupational defined contribution pension with an employer contribution. Employer’s contributions of £231,337 (2020-21: £244,428) were paid to the appointed stakeholder pension provider. Employer contributions are age-related and range from 8 to 14.75 per cent of pensionable earnings. Employers also match employee contributions up to 3 per cent of earnings. In addition, employer contributions of £8,033 0.5% (2020-21: £8,412 0.5%) of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

Contributions due to the partnership pension providers at the balance sheet date were £nil (2020-21: £nil). Contributions prepaid at the date were £nil (2020-21: £nil).

Four (2020-21: Three) individuals retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £23,688 (2020-21: £22,857).

A small number of former Welsh Development Agency employees elected to retain their existing terms and conditions and pension arrangements. They participate in the Local Government Pension Scheme, which is a multi-employer funded scheme providing pension and related benefits, which is now on a career average basis rather than a final salary basis. The assets of the scheme are held separately from the assets of the Welsh Government and are administered by Rhondda Cynon Taf County Borough Council. Additional retirement benefits are granted in accordance with the Local Government (Compensation for Premature Retirement) Regulations 1982 and these benefits are provided on a pay-as-you-go basis. Details of Local Health Board and NHS Trusts Pensions are contained in their accounts.

Reporting of Civil Service and other compensation schemes – exit packages

There was no flexible early retirement, approved early retirement or flexible early severance in 2021-22 or 2020-21 and only individual exits were in place. For each individual voluntary exit case a payback period is calculated which is then approved by the Director of HR.

For 2021-22, 10 (2020-21: 8) employees have left or agreed to leave for voluntary exit or other reasons between 31 March 2021 and 31 March 2022. Compensation payments agreed are £260,922 (2020-21: £314,590).

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972, or where applicable in accordance with Cabinet Office guidance on Efficiency Compensation 2016. Where the department has agreed early retirements, the additional costs are met by the Welsh Government and not by the Civil Service pension scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table.

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band 2021-22	Total number of exit packages by cost band 2020-21
<£10,000	-	1	1	2
£10,000- £25,000	-	3	3	2
£25,000-£50,000	-	5	4	1
£50,000-£100,000	-	1	1	3
£100,000-£150,000	-	-	-	-
£150,000-£200,000	-	-	-	-

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band 2021-22	Total number of exit packages by cost band 2020-21
£200,000+	-	-	-	-
Total number of exit packages by type	-	10	9	8
Total resource cost £	-	260,922	260,922	314,590

The table above shows the total cost of exit packages agreed and accounted for in 2021-22 (2020-21 comparative figures are also given). Total exit costs paid during 2021-22, the year of departure, were £202,922 (2020-21 £314,590).

The costs included in the table provide the total cost to the organisation of any exit. However, in some instances individuals on exit may have used their compensation payments to provide early access to an unreduced pension, or to buy an increased pension.

Included in the table above is the special severance payment made to the former Permanent Secretary which was not covered by the CSCS, further details of which can be found on page 176.

Sickness absence (unaudited)

Sickness absence levels during 2021-22 were significantly impacted by the COVID-19 pandemic. The pandemic was the second largest cause of absence within the organisation, with the increased levels of infection across the population of Wales being reflected amongst staff. The emergence of the Omicron variant at the mid-point of the year saw increasing numbers of staff infected, far higher than the levels seen during the first year of the pandemic. As restrictions were lifted across the country, other causes of absence began to increase back towards pre-pandemic levels also. During the initial lockdown, the overwhelming majority of staff worked from home and were unable to socialise with relatives, friends and colleagues. This type of close personal contact is a major factor in the transmission of all types of viruses, including the common cold and influenza. Being more mobile outside the home also results in minor injuries caused by accidents and sporting, and other, activities. All of these factors contributed to an increase in sickness absence as life began to return to some form of normality for staff.

In order to combat the increasing absences, we kept our Health and Wellbeing Strategy under constant review and took whatever action was necessary to ensure that staff received the maximum support to prevent absence and ensure their early return to work where absence did occur. The numbers of staff returning to office locations increased marginally during the year and we ensured that appropriate measures were taken at all locations to protect against COVID-19 infection. These included clearly sign-posted social distancing measures, regular cleaning of all work surfaces and limits on the number of staff allowed to work at each location.

For the vast majority of staff, the year continued the practice of home-working and we took all necessary measures to support staff at distance. These measures included ensuring that they had all of the necessary equipment to undertake their roles safely and effectively at home and that they received the necessary support through their line management structures. Mental health was a major concern during this period, with some staff feeling isolated at home and others succumbing to the pressures of the pandemic on their work and personal lives. We constantly reviewed our mental health wellbeing support tools to adapt them to the changing circumstances around the pandemic.

The support available included a range of guidance and policies advising staff how to improve their mental wellbeing, a network of volunteers across the organisation acting as Mental Health Allies to give support and advice, a series of webinars on mental health and wellbeing, and 24/7 access to our externally provided Employee Assistance Programme. Line managers were also required to hold regular check-ins with their staff and to include them as often as possible in online meetings to promote greater inclusivity.

At all times the measures we introduced to support staff, both those working from home and those returning to office locations, were in line with our own externally published advice and guidance, and that from Public Health Wales.

The 2020-21 year was an exceptional one due to the pandemic and the absence levels experienced during that time were not reflective of what was considered to be normal life. As we continued to return to the new form of normality, it was inevitable that absence levels in 2021-22 would increase, as staff left their homes and re-established contact with the outside world. The pandemic variants had a major impact during this time also but with our continued focus on health and wellbeing and our proactive, learning approach to supporting staff it is anticipated that absence levels will improve over the coming year.

Welsh Government Sickness Absence	2021-22	2020-21	2019-20	2018-19
Days Lost (short term)	21,018	12,103	18,321	16,545
Days Lost (long term)	20,109	14,315	17,291	23,840
Total Days Lost (12 month period)	41,127	26,418	35,612	40,385
Total staff years	5,390	5,235	5,186	5,098
Total staff employed in period (headcount)	6,160	5,861	5,920	5,770
Total staff employed in period with no absence (headcount)	3,259	3,979	2,977	2,826
% staff with no sick leave	53%	68%	50%	49%
Average working days lost	7.6	5.1	6.9	7.9

Staff Turnover (unaudited)

The Financial Reporting Manual for 2020-21 introduced a new disclosure requirement for 'Staff Turnover' disclosures, this is the first year comparatives are available. The calculation of the disclosure is based on guidance from the Cabinet Office.

The turnover figure is calculated as the number of leavers within that period divided by the average number of staff in post over the period and for 2021-22 is 5.34% (2020:21 3.42%) for the Welsh Government, the increase in turnover year to year is to be expected as the country emerged from the COVID-19 pandemic.

Staff are included as leavers if they leave the Welsh Government with no planned return e.g. retirement, early severance. Staff on secondments or loans outside the Welsh Government are not included in the average number of staff in post for the time they are on loan or secondment.

Summary of Resource Outturn

AMBIT	Budget 2021-21 Net expenditure £m	Outturn 2021-22 Net expenditure £m	Outturn compared with Budget Variance £m
Health & Social Services	10,973	10,808	165
Finance & Local Government	5,297	5,274	23
Education & Welsh Language	3,683	2,332	1,351
Economy	727	560	167
Climate Change	2,707	2,736	(29)
Rural Affairs	367	358	9
Central Services & Administration	346	327	19
Social Justice	168	176	(8)
Electoral Commission	2	2	0
Total Resource and Capital requirements	24,270	22,573	1,697
Income	1,208	1,058	150
Gross expenditure	25,478	23,631	1,847

The Summary of Resource Outturn sets out the Welsh Government outturn against the control totals approved in the Second Supplementary Budget motion of 2021-22 'Summary of Resource and Capital Requirements'. As noted on page 9 a more detailed report of final outturn against the lower level controls operated and enforced by HM Treasury and the Wales Reserve balance including carry forward from the Wales DEL outturn is provided annually after the publication of the Welsh Government Consolidated Accounts by the Minister for Finance and Trefnydd to the Senedd Finance Committee and published on the Welsh Government website [Government finance | Sub-topic | GOV.WALES](#).

The Electoral Commission is a new Ambit included for the 2021-22 budget. The Senedd and Elections (Wales) Act 2020 (SEWA) provides for the Electoral Commission to be funded from the Welsh Consolidated Fund for activities in relation to devolved elections in Wales. Section 129 of the Government of Wales Act 2006 sets out the law in relation to drawing payments out of the Welsh Consolidated Fund. Subsection 129(4) does not include the Electoral Commission as a payee body. Therefore, one of the bodies listed in subsection 129(4) must be administratively responsible for paying the Electoral Commission from the funds it receives from the Welsh Consolidated Fund. As Welsh Ministers agreed that the Welsh Government would do so, the budget is voted to the Welsh Ministers but ring-fenced for the Electoral Commission.

Explanation of Variances

The continuing impact of the Covid-19 pandemic has contributed to greater than usual volatility within certain Main Expenditure Groups (MEGs) in year. As a result over and underspends within MEGs were managed as part of a collective approach to controlling the overall Welsh Government budget position as agreed by the Senedd.

Health & Social Services – Underspend £165m

The underspend includes Revenue DEL underspend of £54m, Capital DEL overspend of £3m, Non-Fiscal Resource DEL overspend of £6m and an Annually Managed Expenditure (AME) underspend of £120m.

The Revenue DEL underspend is comprised of a £20m underspend on COVID-19 funding allocated and a £34m underspend against Core and Supporting Children central budgets.

The under spend on the Covid response funding of £20m is reflective of the nature of the pandemic. The additional COVID-19 allocations supported National and Local NHS plans for the ongoing costs of dealing with the pandemic during this financial year. This includes NHS Stabilisation, Contract Testing, Vaccination, PPE and other COVID response measures. The budget allocation was agreed in July 2021 and represented the assessment, at the time, by the NHS and Welsh Government HSS Officials as to what funding would be required for the year across key COVID responses areas. The level and pace of the HSS response was often dictated by the ever-changing circumstances of the pandemic and by very volatile factors. Demand led COVID-19 National Programmes (funded upon actuals) such as PPE, Vaccination, Testing and Contact Tracing overspent by £10m against the July 2021 estimates while the NHS Recovery allocation had a £29.5m underspend as capacity issues within the NHS (and external healthcare providers) and the destabilising impact of the Omicron variant on recovery plans were key drivers for this position.

The underspend on the HSS Central budgets is reflective of a very challenging year of finance management. The outturn is made up of several underspends across many budget areas, totalling £159m, which was offset by two main investments in Social Care, namely a new payment scheme for Social Care workers aligned to the Real Living Wage at £96.3m and funding of £29.5m to cover the cost of allocating a £500 payment to eligible unpaid carers in Wales.

The Non-Fiscal Resource DEL overspend reflects the requirement to fund a £10.250m inventory write down on PPE stocks held by NWSSP, offset by outturn variances in the NHS organisations funding requirements principally due to depreciation variances due to delays in purchases / schemes progressing, predominately due to COVID-19.

The AME underspend of £120m relates to a £68m release of provisions relating to reclassification of General Medical Practitioner Indemnity claims by Legal and Risk Solicitors; and impairment underspends of £51m as a result of a change in indices used to value the NHS Estate provided by the Valuation Office Agency following the Russian invasion of the Ukraine.

Finance & Local Government – Underspend £23m

The underspend includes Revenue DEL underspend of £24m, and a Capital DEL overspend of £1m.

The Revenue DEL underspend mainly relates to the NDR Rates Relief scheme, which underspent by £47m due to the take-up of the relief scheme being lower than anticipated. Final payments for the relief scheme are based on actual claims received which are not received in full until the end of the financial year from Local Authorities. Up to this point budgets and forecasts were best estimates based on the Authorities' NDR tax base information. The underspend was partially offset by an additional £25m spent on the Hardship Fund.

Education & Welsh Language – Underspend £1,351m

The underspend includes Revenue DEL underspend of £18m, Capital DEL overspend of £2m, Non-Fiscal Resource DEL underspend of £1,223m and an AME underspend of £112m.

The £18m Revenue DEL underspend relates to £26m for the Taith, International Learning Exchange Programme and £18m for Student Support Grants due to the demand led nature of the grants. These were partially offset by £27m overspend in relation to additional funding provided for backlog maintenance, Personal Learning Accounts (PLA), increased post-16 learners and Adult Community Learning.

The Capital DEL overspend primarily is due to pressures associated with a £1.9m administration fee paid to the Student Loans Company, to enable them to deliver statutory student support in Wales.

The majority of the Non-Fiscal Resource DEL underspend of £1,223m is in relation to Student loans, the portfolio valuation of which is significantly impacted by economic factors, the underspend was the result of a change in the HM Treasury discount rate (from 0.7% to -1.1%), which impacted on the Student Loan StEP model. This increased the fair value of the Student Loan portfolio.

The AME underspend of £112m was the result of the final return from the Student Loan Company with lower amounts of tuition fee and maintenance loans issued than forecast.

Economy – Underspend £167m

The underspend includes Revenue DEL underspend of £103m, Capital DEL underspend of £13m, Capital Financial Transactions underspend of £5m and an AME underspend of £46m.

The Revenue DEL underspend is largely attributable to £90m Business Development funding with demand for ERF/Covid-19 Business grants funding lower than expected. Underspends were recognised in January 2022 and funding was re-allocated to a number of projects e.g. £17.9m to accelerate SMART Academic/Business collaboration projects and increase SMART vouchers.

The Capital DEL underspend of £13m relates mainly to projects either not proceeding or slipping.

The AME underspend of £46m is as a result of the final return figures from the ALBs being lower than anticipated, this includes a net pension valuation credit for Careers Wales of £24.6m. Careers Wales are a member of eight different Welsh local government pension schemes, a hangover of its local authority forebearers, consequently, the valuation movement can be highly volatile year on year, and whilst previous periods have recorded significant charges this year's actuarial valuations resulted in the large net credit. £10m relates to the change in the property portfolio.

Climate Change – Overspend £29m

The overspend includes Revenue DEL underspend of £9m, Capital DEL overspend of £21m, Non Fiscal Resource DEL underspend of £4m, FT Capital DEL underspend of £1m and an AME overspend of £22m.

The Revenue DEL underspend is mainly a result of reduced core net TfW costs and expenditure on sustainable travel, reduced expenditure on housing activity, partially offset by increased spend on the environment, principally through Natural Resources Wales.

The Capital DEL overspend of £21m is largely attributable to additional approved early spend on rail investment projects from reserves, offset by some underspends on energy and environment, sustainable travel and resource efficiency.

The Financial Transactions capital DEL underspend relates to small underspends on strategic infrastructure projects and Help to Buy Wales funding.

The Non Fiscal Resource DEL £4m net underspend was a result of the trunk roads network and Core Valley Line rail assets non-cash accounting for depreciation charges generated from the model being slightly different from those that were estimated at the beginning of the year.

The AME overspend of £22m arises as a consequence of the variance between budgeted expectations for Help to Buy Wales Fair Value adjustments and the adjustments made between Total Managed Expenditure and Ambit for sponsored bodies.

Rural Affairs – Underspend £9m

The underspend includes Capital DEL underspend of £8m and Non-Fiscal Resource DEL of £1m.

The Capital DEL underspend mainly relates to a £5m slippage on Food Investment proposals due to an extended appraisals process and £2m against the RDP Capital budget due to a re-profile of the Farm Business Scheme and the Food Business Investment schemes.

The Rural Affairs Non-Fiscal Resource includes provision for the depreciation of the CAP IT system, the £1m variance has arisen due to reduced requirement for depreciation funding.

Central Services & Administration – Underspend £19m

The CSA MEG underspend is principally due to £14m underspend on Fiscal Resource DEL and £5m underspend on Annually Managed Expenditure.

The CSA MEG Fiscal Resource includes Welsh Government running costs and programmes, such as the International Relations Strategy, which have been adversely affected due to COVID-19 and market factors, causing delays in delivery.

Annually Managed Expenditure in the MEG includes valuation changes in pension liabilities as they are subject to complex actuarial valuation annually and can be volatile. The variance of £5m arises from differences between forecast and detailed actuarial pension scheme valuations which are provided after the financial year end to inform the statutory accounts and final outturn.

Social Justice – Overspend £8m

The overspend is in relation to £3m Revenue DEL and £5m Revenue DEL in relation to the resource outturn for the Commissioner bodies.

The Revenue DEL overspend is principally attributable to a £4m gift payment made from International Development to support the crisis in Ukraine. It was agreed that the overspend this created against the MEG would be offset by savings in other MEGs as part of the Welsh Government wide support.

The £5m overspend relates to the three Commissioners who were not designated for inclusion on in the Ambit until after the publication of the 2nd supplementary budget, they were designated on 1 February 2022.

Income £150m under budget

The majority of the income variance is related to EU receipts. Timing of receipts from the EU on multi-year programmes make the outturn difficult to forecast, and this has been additionally impacted by the COVID-19 pandemic. As a result, the budgets are set to ensure they provide more than adequate cover in any year to ensure that no funding is lost to Wales. In addition, the capitalised interest for Student Loans was lower than forecast.

Glossary of budget terminology

Departmental Expenditure Limit (DEL): The multi-year budget limit for the Welsh Government set by HM Treasury in Spending Reviews. The DEL is split into classifications including those below.

Fiscal Resource DEL (Revenue): The Fiscal Resource DEL budget scores most of the Welsh Government's current expenditure and includes staff costs, grants and other expenses.

Non-Fiscal Resource DEL: The Non-Fiscal Resource DEL budget scores the Welsh Government's current expenditure in respect of certain impairments and depreciation. These budgets are ring-fenced and cannot be used to fund Fiscal Resource DEL spending.

Capital DEL: Capital budgets cover expenditure that in the main results in a physical asset either on the Welsh Government's balance sheet or that of a third party.

Annually Managed Expenditure (AME): These budgets cover expenditure which cannot reasonably be subject to firm, multi-year limits in the same way as DEL and are, therefore, reviewed twice a year as part of the HM Treasury's Budget and Pre-Budget Report processes. AME typically consists of programmes which are large, volatile and/or demand-led.

Notes

Funding drawn from the Welsh Consolidated Fund	Outturn 2021-22 £m	Outturn 2020-21 £m
Authorised for issue from Welsh Consolidated Fund	22,807	23,954
Funding drawn down	(22,145)	(23,397)
Undrawn funding	662	557

This note shows the amount drawn in cash from the Welsh Consolidated Fund in year, which includes any amounts carried forward drawn from the Welsh Consolidated Fund and unused from the prior year, against the control total voted in the budget for amounts authorised for payment to the Welsh Government out of the Welsh Consolidated Fund under section 125(1)(c) of the Government of Wales Act 2006.

Reconciliation of Outturn and CSoCNE	Outturn 2021-22 £m	Outturn 2020-21 £m
Net Resource Outturn	22,573	25,163
Less: Capital & loans adjustments	(2,210)	(2,596)
Consolidation Adjustment	-	(105)
NDR Adjustment	65	(2)
Other adjustments	83	(59)
Expenditure per the CSoCNE	20,510	22,401

This reconciliation explains the difference between the budgetary outturn in the Summary of Resource Outturn and the financial statements Consolidated Statement of Comprehensive Net Expenditure (CSoCNE), linking the Resource Outturn to the financial statements.

The Summary of Resource Outturn is compiled against the budgeting framework – which is similar to, but different from International Financial Reporting Standards (IFRS) as applied by the HM Treasury Financial Reporting Manual (FRoM) which set out how the CSoCNE has to be prepared.

Capital & Loans adjustments remove from the Resource Outturn capital resource transactions reported in the Statement of Financial Position that do not pass through the CSoCNE.

Consolidation adjustments reflect misalignments between budgeting and accounts treatment of certain transactions for entities designated in the consolidation boundary.

NDR adjustments reflect net impact of NDR collection and distribution in the Welsh Government SoCNE, which is outside the Senedd voted budget and therefore the Resource Outturn.

Other adjustments principally relate to transactions which are treated differently between the budgeting framework and accounts.

Reconciliation of resources to cash requirement	Budget 2021-221 £m	Outturn 2021-22 £m	Outturn compared with Budget £m	Outturn 2020-21 £m
Net resource outturn	24,270	22,573	1,697	25,163
Less: Bodies designated under s126A of GOWA – Resource only transactions		(347)	347	(714)
Less: Non-Cash Transactions				
Depreciation	(520)	(212)	(308)	(241)
Impairments & fair value adjustments	(652)	930	(1,582)	(597)
Non-cash movements in provisions	(399)	(326)	(73)	(55)
Less: Movements in working balances	108	(361)	469	(591)
Other		(200)	200	21
Net cash requirement	22,807	22,057	750	22,986

The Summary of Resource Outturn is compiled against the budgeting framework on a resource expenditure basis, rather than a cash basis. This reconciliation explains the difference between the Resource Outturn to the net cash requirement. The net cash requirement is the amount drawn as funding from the Welsh Consolidated Fund in year (shown in the Funding drawn from the Welsh Consolidated Fund note), less any amounts drawn at the end of the financial year not used.

The adjustment for Bodies designated under s126A of GOWA – Resource only transactions removes from the outturn the difference between the resources outturn for designated Welsh Government group bodies, and the cash provided to them from the Welsh Consolidated Fund via the Welsh Government.

The remaining adjustments relate principally to the resource / cash differences in the Welsh Government cash-flow statement, and any transactions in the Welsh Government Statement of Comprehensive net Expenditure which are not in the Resource Outturn, such as the NDR Adjustment shown in the reconciliation of outturn and CSocNE note.

Dr Andrew Goodall CBE
Permanent Secretary and Principal Accounting Officer

12 December 2022

The Certificate and independent auditor's report of the Auditor General for Wales to the Senedd

Qualified opinion on financial statements

I certify that I have audited the financial statements of the Welsh Government and the Group for the year ended 31 March 2022 under the Government of Wales Act 2006. These comprise the Consolidated Statement of Comprehensive Net Expenditure, the Consolidated Statement of Financial Position, the Consolidated Statement of Cashflows, the Statement of Changes in Taxpayers' Equity and related notes, including a summary of significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards as interpreted and adapted by HM Treasury's Financial Reporting Manual.

I have also audited the Statement of Resource Outturn and the related notes, the Accountability Disclosures and the other information in the Accountability Report (pages 121 to 198) that is described in that report as having been audited.

In my opinion, except for the possible effects of the matter described in the 'Basis for qualified opinion on true and fair' section of my report, the financial statements:

- give a true and fair view of the state of Welsh Government and the Group's affairs as at 31 March 2022 and of its net cash requirement, net resource outturn and net operating cost, for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards as interpreted and adapted by HM Treasury's Financial Reporting Manual; and
- have been properly prepared in accordance with HM Treasury directions issued under the Government of Wales Act 2006.

Basis for qualified true and fair opinion

Possible effects of a payment made to the former Permanent Secretary

In October 2021 the Welsh Government made a payment to the former Welsh Government Permanent Secretary of £80,519. The Welsh Government disclose in the Remuneration and Staff Report that this comprised a special severance payment in lieu of her departure being brought forward, a payment for annual leave untaken and an extra-contractual payment (including an amount of £30,289 which the Welsh Government states relates to the 2020-21 financial year).

I have been unable to obtain sufficient, appropriate audit evidence about the former Permanent Secretary's working arrangements from April 2018, the facts surrounding the basis of the payment at the time of the payment and consequently whether the former Permanent Secretary was entitled to receive a payment of £80,519. I have been unable to confirm:

- the basis upon which the payment was made,
- how the payment was calculated,
- whether the Welsh Government had an obligation to make all or elements of the payment, and
- whether the payment should all be included in the Welsh Government's financial statements 2021-22.

Consequently, I am unable to determine whether the expenditure in the financial statements is materially correct.

Further detail is set out in my Report on pages 206 to 209.

Qualified opinion on regularity

In my opinion, except for the effects and possible effects of the matters described in the 'Basis for qualified regularity opinion' section of my report, in all material respects, the expenditure and income in the financial statements have been applied to the purposes intended by the Senedd and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis for qualified regularity opinion

Effects of costs arising from the Ministerial Direction on senior clinicians' pension tax

The financial statements include a provision of £21.5 million relating to the estimated liability arising from the Ministerial Direction dated 18 December 2019 on senior clinicians' pensions. In my view, this expenditure is irregular and material by its nature.

Possible effects of a payment made to the former Permanent Secretary

I have been unable to obtain sufficient appropriate audit evidence about the former Permanent Secretary's working arrangements from April 2018, the facts surrounding the basis of the payment at the time of the payment and consequently whether the former Permanent Secretary was entitled to receive the payment referred to in the 'Basis for qualified true and fair opinion' section of my report.

The Welsh Government did not keep contemporaneous records of its reasons for making the payment or the rationale for the amount paid. There is uncertainty over what the payment specifically relates to, and consequently there is uncertainty over who should have authorised the payment. I have therefore been unable to satisfy myself that the payment was properly authorised in accordance with the framework of authorities governing the expenditure and whether the expenditure was incurred for the purposes intended by the Senedd.

Further detail is set out in my Report on pages 206 to 209.

Basis of opinions

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the body in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinions.

Conclusions relating to going concern

In auditing the financial statements, I have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the body's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the Principal Accounting Officer with respect to going concern are described in the relevant sections of this report.

Other matters

I draw attention to the disclosures made in the Governance Statement concerning a payment made to the former Permanent Secretary. In my view parts of these disclosures are not consistent with the knowledge I have gained during the course of my audit.

I also draw attention to disclosures made in the Governance Statement regarding weaknesses in the governance framework relating to senior officer pay which Welsh Government plan to address in 2022-23.

Other information

The other information comprises the information included in the Welsh Government Consolidated Accounts other than the financial statements and other parts of the report that are audited and my auditor's report thereon. Legislation and directions issued to the Welsh Government do not specify the content and form of the other information to be presented with the financial statements. The Principal Accounting Officer is responsible for the other information in the Welsh Government Consolidated Accounts. My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon. My responsibility is to read

the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

Report on other requirements

Opinion on other matters

As legislation and directions issued to the Welsh Government do not specify the content and form of the other information to be presented with the financial statements, I am not able to confirm that the Annual Report (pages 1 – 120) and the Accountability Report (pages 121 – 198) of the Consolidated Accounts have been prepared in accordance with guidance.

In my opinion, based on the work undertaken in the course of my audit, except for the possible effects of the matters described in the ‘Basis for qualified true and fair opinion’, the ‘Basis for qualified regularity opinion’ and the Other Matter sections of my report concerning a payment made to the former Permanent Secretary, the unaudited information given in the Annual Report and the Accountability Report of the Consolidated Accounts is consistent with the financial statements and knowledge obtained in the course of the audit.

Although there are no legislative requirements for a Remuneration and Staff Report, the Welsh Government has prepared such a report. As set out in the ‘Basis for qualified true and fair opinion’ section of my report, I have been unable to obtain sufficient appropriate evidence about the former Permanent Secretary’s working arrangements and the facts surrounding the basis of the payment made at the time of the payment. Therefore I have not been able to form an opinion on whether that part of the Remuneration and Staff Report ordinarily required to be audited has been properly prepared in accordance with HM Treasury guidance.

Matters on which I report by exception

Except for the possible effects of the matters described in the ‘Basis for qualified true and fair opinion’, ‘Basis for qualified regularity opinion’ and the Other Matter sections of my report concerning a payment made to the former Permanent Secretary, in the light of the knowledge and understanding of the body and its environment obtained in the course of the audit, I have not identified material misstatements in the Annual Report and the Accountability Report of the Consolidated Accounts.

In respect solely of the matters referred to in the ‘Basis for qualified true and fair opinion’ and ‘Basis for qualified regularity opinion’ sections of my report, relating to the possible effects of a payment made to the former Permanent Secretary:

- I have not received all the information and explanations that I considered necessary for the purpose of my audit;

- adequate accounting records have not been kept;
- I have not been able to conclude that the financial statements, the audited Accountability Disclosures and the audited part of the Remuneration and Staff Report are in agreement with the accounting records and returns and are materially correct; and
- I have not been able to form an audit opinion on whether information specified by HM Treasury regarding remuneration and other transactions is disclosed.

Furthermore, I am also reporting by exception that one senior official did not provide consent regarding disclosure of information specified by HM Treasury regarding remuneration and other transactions. Welsh Government accepted the senior official's request and consequently the Remuneration and Staff Report does not include this information.

Responsibilities

Responsibilities of the Principal Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Principal Accounting Officer is responsible for preparing the financial statements in accordance with the Government of Wales Act 2006 and HM Treasury directions made there under, for being satisfied that they give a true and fair view and for such internal control as the Principal Accounting Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Principal Accounting Officer is responsible for assessing the body's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

My procedures included the following:

- Enquiring of management and those charged with governance, on matters concerned with:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
 - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations.
- Considering as an audit team how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, I identified potential for fraud in management override which is considered a significant risk in all audited bodies.
- Obtaining an understanding of Welsh Government's framework of authority as well as other legal and regulatory frameworks that the Welsh Government operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of Welsh Government.

In addition to the above, my procedures to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management about actual and potential litigation and claims;
- reading minutes of meetings of the Board and other relevant Committees; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

I also communicated relevant identified laws and regulations and potential fraud risks to the audit team and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the Welsh Government's controls, and the nature, timing and extent of the audit procedures performed.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my auditor's report.

Responsibilities for regularity

The Principal Accounting Officer is responsible for ensuring the regularity of financial transactions.

I am required to obtain sufficient evidence to give reasonable assurance that the expenditure and income have been applied to the purposes intended by the Senedd and the financial transactions conform to the authorities which govern them.

Report

My Report regarding insufficient evidence about a payment to the former Welsh Government Permanent Secretary; commentary in the Governance Statement regarding this payment and weaknesses in the overall governance framework for senior officer pay; and the implications of the ministerial direction on senior clinicians' pensions is on pages 206 to 209.

Adrian Crompton
Auditor General for Wales

12 December 2022

24 Cathedral Road
Cardiff
CF11 9LJ

Report of the Auditor General to the Senedd

Introduction

1. Under the Government of Wales Act 2006 I am responsible for auditing, certifying and reporting on Welsh Government's financial statements.
2. In this report on the Welsh Government's 2021-22 financial statements, I set out:
 - the reasons and context for my qualified audit opinions relating to a payment to the former Permanent Secretary;
 - concerns about some of the commentary in the Governance Statement about this payment to the former Permanent Secretary;
 - weaknesses in the overall governance framework for senior officer pay;
 - the reasons and context for my qualified audit opinion relating to the Ministerial Direction on senior clinicians' pensions.

Qualification of the true and fair and regularity opinions regarding a payment to the former Welsh Government Permanent Secretary

3. In September 2022 I published a Report in the Public Interest, setting out my concerns about a payment made to the former Permanent Secretary in October 2021. The way in which the Welsh Government made decisions regarding the former Permanent Secretary's working arrangements and determined to make a payment to her on the termination of her employment lacked transparency and did not comply with good governance principles.
4. I have qualified my true and fair and regularity audit opinions on the Welsh Government's 2021-22 financial statements in respect of the payment to the former Permanent Secretary. Further I have been unable to conclude whether the audited Accountability Disclosures or the audited part of the Remuneration and Staff Report contain any material misstatements, or whether the audited part of the Remuneration and Staff Report has been properly prepared in accordance with HM Treasury guidance.
5. As disclosed in the Remuneration and Staff Report, in October 2021 the Welsh Government made a payment to the former Welsh Government Permanent Secretary of £80,519 which the Welsh Government describes as being made up as follows:

Extra-contractual payment for additional days worked	£39,123
Payment of untaken annual leave	£ 9,553
Special Severance Payment	£31,843
	£80,519

6. The Welsh Government states that the £39,123 element of the payment is consequential to changes it agreed to the former Permanent Secretary's working arrangements after she took partial retirement on 31 March 2018. It further states that £30,289 of the £39,123 relates to the 2020-21 financial year and was included in the general employee benefits accrual within 'Other accruals and deferred income' as at 31 March 2021. The payment was premised on the former Permanent Secretary having a part-time working arrangement after she took partial retirement.
7. The untaken annual leave balance and the payment calculation were premised on the Permanent Secretary having a full-time working arrangement after she took partial retirement and accruing annual leave during a notice period.
8. The Welsh Government reported in its 2020-21 financial statements that it had made payment in lieu of notice to the former Permanent Secretary. However, the 2021-22 financial statements describe this payment as a special severance payment, in lieu of the former Permanent Secretary's departure date being brought forward.
9. The Welsh Government appointed the former Permanent Secretary (who was a permanent member of the Senior Civil Service) to that role in February 2017 on a five-year full-time contract. The Welsh Government states that it agreed changes to the working arrangements of the former Permanent Secretary in 2018 and again in 2019.
10. I have been unable to obtain sufficient, appropriate audit evidence about the former Permanent Secretary's working arrangements from April 2018, the facts surrounding the basis of the payment at the time of the payment and consequently whether the former Permanent Secretary was entitled to receive a payment of £80,519. I have been unable to confirm:
 - the basis on which the payment was made;
 - how the payment was calculated;
 - whether the Welsh Government had an obligation to make all or elements of the payment, and
 - whether the payment should all be included in the Welsh Government's financial statements 2021-22.
11. I have been unable to confirm the basis for or the nature of the payment and I have been unable to conclude whether the payment was properly authorised.

Other matter: Governance Statement – payment made to the former Permanent Secretary

12. I have included an Other Matter statement in my audit certificate setting out my view that, in relation to the payment made to the former Permanent Secretary, parts of the Governance Statement are not consistent with my knowledge of the audit.

13. The Governance Statement refers to the payment made to the former Permanent Secretary noting that the Welsh Government firmly believes that the former Permanent Secretary did not receive anything that she was not entitled to and that the payment was made in accordance with Managing Welsh Public Money. However, this explanation is not supported by contemporaneous evidence. To the extent that contemporaneous documentation does exist in relation to this payment, it does not support the commentary set out in the Governance Statement.

Improvements to the overall governance framework for senior officer pay

14. Further to the issues highlighted for the former Permanent Secretary I have also identified areas for improvement regarding the overarching framework and supporting processes and policies for Senior Civil Service (SCS) pay to improve governance and transparency. I acknowledge that not all SCS terms and conditions, including the pay remit are delegated to the Welsh Government but it is important that when SCS salary related decisions are made, they are transparent and supported by strong governance, including the need for a clear and documented framework of delegations.
15. The Welsh Government have acknowledged work is needed in this area within its Governance Statement and is looking to implement the changes, with oversight from the Remuneration Committee supporting the Principal Accounting Officer.

Qualification of the regularity opinion regarding NHS Clinicians' pension tax liabilities

16. NHS Pension scheme and pension tax legislation is not devolved to Wales. HM Treasury's changes to the tax arrangements on pension contributions in recent years included the reduction in the Annual Allowance limit from over £200,000 in 2011-12 to £40,000 in 2018-19. As a result, in cases where an individual's pension contributions exceed certain annual and / or lifetime pension contribution allowance limits, then they are taxed at a higher rate on all their contributions, creating a sharp increase in tax liability.
17. In a Written Statement on 13 November 2019, the Minister for Health and Social Services had noted that NHS Wales bodies were: 'regularly reporting that senior clinical staff are unwilling to take on additional work and sessions due to the potentially punitive tax liability'. In certain circumstances this could lead to additional tax charges in excess of any additional income earned.
18. On 18 December 2019, the First Minister (mirroring earlier action by the Secretary of State for Health and Social Care for England) issued a Ministerial Direction to the Permanent Secretary to proceed with plans to commit to making payments to clinical staff to restore the value of their pension benefits packages. If NHS clinicians opted to use the 'Scheme Pays' facility to settle annual allowance tax charges arising from their 2019-20 NHS pension savings (i.e. settling the charge by way of reduced annual pension, rather than by making an immediate one-off payment), then their employers would meet the impact of those tax charges on their pension when they retired. All related costs will be met by the Welsh Government.

19. The Ministerial Direction was required because this solution could be viewed by HMRC to constitute tax planning and potentially tax avoidance, thereby rendering the expenditure irregular. Managing Welsh Public Money (which mirrors its English equivalent) specifically states that ‘public sector organisations should not engage in...tax evasion, tax avoidance or tax planning’.
20. A Ministerial Direction does not make regular what would otherwise be irregular, but it does move the accountability for such decisions from the Accounting Officer to the Minister issuing the Direction.
21. The solution applies only to annual allowance tax charges arising from an increase in the benefits accrued in the NHS Pension Scheme during the tax year ended 5 April 2020. For the tax year ended 5 April 2021, the Chancellor increased the thresholds for the tapered annual allowance and, as a result, it is anticipated that the risk to the supply of clinical staff has been mitigated.
22. The Welsh Government now has sufficient information to calculate and recognise an estimate of the potential costs of compensating senior clinical staff for pension benefits that they would otherwise have lost by using the ‘Scheme Pays’ arrangement. As a result, expenditure has been recognised as a provision as shown in Note 11 of the financial statements. In my opinion, the transactions included in the financial statements are irregular and material by their nature as the payments are contrary to paragraph 5.6.1 of Managing Public Money and constitute a form of tax planning which will leave the Exchequer as a whole worse off. Furthermore, the arrangements are novel and contentious and potentially precedent setting. As a result, I have qualified my regularity opinion for 2021-22.

Adrian Crompton
Auditor General for Wales
12 December 2022

Part 3

Financial Statements

These Financial Statements include Transport for Wales Rail Limited, Transport for Wales Innovation Services Limited and Digital Health and Care Wales from 1 April 2021 as newly consolidated bodies.

Consolidated Statement of Comprehensive Net Expenditure for the year ended 31 March 2022

	Note	Year ended 31 March 2022		Year ended 31 March 2021	
		WG Core £m	WG Group £m	WG Core (Restated) £m	WG Group (Restated) £m
Income from sale of goods and services	2	(39)	(211)	(41)	(64)
Other operating income	2	(537)	(910)	(449)	(762)
Total operating income		(576)	(1,121)	(490)	(826)
Staff costs	3	353	5,575	339	5,157
Expenditure	3	20,604	15,521	22,409	17,826
Provision expense	3	467	535	194	244
Total operating expenditure		21,424	21,631	22,942	23,227
Net expenditure for the year		20,848	20,510	22,452	22,401
Other comprehensive net expenditure:					
Items which will not be reclassified to net operating expenditure:					
Net (gain)/loss on revaluation of property, plant, equipment and investments		(1,899)	(1,432)	(58)	(330)
Actuarial (gain)/loss on pension scheme liabilities ¹		(25)	(56)	(19)	(13)
Comprehensive net expenditure for the year		18,924	19,022	22,375	22,058

¹ Restatement to correct signage for disclosure, no impact through the remainder of the primary statements or notes to the accounts.

The Notes on pages 217 to 265 form part of these accounts.

Consolidated Statement of Financial Position as at 31 March 2022

	Note	As at 31 March 2022		As at 31 March 2021	
		WG Core £m	WG Group £m	WG Core £m	WG Group £m
Non-current assets:					
Property, plant and equipment	4	20,062	26,822	18,025	24,610
Intangible assets	5	38	111	22	76
Financial assets	6	8,006	6,568	6,177	4,798
Trade and other receivables	8	23	182	18	227
Total non-current assets		28,129	33,683	24,242	29,711
Current assets:					
Assets classified as held for sale		-	1	-	2
Financial assets	6	179	179	168	168
Inventories	7	204	358	201	376
Trade and other receivables	8	322	608	221	390
Cash and cash equivalents	9	161	1,482	640	1,828
Total current assets		866	2,628	1,230	2,764
Total assets		28,995	36,311	25,472	32,475
Current liabilities:					
Trade and other payables	10	(2,207)	(3,619)	(2,140)	(3,352)
Provisions	11	(362)	(412)	(329)	(378)
Other liabilities	13	-	(1)	-	(2)
Total current liabilities		(2,569)	(4,032)	(2,469)	(3,732)
Total assets less current liabilities		26,426	32,279	23,003	28,743
Non-current liabilities:					
Trade and other payables	10	(142)	(377)	(76)	(146)

Consolidated Statement of Financial Position as at 31 March 2022 (Cont'd)

	Note	As at 31 March 2022		As at 31 March 2021	
		WG Core £m	WG Group £m	WG Core £m	WG Group £m
Provisions	11	(1,270)	(1,319)	(977)	(1,032)
Other liabilities	13	(22)	(45)	(47)	(96)
Total non current liabilities		(1,434)	(1,741)	(1,100)	(1,274)
Total assets less total liabilities		24,992	30,538	21,903	27,469
Taxpayers' equity & other reserves					
General fund		13,446	16,885	12,274	15,211
Revaluation reserve		11,546	13,653	9,629	12,258
Total equity		24,992	30,538	21,903	27,469

The Notes on pages 217 to 265 form part of these accounts.

Dr Andrew Goodall CBE
Permanent Secretary and Principal Accounting Officer
 12 December 2022

Consolidated Statement of Cash Flows for the year ended 31 March 2022

	Note	Year ended 31 March 2022		Year ended 31 March 2021	
		WG Core £m	WG Group £m	WG Core £m	WG Group £m
Cash flows from operating activities:					
Net operating expenditure		(20,848)	(20,510)	(22,452)	(22,401)
Provisions used	11	(141)	(209)	(119)	(152)
Adjustments for non cash transactions		(232)	216	1,035	1,297
Movements in working capital other than cash	14	361	389	601	765
Income payable to Welsh Consolidated Fund		-	-	-	-
Other		(1)	41	(24)	(18)
Net cash (outflow) from operating activities		(20,861)	(20,073)	(20,959)	(20,509)
Cash flows from investing activities:					
Purchase of property, plant and equipment		(374)	(1,130)	(278)	(849)
Purchase of intangible assets		(10)	(35)	(3)	(24)
Proceeds from disposal of property, plant and equipment		9	16	4	13
Proceeds from disposal of development assets		1	1	4	4
Purchase of development assets		(12)	(12)	(21)	(21)
Issue of loans and investments		(1,260)	(1,190)	(1,743)	(1,214)
Repayment of loans		303	252	170	205
Net cash (outflow) from investing activities		(1,343)	(2,098)	(1,867)	(1,886)
Cash flows from financing activities:					
From Welsh Consolidated Fund		21,734	21,734	23,364	23,364
EU Deferred Grant Additions		-	44	-	17
Minority Interest		-	-	-	-
PFI and other service concession arrangements/Finance lease capital element		(10)	38	(10)	(2)
Net financing		21,724	21,816	23,354	23,379

Consolidated Statement of Cash Flows for the year ended 31 March 2022 (Cont'd)

	Note	Year ended 31 March 2022		Year ended 31 March 2021	
		WG Core £m	WG Group £m	WG Core £m	WG Group £m
Net increase/(decrease) in cash and cash equivalents in the period before adjustments for receipts and payments to the Welsh Consolidated Fund		(480)	(355)	528	984
Income payable to Welsh Consolidated Fund		1	1	5	5
Newly Consolidated Bodies cash balances		-	8	-	-
Net increase/(decrease) in cash and cash equivalents in the period after adjustments for receipts and payments to the Welsh Consolidated Fund	9	(479)	(346)	533	989
Cash and cash equivalents at the start of the year	9	640	1,828	107	839
Cash and cash equivalents at the end of the year	9	161	1,482	640	1,828

The Notes on pages 217 to 265 form part of these accounts.

Statement of Changes in Taxpayers' Equity

Welsh Government Group	General Fund £m	Revaluation Reserve £m	Total Reserves £m
Balance at 31 March 2020	14,517	12,154	26,671
Newly Consolidated Bodies	-	-	-
Welsh Consolidated Fund – funding	23,364	-	23,364
Welsh Consolidated Fund (payable) / receivable adjustment ¹	(411)	-	(411)
Net expenditure for the year	(22,401)	-	(22,401)
Revaluation gains and losses	-	330	330
Transfers between Reserves	226	(226)	-
Other adjustments ¹	(84)	-	(84)
Balance at 31 March 2021	15,211	12,258	27,469
Newly Consolidated Bodies	5	-	5
Welsh Consolidated Fund – funding	21,734	-	21,734
Welsh Consolidated Fund (payable) / receivable adjustment ²	323	-	323
Net expenditure for the year	(20,510)	-	(20,510)
Revaluation gains and losses	-	1,424	1,424
Transfers between Reserves	29	(29)	-
Other adjustments	93	-	93
Balance at 31 March 2022	16,885	13,653	30,538

Welsh Government Core	General Fund £m	Revaluation Reserve £m	Total Reserves £m
Balance at 31 March 2020	11,634	9,778	21,412
Welsh Consolidated Fund – funding	23,364	-	23,364
Welsh Consolidated Fund (payable) / receivable adjustment ¹	(411)	-	(411)
Net operating cost for the year	(22,452)	-	(22,452)
Revaluation gains and losses	-	58	58
Transfers between Reserves	207	(207)	-
Other adjustments ¹	(68)	-	(68)
Balance at 31 March 2021	12,274	9,629	21,903
Welsh Consolidated Fund – funding	21,734	-	21,734
Welsh Consolidated Fund (payable) / receivable adjustment ²	323	-	323

Welsh Government Core	General Fund £m	Revaluation Reserve £m	Total Reserves £m
Net operating cost for the year	(20,848)	-	(20,848)
Revaluation gains and losses	-	1,899	1,899
Transfers between Reserves	(18)	18	-
Other adjustments	(19)	-	(19)
Balance at 31 March 2022	13,446	11,546	24,992

¹ In 2021-22 to improve analysis the movement on the payable or receivable with the Welsh Consolidated Fund for funding drawn down has been moved to a separate line, out of the 'Other adjustments' line. The prior year analysis has been re-presented.

² Welsh Consolidated Fund (payable)/receivable adjustment comprises funding drawn not spent in the prior year of £411m (2020-21: £nil) and funding drawn not spent in 2021-22 of £88m. (2020-21: £411m).

The Notes on pages 217 to 265 form part of these accounts.

Notes to the accounts

1. Statement of accounting policies

The consolidated financial statements have been prepared in accordance with the Government Financial Reporting Manual (FReM). The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Welsh Government for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Welsh Government (for the reportable activity) are described in Appendix A or as footnotes to the relevant note. They have been applied consistently in dealing with items that are considered material to the accounts.

In addition to the primary statements prepared under IFRS, the FReM also requires the Welsh Government to prepare additional primary statements. The Summary of Resource Outturn which shows actual outturn against budget and supporting notes which reconcile outturn to net operating expenditure, and resources to cash requirement are included in the Accountability Report.

1.1 Accounting convention

These accounts have been prepared under the historical cost convention, modified to account for the revaluation of property, plant and equipment, investment property and certain financial assets and liabilities.

1.2 Basis of Consolidation

The accounts reflect the consolidated assets and liabilities and the results of entities within the Welsh Government consolidation accounting boundary. The consolidation accounting boundary includes subsidiary undertakings as required by the FReM where they are designated for consolidation by statutory instrument, and are above a de minimis threshold for materiality.

All the entities within a subsidiary group will be consolidated, if:

- The parent entity of the subsidiary group is subject to a designation order applicable for the financial year; and
- The subsidiary group as a whole is above the consolidation de minimis threshold for materiality.

The consolidation accounting boundary also includes subsidiary undertakings above the de minimis threshold which had been consolidated on the basis of IFRS Group Accounting Standards prior to the introduction of Designation Orders in Wales (effective from 2017-18), and for which the designation process has not yet been concluded. This is to maintain consistency of the Group consolidation presentation whilst the Welsh Government alignment project progresses.

Since the introduction of Designation Orders, entities are added to the consolidation accounting boundary only if designated and material.

Subsidiaries are consolidated from draft accounts where final accounts are not available. Transactions between entities included in the consolidation are eliminated.

Further information about the entities within the consolidation boundary is provided within the Annual Report accompanying these accounts see pages 74 to 78.

1.3 EU Transition

On 29 March 2017, the UK Government submitted its notification to leave the EU in accordance with Article 50. On 31 January 2020, the Withdrawal Agreement between the UK and the EU became legally binding and the UK left the EU. The transition period ended on 31 December 2020, with the EU-UK Trade and Cooperation Agreement (TCA) applying provisionally from 1 January 2021, and coming into force from 1 May 2021. There are no explicit financial obligations on the Welsh Government as a consequence of the TCA.

2. Operating Income

	Year ended 31 March 2022		Year ended 31 March 2021	
	WG Core £m	WG Group £m	WG Core £m	WG Group £m
Income from sale of goods and services:				
Income from property and investments	32	32	39	39
Other	7	179	2	25
	39	211	41	64
Other non-EU operating income:				
Health income ¹	153	496	86	357
Other	18	19	45	62
	171	515	131	419
Other EU operating income:				
European Structural Funds Programme	282	311	241	266
Common Agricultural Policy	76	76	71	71
Other EU Income	8	8	6	6
	366	395	318	343
	576	1,121	490	826

¹ Included within Core Non-EU Operating Income 'Health income' is £99.4m (2020-21: £34.9m) of income in relation to the receipt of COVID-19 consumables including vaccines, lateral flow test kits and medicines transferred to the Welsh Government from other UK Government Departments for nil consideration, as part of the wider COVID-19 pandemic response and distribution of certain supplies procured by the UK Government.

3. Expenditure

	Year ended 31 March 2022		Year ended 31 March 2021	
	WG Core £m	WG Group £m	WG Core £m	WG Group £m
Expenditure				
Grants ³	20,834	10,613	21,177	11,509
Goods and Services ²	444	5,191	335	5,177
Rentals under operating leases	17	19	18	18
Staff Costs	353	5,575	339	5,157
PFI and other service concession arrangements	7	16	12	21
Student loan policy write-offs	26	26	21	21
Net fair value (gains)/losses on financial assets at fair value through SOCNE ¹	(942)	(904)	295	288
Fixed Asset Depreciation	203	545	233	449
Amortisation	9	29	8	23
Donated and government granted assets	-	(7)	-	(10)
Impairments	12	4	303	318
(Profit)/Loss on disposals	(3)	(14)	6	6
Pension Finance	(2)	4	(3)	2
Release of EU grant	(1)	(1)	(1)	(1)
Bad Debt Provision	-	-	5	5
	20,957	21,096	22,748	22,983
Provisions				
Increase in provisions	467	535	194	244
	21,424	21,631	22,942	23,227

¹ Student Loans and Help to Buy Wales Financial Assets are measured as Fair Value through Statement of Comprehensive Net Expenditure. The majority of the fair value gain reported for the year 2021-22 relates to Student Loans, further details on this can be found at Note 6.

² Included within Core Goods and Services is £98.5m (2020-21: £26.8m) of expenditure in relation to the utilisation of COVID-19 consumables including vaccines, lateral flow test kits and medicines transferred to the Welsh Government from other UK Government Departments for nil consideration, as part of the wider COVID-19 pandemic response and distribution of certain supplies procured by the UK Government.

³ Grant expenditure includes £764m (2020-21: £1,825m) in relation to agency accounted transactions with Local Authorities for COVID-19 schemes.

The Welsh Government worked with Local Authorities to deliver the following grants or areas of financial support to businesses and individuals as Local Authorities had the local knowledge and ability to put in place systems rapidly and efficiently to make payments.

- Non-Domestic Rates Relief
- Business Support Grants for pandemic impacts and recovery
- Statutory Sick Pay Enhancement Scheme
- Social Care Worker Bonus Scheme
- Self-Isolation Support Scheme
- Unpaid Carers Scheme
- Cost of Living Support Scheme
- Winter Fuel Support Scheme
- Social Care Real Living Wage additional payment

These schemes have been assessed under section 2.6 (Principal and Agent Transactions) of the CIPFA Code of Practice on Local Authority Accounting (see Annex B) and to relevant interpretation of IFRS 15 – Revenue from Contracts with Customers.

Welsh Government is the principal in these arrangements and has recognised the full costs incurred for the schemes by Local Authorities in 2021-22.

Staff Costs

A full breakdown of staff costs, including staff numbers and associated information, is provided within the Accountability Report of this document on pages 182 to 183.

Audit Fees

The amount payable to the Auditor General for Wales for placing an opinion on the consolidated financial statements of the Welsh Government for 2021-22 is £430,000 (2020-21: £395,000, this value is prior to the final invoicing in respect of the 2020-21 audit of the Welsh Government Consolidated accounts, therefore, the amount payable is subject to change). This has been included within Goods and Services disclosed above. Also included above are fees levied by the Auditor General for Wales in respect of other accounts prepared by Welsh Ministers as follows:

	Year ended 31 March 2022 £	Year ended 31 March 2021 £
NHS Summarised Account	31,000	30,000
National Non Domestic Rate Account	9,000	8,700
Whole of Government Account	14,400	13,734
Welsh Consolidated Fund	20,000	19,000

Audit fees of Consolidated bodies are disclosed within their individual accounts.

4. Property, Plant and Equipment

	Infrastructure Assets ¹ £m	Land £m	Buildings including Dwellings £m	Plant and Equipment ² £m	Payments on account & Assets under construction £m	Total £m
Cost or valuation for the year ended 31 March 2021						
At 1 April 2020	22,427	427	2,855	1,170	1,184	28,063
Newly Consolidated Bodies	-	-	-	-	-	-
Additions	160	10	66	190	423	849
Disposals	(144)	(7)	(1)	(39)	(1)	(191)
Transfers	3	(4)	4	(2)	(63)	(62)
Impairments	-	(3)	(106)	(6)	(76)	(192)
Revaluations	230	(6)	38	-	-	262
Reclassified to held for sale	-	-	-	(5)	-	(5)
Reclassification	-	3	456	28	(516)	(29)
As at 31 March 2021	22,676	420	3,312	1,336	951	28,695
Depreciation for the year ended 31 March 2021						
At 1 April 2020	2,831	-	299	768	2	3,900
Newly Consolidated Bodies	-	-	-	-	-	-
Charged in year	229	-	104	116	-	449
Disposals	(143)	-	-	(39)	-	(182)
Transfers	-	-	-	-	-	-
Impairments	-	-	(10)	-	-	(10)
Revaluations	(64)	-	(4)	-	-	(68)
Reclassifications	-	-	2	(4)	(2)	(4)
As at 31 March 2021	2,853	-	391	841	-	4,085
Carrying amount at 31 March 2021	19,823	420	2,921	495	951	24,610
Carrying amount at 31 March 2020	19,596	427	2,556	402	1,182	24,163
Asset financing for the year ended March 2021						
Owned	19,330	418	2,820	490	951	24,009
Finance Leased	-	-	16	3	-	19
On-balance sheet PFI and other service concession arrangements	493	2	85	2	-	582
At 31 March 2021	19,823	420	2,921	495	951	24,610

4. Property, Plant and Equipment (Cont'd)

	Infrastructure Assets ¹ £m	Land £m	Buildings including Dwellings £m	Plant and Equipment ² £m	Payments on account & Assets under construction £m	Total £m
Cost or valuation for the year ended 31 March 2022						
At 1 April 2021	22,676	420	3,312	1,336	951	28,695
Newly Consolidated Bodies	-	-	1	139	95	235
Additions	160	5	58	178	740	1,141
Disposals	(139)	-	(2)	(75)	-	(216)
Transfers	-	-	1	60	(61)	-
Impairments	-	1	(2)	(9)	(9)	(19)
Revaluations	1,690	7	63	-	-	1,760
Reclassified to held for sale	-	-	-	(4)	-	(4)
Reclassification	-	-	142	16	(178)	(20)
As at 31 March 2022	24,387	433	3,573	1,641	1,538	31,572
Depreciation for the year ended 31 March 2022						
At 1 April 2021	2,853	-	391	841	-	4,085
Newly Consolidated Bodies	-	-	-	7	-	7
Charged in year	232	-	120	193	-	545
Disposals	(139)	-	-	(74)	-	(213)
Transfers	-	-	-	-	-	-
Impairments	-	-	(6)	-	-	(6)
Revaluations	340	-	(4)	-	-	336
Reclassifications	-	-	-	(4)	-	(4)
As at 31 March 2022	3,286	-	501	963	-	4,750
Carrying amount at 31 March 2022	21,101	433	3,072	678	1,538	26,822
Asset financing for the year ended March 2022						
Owned	20,547	431	2,957	597	1,460	25,992
Finance Leased	-	-	26	81	-	107
On-balance sheet PFI and other service concession arrangements	554	2	89	-	78	723
At 31 March 2022	21,101	433	3,072	678	1,538	26,822

4. Property, Plant and Equipment (Cont'd)

	Infrastructure Assets ¹ £m	Land £m	Buildings including Dwellings £m	Plant and Equipment ² £m	Payments on account & Assets under construction £m	Total £m
Core department at 31 March 2022	19,067	58	135	37	765	20,062
Health Bodies and subsidiaries at 31 March 2022	2,035	375	2,937	640	773	6,760
Core department at 31 March 2021	17,215	52	136	40	582	18,025
Health Bodies and subsidiaries at 31 March 2021	2,608	368	2,785	455	369	6,585

¹ Column re-titled for 2020-21 and 2021-22 presentation to better reflect that this includes Network Assets as set out in Note 4.1 for Road and Rail Networks, and other Infrastructure assets such as the Fibrespeed asset.

² Column re-titled to Plant and Equipment for 2020-21 and 2021-22 presentation to better reflect that this includes Information Technology, Fixtures and Fittings, Plant and Machinery and Transport Equipment.

Land and Buildings, including Dwellings

Land and Buildings, including Dwellings Freehold land and buildings, including those held on long ground leases (typical 99 years or more equivalent to freehold) are held at valuation being assessed at fair value/market value for existing use. Within that category specialised assets are valued by reference to a depreciated replacement cost approach. Assets held for sale are at market value.

External professional valuations are undertaken every five years for the majority of the Welsh Government estate, and annually for specific assets (usually assets in the strategic sites portfolio). In intervening financial years, between the formal five yearly valuations, freehold land and buildings are adjusted using the latest available indices at March in each financial year to provide a reasonable estimate of valuation. However, where assets are acquired or are significantly altered it is usual that a current valuation is commissioned.

The majority of Welsh Government Core freehold land and buildings had a five year valuation assessment as at 31 March 2020, largely by Avison Young Chartered Surveyors. The valuations subject to annual review were predominantly prepared as at 28 February 2022 by Alder King. All assets are valued in accordance with the RICS standards for financial reporting as published in their (Red Book) global standards UK supplement.

The Welsh Government Group figures include the Local Health Board (LHB) & NHS Trust Land and Buildings which were revalued by the Valuation Office Agency with an effective date of 1 April 2017. The valuation has been prepared in accordance with the terms of the Royal Institution of Chartered Surveyors' Valuation Standards, 6th edition. LHBs & NHS Trusts apply the revaluation model set out in IAS 16 as adapted by the FReM.

Land and non-specialised buildings are held at market value for existing use, specialised buildings are held at depreciated replacement cost. Indexation is applied in the years between five yearly valuations.

4.1 Property, Plant and Equipment Network Assets

	Road Network £m	Network Assets Rail Network £m	Total £m
Cost or valuation for the year ended 31 March 2022			
At 1 April 2021	20,068	2,608	22,676
Additions	139	20	159
Disposals	(139)	-	(139)
Transfers	-	-	-
Impairments	-	-	-
Revaluations	2,284	(594)	1,690
Reclassified to held for sale	-	-	-
Reclassification	(36)	-	(36)
As at 31 March 2022	22,316	2,034	24,350
Depreciation for the year ended 31 March 2022			
At 1 April 2021	2,853	-	2,853
Charged in year	185	45	230
Disposals	(139)	-	(139)
Transfers	-	-	-
Impairments	-	-	-
Revaluations	384	(44)	340
Reclassifications	(17)	-	(17)
As at 31 March 2022	3,266	1	3,267
Carrying amount at 31 March 2022	19,050	2,033	21,083
Carrying amount at 31 March 2021	17,215	2,608	19,823
Core department at 31 March 2022	19,050	-	19,050
Health Bodies and subsidiaries at 31 March 2022	-	2,033	2,033

Road Network

The Welsh Government road network is made up of major A-roads known as trunk roads, and motorways. It is treated as a single infrastructure asset and is valued at Depreciated Replacement Cost using the Road Authorities Asset Valuation System (RAAVS) model. The last full valuation of the network was in 2019-20 and is undertaken on a five-yearly interval. Interim valuations use a series of standard costs to value the individual components of the road network and indices to revalue these on an annual basis.

The key indices in the RAAVS model valuation are sensitive to macroeconomic uncertainties. Future fluctuations in those indices may affect the valuation of these assets in subsequent reporting periods. The sensitivity analysis below reflects the impact on the Depreciated Replacement Cost valuation of a percentage point change in the key indices.

	Depreciated Replacement Cost (-) £m	Depreciated Replacement Cost (+) £m
Baxter index – 1% / +1%	(178)	178
BEAMA index – 1% / +1%	(1)	1

Rail Network

Transport for Wales (TfW) manages the rail network asset known as the Core Valley Lines which comprises the Aberdare, Coryton, Merthyr Tydfil, Rhymney and Treherbert Lines. It is treated as a single infrastructure asset and is valued at Depreciated Replacement Cost using a valuation model undertaken by TfW with support from Atkins Limited (professional valuers) using data provided by TfW. The last full valuation of the network was as at 31 March 2022 and is undertaken on a five-yearly interval. Interim valuations use a series of standard costs to value the individual components and indices to revalue these on an annual basis.

To produce this valuation requires the use of assumptions, estimates and professional judgement. The key assumptions within the valuation are considered to be; remaining asset lives of the network components, land compensation adjustment and risk factor. Full details of these assumptions and estimation uncertainty are contained within the accounts of TfW.

The following sensitivity analysis reflects the key sources of estimation uncertainty in the valuation, showing the impact of changes in assumptions on the overall value of the CVL asset.

- Scenario 1 shows the impact of increasing or decreasing the remaining asset lives of the components of the modern equivalent railway network by 10%
- Scenario 2 shows the impact if the land compensation adjustment (normally 45%) were to increase or decrease by 10%
- Scenario 3 shows the impact of an adjustment to the risk factor applied to the overall DRC valuations, currently 38% by an increase or decrease of 10%.

Type	Depreciated Replacement Cost (-) £m	Depreciated Replacement Cost (+) £m
Scenario 1	(143)	143
Scenario 2	(41)	41
Scenario 3	(104)	104

For more information on the valuation and depreciation of Network Assets see Appendix A – Accounting Policies A.1 and A.2.

5. Intangible Assets

	Information Technology			
	As at 31 March 2022		As at 31 March 2021	
	WG Core £m	WG Group £m	WG Core £m	WG Group £m
Cost or valuation				
At 1 April	64	194	56	181
Newly Consolidated Bodies	-	12	-	-
Additions	10	35	3	24
Disposals	-	(17)	-	(18)
Reclassifications	15	19	5	7
At 31 March	89	243	64	194
Amortisation				
At 1 April	42	118	34	114
Newly Consolidated Bodies	-	-	-	-
Charged in year	9	29	8	23
Disposals	-	(15)	-	(19)
Reclassifications	-	-	-	-
At 31 March	51	132	42	118
Net Book Value at 31 March	38	111	22	76
Net Book Value at 1 April	22	76	22	67

6. Financial Assets – Investments and loans

	Student Loans £m	NHS Trust Public Dividend Capital £m	Other Financial Assets £m	Total £m
Balance at 31 March 2020	3,495	-	913	4,408
Newly Consolidated Bodies	-	-	-	-
Additions	819	-	395	1,214
Disposals/Write-Offs	-	-	(35)	(35)
Loan repayments	(135)	-	(104)	(239)
Impairments	-	-	(55)	(55)
Fair value adjustment	-	-	(24)	(24)
Net fair value gains/(losses) on financial assets at fair value through SOCNE (see note 3 Expenditure) ²	(330)	-	36	(294)
Policy write-offs	(21)	-	-	(21)
Reclassification	-	-	-	-
Adjustments	-	-	12	12
Balance at 31 March 2021¹	3,828	-	1,138	4,966
Newly Consolidated Bodies	-	-	-	-
Additions	891	-	299	1,190
Disposals/Write-Offs	-	-	-	-
Loan repayments	(154)	-	(137)	(291)
Impairments	-	-	7	7
Fair value adjustment	-	-	-	-
Net fair value gains/(losses) on financial assets at fair value through SOCNE (see note 3 Expenditure) ²	928	-	(24)	904
Policy write-offs	(26)	-	-	(26)
Reclassification	-	-	-	-
Adjustments	-	-	(3)	(3)
Balance at 31 March 2022¹	5,467	-	1,280	6,747
WG Core only				
At 31 March 2022	5,467	223	2,495	8,185
At 31 March 2021	3,828	222	2,295	6,345

¹ Included within the balance carried forward is £179m (2021: £168m) due within one year.

² Student Loans measured as Fair Value through Statement of Comprehensive Net Expenditure. The fair value gain on student loans at fair value in 2021-22 of £928m is mainly attributable to the change in HM Treasury discount rate applicable to financial instruments, which moved from plus 0.7 percentage points to minus 1.1 percentage points during the year. This increased the carrying value of the student loan balance as the future value of student loan repayments, in real terms, rose. Further details of the Student Loans Fair Value measurement and exposure to risks is set out below. Help to Buy Wales Financial Assets are measured as Fair Value through Statement of Comprehensive Net Expenditure.

Face Value

The table below provides a reconciliation between the carrying value and the face value of student loans issued.

	Student Loans £m
Balance at 31 March 2020	5,329
Additions	819
Repayments	(135)
Interest	171
Policy write-offs	(21)
Balance at 31 March 2021	6,163
Additions	891
Repayments	(154)
Interest	178
Policy write-offs	(26)
Balance at 31 March 2022	7,052
Closing fair value adjustments/impairments:	
At 31 March 2022	(1,585)
At 31 March 2021	(2,335)
Carrying value:	
At 31 March 2022	5,467
At 31 March 2021	3,828

The group's exposure to various risks associated with the financial instruments is discussed in the accounting policies. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial asset mentioned above.

Policy write-offs include amounts written-off by the Student Loans Company in respect of partial cancellation, age, death, bankruptcy, etc.

6.1 Student Loans

Loans for students in higher and further education are originated and recognised by the Welsh Government.

Student loans

Under IFRS 9, student loans are recognised at fair value through the Statement of Comprehensive Net Expenditure (SOCNE). In determining the fair value of student loans, the Welsh Government has used a discounted cash flow model (see below) that includes all expected cash flows, including the interest that is expected to be received. As a result, a single fair value movement is now recognised in the statement of comprehensive net expenditure.

On consideration of the reliability of the inputs used in determining fair value, Student Loans have been classified as having 'Level 3 inputs' under the accounting standards, defined as: *If one or more of the significant inputs is not based on observable market data, the instrument is included as level 3.* The fair value of Student Loans is therefore calculated using the Stochastic Earnings Path (StEP) financial model provided by the Department for Education.

The fair value of new loans issued is also calculated using the StEP model which uses data on the demographics of higher education students in order to predict their likely repayments of loans. There are several variations of the model, adapted for borrowers taking different loan types: pre-2012 and post-2012 loans (Undergraduate, Part Time and Postgraduate Masters & Doctoral loans). These models all depend on a complex set of assumptions, particularly on borrowers' earnings. The models are long term in nature, but use the latest available (at time of modelling) OBR short- and long-term forecasts for RPI, base rates and earnings growth. By their nature, the valuation of the student loan books is uncertain as they are highly dependent on macroeconomic circumstances and graduate earnings over the next 30 years, as well as a number of other complex assumptions. The assumptions used in the repayment models are formally reviewed each year and the amounts reflect the estimate as at 31 March 2022.

Key Variables

Key **variables** and assumptions used within the model are detailed below. Additionally, the sensitivity of the Student Loan net book value, as at 31 March 2022, to each variable is quantified:

Discount rate: The Welsh Government has considered the principles under IFRS 9 and have used the higher of the rate intrinsic to the student loan or the rate as set out in the latest PES paper, being RPI minus 1.1% (2020-21: plus 0.7%). This is HM Treasury's long term discount rate representing the Government's long term cost of borrowing. Whilst a change was made for 2021-22, changes are infrequent, with any decrease in Discount Rate increasing the carrying value of Student Loans. For each 0.1 percentage point HM Treasury's Discount Rate increases, the net book value of the student loan book will fall by £216.1m; a 0.1 percentage point decrease will result in an increase of £220.2m.

RPI Inflation: The model uses RPI rates in line with OBR short-term forecasts (October 2021) until 2026-27, and OBR long-term economic determinants from 2027-28 onwards. The long-term RPI forecast stabilises at a rate of 2.90% from 2040-41. A higher RPI will increase interest for most loans, which will result in a reduction in carrying amount. In periods experiencing high levels of RPI, legislative provisions can be enabled to temporarily reduce the maximum interest payable on Plan 2 and Plan 3 student loans. For each 1% the predicted RPI increases, the net book value of the student loan book will decrease by £43.4m; a 1% decrease will result in an increase in net book value of £44.3m.

Graduate earnings: The model assumes short-term average nominal earnings growth will be in line with OBR short-term forecasts (October 2021) until 2026-27, and OBR long-term economic determinants from 2027-28 onwards. Long-term earnings growth is assumed to be at a rate of 3.71% from 2027-28 to 2035-36, and 3.83% from 2036-37. An increase in Graduate Earnings will increase the carrying value of student loans. For each 1% graduate earnings increase, the net book value of the student loan book will increase by £48.9m; however a decrease of 1% will result in a fall of £44.1m in the net book value of student loans.

Graduate earning threshold: On 18 October 2017 the Welsh Government announced that the repayment threshold for all post-2012 loans would be increased from £21,000pa to £25,000pa with effect from 1 April 2018, increasing annually thereafter in line with earnings growth. For 2021-22 the threshold was £27,295pa. For pre-2012 loans the 2021-22 earnings threshold was £19,895pa. As a policy decision this has not been subject to sensitivity analysis.

Graduate Income Distribution: The model assumes future graduate income distributions will be similar to those of past graduates and are based on historical data for the Labour Force Survey, the British Household Panel Survey and administrative data held by the Student Loans Company. This is not subject to sensitivity analysis.

Partial cancellation: Partial cancellation is a Welsh Government policy applicable to maintenance loans, whereby a cancellation of up to £1,500 may be applied on receipt of the first repayment against the loan if the student does not have any outstanding charges, costs, expenses or penalties in relation to the loan or if they are in breach of the loan agreement. As a policy decision this is not subject to sensitivity analysis.

Base rates: The model assumes that Bank of England base rates will be in line with OBR forecasts (October 2021) for the entire forecast horizon. A base rate cap is applied to Plan 1 interest rates when the base rate is low and the RPI rate is comparatively high; an increase in the base rate forecast will increase the carrying value in this case. For each 1% the base rate increases, the net book value of the student loan book will increase by £1.8m, a decrease of 1% will result in a £1.8m fall.

Historical data over the last ten years show how recent changes to earnings growth, RPI rates and base rates compare to current levels and long-term forecasts:

- The long term OBR assumption for **earnings growth** is currently 3.83%. The OBR forecast for the financial year average of earnings growth in 2021-22 was 5.16% at the time of modelling; in the previous ten financial years, the ONS outturn figures varied between 1.23% and 3.13%.
- The long term OBR assumption for **RPI** is currently 2.90%. The OBR forecast for March RPI in 2021-22 was 5.44% at the time of modelling; in the previous ten financial years, the ONS outturn figures varied between 0.90% and 3.60%.

- The long term OBR assumption for **base rates** is currently projected to rise to 4.10%. At the time of modelling, the OBR forecast for the base rate was an average of 0.13% during 2021-22; in the previous ten financial years, the outturns varied between 0.10% and 0.75%.

There are a number of other assumptions used in the model, but changing these to other reasonable outcomes does not have a significant impact on the value of the loan books. Many of the assumptions are independent of each other, although could change at the same time.

Data on the above key variables, including historical, can be found on the Office for National Statistics (www.ons.gov.uk); Office of Budget Responsibility (www.obr.uk); and the Bank of England (www.bankofengland.co.uk) websites.

Statistical information on Student Loans can be found on the Student Loans Company website (latest statistical release: [Student Loans in Wales: 2021 to 2022 – GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/statistics/student-loans-in-wales-2021-to-2022)).

6.2 NHS Trusts Public Dividend Capital

The Welsh Government's investment in NHS Trusts is represented by Public Dividend Capital (PDC). PDC is held in accordance with the FReM interpretation of IFRS 9 at historic cost less impairments, consistent with prior years. On consolidation of the NHS Trusts, the PDC investment is eliminated.

6.3 Other Financial Assets

The Welsh Government issues financial instruments, in particular loans, to other public sector bodies in Wales and repayable finance and loans to businesses to support economic development. This lending occurs as part of its normal course of activities and the Welsh Government does not undertake any trading activity in these financial instruments. As simple debt instruments the majority of Welsh Government Core financial assets are held for contractual cash flow collection, and therefore are held at Amortised Cost under IFRS 9. Help to Buy Wales financial assets are held at Fair Value through Statement of Comprehensive Net Expenditure, and are eliminated from the Core account on Development Bank of Wales consolidation. There are no material financial assets held at Fair Value through Other Consolidated Net Expenditure in the Core account.

The Fair Value of the Help to Buy Wales shared equity loan book is calculated by setting out anticipated future cash flows and discounting these at an appropriate rate. This calculation uses a number of assumptions, notably a forecast for future House Price Index (HPI), a discount rate based on a range of comparable housing bonds, and the profile of loan redemptions. The model uses observable transaction data and HPI forecast data, provided by independent market analysis, to forecast the long term HPI rate in Wales. Further detail on the Help to Buy Wales fair value model can be found in the accounts of the Development Bank of Wales PLC.

Included in 'Other Financial Assets' at 31 March 2022 was £17.8m investment in Cardiff International Airport Limited (CIAL) via WGC Holdco Limited and £26.3m loan from Welsh Government to CIAL. In the 2020-21 financial year as a consequence of the COVID-19 pandemic impact on the aviation industry and CIAL operations, Welsh Government made the decision to write off £42.6 million of the airports debt (including accumulated interest) to maximise the likelihood of recovery of the loan, leaving a loan balance at 31 March 2021 of £26.3m. The COVID-19 related closure of the airport for much of 2020-21 also impacted upon the valuation of the WGC Holdco and therefore Welsh Government investment in the airport, leading to a £43.5m impairment and investment valuation at 31 March 2021 of £17.8m. The outstanding loan balance remains fully recoverable. The Airport has experienced extreme adverse trading during the year to 31 March 2022 due to the ongoing global travel restrictions throughout the year. March was the first month to achieve target passenger numbers. Operational decisions have ensured financial performance remains in line with the budget set in Spring 2021. Therefore despite the adverse passenger numbers income for the period is ahead of budget and performance remains in line with expectations and the valuation of the airport is unchanged.

Group other financial assets excluding those with CIAL noted above comprise: Welsh Government financial interests in joint ventures, other loans and investments, Invest to Save loans with Local Authorities and other public bodies £747m (2020-21: £581m); and, assets held by the Development Bank of Wales PLC £489m (2020-21: £512m) and other group financial assets £1m (2020-21: £1m).

7. Inventories

	As at 31 March 2022		As at 31 March 2021	
	WG Core £m	WG Group £m	WG Core £m	WG Group £m
Development Assets	173	173	171	171
Drugs ¹	28	61	27	57
Telecommunication spares	-	-	1	1
Road salt	2	2	1	1
Other consumables	1	122	1	146
	204	358	201	376

¹Included within the Core drugs inventories at 31 March 2022 is £8.9m (2020-21: £8.1m) of inventory in relation to COVID-19 consumables including lateral flow test kits and medicines transferred to the Welsh Government from other UK Government Departments for nil consideration, as part of the wider COVID-19 pandemic response and distribution of certain supplies procured by the UK Government.

8. Trade receivables, financial and other assets

	As at 31 March 2022		As at 31 March 2021	
	WG Core £m	WG Group £m	WG Core £m	WG Group £m
Amounts falling due within one year:				
Trade receivables	205	341	151	240
Other tax	13	98	15	45
Prepayments and accrued income	104	169	55	105
	322	608	221	390
Amounts falling due after more than one year:				
Trade receivables	6	162	7	215
Prepayments	17	19	11	12
Other receivables	-	1	-	-
	23	182	18	227
Total trade receivables and other current assets	345	790	239	617

9. Cash and cash equivalents

	As at 31 March 2022		As at 31 March 2021	
	WG Core £m	WG Group £m	WG Core £m	WG Group £m
Balance at 1 April	640	1,828	107	839
Newly Consolidated Bodies	-	8	-	-
Net change in cash and cash equivalent balances	(479)	(354)	533	989
Balance at 31 March	161	1,482	640	1,828
The following balances were held at:				
Government Banking Service	149	344	629	749
Commercial banks & cash in hand	12	1,138	11	1,079
	161	1,482	640	1,828

10. Trade and other payables

	As at 31 March 2022		As at 31 March 2021	
	WG Core £m	WG Group £m	WG Core £m	WG Group £m
Amounts falling due within one year:				
Taxation and social security	2	86	2	76
Trade and other payables	1,099	2,195	1,101	2,136
Deferred European Union Income	60	60	198	198
Other accruals and deferred income	938	1,146	409	506
Amounts payable to the Welsh Consolidated Fund	98	97	420	420
Obligations under finance leases, PFI and other service concession arrangements	10	35	10	16
	2,207	3,619	2,140	3,352
Amounts falling due after more than one year:				
Trade and other payables	-	2	-	4
Other accruals and deferred income	-	104	-	-
Obligations under PFI and other service concession arrangements	142	186	76	124
Obligations under finance leases	-	85	-	18
	142	377	76	146
Total trade payables and other liabilities	2,349	3,996	2,216	3,498

11. Provisions for liabilities and charges

	As at 31 March 2022		As at 31 March 2021	
	WG Core £m	WG Group £m	WG Core £m	WG Group £m
Balance at 1 April	1,306	1,410	1,250	1,339
Provided in the year	625	702	294	347
Provisions not required written back	(158)	(168)	(101)	(105)
Transfer	-	(4)	(18)	(19)
Provisions utilised in year	(141)	(209)	(119)	(152)
Balance at 31 March	1,632	1,731	1,306	1,410
Analysis of expected timing of discounted flows:				
Not later than one year	362	412	329	378
Later than one year and not later than five years	463	481	391	414
Later than 5 years	807	838	586	618
Balance at 31 March	1,632	1,731	1,306	1,410

WG Group only

	Other £m	Welsh Risk Pool ¹ £m	Total £m
Analysis of expected timing of discounted flows:			
Not later than one year	70	342	412
Later than one year and not later than five years	45	436	481
Later than 5 years	186	652	838
	301	1,430	1,731

¹ The Welsh Risk Pool is hosted as part of NHS Wales Shared Services Partnership by Velindre NHS Trust whose accounts can be found at www.velindre-tr.wales.nhs.uk/key-publications.

11.1 Welsh Government Core Provisions

Welsh Government Core Provisions include:

Health Provisions

The Welsh Government has health related provisions, for the Wales Infected Blood Support Scheme (WIBSS) and expected future re-imbursing of the Welsh Risk Pool (WRP).

WIBSS provides a single, streamlined scheme of ex gratia support payments for individuals and their families affected by hepatitis C and HIV through treatment with contaminated blood in Wales. On 25 March 2021 additional financial support arrangements backdated to April 2019 for existing beneficiaries were announced. The balance on the WIBSS provision, as of 31 March 2022, is £166.8m (2020-21: £136.9m).

The WIBSS provisions are based on the new parity payment rates with a CPI inflationary uplift applied to future cash flows. These are then discounted according to the rates published each year in the PES paper.

From 2021-22, annual payments are inflated by the CPI inflation rates published in the HM Treasury Public Expenditure (PES) paper issued each December. The change from the CIH indices to CPI aligns with the other UK nations since payment parity was introduced. Payments were uplifted to the new rates for the first time in 2021-22 (inclusive of back dated elements from 2018-19 onwards).

WRP assists Welsh NHS bodies with risk management and settlement of disputed claims for alleged medical or employer negligence. WRP balance as of 31 March 2022 is £1,430m (2020-21: £1,133m).

NHS Wales organisations provide for legal or constructive obligations for clinical negligence, personal injury and defence costs that are of uncertain timing or amount at the balance sheet date on the basis of the best estimate of the expenditure required to settle the obligation. Claims are funded via the Welsh Risk Pool Services (WRPS) which receives an annual top-slice allocation from Welsh Government to cover the cost of reimbursement requests submitted to the bi-monthly WRPS Committee. Any shortfall is met directly from members on an agreed risk sharing basis.

Significant estimations are made in relation to on-going clinical negligence and personal injury claims. Assumptions as to the likely outcome, the potential liabilities and the timings of these litigation claims are provided by independent legal advisors.

A provision is made for probable and certain cases in accordance with IAS 37. The provision for probable and certain cases is based on case estimates of individual reported claims received by Legal & Risk Services within NHS Wales Shared Services Partnership. The solicitors estimate the case value including defence fees, using professional judgement and from obtaining counsel advice. Valuations are then discounted for the future loss elements using individual life expectancies and the Government Actuary's Department actuarial tables (Ogden tables) and Personal Injury Discount Rate of minus 0.75%. Future liabilities for certain and probable cases with a probability of 95%-100% and 50%-94% respectively are held as a provision on the balance sheet. Cases typically take a number of years to settle, particularly for high value cases where a period of development is necessary to establish the full extent of the injury caused.

The majority of high value (>£1m) claims settle with a Periodical Payment Order (PPO) where part or all of the final settlement value is paid over the lifetime of the claimant. When cases settle with a PPO arrangement, an individual provision is created by multiplying the claimants' index linked annual payment value by the number of years' life expectancy. The number of years' life expectancy is discounted according to the Ogden table multipliers using HM Treasury's nominal discount rate for general provisions issued annually in the Public Expenditure System (PES) paper and an inflation factor.

The Welsh Risk Pool is part of NHS Wales Shared Services, hosted by Velindre NHS Trust and further details regarding the calculation of provisions and the periodical payment orders are contained within the accounts of Velindre NHS Trust at www.velindre-tr.wales.nhs.uk/home.

In accordance with a Ministerial Direction issued on 18 December 2019, the Welsh Government has taken action to support circumstances where pensions tax rules impacted upon clinical staff who wanted to work additional hours, and have determined that clinical staff who are members of the NHS Pension Scheme and who, as a result of work undertaken in the 2019-20 tax year, face a tax charge on the growth of their NHS pension benefits, may opt to have this charge paid by the NHS Pension Scheme, with their pension reduced on retirement. A corresponding amount will be paid on retirement ensuring that they are fully compensated for the effect of the deduction. This scheme will be fully funded by the Welsh Government with no net cost to NHS Employers. Clinical staff had until 31 March 2022 to opt for this scheme and the ability to make changes up to 31 July 2026. A provision of £21.5 m in relation to this has been raised in 2021-22.

Other Provisions

This includes various potential pension and employment liabilities in respect of previous employees and provisions in relation to Welsh Government delivery activity.

11.2 Welsh Government Group Provisions

Welsh Government Group Provisions include the Core provisions noted above, and provisions held by consolidated entities. Principally these are other NHS Provisions including pensions and provisions for the first £25,000 of clinical negligence claims which is not reimbursed by the Welsh Risk Pool.

12. Contingent liabilities

	As at 31 March 2022		As at 31 March 2021	
	WG Core £m	WG Group £m	WG Core £m	WG Group £m
Legal Claims – alleged medical/employer negligence	1,267	1,288	1,348	1,366
Potential contractual obligations under the WDA Act 1975	10	10	10	10
Other legal and contractual claims	94	95	114	120
Total	1,371	1,393	1,472	1,496

(i) Legal Claims – alleged medical/employer negligence

This reflects that under the Wales Act 2006 the Welsh Government must meet the liabilities of the Welsh Risk Pool should the NHS bodies cease to exist. As at 31 March 2022, contingent liabilities relating to legal claims under the General Medical Practice Indemnity Existing Liabilities Scheme are also included.

(ii) Other legal and contractual claims

Other legal and contractual claims includes legal and contractual claims in progress and contingent liabilities related to commercial contractual indemnities and guarantees. No new contingent liabilities for commercial contractual indemnities or guarantees arose in 2021-22. The value of contingent liabilities for commercial contractual indemnities or guarantees increased by £1.6m. The NHS Scheme Pays arrangements contingent liability from 2020-21 of £21.5m is no longer required, as this is now included within Provisions at Note 11.

12.1 Unquantified Contingent Liabilities

A465 Mutual Investment Model

On 28 October 2020, Welsh Government entered into a contract with the Future Valleys consortium to design build, finance and operate a scheme to dual the A465 between Dowlais and Hirwaun (Sections 5 & 6). While substantial risks have been transferred to Future Valleys, as part of the contract, a small number of risks remain with Welsh Government. These include limited additional costs associated with a pandemic, trade tariffs levied on specific goods arising from EU Exit, and potential latent defects relating to specific existing structures should any be discovered. There are no changes for 2021-22.

As at the balance sheet date of 31 March 2022 a reliable estimate cannot be made to enable a provision to be created and an unquantified contingent liability is disclosed.

12.2 Remote Contingent Liabilities

Contingent liabilities are presented here where the likelihood of a transfer of economic benefit in settlement is judged remote. Because of this, they do not meet the IAS 37 criteria for disclosure in the financial statements, but are presented here for transparency purposes. These predominantly relate to situations where guarantees or indemnities have been entered into by the Welsh Government, but where there are currently no indications that these will be drawn upon. While all mitigating actions have been and will be taken to minimise the risk and exposure, the risk cannot be removed altogether. If considered appropriate contingent liabilities for which the probability of crystallisation is rated as greater than remote are disclosed in Note 12 above.

In 2019 the Welsh Government agreed to quantifiable (disclosed) and unquantifiable assurances, warranties, indemnities and potential losses under the 'Grant Agreement' with its rail service provider (Transport for Wales Rail Ltd) and the 'Held Harmless Agreement' with the Department for Transport.

Quantifiable remote contingent liabilities:

£nil.

Unquantifiable remote contingent liabilities:

Welsh Government has remote contingent liabilities for which probability of settlement and value cannot be determined and which are subject to legal confidentiality.

Rail Services

Welsh Government has provided an indemnity to the rail service provider against Department for Transport originated changes to planned track access charges. Welsh Government are similarly indemnified by the Department for Transport.

Welsh Government has provided a guarantee in respect of Network Rail employees joining Transport for Wales and remaining in the Rail Pension Scheme if any deficits are created for the new section of the scheme.

A465 Mutual Investment Model

In 2020, the Welsh Government agreed to unquantifiable assurances, indemnities and potential losses in respect of the following three points under the contract with Future Valleys (FV) consortium to design build, finance and operate a scheme to dual the A465 between Dowlais and Hirwaun (Sections 5 & 6). At the end of the contract, the Welsh Government has indemnified FV against redundancy pay if TUPE regulations do not apply and employment offers are not made to Project Co / Service Providers Staff.

The Welsh Government has indemnified FV against relevant changes in law, on the occurrence of certain defined changes in law, the parties agree to adjust the Annual Service Charge accordingly. The Welsh Government has indemnified FV against Uninsurable risk; if certain risks become uninsurable, the parties meet to review how the risk will be shared. If no agreement is reached, the agreement can be terminated in a way akin to Force Majeure, or the Welsh Government takes insurance risk. There is no evidence these three areas will be engaged, and therefore an unquantified remote contingent liability is disclosed.

Guarantees:

In special circumstances, the Welsh Government acts as guarantor for its sponsored bodies or in relation to public infrastructure works. None of these guarantees are material.

Indemnities:

The Welsh Government has committed to indemnify Housing Stock Transfer organisations against the financial consequences of any future withdrawal of, or amendment to, the VAT Mitigation Scheme.

The liabilities cover ten organisations for £419m and the period of the liability varies. There are no current concerns regarding the continuation of the scheme, and the potential of the liability maturing is considered to be too remote to include as a contingent liability.

The Government indemnity Scheme provides indemnities to enable the National Library of Wales, the National Museum of Wales, and other eligible institutions to borrow objects and artworks. The probability of these guarantees being acted on is counted as too remote to be included as a contingent liability.

The value of these guarantees at 31 March 2022 was £31m.

Letters of comfort:

The Welsh Government has issued a Going Concern letter of assurance to RIFW to cover future liabilities of £1m. Given the significant level of reserves in RIFW, the probability of this liability materialising is assessed as remote.

The Welsh Government has issued a Going Concern letter of assurance to Transport for Wales (TfW) to cover existing and future liabilities incurred in accordance with the Management Agreement (between Welsh Government and Transport for Wales) and the periodic Remit letters that Welsh Government issue to Transport for Wales.

13. Other liabilities

	As at 31 March 2022		As at 31 March 2021	
	WG Core £m	WG Group £m	WG Core £m	WG Group £m
Pension fund deficits	11	35	36	84
National Loans Fund (falling due after 5 years) ¹	11	10	11	11
DBW bank loans	-	-	-	-
Other ²	-	1	-	3
Total	22	46	47	98

¹ National Loans Fund balances represent National Loans Funds lent onwards by the Secretary of State for Wales originally to the Mid-Wales Development Corporation. They were then passed to the Development Board for Rural Wales (DBRW) in the 1980s; and to the Welsh Development Agency (WDA) when DBRW was abolished in 1998. Following WDA abolition in 2006, responsibility for the repayment of principal and interest falls on the Welsh Government.

² Other liabilities included £1m (2020-21: £2m) which are disclosed as current liabilities in the Statement of Financial Position.

14. Movements in working capital other than cash

	As at 31 March 2022		As at 31 March 2021	
	WG Core £m	WG Group £m	WG Core £m	WG Group £m
(Increase)/decrease in inventories (excluding development assets)	(1)	25	(6)	(99)
(Increase)/decrease in receivables:				
Current	(101)	(205)	123	115
Non-current	(4)	45	4	(92)
Increase/(decrease) in payables:				
Current	67	183	863	1,221
Non-current	67	57	(10)	1
PFI and other service concession arrangements/Finance lease capital element	10	(38)	10	2
Other adjustment	-	(1)	-	-
Less movement in amounts payable to the Welsh Consolidated Fund and other non-operating cost balances	323	323	(383)	(383)
	361	389	601	765

Movements in working capital other than cash for 2021-22 reflect the impact of receivables and payables held by newly consolidated bodies.

15. Capital and other commitments

15.1 Capital commitments

Contracted capital commitments not otherwise included within these financial statements.

	As at 31 March 2022		As at 31 March 2021	
	WG Core £m	WG Group £m	WG Core £m	WG Group £m
Property plant and equipment	102	591	137	618
Investments and loans	16	16	84	91
	118	607	221	709

15.2 Commitments under leases

15.2.1 Commitments under operating leases

Total future minimum lease payments under operating leases are given in table below.

	As at 31 March 2022		As at 31 March 2021	
	WG Core £m	WG Group £m	WG Core £m	WG Group £m
Buildings				
Not later than one year	6	38	6	37
Later than one year and not later than five years	19	92	20	83
Later than five years	35	101	39	106
	60	231	65	226
Other				
Not later than one year	-	1	-	1
Later than one year and not later than five years	-	-	-	-
Later than five years	-	-	-	-
	-	1	-	1
Total	60	232	65	227

15.2.2 Commitments under finance leases

Total future minimum lease payments under finance leases are given in table below.

	As at 31 March 2022		As at 31 March 2021	
	WG Core £m	WG Group ¹ £m	WG Core £m	WG Group £m
Buildings				
Not later than one year	-	2	-	-
Later than one year and not later than five years	-	11	-	-
Later than five years	-	14	-	-
	-	27	-	-
Less interest element	-	(2)	-	-
	-	25	-	-
Other				
Not later than one year	-	19	1	3
Later than one year and not later than five years	-	34	-	1
Later than five years	-	31	-	-
	-	84	1	4
Less interest element	-	(3)	-	-
	-	81	1	4
Total	-	106	1	4

¹ Included within Welsh Government Group commitments under finance leases is a total amount of £104m that relates to subsidiary entities that have already applied IFRS 16 lease arrangements. In line with Welsh Government's accounting policy of only making consolidation alignment adjustments where the impact is material, no adjustment on consolidation has been made for separate IFRS 16 lease disclosure and the leases are disclosed as finance leases.

15.3 Commitments under PFI and other service concession arrangements

The Local Health Boards have nine PFI contracts, eight of which are on the Statement of Financial Position. There are no contracts with an individual total commitment of greater than £500m. Details of the individual schemes are included in the individual Local Health Board statutory accounts.

15.3.1 Off-balance sheet

Bute Avenue PFI contract

Since 2000 the Welsh Government has been committed to pay £5.1m annually, index linked, to the primary contractor associated with the Bute Avenue (PFI) project, until November 2025. The private sector partner maintains for 25 years (from 2000-01) the Bute Avenue road network. After this time the road will be transferred to Cardiff County Council. The road is not an asset of the Welsh Government. The total charged in the Statement of Comprehensive Net Expenditure in respect of off-balance sheet PFI transactions was £9,726,967 (2020-21: £9,434,792); and the payments to which the Welsh Government is committed, are as follows:

	As at 31 March 2022 £m	As at 31 March 2021 £m
Not later than one year	10	10
Later than one year and not later than five years	31	41
Later than five years	-	-
	41	51

15.3.2 On-balance sheet

A55 PFI contract

The A55 road network is maintained by contractors for a period of 30 years (from 1998), after which time the ownership of the A55 will revert to the Welsh Government. The road is treated as an asset of the Welsh Government and unitary payments comprise of two elements – imputed finance lease charges and service charges.

The total amount charged in the Statement of Comprehensive Net Expenditure in respect of the service element of on-balance sheet PFI or other service concession transactions was £4,572,817 (2020-21: £8,969,253). Total future obligations under on-balance sheet PFI and other service concession arrangements are given in the table below for each of the periods.

	As at 31 March 2022 £m	As at 31 March 2021 £m
Minimum lease payments		
Not later than one year	12	12
Later than one year and not later than five years	48	48
Later than five years	24	36
	84	96
Less interest element	(9)	(11)
	75	85

	As at 31 March 2022 £m	As at 31 March 2021 £m
Service elements due in future periods		
Not later than one year	10	8
Later than one year and not later than five years	14	24
Later than five years	-	-
	24	32

A465 Mutual Investment Model

On 28 October 2020, Welsh Government entered into a contract with Future Valleys Project Co Limited to design, build, finance and operate a scheme to dual the A465 between Dowlais and Hirwaun (Sections 5 & 6). The contract has been entered into under the Welsh Government's Mutual Investment Model. This contractual arrangement meets the definition of a service concession arrangement and is to be accounted for on-balance sheet.

The project consists of a construction element (split into five phases), during which time Future Valleys Project Co Limited will be responsible for converting the A465 from Dowlais Top to Hirwaun to two lanes in each direction. The agreement expires 30 years after the completion of the final construction phase in May 2025, during which time Future Valleys Project Co Limited will operate and maintain Sections 5 & 6 of the A465. Annual Service Payments will be payable from Welsh Government to Future Valleys Project Co Limited from the date of completion of the first phase of construction in July 2024, through to the end of the agreement. The total commitment inclusive of irrecoverable VAT is £1,455m, with £98m due later than one year and not later than five years, and £1,357m due later than five years.

An asset under construction of £78m and associated liability of £78m have been recognised as at 31 March 2022 (included in Notes 4 and 10).

15.4 Other Financial Commitments

The Welsh Government has entered into non-cancellable contracts (which are not leases, PFI contracts or other service concession arrangements) for services. The payments to which the Welsh Government is committed, analysed by the period during which the commitment expires are as follows:

	As at 31 March 2022		As at 31 March 2021	
	WG Core £m	WG Group £m	WG Core £m	WG Group £m
Not later than one year	390	438	503	503
Later than one year and not later than five years	323	463	514	514
Later than five years	287	287	1,925	1,925
	1,000	1,188	2,942	2,942

The Welsh Government provides grant funding for a number of entities on an annual basis. These grants have been committed to within the latter part of the year ended 31 March 2022 in order to provide security to the recipient organisation. As they relate to the year ending 31 March 2023 and are funded by the Welsh Government's budget allocation for the year ending 31 March 2023, they have not been disclosed within the above commitments.

As at 31 March 2021, other financial commitments included a total commitment of £1,455m in respect of Annual Service Payments payable (inclusive of irrecoverable VAT) by Welsh Government to Future Valleys Project Co Limited in respect of Sections 5 & 6 of the A465. As at 31 March 2022, this commitment is no longer disclosed as an other financial commitment and has instead been disclosed as a commitment under a service concession arrangement (see Note 15.3.2 for further details).

An element of Welsh Government hypothecated revenue grant funding to Local Authorities disclosed as an other financial commitment of £274m as at 31 March 2021 is not disclosed as a commitment as at 31 March 2022 because it has been transferred to unhypothecated grant funding from 1 April 2022.

Transport for Wales Rail Limited (TfWRL) is a wholly owned subsidiary of Transport for Wales (TfW), which has operational responsibility for the safe and reliable delivery of rail services for the people and communities of Wales and the Borders. TfWRL whilst wholly owned and managed by TfW, is operating under its own licence and approvals, regulated by the independent Office for Rail and Road in its role as regulator for the UK rail industry.

The Operator of Last Resort Grant Agreement between TfWRL and Welsh Ministers identifies a five year term from 7 February 2021. Welsh Ministers are cognisant both of the potential revenue (farebox) funding risks and their statutory duty for the provision of passenger services under S30 of the Railways Act 1993 over this period. Given the continued volatility in passenger figures following the COVID-19 pandemic, it is impossible to estimate reliably the value of this subsidy for future years at the current time.

Included for the first time within other financial commitments as TfWRL is a newly consolidated body is £188m of TfWRL commitments for fixed track, depot and station access charges.

16. Related Party Transactions

The Welsh Government receives most of its funding from the Welsh Consolidated Fund.

The Welsh Government funds its Welsh Local Authorities, NHS Bodies in Wales, subsidiary companies and Sponsored Bodies. These bodies are regarded as related parties with which the Welsh Government has had various material transactions during the period. In addition, the Welsh Government has had a number of transactions with other government departments and central government bodies, primarily the Welsh Office, the Rural Payments Agency and the Department for Work and Pensions.

None of the Welsh Ministers, key managerial staff or other related parties have undertaken any related party transactions with the Welsh Government during the year, except as noted below:

Lesley Griffiths (Minister for Rural Affairs and North Wales, and Trefnydd) and Ken Skates (previously the Minister for Economy and Transport and North Wales) are both Vice-Presidents of Llangollen International Eisteddfod which received £104,200 of grant funding in 2021-22.

Dafydd Elis-Thomas (previously the Deputy Minister for Culture, Sport and Tourism) is an honorary life member of North Wales Wildlife Trust which received £855,456 including funding under the EU's Common Agricultural Policy in 2021-22.

The wife of Vaughan Gething (Minister for Economy) is a member of Thompsons Solicitors who were paid £1,800 in 2021-22 for procured legal services. The Minister is also a member of the Cardiff and Vale Credit Union, which in 2021-22 received £231,599 of grant funding.

Jeremy Miles (Minister for Education and the Welsh Language) and Rebecca Evans (Minister for Finance and Local Government) are members of Celtic Credit Union, which in 2021-22 received £345,984 of grant funding.

The wife of Lee Waters (Deputy Minister for Economy and Transport) was a non-executive director of Llamau Ltd, which in 2021-22 received £1,047,896 of grant funding.

Julie Morgan (Deputy Minister for Social Services) is Vice President of City Hospice which in 2021-22 received £13,345 of grant funding.

The husband of Kirsty Williams (previously Minister for Education) is a partner in a farming business which in 2021-22 received £57,474 of funding under the EU's Common Agricultural Policy.

The partner of Tracey Burke is a governor of Cardiff and Vale College which received £79,164,309 in 2021-22. Her partner is also the Chair of the Board of Governors of Cardiff Metropolitan University which received £6,642,586, including grant and funding under the EU's Common Agricultural Policy, in 2021-22.

Reg Kilpatrick is a non-executive director of Monmouth Housing Association which received £3,484,999 of grant funding in 2021-22.

Ellen Donovan (non-executive director) has continued her role as a non-executive director of Qualifications Wales, a role held since December 2015, prior to joining the Welsh Government Board. Qualifications Wales received Welsh Government grant funding in 2021-22 of £8,544,000. She is a non-executive director of Marie Curie Cancer Care which received £75,590 of grant funding in 2021-22. Ellen is also a non-executive director of the Human Tissue Authority which received £62,450 of grant funding in 2021-22.

Gareth Lynn (non-executive director) is the Independent Chairman of Trustees of the Milford Haven Port Authority Retirement Benefits (pension) scheme. The appointment is made by Milford Haven Port Authority and is remunerated. Milford Haven Port Authority received £103,239, including grant funding, in 2021-22. He is also a non-executive director of Spindogs Limited which received grant funding of £864 in 2021-22.

Meena Upadhyaya (non-executive director) is a Trustee of Race Equality First which received £157,424 of grant funding in 2021-22. Meena is a Trustee of Race Council Cymru which received £210,874 including grant funding in 2021-22. She is the Founder and Chair of the Ethnic Minority Welsh Women Association which

received grant funding of £9,700; and the Ethnic Minority Women Welsh Healthcare which received grant funding of £4,999, in 2021-22. Meena is also a Fellow and Council Member of the Learned Society of Wales which received grant funding of £1,700 in 2021-22.

Whilst related party transactions have been identified and disclosed above for Ministers and Senior Officials, being transactions between Welsh Government and entities with which the individuals have a related party relationship, they would have not been directly involved with either the procurement exercise to award contracts nor in the process of awarding any grants.

Related party transactions of the NHS Bodies in Wales and other subsidiary companies are disclosed in their own published accounts.

16.1 Results of consolidated wholly owned companies

	Year Ended 31 March 2022		Year Ended 31 March 2021 (Restated)	
	Profit/(Loss) £m	Share Capital and Reserves £m	Profit/(Loss) £m	Share Capital and Reserves £m
Development Bank of Wales Group ¹	(20)	332	25	347
Regeneration Investment Fund for Wales LLP	-	47	4	47
WGC Holdco Limited	-	18	-	18
Careers Choices Dewis Gyrfa Limited	(5)	(17)	(5)	(42)
Transport for Wales Group ²	(30)	1,522	4	2,084

¹ Investment of 49,999 ordinary £1 shares, 25p part paid.

² Transport for Wales Group includes Transport for Wales Rail Limited and Transport for Wales Innovation Services Limited which were consolidated for the first time in 2021-22. The restated comparative is the Group figure, the 2020-21 Consolidated Account included only the TfW parent entity.

These accounts have been consolidated using draft figures where final accounts are not available, being not materially different to those disclosed.

16.2 Other minor subsidiaries and interests

The following Welsh Government Joint Ventures are included in the consolidated accounts:

- International Convention Centre Wales Limited – The Welsh Government owns 50% of the issued share capital of the International Convention Centre Wales Limited, with the other 50% being held by The Celtic Manor Resort Limited.
- Airbus Group Endeavr Wales (formerly EADS Foundation Wales) – a joint interest in a company limited by guarantee. Joint ownership is held with Airbus Defence and Space Ltd (formerly Cassidian Holdings Limited) and Cardiff University.

The following Welsh Government interests are not included in the consolidated accounts:

Welsh Government – Non Ministerial Departments – subject to a designation order but immaterial for consolidation:

- Welsh Revenue Authority

Welsh Government Subsidiaries – subject to a designation order but immaterial for consolidation:

- Design Commission for Wales Limited (Design Commission for Wales / Comisiwn Dylunio Cymru)
- Meat Promotion Wales Limited / Hybu Cig Cymru Cyf
- Industry Wales (Sector Development Wales Partnership Limited)
- Life Sciences Hub Wales Limited
- Centre for Digital Public Services Limited
- National Academy for Educational Leadership
- International Business Wales Limited
- Children’s Commissioner for Wales
- Future Generations Commissioner for Wales
- Older People’s Commissioner for Wales
- Comisiynydd y Gymraeg / Welsh Language Commissioner
- Cwmni Egino Limited
- GCRE Limited

Welsh Government Subsidiaries – not subject to a designation order and immaterial for consolidation:

- Welsh Development Management Limited

Student Loans Company Limited

Welsh Government holds one share with a nominal value of £1. Joint ownership is held with the Department for Education, Scottish Government and Northern Ireland Government. The share gives the Welsh Government 5% holding in the company.

NHS Charities

NHS Charities in Wales are subsidiaries of the Local Health Boards and NHS Trusts. They are not subject to a designation order and are immaterial for consolidation.

The Statutory Accounts of entities noted in 16.1 and 16.2 can be found either on their own websites or at Companies House www.gov.uk/government/organisations/companies-house.

17. Events after the Reporting Period

The Citizen Voice Body for Health and Social Care was established on 1 April 2022, but will only become operational on 1 April 2023 when it takes over the functions of the existing Community Health Councils. It will represent the voices and opinions of the people of Wales in respect of health and social care services. It will be independent of government, the NHS and Local Authorities but work with them, and others, to support the continuous improvement of person-centred services. Any future change to the Welsh Government consolidation boundary relating to this new entity will be dependent upon National Accounts classification and any Designation Order required. The transactions of the Citizen Voice Body are anticipated to be below Welsh Government materiality.

Adnodd Cyfyngedig was established on 12 July 2022 as a 100% owned Welsh Government subsidiary limited by guarantee. Adnodd Cyfyngedig will oversee the provision of educational resources to support the teaching and learning of Curriculum for Wales. The company will not be operational until 1 April 2023. Any future change to the Welsh Government consolidation boundary relating to this new subsidiary will be dependent upon National Accounts classification and any Designation Order required. The transactions of Adnodd Cyfyngedig are anticipated to be below Welsh Government materiality.

18. Authorised for Issue

The Principal Accounting Officer authorised these financial statements for issue on 12 December 2022.

Appendix A – Accounting Policies

A.1 Property, Plant and Equipment

Network Assets

Network assets are valued at depreciated replacement cost (DRC) in line with the guidance in the Financial Reporting Manual for specialised assets for which market valuations are not available. To produce these valuations requires the use of assumptions, estimates and professional judgement.

For the road network the model used to produce the valuation is the Road Authorities Asset Valuation System (RAAVS).

For the rail network the model used to produce the valuation is undertaken by TfW with support from Atkins Limited (professional valuers) using data provided by TfW.

Full valuations are undertaken of network assets at intervals not exceeding five years. Interim valuations use a series of standard costs to value the individual components of the network assets and indices to revalue these on an annual basis. The date of last full valuation for Network Assets is included in Note 4.1.

Road network

The trunk road network is recognised as a single infrastructure asset in accordance with the applicable guidance outlined in the FReM. However, it comprises four distinct elements that are accounted for differently: land; the road pavement; structures (such as bridges and culverts); and communications (such as variable message signs).

The road pavement element is valued using agreed rates determined to identify the gross replacement cost of applicable types of road on the basis of new construction on a green-field site. These rates are re-valued annually using indices to reflect current prices.

Structures are valued using agreed rates determined to identify the replacement cost of applicable types of structure on the basis of new construction on a green-field site where these are available but special structures, which tend to be one off by their nature, are valued using specific costs that are updated to current prices.

Communications are valued using agreed rates determined to identify the replacement cost of applicable types of communications.

Land is valued using rates from the Valuation Office Agency split by Local Authority and rural/urban values, the valuation also includes an assessment of land purchase compensation costs.

All maintenance that maintains the service potential of the road network will be capitalised. Subsequent expenditure that adds to the service or life of the road network is capitalised.

New roads are reclassified from Assets under Construction when the structural details have been provided by the Agent authority to input into model, which may be some time after the road has opened.

Transfers of the responsibility for maintaining sections of the road as part of the trunk road network from or to the Local Authority network are referred to as ‘trunkings’ or ‘de-trunkings’ respectively. The trunking or de-trunking of roads from or to Local Authorities is treated as a transfer from or to other government departments. Roads and structures de-trunked are effectively dealt with as disposals in accounting terms at nil consideration. The associated profit or loss is processed through the general fund.

The indexation factors applied to the model are:

Road Pavement and Structures – Baxter Index

Communications – BEAMA index

Land – Land indices produced by Valuation Office Agency

Upwards movements in value are taken to the revaluation reserve. Downward movements in value are set off against any credit balance held in the revaluation reserve until the credit is exhausted and thereafter expensed in the Statement of Comprehensive Net Expenditure.

Rail Network

The rail network Core Valley Lines (CVL) asset is recognised as a single infrastructure asset in accordance with the applicable guidance outlined in the FReM. However, it comprises six distinct elements that are accounted for differently: earthworks; structures; electrification, plant and signals; operational property; track; and telecoms.

The DRC is calculated by first determining a gross replacement cost for the CVL Network. The gross replacement cost is then adjusted (or “depreciated”) to reflect management’s best estimate of the condition and capacity of the CVL Network; this adjusted gross replacement cost is the depreciated replacement cost.

The gross replacement cost is determined in line with guidelines issued by the Royal Institute of Chartered Surveyors. The guidelines require specific assumptions including:

- a modern equivalent asset which is treated as being a Network identical in function, scale and connectivity, but constructed using modern specifications and methods; and
- instantaneous build on a green-field site.

To arrive at the final DRC valuation, the gross replacement value is adjusted to reflect management’s best estimate of the remaining useful lives of the assets, taking into account the condition and capacity of the Network.

The indexation factors applied to the model are:

Land – The Consumer Prices Index including owner occupiers' housing costs (CPIH)

Buildings – Retail Prices Index (RPI)

All renewals that maintain the service potential of the rail network will be capitalised. Subsequent expenditure that adds to the services or life of the CVL asset is capitalised.

Enhancements and renewals of the CVL asset are included as a single amount at cost as assets under construction, until they are brought into use, at which point the asset is transferred into the Rail Network category and valued at DRC.

Upwards movements in value are taken to the revaluation reserve. Downwards movements in value are set off against any credit held in the revaluation reserve until the credit is exhausted and thereafter expensed in the Statement of Comprehensive Net Expenditure.

Land and buildings (including Dwellings)

The Welsh Government and its related bodies capitalise freehold property where it is retained for use by the organisation itself. Leased property, where the original lease was for less than 100 years, is treated as a revenue cost. Freehold land and buildings and leasehold land and buildings, (where the original lease was for greater than 100 years) are held at open market value for existing use, the exception is properties of a specialised nature held at depreciated replacement cost. Land and buildings are valued using professional valuations either every five years, or annually, with appropriate indices in intervening years for non-annual valuations. The Welsh Government uses the Investment Property Databank (IPD) Monthly Index for Midlands and Wales indices.

Plant and Equipment

Plant and equipment (which include plant and machinery, transport equipment, information technology and fixtures and fittings), are at historical cost. As these asset classes have a short useful economic life, reliable revaluations of these assets could only be obtained at prohibitive cost. No significant estimation techniques are used in the valuation of these asset classes.

The minimum level for capitalisation of individual assets and grouped assets is £5,000.

Heritage Assets

The Welsh Government holds a number of non-operational heritage assets where the cultural, educational and historical value is unlikely to be fully reflected in a financial value derived from a market mechanism or price. These assets are of a specialist nature and reliable valuations either cannot be obtained or could only be obtained at a prohibitive cost. The Welsh Government, therefore, does not capitalise these assets in the accounts.

A.2 Depreciation

Road Network

The depreciation charge for the roads network consists of three elements:

- i. annual maintenance charge;
- ii. an estimate of the permanent deterioration in the condition of the network in the year (which has been calculated by the computer model based on latest actual data on the condition of the network referred to in the non-current assets note above); and
- iii. calculated depreciation of the structures and communications.

Depreciation is accounted for in respect of the road pavement by reference to the service potential assessed by condition surveys that are carried out over the whole network as part of a rolling programme that covers every section of road at least every five years. The annual depreciation charge for the road surface is the value of the service potential replaced through the maintenance programme, plus or minus any adjustment resulting from the annual condition survey. The Structures and Communications elements are depreciated using the straight line method applied to the re-valued replacement costs, and also inspected every five years to identify any other changes. Land is not depreciated.

Road component lives are in the following ranges:

Network surface	up to 20 years
Network structures	20 to 120 years
Network communication	2 to 15 years
Land	is not depreciated

Rail Network

The components of the railway network are depreciated over their estimated remaining useful economic lives; these are typically weighted averages for a range of components, given the complexity of these structures. These weighted averages are summarised below:

Earthworks	86 years
Structures	22 years
Signalling and Power	27 years
Operational Property	20 years
Track	18 years
Telecoms	8 years

This is a critical judgement based on the available data, careful judgement is required in some cases, especially for components that are rarely replaced, such as structures and earthworks. Some components are capable of very long lives, however for this valuation, lives are capped at 100 years due to inherent uncertainty beyond that period.

Depreciation methods, useful lives and residual values are reviewed at each Statement of Financial Position date.

Other Assets

Depreciation is provided at rates calculated to write-off the value of intangible assets and other property, plant and equipment assets by equal instalments over their estimated useful lives.

Leasehold land & buildings	Remaining life
Dwellings	Remaining life
Freehold buildings	up to 85 years
Plant, machinery & Transport equipment	5 to 15 years
Information technology	3 to 10 years
Intangible software assets	2 to 10 years
Fixtures & fittings	3 to 20 years

Freehold Land and Assets under Construction are not depreciated.

Impairments of tangible fixed assets are charged to the Statement of Comprehensive Net Expenditure in the period in which they are incurred.

A.3 Research and Development

Research and development expenditure is charged to the Statement of Comprehensive Net Expenditure in the year in which it is incurred, except where it relates to a clearly defined project and where the benefits can reasonably be regarded as assured. The expenditure deferred is limited to the value of future benefits expected and is amortised through the Statement of Comprehensive Net Expenditure on a systematic basis over the period expected to benefit from the project.

A.4 Financial Assets

Loans and Repayable finance

Welsh Government issues loans and repayable finance to group companies (e.g. Development Bank of Wales (DBW)), other public sector bodies and private sector companies for the purpose of economic development or policy implementation objectives. These financial assets are held for the purpose of collecting the contractual payments of the principal and any interest chargeable, and are held at amortised cost in accordance with IFRS 9.

Help to Buy Wales loans managed by DBW are shared equity loans and are held at Fair Value through the Statement of Comprehensive Net Expenditure.

Public Dividend Capital

Public Dividend Capital issued is held at historic cost less impairments in accordance with the FReM interpretation of IFRS 9.

Investments

Investments in subsidiary group entities are held at cost in the Welsh Government Account in accordance with IAS 27. Investments in joint ventures are held at fair value.

Loans and equity investments made by Development Bank of Wales are accounted for in accordance with IFRS 9 whereby debt instruments held to collect contractual payments of the principal and interest are held at amortised cost and equity investments are held at Fair Value through Profit and Loss. Full details of the Development Bank of Wales accounting policies for financial assets including expected credit losses are set out in their Annual Report and Accounts.

Student Loans

The Welsh Government's accounting policy is to recognise an addition to the student loan book once the Student Loans Company (SLC) has issued the loan to the student. Student loan repayments are collected by the SLC and His Majesty's Revenue and Customs (HMRC). For repayments made via the SLC, the Welsh Government recognises the repayment when the SLC has received the cash and updated the borrower record. For repayments collected via the tax system, this is recognised when the amounts which HMRC estimate as being due to the Welsh Government for the financial year are received. Student loans values are shown net of estimated future write-offs in respect of the non-recovery of loans and are reviewed annually.

In accordance with the FReM application of IFRS 9, student loans are classified as Loans and Receivables and are carried at Fair Value through Statement of Comprehensive Net Expenditure. Detailed explanation of the valuation approach is set out in Note 6. Disclosures relating to risk, required by IFRS 7, are set out in Accounting Policy A15.

Non-current Assets

Non-current assets are classified as held for sale if their carrying amount will be recovered through sale rather than continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale and this should be expected to be completed within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

A.5 Inventories

Development assets, comprising land held for future development and built properties not required for own use, which are held with the ultimate intention for resale, are shown at the lower of historic cost and professional asset valuation, any impairment on revaluation being written off to the Statement of Comprehensive Net Expenditure. Material reversals of prior year impairments are written back to the Statement of Comprehensive Net Expenditure where there is current evidence of increased value resulting from earlier year's expenditure.

Other Inventories are valued at the lower of replacement cost and net realisable value. The Welsh Government does not consider there to be a material difference between the replacement cost and historic cost of stocks. Stocks with a finite useful life are written-off at the end of their lives.

A.6 Operating Income

Operating income relates directly to the operating activities of the Welsh Government and the related bodies. The Welsh Government adopted IFRS 15 Revenue from Contracts with Customers from 1 April 2018. IFRS 15 introduced a new five stage model for the recognition of revenue from contracts with customers. All Welsh Government revenue which falls within the scope of this Standard, has been accounted in accordance with it.

Revenue from the European Union in respect of the European programmes, funds and initiatives is brought to account in line with grants payable in respect of these amounts and is shown in Note 2. The funds are paid to the Welsh European Funding Office. These funds are then transferred to the relevant department within the Welsh Government and are accounted for within Note 3.

A.7 Value Added Tax (VAT)

The Welsh Government recovers some elements of VAT for business services and contracted out services. For other goods and services expenditure these are recorded inclusive of VAT.

A.8 Pensions

The majority of present and past employees of the Welsh Government are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) which are described within the Accountability Report. The defined benefit elements of the scheme are unfunded. The Welsh Government recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payments to the Principal Civil Service Pension Scheme (PCSPS) of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of the defined contribution schemes, the Welsh Government recognises the contributions payable for the year.

All actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised through reserves in the period in which they arise.

Some former Welsh Development Agency staff, current Development Bank of Wales PLC staff and Career Choices Dewis Gyrfa Ltd staff participate in a number of Local Government Pension Schemes in Wales which are multi-employer funded schemes.

Some Welsh Government staff contribute to: Department of Health and the Nurses Welfare Trust schemes.

Employees of Health Bodies participate in the NHS pension scheme. Information on this scheme can be found in the NHS Summarised Accounts.

A.9 Early departure costs

The Welsh Government is required to meet the additional cost of benefits beyond the normal PCSPS benefits in respect of employees who retire early. The Welsh Government provides in full for this cost when the early retirement programme has been announced and is binding. The Welsh Government may, in certain circumstances, settle some or all of its liability in advance by making a payment to the Government Banking Service at the Bank of England for the credit of the Civil Superannuation Vote. Similar arrangements are in place for Health Bodies employees who retire early.

For pre-merger employees and ex-employees of the former Welsh Development Agency in the Rhondda Cynon Taff Pension Scheme, the Welsh Government meets the additional cost of benefits beyond the scheme benefits in respect of employees who retire early.

A.10 Operating leases

Expenditure on non-capitalised operating leases including buildings and other, is charged to the Statement of Comprehensive Net Expenditure in the period to which it relates.

A.11 Grants

Grants payable or paid are recorded as expenditure in the period that the underlying event or activity giving entitlement to the grant occurs.

A.12 Private Finance Initiative and Other Service Concession Arrangements

HM Treasury has determined that government bodies shall account for infrastructure service concession schemes where the government body controls the use of the infrastructure and the residual interest in the infrastructure at the end of the arrangement in accordance with the principles of the requirements of IFRIC 12. The service concession asset is recognised as an item of property, plant and equipment together with a liability to pay for it. The services received under the contract are recorded as operating expenses. The annual unitary payment is separated into the following component parts, using appropriate estimation techniques where necessary:

- a) Payment for the fair value of services received;
- b) Payment for the service concession asset, including finance costs; and
- c) Payment for the replacement of components of the asset during the contract 'lifecycle replacement'.

The fair value of services received in the year is recorded under the relevant expenditure headings within programme costs.

Service concession assets are recognised as property, plant and equipment when:

- a) it is probable that future economic benefits associated with the asset will flow to the organisation; and
- b) the cost of the asset can be measured reliably.

The above asset recognition criteria, together with the specific terms and conditions of the binding agreement, are considered when determining whether to recognise the service concession asset during the period in which the asset is constructed or developed.

Service concession assets under construction are recognised and valued in the same way as other non-current assets of the same generic type.

Completed service concession assets are measured initially at fair value when they come into use in accordance with the principles of IAS 17. Subsequently the assets are measured at fair value, which is kept up to date in accordance with the principles of IAS 16. The service concession liability is recognised at the same time as the service concession asset. This is measured at the same amount as the fair value of the service concession asset and is subsequently measured as a finance lease in accordance with IAS 17. An annual finance cost is calculated by applying the implicit interest rate in the lease to the opening lease liability for the period and is charged to the Statement of Comprehensive Net Expenditure. The element of the annual unitary payment that is allocated as a finance lease rental is applied to meet the annual finance cost and to repay the lease liability over the contract term.

A.13 Exchange Rate Gains and Losses

The Welsh European Funding Office requests programme funding from the European Commission at the Euro equivalent level to the sterling required and pays out funds in sterling. The exchange gain or loss on these transactions is calculated and accounted for in line with IAS 21.

Other transactions in foreign currencies are translated into sterling at the rate of exchange ruling at that date. Exchange differences are taken into account in the Statement of Comprehensive Net Expenditure.

A.14 Provisions

In accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets, provisions for liabilities and charges are made at the year-end where present legal or constructive obligation exists (i.e. a present obligation arising from past events), the outflow of resources that will be required to settle the obligation is probable and a reasonable estimate of the obligation can be made.

Where the time value of money is material, provisions are discounted to present value using HM Treasury's discount rates.

A.15 Financial Instruments

IFRS 7 requires the disclosure of information which allows the user to evaluate the significance of financial instruments on financial performance, and the nature and extent of its exposure to risks arising from financial instruments.

As the majority of the Welsh Government's resources are met by the Welsh Consolidated Fund, financial instruments play a more limited role in creating risk than would apply to a non-public sector body of a similar size.

Credit Risk

The Welsh Government's objective is full recovery of debt, which we actively pursue. The policy is to operate normal credit control procedures for the management of risk of default by trade debtors through the Accounts Receivable function. Due to the nature and value of debtors, the credit risk associated is deemed as minor. IFRS 9 introduced a forward looking model of expected credit loss, and a three-stage approach to providing for debts. Due to the low credit risk, stage 1 and 2 expected credit losses for Welsh Government are immaterial. Stage 3 provisions for doubtful debts are made once debts are over 6 months old.

The Welsh Government has a statutory obligation to issue student loans, and is not permitted to withhold loans on the basis of poor credit rating. Exposure to the risk of non-repayment of loans is managed and monitored, and the impact is accounted for in the annual valuation.

Market Risk

The main risks are to the Student Loan portfolio from a downward movement in the economy that could result in an increase in borrowers' unemployment, impacting on their ability to repay student loans. Student loans are also impacted due to the potential resultant negative impact on graduate earnings growth, which lengthens the time period before loans are in repayment and extends the repayment period. This may impact the carrying value in the accounts. It can also lead to an increase in write-offs as it increases the likelihood that some graduates may not repay their loans in full by the end of the loan period.

Foreign Currency Risk

The Welsh Government is exposed to negligible currency risk on its foreign currency transactions, except for funds received from the European Union to the Welsh European Funding Office. Private sector mitigation options are not available. However, total funding received from the European Commission is managed to ensure the available funding is flexibly allocated to projects, enabling targeted expenditure levels to be met. Funding claims from the Commission are also prompt to limit delays between incurring expenditure and its reimbursement.

Interest Rate Risk

The Welsh Government's variable rate financial assets are predominantly its student loans which have an interest rate cap set at RPI or the Bank of England base rate plus 1%. The interest rate on pre-2012 loans is the lower of RPI and the Bank of England base rate plus 1%. The amount of interest repayable is therefore subject to fluctuations in the base rate and RPI. The probability of Welsh Government recovering the face value of loans issued is increased when the Bank of England base rate is low and the rate of inflation is comparatively high, because the base rate cap comes into operation for these loans. The impact of the interest rate risk for student loans issued under the pre-2012 scheme is factored into the carrying value as the student loan repayment model calculates the impact of interest rate on expected future cash flows. There is inherent risk in forecasting the amount of interest payable and if base rates that are lower than RPI are experienced, the future cash flows will be impaired further.

Liquidity Risk

The Welsh Government only borrows from the National Loans Fund, and relies primarily on funding received from Parliament via the Welsh Consolidated Fund for its cash requirements. There is no reason to believe that future funding will not be forthcoming, therefore on this basis it is not exposed to liquidity risks. It also has no material deposits, and all material assets and liabilities are denominated in sterling, so it is not exposed to interest rate risk or currency rate risk other than the risks arising from receipt of funds from the European Commission in Euros.

Where the time value of money is material, provisions are discounted to present value using HM Treasury's real discount rates.

A.16 Newly issued accounting standards not yet effective

A number of revised and new accounting standards and interpretations have been issued but are not yet effective and have therefore not been adopted in these accounts, these are currently being considered by the Financial Reporting Advisory Board (FRAB) for inclusion within a future Financial Reporting Manual (FReM). Standards which may have an impact on future Welsh Government Consolidated Accounts if adopted are:

IFRS 16 Leases – effective 1 April 2022

IFRS 16 Leases supersedes IAS 17 Leases and provides a single lessee accounting model requiring a lessee to recognise right-of-use assets and liabilities for leases with a term more than 12 months, unless the underlying asset value is of low value. The new standard will remove the distinction between operating and finance leases for lessees.

Due to the impact of COVID-19, HM Treasury agreed with the FRAB to defer the implementation of IFRS 16 in central government until 1 April 2022. This represents a two year deferral from the initial effective date of 1 April 2020. Welsh Government will therefore apply IFRS 16 from 1 April 2022.

HM Treasury has withdrawn the accounting policy choice to apply IFRS 16 retrospectively to each prior reporting period presented in accordance with IAS 8. At the date of initial application, Welsh Government will recognise the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of taxpayers' equity.

HM Treasury has also withdrawn the option to reassess whether a contract is, or contains, a lease at the date of initial application. Welsh Government will therefore initially apply IFRS 16 to contracts previously identified as a lease, or containing a lease, under IAS 17 and will not apply IFRS 16 to contracts not previously identified as such.

IFRS 16 does not require the recognition of assets or liabilities for leases where the underlying asset is of low value. HM Treasury has mandated the election of this option, and Welsh Government will therefore recognise lease payments for low value assets as an expense. Welsh Government has set a £5,000 threshold for identifying assets that are of low value. The low value threshold is in line with the minimum level for capitalisation of individual assets and grouped assets of £5,000.

IFRS 16 similarly does not require the recognition of assets or liabilities for leases of 12 months or less. Again, HM Treasury has mandated the election of this option, requiring short term leases to be recognised as an expense.

On transition, HM Treasury has mandated the option to recognise right-of-use assets at an amount equal to the initial lease liability, adjusted by the amount of any prepaid or accrued lease payments recognised immediately before the date of initial application.

On initial application of IFRS 16, Welsh Government will recognise right-of-use assets and lease liabilities for each identified lease, based on the present value of future cash flows for each lease over the applicable lease term determined in accordance with the new standard.

For material arrangements within the scope of IFRS 16, the impact of implementation is currently expected to be an increase in assets of approximately £264m and an increase in liabilities of approximately £238m as at 1 April 2022. The total impact is detailed in the table below:

IFRS 16 Implementation	WG Core £m	NHS Wales £m	Total £m
Increase in Assets	84	180	264
Increase in Liabilities	67	171	238

Further information regarding the expected impact of IFRS 16 for NHS Bodies in Wales is included in the NHS (Wales) Summarised Accounts 2021-22.

Development Bank of Wales Group, Career Choices Dewis Gyrfa and Transport for Wales Group, as subsidiary companies preparing statutory accounts under Companies Act 2006, have already applied IFRS 16 from 1 April 2019. In line with Welsh Government's accounting policy of only making consolidation alignment adjustments where the impact is material, no adjustment on consolidation has been made for the immaterial impacts of adopting IFRS 16 in Welsh Government's consolidated accounts for 2019-20, 2020-21 and 2021-22. Further information regarding the impact of applying IFRS 16 from 1 April 2019 for those entities is included in their published accounts.

WGC Holdco Limited and Regeneration Investment Fund for Wales LLP do not have material leases.

IFRS 17 Insurance Contracts – effective 1 April 2025

The International Accounting Standards Board (IASB) has issued IFRS 17 Insurance Contracts which replaces IFRS 4 Insurance Contracts. The new standard sets clearer expectations on the recognition, classification and measurement of assets and liabilities in relation to insurance contracts. IFRS 17 is effective for accounting periods beginning on or after 1 January 2023. Guidance has yet to be issued to government departments on the interpretation of this standard. The FRAB has agreed the 2025-26 financial year as the planned mandatory adoption date for IFRS 17 for central government bodies, with early adoption permitted on a case-by-case basis by HM Treasury.