



Llywodraeth Cymru  
Welsh Government

# Welsh Government Consolidated Accounts

2020-2021



[gov.wales](https://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 2021, 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.



**Shan Morgan**  
Permanent Secretary

# Overview<sup>1</sup>

I am pleased to present these consolidated accounts on behalf of the Welsh Government.

It covers what has undoubtedly been one of the most turbulent periods that Wales, the UK, and the whole world has ever seen. Dealing with the far-reaching impact of the global COVID-19 pandemic, combined with the UK's exit from the European Union has been a challenge on a scale that none of us has experienced before. It was unparalleled, unfamiliar, unknown and for too many people in Wales, a tragic time.

Our response to the pandemic has been focused on addressing four harms: COVID-19 itself, the reduction in non COVID-19 activity, a potentially overwhelmed NHS and social care system, and the wider societal and economic impacts. This has touched virtually all aspects of our work from the recruitment of additional medical staff and purchases of PPE through to the closure and safe re-opening of schools and a range of economic support packages.

In October 2020, I commissioned a rapid, cross-Welsh Government Stocktake and Lessons Learned exercise into the overall response of the Welsh Civil Service during the first wave of the pandemic. I am extremely pleased that it identified many positives; including strong cross-group collaboration between operational, communications and policy colleagues, the flexibility and resilience of staff in responding to the changing demands of the pandemic, and the unprecedented level of dialogue and engagement across the public sector.

While the vaccine is the light at the end of the tunnel, there is still some way to go before we can feel confident that our communities in Wales are safe from the virus and even longer until the wider health, economic and cultural effects of the pandemic can be fully addressed.

One of the toughest challenges we've faced during the pandemic has been re-aligning ourselves rapidly to the most critical priorities. There has been exceptional work across groups to move people to those areas where the need has been most urgent. I am very grateful to all those managers and staff who responded so flexibly to an unprecedented set of pressures.

<sup>1</sup> Shan Morgan was Permanent Secretary to 31 October 2021

The impact of EU exit has continued to be felt across a broad spectrum of our work. The transition period ended and the UK government agreed a deal with the EU on our future relationship. We have done all we can to prepare and protect the interests of Wales and its people.

We have worked with industry, the NHS and local government in Wales to ensure Wales had sufficient buffer stocks of critical goods – working closely with the UK government on contingency planning to minimise the risk of disruption and shortages in supply of food, medicines and other critical goods in Wales. We have continued to develop and communicate our plans with key public sector partners to ensure we maintain close partnership working during this time of extreme pressure. We of course continue to manage the live risks from the aftermath of the transition period.

Although COVID-19 and EU exit have naturally been the emphasis of much of our work over the last 12 months, we have not lost focus on inclusion. The disproportionate impact of COVID-19 on our Black, Asian and Minority Ethnic communities is deeply concerning and shows how these issues can never be viewed in isolation.

I am immensely proud of what the Welsh Government has achieved over the last few years to further equality, diversity and inclusion within the organisation. In March, we launched the ‘Workforce Equality, Diversity and Inclusion Strategy 2021-2026’. It is the culmination of months of effort, distilling our ambitious agenda for the organisation into a clear and measurable approach which sets out our direction for the next five years.

Driven by the global events of 2020 and the Black Lives Matter movement, our diversity networks were inspired to conduct their own research on employee experiences of race, gender and intersectionality in the workplace and launched the ‘Running Against the Wind’ Report<sup>2</sup> which focuses on staff experiences of race, gender and intersectionality in the organisation. We also benefited from work on the Wales Race Equality Action Plan to develop our policies and priorities for the future. My goal is for the Welsh Government to be an exemplar of a genuinely anti-racist organisation.

Diversity and inclusion must be at the core of who we are as a government – how can we provide the best policies and services for people in Wales if we don’t represent the population. That’s why we have ambitious goals for recruitment and outreach, supporting us to develop a strong and diverse Welsh Government workforce for the future.

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<sup>2</sup> Running Against the Wind Report

[gov.wales/sites/default/files/consultations/2021-03/running-against-the-wind.pdf](http://gov.wales/sites/default/files/consultations/2021-03/running-against-the-wind.pdf)

The pandemic immediately required some radical changes to how and where we worked. I would like to say thank you not only to our staff for the speed and professionalism with which they adapted to these new working arrangements, but also to their families. I appreciate just how difficult this has been for some and I would like to thank you all.

I have commissioned work on three inter-connected strategies to help the Welsh Government Civil Service prepare for the years ahead. The Future Workforce, Workplace and Digital Strategies will set out how the Welsh Government will develop our people, design our places and invest in tools that will support us as a high-performing, diverse and inclusive organisation that is an exemplar within a 'One Wales' public service.

Of course for this to happen we need to continue to invest in our ICT. Remote working during the pandemic has raised the expectations of staff to access modern digital tools to support them in doing their job. In addition, we also want to deliver integrated digital services which enable efficiencies in the way we work as an organisation.

The outcome of the Senedd elections means that we have a new Cabinet with a clear mandate and an ambitious new Programme for Government ahead of us. The next year will be exciting and challenging as we support Ministers to deliver their priorities for Wales in a very different social and economic context than we might have expected before the pandemic or EU exit. However, I have no doubt that this organisation is up to that challenge and will meet it successfully and wholeheartedly.

This is the last set of annual accounts for which I will have been Permanent Secretary, it has been an enormous privilege to lead the Welsh Government Civil Service, to support Ministers and to serve the people of Wales in this role. I am so proud of the way in which the Civil Service has performed throughout my time as Permanent Secretary and particularly in the latter period. The commitment, industry and professionalism of people at all levels of the organisation has been remarkable. I wish my successor every success for the future.

**Shan Morgan**  
**Permanent Secretary**

27 October 2021

# 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.

Against the backdrop of an emerging global pandemic, national health emergency and the United Kingdom's exit from the European Union matters of risk, internal control and governance took on a level of critical significance hitherto unseen in perhaps living memory.

Despite the scale of the challenges presented by these circumstances I am pleased to report that officials at all levels demonstrated a level of dedicated commitment to work above and beyond what might be expected to tackle the challenges head on.

Moreover, officials worked tirelessly and creatively to ensure, as far as possible, that the effective functioning of the Welsh Government ARAC and Group ARACs was interrupted as little as possible. Whilst internal audit resources were by necessity, deployed to COVID-19 response measures, a significant, if curtailed, degree of internal audit activity on non-covid matters was still completed.

Naturally the immediate and shorter-term consequences of the COVID-19 pandemic dominated the wider risk assessments regularly taking place across the organisation. The senior leadership of the Welsh Government recognised very early on that decision making at pace in such challenging and unprecedented circumstances would need to be appropriately risk adjusted. As a consequence a revised risk appetite approach in relation to COVID-19 matters was communicated appropriately across the organisation. Nowhere was this more evident than in the rapid deployment of financial aid to businesses and organisations across Wales.

COVID-19 specific risks were scrutinised and managed through the Corporate Risk Register and at group level as the pandemic unfolded. Towards the end of the year a dedicated COVID-19 Corporate Risk Register was developed to ensure multiple cross cutting risks across the whole organisation were managed. The individual group risk registers continued to operate effectively and under the scrutiny of the Group ARACs.

The COVID-19 response also required rapid deployment of new, appropriate and specific governance mechanisms. These were scrutinised by the Welsh Government ARAC and indeed the Welsh Government Board.

Whilst the April 2020 Welsh Government ARAC and Group ARAC meetings were cancelled due to the pandemic, the Welsh Government ARAC met six times during 2020-21 with the Group ARAC's meeting three times with the level and quality of scrutiny and discussion being extremely good. In addition to these formal meetings additional briefing meetings were held between the Director General's and the Group ARAC chairs.

I am very pleased to report that the engagement of senior officials continued to be very good throughout the year despite the immense pressure on their workload and available time. Each formal ARAC meeting was also attended by representatives of Audit Wales who also engaged constructively and enthusiastically with the work of the committee. I am also pleased to advise that the Welsh Government ARAC and Group ARACs continued to receive effective and responsive support from the secretariat and appropriate executives.

Last year, the Auditor General for Wales qualified his audit opinion on the accounts of the Welsh Government on the basis of a difference of opinion with Welsh Government officials on the interpretation of accounting standard IAS 37. Consequently, this year's accounts will automatically be qualified also. As a backdrop to a wider public sector accounting issue surrounding the interpretation and application of IAS 37, guidance has been sought by Welsh Government officials from the Financial Reporting Advisory Body (FRAB). At the date of this report further guidance requested and received from H M Treasury has been considered by Welsh Government officials who have concluded that there are no changes required in the way IAS37 has been applied by the organisation.

This year, the Auditor General for Wales has qualified his audit opinion on the accounts of the Welsh Government on two matters. The first is 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. Welsh Government officials have included a contingent liability for the estimated costs at note twelve to the financial statements with the intention of making a provision for the costs in the 2021-22 financial statements in order to remain consistent with the accounts of the NHS Bodies in Wales.

The second is 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 has 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 is set out in the Governance Statement to this Annual Report and Accounts on pages 138 to 141.

At the date of signing this introduction it is pleasing to note that the COVID-19 pandemic has begun to recede significantly although the threat has not altogether disappeared. The risk registers across Welsh Government continue to monitor COVID-19 in a robust manner and indeed new global existential risks emerging in 2022 .

I would like to take this opportunity to offer the ARAC's sincere congratulations to every individual working in and around NHS Wales on the organisation's very recent receipt of the George Cross from Her Majesty the Queen for the work undertaken during the COVID-19 pandemic – a tribute to what can be achieved collectively in the face of adversity.

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

Finally I would like to thank the former Permanent Secretary for her clear vision and inclusive leadership of the Welsh Government Civil Service over the last four and half years. Leading a large and complex organisation is a difficult and demanding role in normal circumstances. The additional challenges posed by the global pandemic and the United Kingdom's departure from the European Union presented multidimensional and unprecedented challenges for the whole organisation. These were met robustly by the clear sighted and strategic leadership of the Permanent Secretary. On behalf of the Welsh Government ARAC I wish her and her successor every future success.

**Gareth Lynn**

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

# Contents

<b>9</b>	<b>Part One:</b>
<b>9</b>	What's in the Report and Accounts: A Snapshot
<b>11</b>	Introduction to the Welsh Government
<b>12</b>	The Cabinet
<b>13</b>	The Civil Service
<b>15</b>	Responding to COVID-19
<b>22</b>	Group Response to COVID-19
<b>31</b>	Managing EU Exit
<b>35</b>	The Future of Regional Investment in Wales
<b>36</b>	Welsh Government Reporting
<b>38</b>	Welsh Government Performance Framework
<b>43</b>	Meeting our Commitment to the Well-being of Future Generations
<b>47</b>	Welsh Government Funding Flows
<b>48</b>	Welsh Government Tax Policy, Fiscal Forecasting and Borrowing
<b>49</b>	Welsh Government Consolidated Accounts Context
<b>52</b>	COVID-19 Expenditure
<b>54</b>	Welsh Government Top Areas of Spend
<b>57</b>	Administering Grant Funding
<b>62</b>	Welsh European Funding Office
<b>66</b>	Managing our Legislative Programme

<b>69</b>	Our Future Workforce, Workplace and Digital Strategies
<b>72</b>	Decarbonisation
<b>75</b>	Sustainability
<b>78</b>	Digital Agenda
<b>81</b>	Dignity and Respect
<b>91</b>	Respecting Human Rights
<b>92</b>	Working Bilingually
<b>94</b>	Working in Partnership
<b>96</b>	Anti-bribery and Corruption
<b>97</b>	Handling Complaints
<b>99</b>	<b>Part Two:</b>
<b>99</b>	The Accountability Report
<b>101</b>	The Governance Statement
<b>183</b>	<b>Part Three:</b>
<b>183</b>	The Accounts
<b>224</b>	Appendix A – Accounting Policies

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

This is the Welsh Government Annual Report and Accounts for 2020-21. 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 shines a light on the organisation itself across the year. The Welsh Government Annual Report is the vehicle for the delivery programme “*Prosperity for All*” and this can be found on the Welsh Government website.<sup>3</sup>

As in previous years, the Report is split into three sections.

**Part One** starts with an overview of what the Welsh Government is responsible for and the relevant legislation. It provides the membership of the Cabinet for the period and the senior leadership of the organisation during the accounting year. It identifies the key reports covering the delivery and activities of the Welsh Government and our Performance Framework.

There are updates on Future Proofing covering our future workforce, workplace and digital strategies to prepare for the years ahead. Detailed information about meeting our commitment to the Well-being of Future Generations is included covering the Welsh Ministers, the Civil Service and enabling others. There is an update on our legislative programme and how this was balanced with the urgent need to make subordinate legislation to respond to the COVID-19 pandemic.

The funding and expenditure section details our funding flows and how public services are paid for post-tax devolution. Our tax policy, fiscal forecasting, and accounting boundaries are explored. It also provides an analysis of the main areas of COVID-19 expenditure, identifies the top areas of spend for the period and the administration of grant funding.

Inevitably there are extensive chapters about how the organisation has responded during this extraordinary period managing both the COVID-19 pandemic and preparations for EU exit. The COVID-19 section provides an overview of how we have responded to COVID-19 as an organisation from supporting Ministers, through to emergency control centre operations. It identifies what has worked well and explores our work on preparing for recovery and where we can have the most impact. Each of our Groups also provide a high level overview of the key areas of work undertaken to support the pandemic response.

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<sup>3</sup> Welsh Government Annual Report 2020 [www.webarchive.nationalarchives.gov.uk/20210403234342/https://gov.wales/welsh-government-annual-report-2020](http://www.webarchive.nationalarchives.gov.uk/20210403234342/https://gov.wales/welsh-government-annual-report-2020)

Work related to EU exit has remained a key priority, and the report details how we have managed both the uncertainty this has created, and the extensive body of work completed to transition into the new arrangements. Our commitment to decarbonisation and sustainability is included with new targets, carbon budgets and the work undertaken to develop Wales's next statutory Decarbonisation Plan.

Managing with integrity and propriety remains fundamental to our core values. There are updates on our commitment to dignity and respect, supporting human rights, working bilingually, working in partnership, tackling corruption, bribery and fraud. It also provides a summary of complaints against Welsh Government dealt with by the Public Service Ombudsman.

Woven throughout the report this year a number of case studies are included. These have been selected by the Permanent Secretary and showcase how we have embedded the five ways of working under the Well-being of Future Generations Act. These include:

1. 21 Day Review<sup>4</sup>
2. Test, Trace, Protect collaboration<sup>5</sup>
3. The Vaccination Programme<sup>6</sup>
4. International Learning Exchange Programme<sup>7</sup>
5. Beyond Recycling<sup>8</sup>
6. Race Equality Action Plan<sup>9</sup>
7. Working in Social Partnership<sup>10</sup>

**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. Importantly, it also contains the Annual Governance Statement from the Permanent Secretary in her role as Principal Accounting Officer (PAO).

The Governance Statement outlines the controls that are in place to enable the PAO and Additional Accounting Officers (AAOs) to discharge her responsibilities to manage and control the organisation's resources. It also provides an overview of the governance arrangements at official level for the Welsh Government's response to COVID-19.

**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.

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4 Page 16

5 Page 19

6 Page 21

7 Page 34

8 Page 74

9 Page 89

10 Page 95

# Introduction to the Welsh Government

## 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 Senedd 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<sup>11</sup> can be found on the Welsh Government website.

# The Cabinet

For the period covered by these accounts, 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

\*from 8 October 2020, previously Welsh Minister for International Relations and the Welsh Language.

Details of the Cabinet further to the Senedd Elections on the 6th May 2021, can be found on the Welsh Government website.<sup>12</sup>

# 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. All staff work within one of five Groups headed by the Permanent Secretary and four Directors General.



**Shan Morgan<sup>13</sup>**

**Permanent Secretary**

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

\* Previously part of HSS



**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



**Reg Kilpatrick**  
**Director General Covid Coordination**

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



**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



**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



**Andrew Goodall Director General<sup>14</sup>**  
**Health and Social Services Group/Chief Executive, NHS Wales**

- Cafcass Cymru
- HSS Finance
- Mental Health, Vulnerable Groups and NHS Governance
- Nursing
- Planning, Delivery and Performance
- Population Health
- Primary Care and Health Science
- Social Services and Integration
- Technology, Digital and Transformation
- Workforce and Corporate Business

# Responding to COVID-19



Almost every part of the Welsh Government has been affected by the need to respond to the public health emergency which has had far reaching social and economic consequences and the organisation has been tested almost to its limits. We have provided considerable and timely professional and technical analysis and advice to Ministers as the situation evolved and in the light of rapidly-developing information and knowledge about the latest state of the pandemic.

We have given effect to the decisions of Ministers about the protections which should apply at each stage by preparing, usually at very short notice, the necessary regulations and associated communications to put those arrangements in place. We have overseen and coordinated major programmes of activity such as track, trace and protect and the rollout of vaccinations. Supporting Ministers in ameliorating the impact of the pandemic on areas such as education and the business sector has also meant that we have had to respond swiftly in providing advice and rolling out the grant programmes and other measures introduced at short notice.

In order to respond properly to the pandemic we had to consider very carefully, in consultation with Ministers, which areas of work have needed to be delayed or scaled back in order to free up resource. We introduced a major programme of short-term internal secondments to move staff quickly to the areas of greatest priority. The work to deal with the pandemic was overseen and monitored at official level through a governance structure which is set out in more detail in the Governance Statement. The remainder of this section gives more detail about the actions taken in the Emergency Control Centre and each of the Policy Groups to respond to the pandemic.

Looking forward, there will be many further lessons which we should learn about how we responded to the pandemic and how we can make use of that learning for the future. For example, as discussed elsewhere, we have found that an element of remote working, based on a good IT system, can be beneficial to the organisation. We have learned much about effective co-production and collaboration, and the speed with which we can respond to unexpected challenges. And there are lessons to be drawn, in due course, about how we can best be prepared for dealing with future major public health emergencies.

It would be remiss of me, as Permanent Secretary, not to pay tribute in these accounts to the superb efforts of the Welsh Government Civil Service. Very many members of staff at all levels worked extraordinarily hard for a prolonged period under intense demands. I could not have asked for more.

## Case Study

### 21 Day Review

In response to the serious and imminent threat to public health from COVID-19, the Welsh Government put in place Regulations placing restrictions on businesses, services and people to limit the incidence and spread of the virus.

The Regulations are reviewed every 21 days to ensure they remain proportionate.

The review process was developed to reflect the five ways working in the Well-being of Future Generations Act. A critical function of the regulations is the prevention of harms, both in the short and long-term, linked to contracting COVID-19 and the potential harm from an overwhelmed NHS.

The review process considers the overall balance of harms, including social, economic, wellbeing, and others; removing restrictions as soon as they are no longer proportionate. This requires close collaboration across the whole of government and with a wide range of partners including the Shadow Social Partnership Council, sector representatives, Police and Crime Commissioners, local authority leaders, and many others.

Because many different departments are involved in the process and in turn involve their stakeholders, there has been wide-ranging collaborative working to inform decision-making. The reviews have illustrated that effective collaboration and involvement can still take place, even if working at pace and with uncertainty.

## ECCW Operations: Responding to the COVID-19 Pandemic



As reported last year, the Welsh Government response to COVID-19 was initially led by officials from the Health & Social Services Group (HSS), with support from the Welsh Government's Resilience Team. As the pandemic progressed, the Emergency Coordination Centre (Wales) (ECC(W)) was formally "stood up" on 20 March.

During the long running and ongoing COVID-19 pandemic, the ECC(W) has continued to work with local level Strategic Co-ordination Groups (SCGs), Recovery Co-ordination Groups (RCGs), the UK government and appropriate Welsh Government policy teams to gather and share information with relevant partners to ensure a common understanding of the developing situation. This has enabled Ministers to make properly informed and timely decisions.

Welsh Government Liaison Officers (WGLOs) continue to link into the SCGs and RCGs which contain a range of service capabilities and strengthen resilience through multi-agency collaboration on all aspects of the local pandemic response. The SCGs provide a strategic response to the situation on the ground, bringing together senior personnel from key responders such as health boards, local authorities, police, fire and ambulance alongside the WGLOs. This makes sure there is a seamless link from partner organisations at the front line to Welsh Government policy departments and Ministers; then onwards to the UK government where appropriate.

As the COVID-19 response moves from response to recovery, SCGs will stand down to be replaced by RCGs, whose focus will be on recovery and dealing with the consequences of the pandemic rather than the response itself.

The ECC(W) COVID-19 response represents the longest ever operational period of the function. A number of reviews have been completed during that period to identify lessons and improve the operation.

In June 2020, an interim Operational Review was undertaken on the multi-agency response to COVID-19.

Welsh Government officials from several departments as well as representatives from Local Resilience Fora took part and considered the capacity, capability and sustainability of the civil contingencies structures and processes throughout the response, as well as reflecting on the unique, cross-cutting and prolonged nature of dealing with the pandemic. The review recommendations were submitted to a Project Board which is overseeing the implementation of the recommendations.

Welsh Government Liaison Officers (WGLOs) attend SCG and RCG meetings ensuring the most up to date information and evidence is made available to Ministers to aid swift, effective decision-making. The Director General COVID-19 Crisis Coordination has met weekly with the SCG and RCG Chairs and Head of Resilience throughout the pandemic to share information, facilitate peer review, enable consultation and collaboration between members and set out Welsh Government strategic and operational issues.

Providing staff for the ECC(W) in the context of other resource pressures across Welsh Government presented a significant corporate challenge. Whilst the approach based on volunteers was successful, an internal review commissioned by the Permanent Secretary recommended a more formal approach and work is underway to respond to and implement those recommendations. The ECC(W) approach always sought to match resources with operational need and kept this balance under constant review so that staff were released into policy departments as soon as possible while maintaining sufficient operational capacity.

## Case Study

### TTP Collaboration

The Welsh Government adopted a population-wide Test, Trace, Protect (TTP) service on 1 June 2020. It has played a crucial part in our response to the COVID-19 pandemic, operated in partnership by Public Health Wales, local authorities, health boards and wider partners.

The establishment and operation of TTP in Wales has been shown to be highly effective and has made a material difference keeping the population safe during the pandemic. During the period of high transmission and prevalence this winter (outside of firebreak), the Technical Advisory Group estimated TTP reduced R from approximately 1.7 to 1.3. It has also separately shown the value of locally delivered public services, the capability of our public servants and digital workforce, and the efficiency and innovation of the organisations involved – TTP is rightly a source of pride in Wales.

Since March 2020, there has been a vast amount of hard work undertaken at unprecedented pace to stand-up an entire testing, contact tracing and protect service from scratch. The process of establishing the service included a number of partners working together, including the Welsh Government, PHW, 7 Health Boards, 22 Local Authorities, NHS Wales Informatics Service (NWIS) (now Digital Health and Care Wales (DHCW)) and UK government.

Strong partnerships and an all-Wales ethos have been formed across the TTP programme, with regions and colleagues doing everything possible to keep Wales safe.

## Preparing for Recovery



While much of the focus of activity in 2020-21 has been on tackling COVID-19 and protecting those at greatest risk in our communities, the Welsh Government continued to deliver commitments set out in the Programme for Government, laying the foundations for a recovery consistent with the values of economic, social and environmental justice.

In May 2020, the Welsh Government invited the public to send their thoughts on the actions needed to support post COVID-19 recovery and reconstruction to the Our Future Wales consultation: over the next three months just over 2,000 responses were received. The Wales Centre for Public Policy was commissioned to analyse the responses and they identified six key areas which respondents focused on: Society; Economy; Environment; Health, Social Care, and Well-being; Political engagement; and Digital technology.

Taking account of the responses to Our Future Wales, the Welsh Government published its report, COVID-19 Reconstruction: Challenges and Priorities<sup>15</sup> in October. The report set out eight key areas where the Welsh Government will focus efforts and resources for reconstruction to make the most positive impact for Wales. These include sustaining and creating jobs, addressing inequalities, revitalising town centres and supporting the foundational economy in Wales.

In order to support the delivery of the eight key priorities and provide an immediate stimulus to the environment, a funding package of £320m was made available in the 2020-21 financial year. Together with the major investment in businesses and skills within the £500m Economic Resilience Fund, this provided a very significant investment in reconstruction efforts.

This was a wide ranging suite of interventions from additional funding for social housing to digital tools to support children and young people with their education, including £14m in measures to continue to respond energetically to the climate emergency by pursuing a strong decarbonisation agenda, managing our land for the benefit of rural communities and future generations and protecting and enhancing our natural resources.

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<sup>15</sup> COVID-19 Reconstruction: Challenges and Priorities [gov.wales/sites/default/files/publications/2020-10/coronavirus-reconstruction-challenges-and-priorities.pdf](http://gov.wales/sites/default/files/publications/2020-10/coronavirus-reconstruction-challenges-and-priorities.pdf)

## Case Study

### The Vaccine Programme

The Welsh Government faced a unique policy and delivery challenge – to vaccinate the nation, in the full glare of the media, while under a considerable weight of expectation. We met this challenge by creating strategies, logistical approaches and structures to enable the swift and successful delivery of the vaccine programme.

The COVID-19 Vaccination Strategy set milestones and markers to guide delivery. These were set against objectives based on scientific evidence from a range of clinical and scientific bodies and data, to:

- Protect the most vulnerable from serious illness and maintain our health and social care services; and
- Achieve the highest possible vaccination take up as quickly as possible helping ease the COVID-19 restrictions that are in place.

Each vaccine has different characteristics and delivery challenges. Finding new and innovative ways to deal with these has been central to the delivery success and the logistics and management of supply – making sure that our NHS has the right vaccination at the right time. The delivery approaches introduced have made a demonstrable impact on the programme meaning that more of our vaccine allocation is turned around quickly and delivered into people's arms.

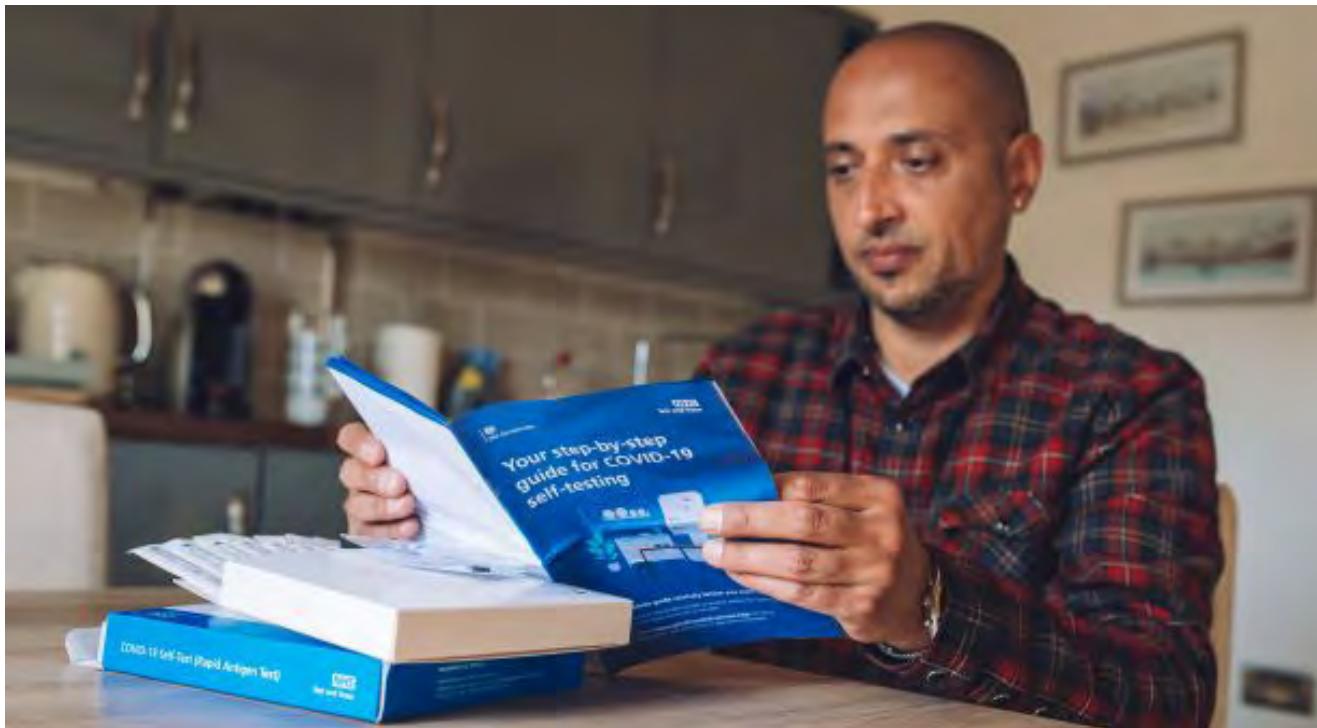
We are all still learning about COVID-19 which has meant changes to the scientific and clinical advice. The programme has consistently adjusted, innovated and successfully delivered in the face of each and every challenge.

Wales has:

- Consistently achieved or exceeded our own stretching milestones for vaccination delivery;
- Led the way in the UK with over 78% of the adult population now double vaccinated; and
- Been cited as one of the most successful vaccine programmes worldwide.

The success of vaccination programme in Wales has been widely reported and in particular, the Wales approach to the fast turnaround of the vaccine supply.

# Group Response to COVID-19



## Health and Social Services Group

Health and Social Services Group (HSSG) has an overarching responsibility for addressing any public health emergency. When the threat from COVID-19 emerged as the most significant public health emergency of our time, existing mechanisms and experience as well as the introduction of new Planning and Response arrangements were utilised to respond with pace and efficiency.

Responding to this emergency has been focused on addressing four harms: the harm from COVID-19 itself; harm from the reduction in non-COVID-19 activity; harm from a potentially overwhelmed NHS and Social care system; and harm from the wider societal actions and lockdown.

In line with this approach, HSSG had early discussions with Ministers about reprioritising staff and resources to focus on actions needed to save lives, protect communities, safeguard those who are most vulnerable, promote the wellbeing and welfare of health and care staff, and plan and deliver capacity and services to respond to the crisis.

The Director General and Chief Executive of NHS Wales in his dual position alongside the Chief Medical Officer, Chief Nursing Officer and the wider Health and Social Services Group directorate team, led the response:

- **First phase** (January to April 2020) was the initial emergency response to the first wave.
- **Second phase** (May to September 2020) provided the opportunity to review and revise arrangements in preparation for the winter and any subsequent COVID-19 waves.
- **Third phase** (October 2020 to February 2021) ensured the ongoing COVID-19 response and delivery of health and care services through the second wave over the winter period.

From February 2021, we continue to manage the current pandemic risks while beginning to prepare for future waves and another potentially difficult winter. Emphasis remains on vaccination, testing and monitoring the spread of the virus across the health and care system as restrictions ease and as we begin to look at recovery.

The COVID-19 preparedness and response framework<sup>16</sup> issued in March 2020 set out the Welsh Government's Health & Social Services Group's structure, at the time, for co-ordinating the HSSG and its stakeholders in planning for and responding to COVID-19. Since the Framework was issued, the novel nature of the COVID-19 virus has meant the response structures have needed to be fluid and changes have been introduced pragmatically. These changes included establishing new sub groups to manage risks, providing clarity of terms of reference and creating links to new areas of work.

An Addendum was issued in November 2020 to update on key governance changes and set out the latest planning and response arrangements. The Addendum was informed by the experiences to date and also the H&SSG review of the COVID-19 response undertaken during the summer of 2020. The revised arrangements provided robust governance of the Group's response and also ensured there is a balance between COVID-19 and non COVID-19 concerns facing HSSG.

Key structures as part of the response included:

- A **Technical Advisory Cell (TAC)** to provide internal scientific advice including the provision of modelling data and risk assessments for planning and response.
- A **Planning and Response Group** to provide a means for strategic coordination and external engagement across health and social care in Wales. Membership on the Planning and Response Group includes strategic representatives from across stakeholders, including NHS, Social Service/Care and internal professional and policy leads. Senior military planners were embedded in this cell which formed a key part of accountability mechanisms, provided oversight of actions and supported risk management.

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16 COVID-19 Preparedness and Response Framework  
[gov.wales/sites/default/files/inline-documents/2021-06/nhs-covid-19-service-facing-framework.pdf](http://gov.wales/sites/default/files/inline-documents/2021-06/nhs-covid-19-service-facing-framework.pdf)

- The Planning and Response Group established a number of **sub groups** to focus and deliver on specific priorities. These have included Primary and Community Care; Acute Secondary Care; Social Care; Workforce; Essential Services; Countermeasures; Nosocomial Transmission. These Groups delivered responses to significant challenges including rapid increase in functional critical care beds, redeployment of the workforce and rapid implementation of digital solutions to enable remote working and patient consultation.
- Arising from the review in summer 2020, the COVID-19 Planning and Response Group reports directly to, and is accountable to a new **Executive Director Team (EDT) Contingency Group** within HSSG, which has been established to enhance and strengthen the entirety of the Health & Social Services Group's COVID-19 pandemic response.
- A **Planning and Response Cell** was established with a dedicated resource from the HSSG Planning, Performance and Delivery Division as well as the NHS Wales Delivery Unit, to work as liaison points between the Planning and Response Group and the sub groups to ensure that key risks are managed, actions are delivered and that there is co-ordination and consistency across the various activities.

The Planning and Response Group has continued to operate through the phases of COVID-19 taking reports from its sub groups, considering risk assessments and scientific information, monitoring preparedness, identifying issues and initiating actions and contingency measures going forward.

The mechanism for tracking risks is an active System Risks Tracker. This risk register provides a repository of both open and closed risks to enable management of the current situation and an accurate record of historical risks and actions for learning and audit purposes. We continue to use the Risk Tracker to manage system risks and where possible transition to normal planning arrangements.

## Education and Public Services Group



Education and Public Services (EPS) Group supported 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 and 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 £660m 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.

The Local Government and Police Settlements were revised to ensure appropriate use of time limited COVID-19 funding and to manage the impact of the pandemic on the Non Domestic Rates account over more than one financial year. Authorities were also provided with support to manage their cash flow.

In Education, responding to COVID-19 created significant challenges. This included the closure and safe re-opening of schools; the implementation of blended learning; establishing hub provision for vulnerable learners and children of critical workers; providing free school meals during term-time and during school holiday periods; cancellation of the 2020 summer exam series and agreement of revised qualifications arrangements for 2020 and 2021; establishing a Recruit, Recover and Raise Standards programme; and providing an additional £112m over 2020-21 and 2021-22 to support teachers and learners impacted by the pandemic.

The childcare sector faced similar challenges. Childcare settings faced financial difficulties as a result of the lockdown. This could have impacted their long-term viability and ability to reopen to provide childcare to enable parents to return to work and support economic recovery.

To support the sector and parents, two new grant schemes (Coronavirus Childcare Assistance Scheme – CCAS and the Childcare Provider Grant – CPG) were introduced. We changed the rules on the Childcare Offer funding, briefly suspending the Offer to new entrants, before reinstating it later in the year. We repurposed the funding for the playworks holiday hunger scheme into a programme of local authority run summer childcare for school-aged vulnerable children.

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 9000 people were brought into temporary accommodation over the year in response to the pandemic.

In order to support the longer term transformation of homelessness services to prevent and end homelessness, we made available £50m to local authorities in Phase 2 Homelessness funding. £40m of capital was available to support increasing the number of safe, secure and high quality temporary and permanent homes, with £10m revenue to provide support for those placed in accommodation.

Building on this, and to support the next phase of our response to our long-term goal of ending homelessness, an increase of £40m for the Housing Support Grant was included in the Budget, taking it to £166.7m for 2021-22.

To focus on actions that would reinvigorate town centres following relaxation of lockdown rules, a National Town Centre Action Group was established, chaired by the then Deputy Minister for Housing and Regeneration. Funding of £6.125m was made available to help towns across Wales with their recovery from the impact of the pandemic and support adaptations in town centres for their safe reopening. An additional £18.4m in loans was provided to local authorities for them to undertake longer-term regeneration.

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 £24m COVID-19 Third Sector Response Fund. This fund was supplemented later in the year with an additional £8.2m to continue to provide support through the second wave of the pandemic.

We were concerned what impact lockdown would have on those affected by domestic abuse and sexual violence. 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 £2.5m to this and made funding available from the Third Sector Response Fund too.

We invested an additional £14.9m in our Discretionary Assistance Fund (DAF) 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 relax the rules concerning the number and frequency of Emergency Assistance Payment (EAP) awards that an individual was eligible to apply for during this period.

To support individuals further, and to remove barriers to self-isolation due to loss of income, we established a self-isolation payment scheme. This provided payments of £500 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. Parents and carers on low incomes, with children who are self-isolating, are also eligible for this additional support.

Care Inspectorate Wales (CIW) developed new ways of providing assurance whilst also supporting social care and childcare providers, including virtual inspections and monitoring activities. Although CIW paused its routine inspection programme, it continued to inspect any service where there were significant concerns about the safety and well-being of people. Healthcare Inspectorate Wales (HIW) was also at the forefront of developing new approaches to assurance work, which enabled it to continue its work despite the huge challenges presented by COVID-19.

## Economy Skills and Natural Resources Group



The overarching policy objectives for Economy Skills and Natural Resources (ESNR) underpinning our response to the COVID-19 pandemic continue to be to protect lives, communities and businesses.

We have two intended outcomes from our economic interventions:

- Firstly, to help businesses survive the shock of sudden and significant drops in revenues resulting from the pandemic and from the enforced lockdown measures necessary to control the spread of the virus; and
- Secondly, by increasing the chances of business survival, to safeguard the jobs of the people employed.

Since the start of the pandemic, the Welsh Government has invested more than £2bn 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.

Over the course of the pandemic nearly five hundred staff across the Group were deployed to address COVID-19 related issues, and many colleagues saw their day jobs increasingly shift to address consequences of the pandemic. In addition we directly supported the work of other Welsh Government teams, including with provision of advice on e.g. veterinary scientific matters.

Pandemic related issues affected the ESNR Group directly, with the closure of the Cadw estate and ongoing issues for some of our major Arm's Length Bodies such as the National Museum for Wales and the National Library for Wales. We are working closely with the management teams in these organisations to understand the impact of associated loss of revenues.

The main economic funding interventions the Group delivered have been the Economic Resilience Fund (ERF), non-domestic rates linked grants (ERF – NDR) overseen by the Welsh Government but paid to qualifying business properties via local authorities, local discretionary funds also administered via local authorities and the Coronavirus Wales Business Interruption Loan Scheme (CWBILS) administered by the Development Bank of Wales (DBW).

In 2020-21 the ERF made 20,546 grant payments totalling £0.3bn. Over the same period, a total of 224,487 NDR linked grants totalling £1.3bn were issued by local authorities. A £40m skills support package as well as bespoke schemes such as grants for recent start-up businesses and specific sectoral interventions have also been deployed.

In addition, ESNR delivered complementary focused packages including the £64m Cultural Recovery Fund, the £14m Sports and Leisure Recovery Fund and the £17.7m Spectator Sports Survival Fund in 2020-21.

We supported Higher Education Institutions throughout the crisis with a further £40m announced in January 2021 to support Welsh students.

The importance of the Further Education sector to both combating COVID-19 in the early days of the pandemic, as well as what will be a critical role as we move to economic recovery was recognised as the Institutions were provided with additional revenue funding of nearly £90m to address costs of delivering education during lockdown and operating in a socially distanced environment. This funding also included the catch-up learning costs of the 16-19 learner cohort.

Capital funding approaching £20m was used to address digital inequality highlighted by remote learning, particularly in remote areas. Student Welfare was also addressed as funding was provided to enhance mental health provision as well as more practical matters such as maintaining canteen facilities to provide hot meals for disadvantaged students.

To safeguard Apprenticeship provision additional funding of £77m has been provided to address the increased learning costs of providers as well as provide financial cushioning to ensure that a healthy provider environment exists in Wales. Some of this additional funding has been made available to employers willing to re-employ redundant apprentices as some heavily impacted businesses have reduced headcount.

We worked closely with Welsh businesses to help Wales address PPE shortages. This was co-ordinated through CERET, the Critical Equipment Requirements Engineering Team (CERET) led by Welsh Government and Industry Wales supported by Life Sciences Hub and the Surgical Material Testing Laboratory (SMTL) in Bridgend. There was a very positive response from Welsh Industry which combined with UK procurement and exchange of PPE and NWSSP's own procurement meant that Wales never ran out of PPE. Examples of the adaptability of Welsh Industry include c.50 companies producing visors, hand sanitiser, gowns, face masks and face coverings.

We provided £6m in funding to support food parcels to people in Wales who had to shield from the pandemic, using primarily Welsh suppliers. We delivered a Fisheries Support Scheme to support the Welsh fishing fleet as many boats had to remain in port during the pandemic.

For public transport we provided significant additional funding to cover fare box loss of revenues which had decreased by up to 90%. We have reformed the way that public transport services are delivered to reflect the new commercial realities and maximise the benefits and outcomes from our increased funding.

From February 2021, the delivery of day to day rail services is now the responsibility of a new publicly-owned subsidiary of Transport for Wales stepping in as the owner of last resort given the challenges of running a public transport system in lockdown environment. This allows government to have an even greater role in the delivery of rail services in Wales and the borders.

The agreement underpinning funding through the Bus Emergency Scheme (BES) will deliver a lasting partnership between operators and public bodies giving more control in return for our funding to enable a reshaping of Wales' bus network, supporting the management and interaction across transport modes including smart ticketing, a reference network that meets wider objectives, and coordinated timetabling across modes.

Throughout these unprecedented times, we have worked hard as a team and with colleagues across the Welsh Government to put in place appropriate, responsive and agile governance and control arrangements that help ensure appropriate oversight of Group activities. This included rapid lessons-identified sessions, 'in-flight' reviews of programmes in train, use of Gateway reviews for major programmes, guidance and regular aide-memoires for team leaders and staff, and use of challenge teams to test concepts, policy design and operational interventions, along with usual ex-post checks and reviews. These complement the important ongoing work of colleagues in Internal Audit and Audit Wales.

As the pandemic progressed we developed and iterated our Group central co-ordination mechanisms and our senior leadership team gatherings to meet the demands of the times. We placed emphasis on strong communications up, down and across ESNR to keep colleagues updated on developments and stay closely in touch with one another (for wellbeing reasons as much as organisational ones).

As part of our 'ESNR For The Future' internal programme, we have a cross-cutting team drawn from all parts and all levels within the organisation, including trade union colleagues, helping us learn lessons from our remote working, and, in turn, with co-designing our Group and wider Welsh Government operating model for the future.

# Managing EU Exit



Work related to the UK's exit from the EU has remained a key priority. Throughout the year we have managed the uncertainty on the kind of future relationship the UK would have with the EU as negotiations continued into the final days of the transition period which ended on 31 December 2020.

Into the New Year an extensive body of work was completed to manage the initial transition into the new arrangements. Looking ahead there remains a considerable programme of work to manage as Wales begins life outside the EU and operating within a significantly different policy and political context with the EU and its Member States.

We continued to work under great uncertainty, planning on a series of potential outcomes as the negotiations on the UK's future relationship with the EU continued. Building on the no deal action plan published last year, on 11 November we published our End of Transition Action Plan setting out the key actions to prepare for the range of possible outcomes at the end of the year.

We have continued to develop and communicate our plans with key public sector partners to ensure we maintain the close partnership working during a time of extreme pressures responding to the COVID-19 pandemic. In the most recent update on the Welsh Government's end of transition planning the Auditor General commented that: *“Despite the additional pressures, Welsh public services have continued to keep arrangements in place to prepare for the end of transition”*.

We have always managed the uncertainty associated with the UK's exit and transition to a new relationship with the EU by planning for the worst case scenario. As we approached the end of the transition period without a future relationship agreement in place, we took action across a number of areas in the end of transition action plan.

We worked with industry, the NHS and local government in Wales to ensure Wales has sufficient buffer stocks of critical goods and also worked closely with the UK government on contingency planning to minimise the risk of disruption and shortages in supply of food, medicines and other critical goods in Wales. Recognising the importance of private sector readiness we engaged with key business stakeholders to communicate the main changes expected at the end of the transition period including through regular updates of the EU Transition Portal.<sup>17</sup>

During December we operationalised the Emergency Coordination Centre (Wales), which acts as our central hub for communications and briefing Welsh Ministers, and links directly to our counterparts for civil contingencies planning in the UK government. Our emergency coordination activity operated across all the major risk areas we faced during the New Year including COVID-19, EU exit and winter pressures.

During this period we effectively monitored the implications of leaving the transition period and where necessary escalated issues including to the UK government through regular attendance at the UK government Cabinet Sub-Committee XO.

The future relationship between the UK and the EU was agreed on 24 December 2020 with the publication of the Trade and Cooperation Agreement. Following publication we undertook a detailed exercise analysing the implications of the agreement on citizens, business and communities in Wales. On 12 February 2021 we published our analysis in '*The new relationship with the EU and what it means for Wales*'.<sup>18</sup>

This analysis was supplemented by a technical document setting out in further detail the implications for businesses in Wales. '*The new relationship with the EU and what it means for businesses in Wales*'<sup>19</sup> was published on 11 March 2021. At every stage we have communicated with stakeholders and the public in Wales with a programme of engagement and communications activity alongside the regular updates to Preparing Wales.

As set out in our analysis the new relationship has far reaching implications for citizens, businesses and communities in Wales. Work has continued to ensure we take the necessary steps required from the Trade and Cooperation Agreement. This work has included a significant programme of activity to establish Border Control Posts in Wales so the required checks on goods can be undertaken in line with the UK's Border Operating Model.

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17 EU Transition Portal [www.businesswales.gov.wales/eu-transition-portal/](http://www.businesswales.gov.wales/eu-transition-portal/)

18 The new relationship with the EU – what it means for Wales [gov.wales/the-new-relationship-with-the-eu-what-it-means-for-wales](http://gov.wales/the-new-relationship-with-the-eu-what-it-means-for-wales)

19 What it means for business [gov.wales/sites/default/files/publications/2021-03/what-it-means-for-business.pdf](http://gov.wales/sites/default/files/publications/2021-03/what-it-means-for-business.pdf)

Throughout the last year a programme of work was carried out, in co-operation with the UK government, to amend EU-derived law by the end of the transition period, using statutory instruments (SIs), almost all under the EU (Withdrawal) Act. This was required to ensure an operable statute book at the point at which EU law would no longer apply to the UK, to provide certainty and continuity for citizens and businesses. Some SIs were also required to implement the Withdrawal Agreement and related agreements.

The work deemed to be necessary was completed by the end of transition, with consent by Welsh Ministers for a further 55 UK SIs being given and a further 20 Welsh SIs being made before the end of December.

We have also been preparing to manage the functions returning to Wales as a consequence of leaving the EU. This will bring new responsibilities to the Welsh Government and require additional capacity and capability across a number of diverse policy areas. A key requirement is the effective functioning of policy across all governments in the UK. A significant programme of work is in place to develop and agree frameworks. In March four framework areas were agreed in principle and work continues on the remaining framework areas.<sup>20</sup>

We have maintained our cross-government working and effective governance to the work on EU transition issues during 2020-21. At official level a new governance structure has been established with a Negotiations Board and Implementation Board to provide strong governance to our range of critical work on both the negotiations and implementation issues. These boards report to a new Assurance Board that provides the necessary oversight and assurance to our work. At Ministerial level the Cabinet Sub-committee on European Transition and Trade has continued to operate over the year.

To support our cross-government working and effective governance of EU transition during 2020-21, Welsh Government incurred £21.8m expenditure in 2020-21 for staffing costs related to the EU Transition teams, and staff across the Welsh Government Groups working on EU Transition project activity.

The £21.8m comprised £5.9m (80 staff) for the central transition team and £15.9m (177 staff) within the Welsh Government groups.

## Case Study

### International Learning Exchange Programme

The International Learning Exchange (ILE) Programme, announced in 2021, has a crucial role to play in promoting a globally responsible Wales. In particular, it contributes to positive global well-being by providing reciprocal exchanges across the world with particular emphasis on increasing participants from disadvantaged backgrounds.

As well as damaging international partnerships more generally, the loss of access to the Erasmus+ Programme as a result of leaving the European Union would have had a detrimental impact on the ability of learners, educators and young people in Wales to travel as part of their studies, and for learners from overseas to enrich our places of learning. This damage was compounded by the impact of COVID-19, which halted almost all international learning mobility.

The ILE Programme was therefore developed and announced at a crucial moment. In the short term, it provided a vital clear international message: that Wales remains an open and welcoming country to establish international partnerships with. In the long term, it will continue to build on those developing partnerships by providing opportunities for all in Welsh education providers, and ensuring our learning institutions remain culturally vibrant and diverse. The Welsh Government worked closely with Cardiff University, who will administer the programme, as well as a broad range of stakeholders from across the education sector – and that engagement is ongoing, as collaboration continues to shape the development of the future Programme.

# The Future of Regional Investment in Wales

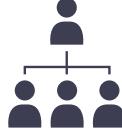


Welsh Government Ministers agreed a Framework for Regional Investment co-produced with stakeholders setting out our plans for replacement European funding which was published in November 2020.

The UK government subsequently announced that it will be delivering post EU exit arrangements itself, so while the Welsh Government will continue to play an active leadership role in co-ordinating economic activity across Wales, there are at present no replacement grant management arrangements.

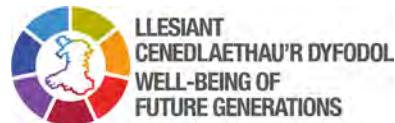
# Welsh Government Reporting

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 2020	Annual report and Accounts	Well-being of Wales Report	Future Trends Report
<b>Legislation</b> 	S125 & 126 of GOWA 2006  Standing Orders 20.7 – 20.24; 20.25 – 20.37	N/A	Well-being of Future Generations Act	GOWA – s131-136	Well-being of Future Generations Act	Well-being of Future Generations Act
<b>Lead</b> 	Minister for Finance and Trefnydd	Minister for Finance and Trefnydd	First Minister	Permanent Secretary	Chief Statistician	Deputy Minister and Chief Whip
<b>Purpose</b> 	To propose and agree the financing plans, and the amounts of resources and cash which the government proposes to use for the following financial year (with provisional amounts for the subsequent two years or for such other period as the Minister considers appropriate) and revisions to that budget during the current financial year	In line with the Welsh Government's commitment to working openly and transparently, the Welsh Government agreed to provide a written report to the Finance Committee on final outturn.  The report includes a comparison with the spending plans set out in the last Supplementary Budget of the year and an explanation of significant variations	Progress towards the Welsh Government's 12 well-being objectives and the six priority areas that make a contribution to multiple 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 well-being 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 2020	Annual report and Accounts	Well-being of Wales Report	Future Trends Report
<b>Timings</b> 	Not specific but prior to the summer recess the Minister for Finance is required to write to the Business Committee to agree the budget timetable	Within 3 weeks of the sign off of the annual accounts	As soon as is practicably possible following the end of the financial year	By the 30 November each year	As soon as is practicably possible following the end of the financial year – but reliant on National Survey data in June	Within 12 months of an election – slides updated regularly
<b>Timings This Year</b> 	Draft budget 16 December 2019 Final budget 25 February 2020 1st Supplementary Budget 27 May 2020 2nd Supplementary Budget 20 October 2020 3rd Supplementary Budget 16 February 2021	Within 3 weeks of the sign off of the annual accounts	31 January 2021	4 August 2022	3 December 2020	1st report published March 2017 Slides updated April 2019 2nd report planned for December 2021
<b>Scrutiny</b> 	Finance and subject Committees	Finance Committee	Plenary debate First Minister Scrutiny Committee	Public Accounts and Public Administration Committee	N/A	N/A

# Welsh Government Performance Framework

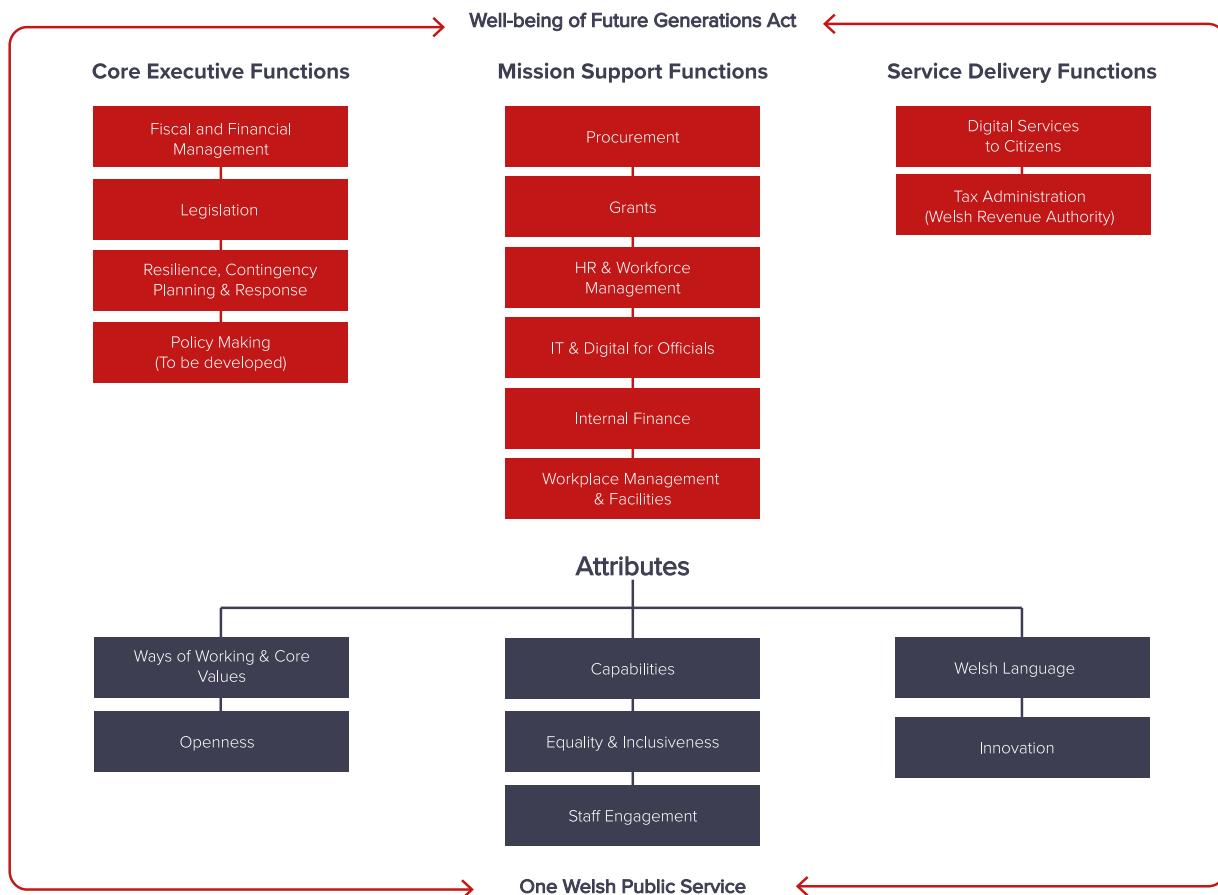


The Welsh Government Performance Framework was adopted as the approach for monitoring the performance of the Welsh Government Civil Service in 2019.

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').

The Welsh Government proposes to include high-level summaries of the framework in its annual accounts.



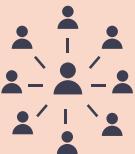
## Reporting on the Attribute Themes

Performance against the framework is reported biannually to the Welsh Government Board. The first report focused specifically on the attribute themes and was discussed by the Board in September 2020.

Board members considered that staff engagement and staff welfare were particularly important for the organisation to focus on. These areas were felt to be key at a time when the organisation was adapting to the new ways of working brought about by the pandemic. Staff were predominately working from home and engagement activity was largely virtual. It was proposed that internal channels available to staff (such as Our Intranet and virtual engagement tools) continued to be reviewed as part of the new Future Workforce Strategy.

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 Period
Ways of Working and Core Values 	Sustainable Development Principle (Five Ways of Working) Score	Welsh Government People Survey Snapshot	72%	March 2020	N/A
Openness 	Percentage of information requests completed by statutory deadline	Welsh Government administrative data	90%	Calendar year 2019	90% (Calendar year 2018)
Capabilities 	Percentage of staff who agree that they are able to access the right learning and development opportunities	Welsh Government People Survey Snapshot	67%	March 2020	66% (October 2018)
Equality & Inclusion 	Percentage of staff who identify as being part of an equality group	Welsh Government administrative data	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)

Attribute Theme	Measure	Source	Score	Reference Period	Score for Previous Period
Staff Engagement 	Employee Engagement Index Score	Welsh Government People Survey Snapshot	66%	March 2020	64% (October 2018)
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	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	Welsh Government People Survey Snapshot	77%	March 2020	77% (October 2018)

## Reporting on the function themes

The Board received the first report on function themes in June 2021. At that session, the Board welcomed the report which it felt gave considerable assurance about overall performance.

The Board also made suggestions for further developing this work including the measures underpinning it. Members noted that there was scope to build upon the sources used within the Framework, for example, by increasing the amount of feedback sought from stakeholders. They suggested that over time the Welsh Government should seek to further improve its efforts to develop excellent programme and project management, since this was so fundamental to delivery. Members also asked that the performance report should be disseminated and considered at other levels of the organisation.

The table shows the overview measures that were discussed.

Function Theme	Measure	Source	Score	Reference Period	Score for Previous Period
Fiscal & Financial Management 	Percentage difference between forecast and outturn figures for land transaction tax and landfill disposal tax	Welsh Tax Policy Report	Land transaction tax – 10.5% Landfill disposal tax – 17%	Financial year 2019-2020	Land transaction tax -10% Landfill disposal tax +41% (Financial year 2018-19)
Resilience, Contingency Planning & Response 	Emergency Co-ordination Centre Wales total days in operation	Welsh Government administrative data	191 days	March 2020 – March 2021	N/A
Legislation 	Bills announced and introduced in the legislative year	Welsh Government administrative data	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)
Procurement 	Proportion of influencable spend won directly by Wales-based businesses, including SMEs	Welsh Government administrative data	43%	Financial year 2019-2020	44% (Financial year 2018-19)
Grants 	Number of queries dealt with by the Grants Centre of Excellence	Welsh Government administrative data	2650 queries	Financial year 2020-2021	1767 queries (Financial year 2019-20)

Function Theme	Measure	Source	Score	Reference Period	Score for Previous Period
HR & Workforce Management 	Number of external applicants to the Welsh Government posts by minority groups	Annual Employer Equality Report	6% Disabled 7% Black, Asian and Minority Ethnic 7% Minority sexual orientation	Financial year 2019-2020	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 2020	80% (March 2020)
Internal Finance 	Percentage of payments made within 10 days of invoice receipt	Welsh Government administrative data	96%	Financial year 2020-2021	93% (Financial year 2019-20)
Workplace Management & Facilities 	Welsh Government administrative estate total carbon emissions	State of the Estate Report	3713 tonnes	Financial year 2019-2020	4236 Tonnes (Financial year 2018-19)
Digital Services for Citizens 	Number of interactive digital services available to citizens and in development	Welsh Government administrative data	41 services	March 2021	28 services (October 2018)

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

## Working in a Sustainable Way – Sustainable Governance

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

The role of the Welsh Government Civil Service under the Well-being of Future Generations (Wales) Act 2015 ('the WFG Act') is to support Welsh Ministers in discharging their duties under the Act and delivering their well-being objectives, as well as their promotion of sustainable development.

The legislation 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 Government Civil Service should continually improve to respond to these requirements.

As part of our evidence to the Public Accounts Committee inquiry into the Well-being of Future Generations (Wales) Act 2015 we provided a supporting paper<sup>21</sup> in advance of the scrutiny of Welsh Government officials on 1 February 2021. The paper focused on the actions taken by the Permanent Secretary with the Executive Committee and officials from across the Welsh Government.

The PAC Report Delivering for future generations: the story so far<sup>22</sup> was published on 17 March and debated on 24 March 2021. The Deputy Minister and Chief Whip wrote<sup>23</sup> to the Chair of the PAC stating that the Welsh Government would respond to the report by the autumn<sup>24</sup>. Our evidence of action in continuing to embed the sustainable development principle in Welsh Government, and support Welsh Ministers in discharging their sustainable development and well-being of future generations duties is guided by our Strategic Implementation Framework.

21 PAC Supporting Paper [www.business.senedd.wales/documents/s112194/PAC5-04-21%20P2%20-%20Welsh%20Government.pdf](http://www.business.senedd.wales/documents/s112194/PAC5-04-21%20P2%20-%20Welsh%20Government.pdf)

22 Delivering for Future Generations: the story so far  
[www.business.senedd.wales/documents/s500006899/Committee%20Report%20-%20Delivering%20for%20Future%20Generations%20The%20story%20so%20far%20March%202021.pdf](http://www.business.senedd.wales/documents/s500006899/Committee%20Report%20-%20Delivering%20for%20Future%20Generations%20The%20story%20so%20far%20March%202021.pdf)

23 Letter from Deputy Minister  
[www.business.senedd.wales/documents/s114240/Letter%20from%20the%20Deputy%20Minister%20and%20Chief%20Whip%20-%2024%20March%202021.pdf](http://www.business.senedd.wales/documents/s114240/Letter%20from%20the%20Deputy%20Minister%20and%20Chief%20Whip%20-%2024%20March%202021.pdf)

24 The Minister for Social Justice wrote to the Chair of the Public Accounts and Public Administration Committee on 1 October 2021 which enclosed the Welsh Government's response to the report.

## Welsh Ministers

On 1 February 2021 the Welsh Government published its Annual Report<sup>25</sup> on the progress made towards delivering its well-being objectives. On 19 February 2021 the Deputy Minister and Chief Whip made a written statement *Shaping Wales' Future: Delivering National Well-being Milestones and National Well-being Indicators and a report on Wales' future*.<sup>26</sup> This includes a roadmap for the delivery of this work by December 2021.

In May 2020, the Welsh Government invited the public to send their thoughts on the actions needed to support post COVID-19 recovery and reconstruction. The Wales Centre for Public Policy published an analysis of these responses arranged under six thematic areas (society; economy; environment; health; social care and well-being; political engagement; and digital technology). Many proposals stressed the need to deliver on the duties of the Well-being of Future Generations Act.

In addition to hearing from people across Wales the Counsel General also convened six-round tables with leading experts from Wales and across the world. A written statement<sup>27</sup> was made on 17 June 2020, and on 6 October 2020 the Welsh Government published *Coronavirus reconstruction: challenges and priorities*.<sup>28</sup>

In recognition of a mutual problem, that of simplifying complexities in Welsh public services working together, a review of strategic partnerships was conducted with the Welsh Local Government Association and Welsh NHS Confederation. The Review of Strategic Partnerships<sup>29</sup> reported in June 2020 to the Partnership Council for Wales.

In 2020-21 the Welsh Government has continued to participate in activities as part of the Wellbeing Economy Government (WEGo) network alongside Scotland, Iceland and New Zealand.

## Civil Service

Our Welsh Government Performance Framework embeds the five ways of working as one of the key attributes to drive improvements in the effectiveness of the Welsh Civil Service. Our People Survey in 2020 indicated that there appears to be relatively high levels of initial adoption of the five ways of working. In 2021 we will be exploring this adoption further through an internal audit exercise of Departments to identify and share good practice.

25 Welsh Government Annual Report 2020 [www.webarchive.nationalarchives.gov.uk/ukgwa/20210403234342/https://gov.wales/welsh-government-annual-report-2020](http://www.webarchive.nationalarchives.gov.uk/ukgwa/20210403234342/https://gov.wales/welsh-government-annual-report-2020)

26 Shaping Wales' Future [gov.wales/written-statement-shaping-wales-future-delivering-national-well-being-milestones-and-national-well](http://gov.wales/written-statement-shaping-wales-future-delivering-national-well-being-milestones-and-national-well)

27 Written Statement [gov.wales/written-statement-our-future-wales-post-covid-19-reconstruction](http://gov.wales/written-statement-our-future-wales-post-covid-19-reconstruction)

28 Coronavirus Reconstruction: Challenges and Priorities [gov.wales/coronavirus-reconstruction-challenges-and-priorities](http://gov.wales/coronavirus-reconstruction-challenges-and-priorities)

29 Review of Strategic Partnerships [gov.wales/sites/default/files/publications/2020-07/final-report.pdf](http://gov.wales/sites/default/files/publications/2020-07/final-report.pdf)

We developed a new Policy Capability Framework which has the five ways of working at its heart. The framework and accompanying policy capability programme is designed to help us keep developing the professional skills, knowledge and behaviours that will allow the Civil Service to provide high quality advice to Ministers now and into the future.

We have expanded and strengthened our capability programme and learning offer in the first quarter 2021, launching our ‘policy pathways’ training with the five ways of working being foundational to the programme for colleagues at the beginning of their careers. This programme is set to continue with new learning opportunities rolling out throughout the year.

## Enabling Others

In January 2021, the Welsh Government established the ‘Well-being of Future Generations National Stakeholder Fora’. This aim of the group is to bring together a diverse range of stakeholders from across different sectors to support, and advise on the national implementation of the Well-being of Future Generations (Wales) Act 2015 and Sustainable Development Goals in Wales.

In March 2021, we delivered the next series of Future Generations Xchange events building on the success of the event held in Newport in January 2020. The first event brought together Public Service Boards to share practice on applying the well-being duty and included the Minister for Housing and Local Government. The second looked at *‘The well-being of the pandemic generation – youth in an age of uncertainty’* and included the First Minister, the Children’s Commissioner and Future Generations Commissioner for Wales.

Academi Wales (AW) is the centre for excellence in leadership and development for public services in Wales, and champions the One Welsh Public Service<sup>30</sup> way of working through its leadership and development offering. As One Welsh Public Service, we have a shared responsibility to help create the Wales that we want to live in both now and in the future. The One Welsh Public Service is creating a leadership culture driving improvements to deliver the Future Generations Act.

Academi Wales has adopted the WFG Act seven ways of working into the Welsh Public Service Values of Working for the Long Term, Always Growing and Improving, Working Together, Treating Everyone with Respect and Putting Citizens First. Academi Wales published their Annual Report for 2019-20<sup>31</sup> which highlights key achievements over the course of the year, and sharing details and key statistics from their flagship events.

The Welsh Government worked with the Equality and Human Rights Commission Cymru and the Future Generations Commissioner for Wales to develop *A More Equal Wales: a mapping guide*<sup>32</sup> for public bodies on how the socio-economic duty, public sector equality duties and well-being duty could be applied in an integrated way. This was published in March 2021.

30 One Welsh Public Service [www.academiwales.gov.wales/pages/one-welsh-public-service-un-gwasanaeth-cyhoeddus-cymru](http://www.academiwales.gov.wales/pages/one-welsh-public-service-un-gwasanaeth-cyhoeddus-cymru)

31 Academi Wales Annual Report for 2019-20

[www.academi-wales-team-storage.s3-eu-west-1.amazonaws.com/corporate/Annual+Report-2019-2020.pdf](http://www.academi-wales-team-storage.s3-eu-west-1.amazonaws.com/corporate/Annual+Report-2019-2020.pdf)

32 A More Equal Wales : A Mapping Guide [gov.wales/more-equal-wales-mapping-guide](http://gov.wales/more-equal-wales-mapping-guide)

A new campaign page<sup>33</sup> on the Well-being of Future Generations agenda went live in early 2021 which provides a single route to information held on the GOV.Wales website as it relates to the Well-being of Future Generation and sustainable development policy. This included an updated animation to communicate the key features of the legislation.

## Understanding Wales

Throughout 2020, the COVID-19 pandemic has touched every element of life in Wales. Our statisticians in the Welsh Government have played a considerable role in responding to the analytical demands that the pandemic has created, providing insight on NHS activity, mortality, inequality, the economy and society.

The Annual Well-being of Wales Report<sup>34</sup> was published by the Chief Statistician in December 2020 and provides an update on well-being in Wales. The report helps us assess whether we are making progress against the seven national well-being goals as well as a commentary on where we expect to see changes since the onset of the coronavirus (COVID-19) pandemic.

During 2020-21 work commenced on the development and preparation of the statutory Welsh Government report on the future.<sup>35</sup> User workshops with Public Services Boards were run in November to inform the early stages, and the initial development of this work was presented to the WFG National Stakeholder Forum. As per the written statement by the Deputy Minister and Chief Whip, this is planned for publication by December 2021.

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33 Campaign Page [gov.wales/well-being-of-future-generations-wales](http://gov.wales/well-being-of-future-generations-wales)

34 Annual Well-being of Wales Report [gov.wales/wellbeing-wales-2020](http://gov.wales/wellbeing-wales-2020)

35 Future Trends, National Indicators and National Milestones: Consolidated plan for 2021  
[gov.wales/future-trends-national-indicators-and-national-milestones-consolidated-plan-for-2021-html](http://gov.wales/future-trends-national-indicators-and-national-milestones-consolidated-plan-for-2021-html)

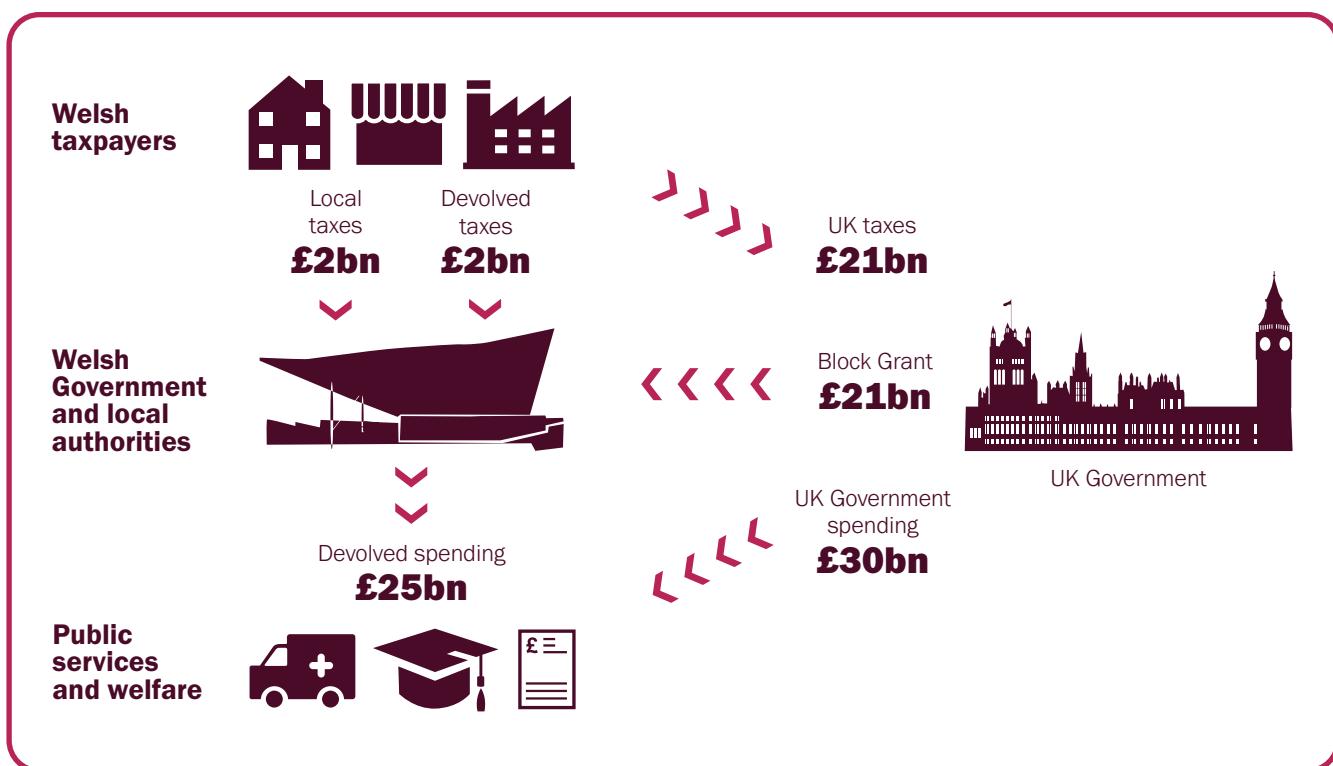
# Welsh Government Funding Flows

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 3rd Supplementary budget for 2020-21 and projects forward other taxes and spending from the 2018-19 ONS Country and Regional Public Sector Finances (CRPSF) statistics using the OBR's March 2021 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 2020-21



# Welsh Government Tax Policy, Fiscal Forecasting and Borrowing

The Welsh Government Budget provides detail on the government's financing, taxation and Main Expenditure Group (MEG) level allocations, and sets out the government's revenue and capital spending plans, including detailed portfolio spending plans. Details of the Welsh Government budgets<sup>36</sup> can be found on the Welsh Government website. The Budget is supported by the Chief Economists Report<sup>37</sup> and the Welsh Tax Policy Report<sup>38</sup> which are both available on the Welsh Government website.

The Welsh Taxes Outlook<sup>39</sup> 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 Taxes<sup>40</sup> can be found on the Welsh Government website.

## UK Contingencies Fund

During 2020-21 and as a direct result of the COVID-19 pandemic, £4.6bn of cash was advanced from the UK Contingencies Fund. The Contingencies Fund is a standard UK procedure to access cash to meet the short term need in advance of approval of the Main and Supplementary Estimate and was wholly repaid in the 2020-21 financial year. The Wales Office statutory accounts record the advance and its repayment, no additional accounting transactions are required in the Welsh Government accounts, the amounts form part of cash flows from the Welsh Consolidated Fund.

## Borrowing by Welsh Ministers

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 2020-21. At 31 March 2021, the outstanding balance is £62m.

36 Welsh Government Budgets [gov.wales/welsh-government-budgets](http://gov.wales/welsh-government-budgets)

37 Chief Economists Report 2020 [gov.wales/sites/default/files/publications/2020-12/chief-economists-report-2020.pdf](http://gov.wales/sites/default/files/publications/2020-12/chief-economists-report-2020.pdf)

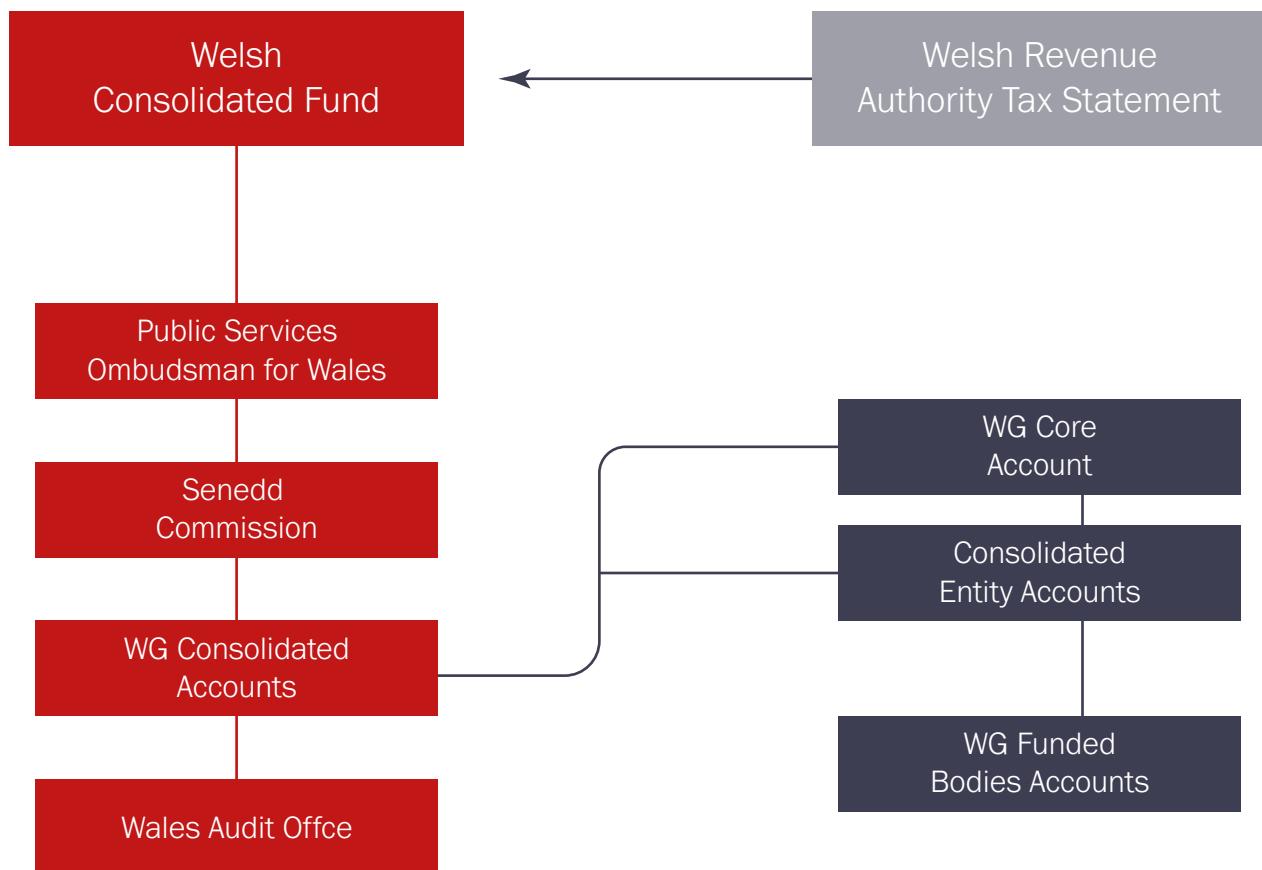
38 Tax Policy Report 2021 [gov.wales/tax-policy-report-2021](http://gov.wales/tax-policy-report-2021)

39 Welsh Taxes Outlook – December 2020 – Office for Budget Responsibility [www.obr.uk/welsh-taxes-outlook-december-2020/](http://www.obr.uk/welsh-taxes-outlook-december-2020/)

40 Welsh Taxes [gov.wales/welsh-taxes](http://gov.wales/welsh-taxes)

# Welsh Government Consolidated Accounts Context

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



## The Welsh Consolidated Fund Account

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

## The Welsh Revenue Authority Tax Statement

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

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

- The Public Services Ombudsman for Wales<sup>42</sup>
- The Senedd Commission<sup>43</sup>
- The Welsh Government Consolidated Accounts
- The Wales Audit Office<sup>44</sup>

## The Welsh Government Consolidated Accounts & Accounting Boundary

The Welsh Ministers are required to prepare accounts under S131 Government of Wales Act 2006, the Permanent Secretary as Principal Accounting Officer for the Welsh Ministers has responsibility for the preparation and signing of the accounts. These accounts reflect the consolidated assets and liabilities, and the results of entities within the Welsh Government consolidation accounting boundary. The accounting boundary is similar to the concept of a group for corporate accounting, but is based on control criteria for the public sector. Further information on the accounting boundary is contained in the Financial Statements and Note 1.2 to the accounts.

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

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

<sup>41</sup> Welsh Revenue Authority Annual Reports and Accounts [gov.wales/welsh-revenue-authority-annual-reports-and-accounts](http://gov.wales/welsh-revenue-authority-annual-reports-and-accounts)

<sup>42</sup> Ombudsman Annual Report Accounts [www.ombudsman.wales/annual-report-accounts/](http://www.ombudsman.wales/annual-report-accounts/)

<sup>43</sup> Senedd Commission [www.business.senedd.wales/mglIssueHistoryHome.aspx?lId=2850](http://www.business.senedd.wales/mglIssueHistoryHome.aspx?lId=2850)

<sup>44</sup> Wales Audit Office Annual Report and Accounts [www.audit.wales/publication/annual-report-and-accounts-2019-20](http://www.audit.wales/publication/annual-report-and-accounts-2019-20)

## Welsh Government Group

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

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

During the year, 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 have not been included in the 2020-21 consolidated accounts as they do not meet the requirements of the accounting boundary.

ONS classification of both entities is expected in the 2021-22 financial year which will further determine whether these entities are consolidated in the Welsh Government Group in future. The cost of funding the Wales and Borders service is included within these accounts as part of the expenditure of Transport for Wales.

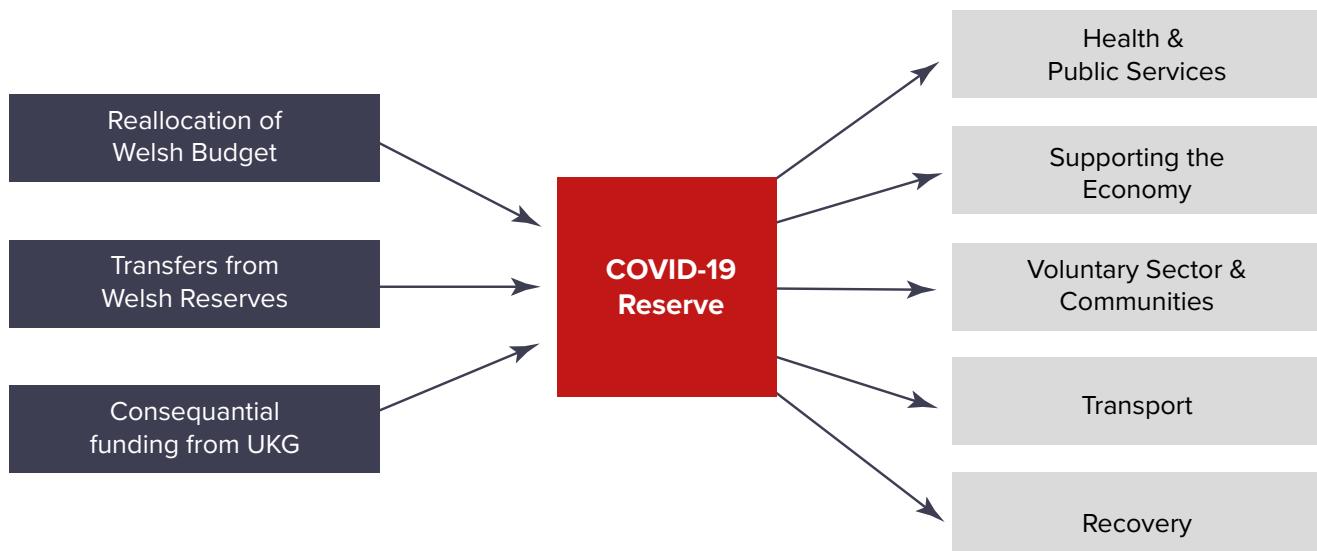
# COVID-19 Expenditure

Responding to the COVID-19 crisis placed unprecedented pressure on the Welsh Government's budget for 2020-21. To maximise the impact of available resources to respond to COVID-19, a COVID-19 reserve was created from reallocation of Welsh Government Budgets, transfers from reserves and UK government consequential funding.

A 'Star Chamber' was established by the First Minister to oversee and coordinate the Welsh Government's overall fiscal response to the crisis. The group acted in an advisory capacity to the Minister for Finance and Trefnydd in relation to the deployment of available resources held centrally to address the challenges of the COVID-19 crisis and comprised Ministers, officials and an independent member, supported by Strategic Budgeting officials. The frequency of meetings varied in response to need from daily to weekly.

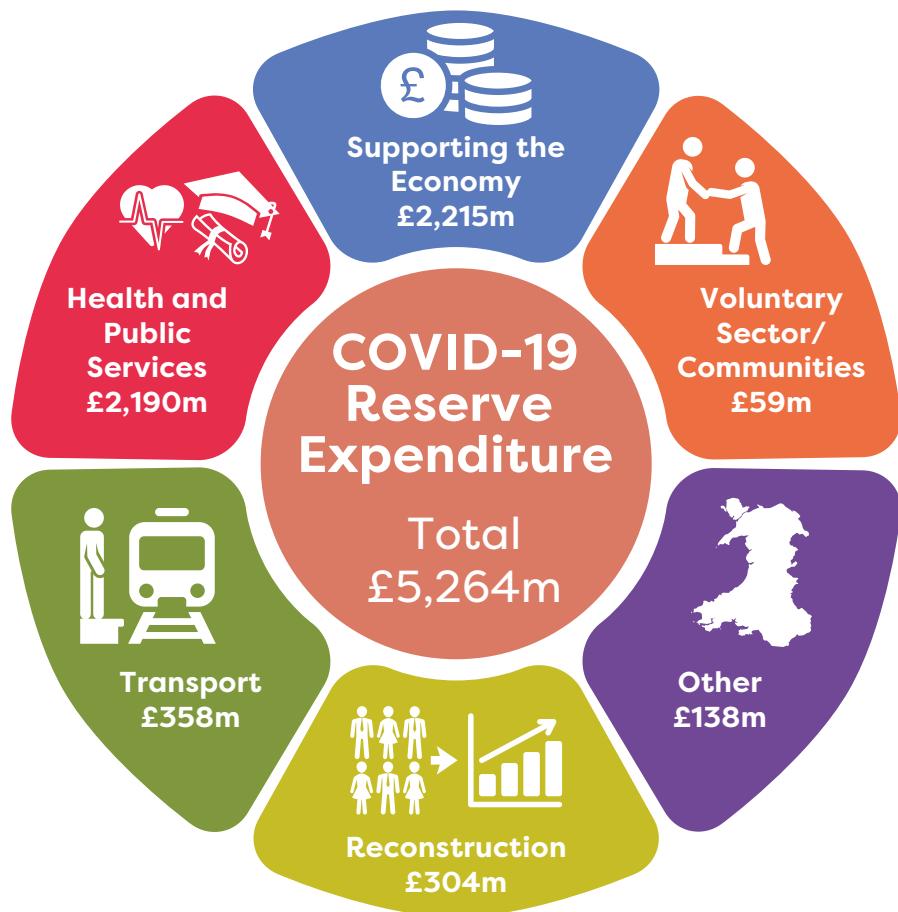
From very early on in the pandemic, a dashboard approach was developed by Strategic Budgeting to provide regular updates to the Cabinet, Board and finance officials across Welsh Government.

This has proved an effective tool throughout for providing an overview of Welsh Government COVID-19 funding allocations. The basic structure follows the outline below:



The dashboard was an integral part of the weekly meetings of finance officials from across Welsh Government with central finance and strategic budgeting known as 'Finance Birdtables' to ensure regular engagement and communication of funding requirements, allocations and emerging financial matters relating to the COVID-19 pandemic.

Public funds have been spent on COVID-19 in a number of different ways:



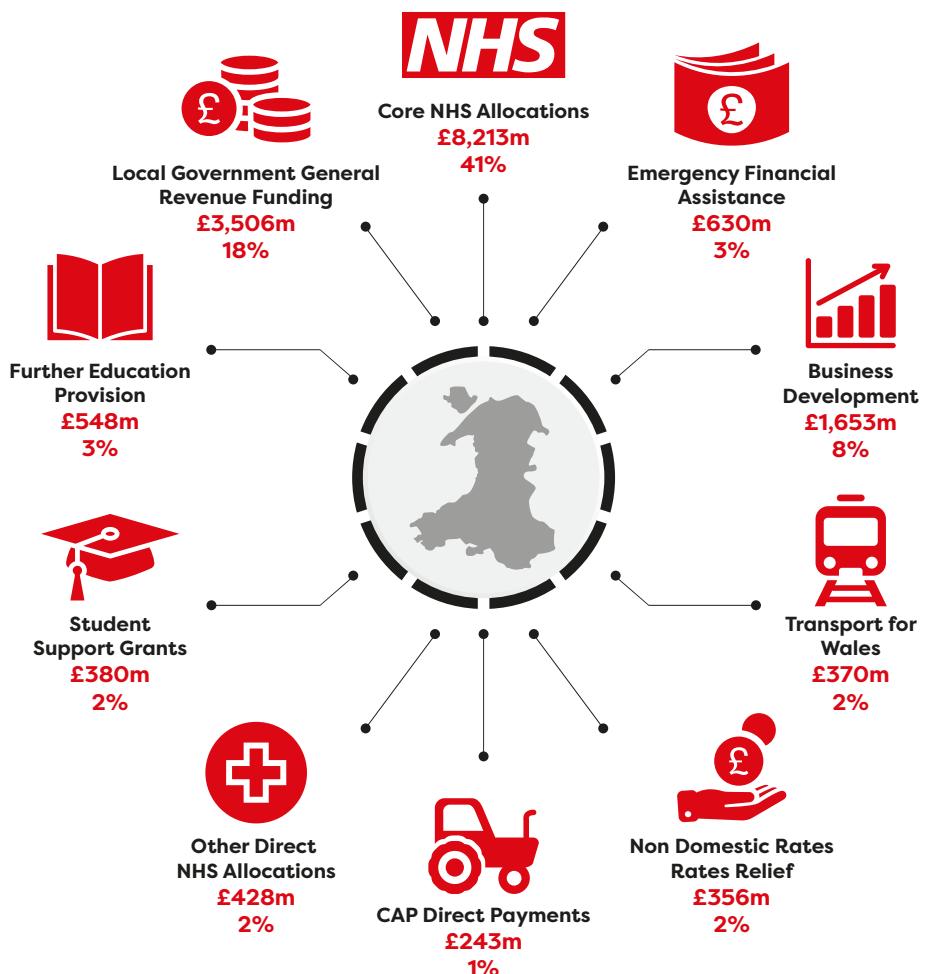
Expenditure includes:

- Grant payments by the Welsh Government directly to qualifying recipients – such as businesses in receipt of the Economic Resilience Fund or grants to third sector organisations;
- Grant payments to delivery partners to pay qualifying recipients via:
  - Grants** – such as grants to the arts via the Arts Council for Wales
  - Loans** – such as business loans provided via the DBW
- Direct payments** – such as self-isolation payments via the Local Authorities;
- Payments to suppliers following a procurement – such as the two suppliers contracted to deliver food boxes to shielding patients;
- Additional funding for delivery partners to support them to respond to COVID-19 or to deliver Welsh Government outcomes – such as the administrative fee paid to Local Authorities for each self-isolation payment made or the extra funding to Health Boards for additional bed capacity.

# Welsh Government Top Areas of Spend

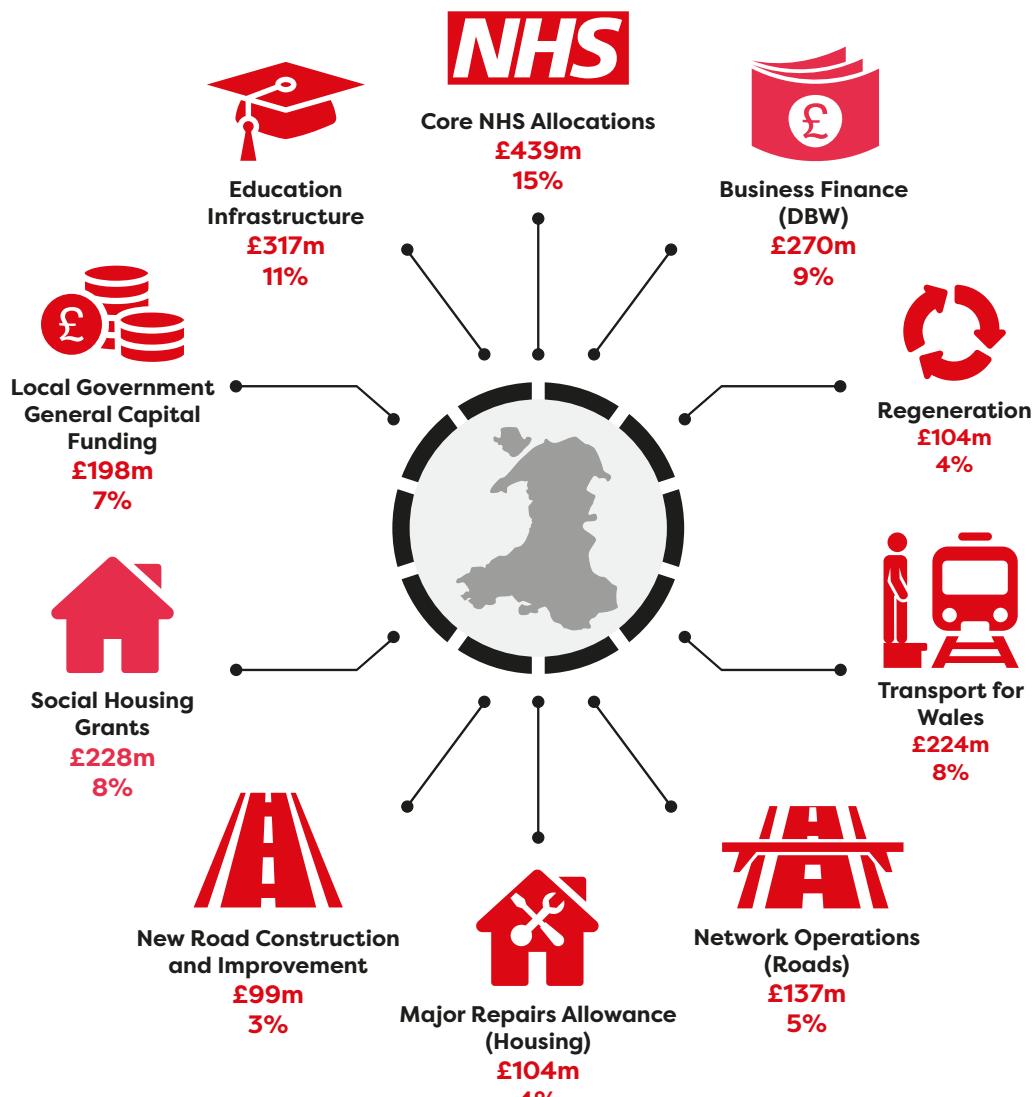
The following infographics show the top 10 areas of revenue and capital spend for the Welsh Government in 2020-21. The analysis is by Budget Expenditure Line, as used in the Main Expenditure Group tables accompanying the Budget Motion.

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



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

**New to the top 10 revenue this year are:****• Business Development**

This includes COVID-19 support for business grants.

**• Emergency Financial Assistance**

This includes support for local authorities in meeting the additional costs and loss of income experienced from responding to the pandemic. Key areas of support for additional costs are social care (adult and children), waste disposal, free school meals, education, PPE and cleaning. Key areas of support for lost income are parking, rents, catering, leisure and culture.

**• Non Domestic Rates – Rates Relief**

Part of the package of measures to support businesses in dealing with COVID-19, all non-domestic properties in the retail, leisure and hospitality sector with a rateable value of up to £500,000 received 100% relief. Further rates relief was also available for eligible properties in the leisure and hospitality sectors with a rateable value over £500,000.

**New to the top 10 capital this year are:****• Business Finance (FW) Funds**

This is an investment made to put the Development Bank of Wales in funds for medium term financial investment in the Welsh business sector.

**• New Road Construction and improvement**

This was known as the National Transport Infrastructure last year and has been renamed.

## Annually Managed Expenditure

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

# Administering Grant Funding

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

The Welsh Government's definition of a grant is "all non-procured payments to external bodies or individuals for activities which are linked to delivering Welsh Government policy objectives or statutory obligations".

The Welsh Government has approximately 400 active grant schemes in place and issues circa 11,000 award letters each year (excluding COVID-19 grants).

Grants are divided into two distinct categories:

1. Unhypothecated grants include those payments provided to health bodies and local government and account for £13.7bn of the £21.2bn total paid in grants for 2020-21.
2. Hypothecated grants represent payments where there are specific deliverables and criteria surrounding the purpose of the grants and account for the remaining £7.5bn of funding.

## Grants Centre of Excellence Background

The Grants Centre of Excellence (GCoE) has continued to support staff across the Welsh Government throughout 2020-21 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 state aid, 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 duplication of funding and insurance claims in light of COVID-19. These clauses extend the circumstances whereby the Welsh Government can suspend, withdraw and reclaim funding should it become necessary.

Due to EU exit 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.

An early lesson learned from the COVID-19 pandemic is that the GCoE needs to consider alternatives to the traditional classroom approach for training delivery. Prior to COVID-19, the GCoE had commenced classroom training to support the roll out of a second signature for award letters but this had to be put on hold.

The team is already working on options for converting existing material into computer based training (CBT) and will be one of the areas they will develop in the coming months. The GCoE continues to provide bespoke training and awareness sessions to teams across the Welsh Government highlighting the importance of good grant management, and whilst traditionally these would be held in a face to face environment the team are now delivering these virtually.

## **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 hypothesised 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. The panel was initially reviewed in January 2019 a few months after implementation, and the GCoE are currently in the middle of a further review to see if any additional improvements can be made.

Whilst the review is still ongoing initial feedback is favourable and once the review has concluded the team will assess any recommendations with a view to implement them over the coming months. Recommendations so far include a refresh to the panel guidance with some further detail available to grant managers ahead of panel meetings.

## **The Central Due Diligence Team**

The Central Due Diligence Team was introduced in April 2019 and reports to the Head of the GCoE. The team have developed systems and processes to enable them to provide grant managers with corporate due diligence and governance checks on organisations that the Welsh Government is funding or considering funding. The aim is to improve consistency, reduce duplication and deliver greater support to grant managers at the appraisal stage of the grants process. Project due diligence; outcomes, organisation 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.

By the end of March 2021 the team have undertaken over 850 assessments. As part of their work the team commissioned IT system changes to the Due Diligence Hub allowing the assessments to not only be available to the Grant Manager but also to teams and departments across Welsh Government. The team also works closely with colleagues in Internal Audit, Counter Fraud and Corporate Governance Centre of Excellence to ensure any lessons learned can be built into their processes.

During the COVID-19 pandemic the team adapted their processes to reflect the large volume of new schemes and pace at which some decisions were being made. They have been able to provide bespoke guidance on specific issues and are supporting more retrospective checks.

As part of their ongoing work the Central Due Diligence Team has also engaged with UK Cabinet Office and has helped pilot and provide feedback on a due diligence tool that the Cabinet Office have been developing. Spotlight is an automated risk tool, capable of completing initial due diligence checks on large volumes of grant recipients, and providing a risked output. The Central Due Diligence Team has worked closely with Cabinet Office colleagues over the last year to provide feedback on the functionality and user testing of Spotlight. Although the initial tool has now been released, further development is ongoing.

Another data matching tool that the team has piloted which was also developed by UK Cabinet Office in partnership with Experian specifically for COVID-19 related funding, is a Bank Account Verification and Active Company check. The tool is used to verify:

- The status and validity of bank accounts of limited companies, sole traders and charities (using data from nine major UK banks); and
- Whether a company exists and is actively trading (using data from Companies House/credit data agreements).

The Central Due Diligence Team piloted 300 organisations using this tool to assess its suitability for Welsh Government Grants. However, it was identified that in its current form there are some drawbacks concerning user friendliness and inconclusive data matching, largely due to the tool being developed quickly in response to COVID-19 with little early user-testing. Nevertheless, the tool has potential and the team will continue to liaise with the Cabinet Office as they develop a second more robust and secure version.

## Grants Centre of Excellence – Responding to COVID-19

In March 2020, the GCoE started to receive a large number of queries from grant managers in respect of concerns from external organisations struggling to meet the terms and conditions of Welsh Government grants. A cross departmental meeting was held with a number of grant managers, legal services and operations teams to discuss concerns and common issues.

This enabled the GCoE to compile guidance that specifically addressed COVID-19 related queries including when existing terms and conditions should be varied and what actions should be considered should it become apparent to grant managers that grant recipients were unable to meet current conditions.

Other topics covered in the guidance included legal status of award letters, how to deal with changes in targets, changing funding profiles, due diligence, Local Authority Funding and the Job Retention Scheme.

The guidance was widely disseminated across the Welsh Government and although primarily aimed at helping and supporting grant managers it also enabled the Welsh Government to provide a consistent approach when dealing with queries from external organisations. The guidance has been revised a number of times as new issues have emerged such as changes and extensions to furloughing arrangements.

GCoE has also been engaged in addressing issues in relation to the potential for double funding against Welsh Government grants and other sources of funding. Guidance has been developed and a draft letter provided for grant managers to issue to private and third sector organisations. This letter stressed that claiming double funding for the same projects from multiple funding sources is prohibited and will not be tolerated. Furthermore, it was stressed that where cases are identified recovery action will be taken.

Following further feedback from grant managers on the issue of duplication of funding the GCoE developed an Assurance Statement to allow organisations an opportunity to declare any double funding or erroneous claims. This also enabled the Welsh Government to again emphasise to all grant recipients that monitoring and post assurance checks would be undertaken and that where appropriate this would include data matching exercises with other public sector organisations conducted under the auspices of the National Fraud Initiative.

Post assurance and retrospective checking against COVID-19 related work will be ongoing for quite some time and the GCoE will continue to work with colleagues in Internal Audit, Counter Fraud and support grant managers as this work develops. This will include liaising with other government departments, Public Sector bodies and Audit Wales.

## Grant Funding from the Welsh Government

The data for 2020-21 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**

	2018-19 £bn	2019-20 £bn	2020-21 £bn
Grant provided (£bn)	14.9	16.4	21.2

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

Hypothecated Grant Funding	2018-19 £m	2019-20 £m	2020-21 £m
Local Authorities	1,335	1,468	2,625
NHS	17	80	86
Central Government & Public Corporations	181	809	794
Welsh Government Sponsored Bodies	62	59	115
Funding to Education	458	506	600
Private Sector	555	441	2,827
Third Sector	337	340	471

# Welsh European Funding Office

## Update on the Progress on the Delivery of EU Structural Funds Programmes in Wales – 2020-21

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 31st 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 31st December 2023 will be eligible for EU support, with final project expenditure being reimbursed during the 2024-2025 financial year.

WEFO has committed 98% of the EU Structural Funds allocation for 2014-2020, investing over £2.1bn, driving a total investment of over £4bn (at the 31st March 2021) 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 some 21,600 jobs and over 3,900 new businesses. In addition, over 15,000 businesses have been supported, some 27,600 people have been helped into work, and over 118,200 qualifications have been achieved.

### Tables 1-4 illustrate:

- WEFO's progress with committing the grant available under the Structural Funds it delivers in Wales, as at 31st March 2021 – 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 2020 to March 2021 – Table 4.

**Table 1: Approvals by Programme**

Hypothesized Funding (£m)	West Wales ERDF £m	East Wales ERDF £m	West Wales ESF £m	East Wales ESF £m	TOTAL
Allocation	1,088	181	716	182	2,167
Grant Value	1,089	186	703	150	2,128
Number of Operations	109	40	70	44	263
% Approved	100%	103%	98%	82%	98%

Ireland/Wales	€m
Allocation	79
Grant Value	77
Number of Operations	21
% Approved	97%

**Table 2: Approved EU Funded Projects as at 31st March 2021**

	Number of Projects approved	Total Investment		EU Grant	
		Amount £m	Share	Amount £m	Share
Welsh Government	76*	2,293	57%	1,103	52%
Third Sector	30	157	4%	113	5%
HE/FE	78	616	16%	376	18%
Private Sector	19	563	14%	297	14%
Local Government	60	367	9%	239	11%
<b>Grand Total</b>	<b>263</b>	<b>3,996</b>	<b>100%</b>	<b>2,128</b>	<b>100%</b>

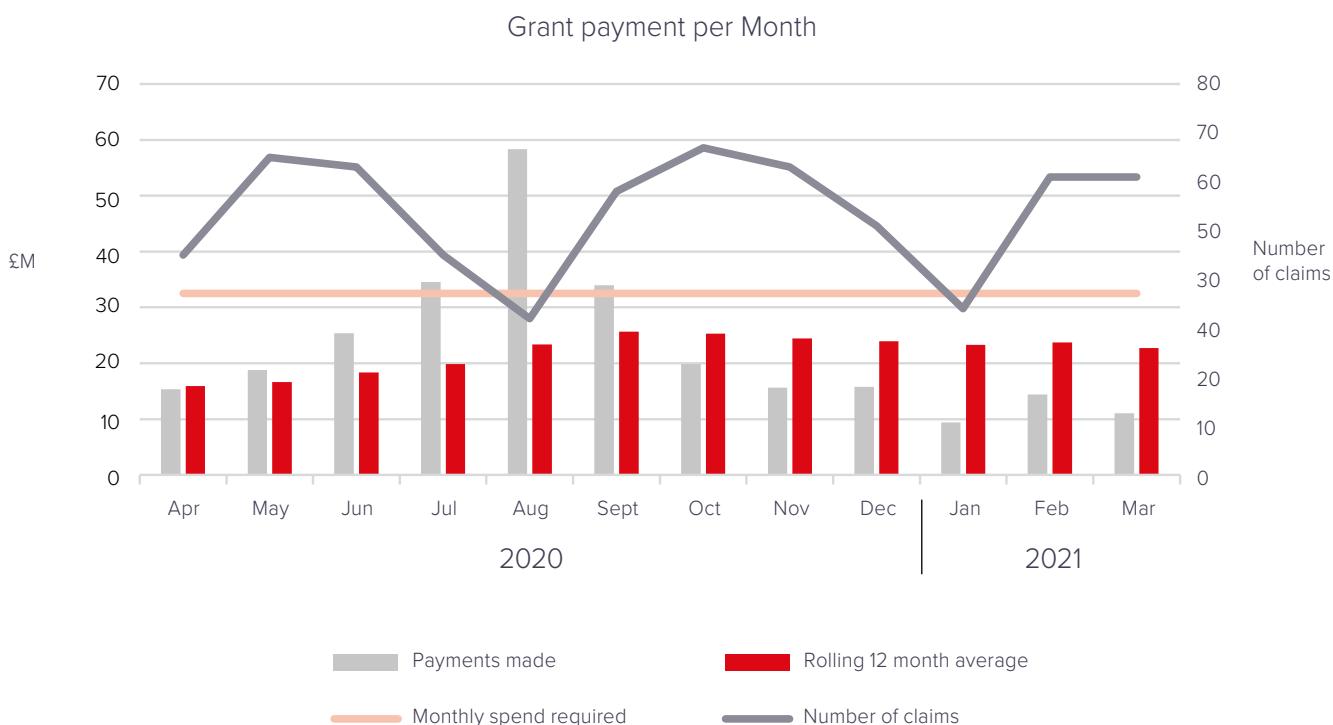
\* Figure includes 7 projects relating to AGSB's, Government Agencies and Other Public Bodies.

**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	1,097	895	202	497	372	125
Third Sector	103	91	11	69	66	3
HE/FE	420	374	46	257	226	32
Private Sector	434	397	37	227	204	23
Local Government	194	172	22	126	111	15
<b>Grand Total</b>	<b>2,247</b>	<b>1,929</b>	<b>318</b>	<b>1,176</b>	<b>978</b>	<b>198</b>

**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 £2.2bn in the current programmes, which have £1.09bn of EU Structural Funds.

	Total cost	EU contribution
Economy Skills and Natural Resources	£1,995,876,039	£946,704,435
Education and Public Services	£232,165,811	£118,343,769
Health and Social Services	£37,222,027	£25,915,836
	<b>£2,265,263,877</b>	<b>£1,090,964,040</b>

Welsh Government projects come to a close at different points in time between now and the end of 2023.

WEFO continues to work with all beneficiaries to maintain their planned delivery profiles, submit claims promptly, and declare all of their expenditure. WEFO are working with ESNR finance colleagues to establish the reasons for the slow claiming of EU funds and to establish how WEFO can assist beneficiaries to ensure projects are successfully delivered before the end of the programmes.

## 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 will 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 up to £245m 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, in particular to support the recruitment of additional medical staff and purchases of PPE.

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

# Managing our Legislative Programme

The effective management of work on the Welsh Government's legislative activities remains a key priority. In the past year, the government's scheduled programme of domestic legislation has had to be balanced with the urgent need to make subordinate legislation to respond to the COVID-19 pandemic as well as subordinate legislation necessary to facilitate EU exit. The legislative programme has been one of the many areas where the pandemic in particular has had a very significant impact.

## Primary Legislation

The need to respond to the pandemic led the government to review its activity on primary and subordinate legislation. The First Minister made a Statement on 15 July 2020 setting out that the Government would focus its available resources on its key legislative priorities.

As a result, three major Bills were not pursued to a conclusion during the Fifth Senedd term: the Bus Services (Wales) Bill, which had been introduced, was withdrawn, and both the Tertiary Education and Research (Wales) Bill and the Social Partnership and Public Procurement (Wales) Bill were published and consulted on in draft. Notwithstanding these unprecedented challenges, in 2020-21 six Welsh Government proposed Bills were passed by the Senedd:

## Health and Social Care (Quality and Engagement) (Wales) Act 2020

The Act places a duty on NHS bodies and Ministers relating to improvement in the quality of health services; it places a duty on NHS bodies and primary care services to be open and honest with patients, when something may have gone wrong with their care; it creates a new Citizen Voice Body; and it makes changes related to NHS Trust vice chair appointments.

## Wild Animals and Circuses (Wales) Act 2020

The Act makes it an offence to use wild animals in travelling circuses; and makes miscellaneous changes to the licensing of circuses and dangerous wild animals.

## **Local Government and Elections (Wales) Act 2021**

The Act makes reforms to local government and changes electoral arrangements.

## **The Welsh Elections (Coronavirus) Act 2021**

The Act makes provision to respond to the potential risks to the ordinary general election for membership of the Senedd arising from the COVID-19 pandemic, with the objective of ensuring the election can be administered and proceed safely and that the electorate can participate and vote.

## **Renting Homes (Amendment) (Wales) Act 2021**

The Act makes changes to the security of occupation for people who rent their homes in Wales by amending the Renting Homes (Wales) Act 2016, and also amends the Renting Homes (Fees etc.) (Wales) Act 2019.

## **Curriculum and Assessment (Wales) Act 2021**

The Act creates new curriculum requirements for all learners aged 3 to 16 in maintained schools, maintained or funded non-maintained nursery education, and some other local authority commissioned settings including Pupil Referral Units. These will replace the current national curriculum and basic curriculum.

## **Subordinate Legislation**

An extensive amount of Welsh subordinate legislation has been prepared and made during this period, particularly in response to the pandemic and to prepare for the end of the EU transition period. This required a major reprioritisation of the government's programme of subordinate legislation with priority given to subordinate legislation necessary to react to and assist recovery from the pandemic, facilitate EU exit and those items that were essential for legal or other unavoidable reasons. Any remaining resource was then focused on delivering other key priorities.

## **COVID-19 Related Subordinate Legislation**

During the period covered by these accounts Welsh Ministers have made nearly 200 items of subordinate legislation in response to the pandemic.

## EU Exit Related Subordinate Legislation

By the end of the transition period on 31 December, Welsh Ministers had given consent to a total of 213 UK EU exit Statutory Instruments (SIs) (to make corrections to retained EU law to ensure an operable statute book and to implement the Withdrawal Agreement and related agreements), including 55 during the transition period.

A total of 71 Welsh EU exit SIs (again in order to ensure a functioning statute book and to implement the Withdrawal Agreement and related agreements) have been made by Welsh Ministers since the programme started in 2018, of which 20 were made during the transition period.

Consent has been given to 18 UK EU Exit SIs, deemed to be not required by the end of the transition period, in early 2021 and a further 9 SIs relating to EU exit have been made by Welsh Ministers.

## UK Legislation

The Welsh Government also responded to UK Parliamentary Bills where these made provision in devolved areas and prepared Legislative Consent Memoranda for these Bills.

# Our Future Workforce, Workplace and Digital Strategies



The on-set of the COVID-19 pandemic saw the Welsh Government move from being a predominantly office-based organisation to one which had to find new ways of working, almost overnight. We have learned a huge amount from our experiences over the past year and we want to use that experience to maintain the benefits that we have seen from remote working, including the reduction in our environmental footprint, and address some of the less positive impacts.

The Permanent Secretary and senior team have commissioned work on three inter-connected strategies to help the Welsh Government Civil Service prepare for the years ahead. The Future Workforce, Workplace and Digital Strategies (and the action plans that will accompany them) will set out how the Welsh Government will develop our people, design our places and invest in tools that will support us as a high-performing, diverse and inclusive organisation that is an exemplar within a 'One Wales' public service.

To inform the development of the three strategies we have run an organisational-wide engagement exercise to understand more about our employees' experiences throughout the pandemic, how we can build on the benefits of remote working and learn from what's been challenging.

Using this insight, we have developed a set of early high level principles to shape the Future Workforce Strategy:

## Our Values

- We will build an inclusive culture which values strength in difference; where everyone is treated with dignity and respect and where the Welsh language is considered an asset. The vision, strategy and delivery plan for our Equality, Diversity & Inclusive Strategy 2021-2026 will be reflected throughout our Future Workforce Strategy to make sure racism or discrimination of any kind has no place and which we can genuinely describe as anti-racist. We will undertake an equality impact assessment of the strategy and delivery plan.
- We will embrace the standards of behaviour expected of all civil servants; setting high expectations for the performance, behaviour and delivery of the Welsh Civil Service, including the essential role of our leaders and managers to enable delivery and recognise excellence.
- Our future workforce will be shaped through open, transparent and continued engagement with staff to reflect the diverse experiences and needs of our workforce. We will adopt a 'digital first' approach to involve, communicate and share information with our workforce on future ways of working.
- We will work in partnership with our Trade Union colleagues to develop the future direction for our workforce strategy and formally consult on our policies, practices and new ways of working.

## Next steps

The past year has been extremely challenging with many colleagues juggling demanding jobs with caring responsibilities, struggling to find the space to work comfortably from home or for some, dealing with isolation, severe illness or, sadly, the loss of loved ones. As we develop our Future Workforce, Workplace & Digital Strategies we will continue to prioritise the health, safety and well-being of our workforce; taking action to address the impact of our new ways of working on the physical and mental health of our workforce, learning from what has been challenging and building on what has been beneficial.

Understanding our individual and collective experience will be vital in helping us 're-set' our organisation to best support Ministers in grasping the environmental, societal and economic opportunities and challenges of a post-pandemic, post EU Wales.

## Future Workplace Strategy

Looking beyond the COVID-19 recovery phase the Welsh Government is re-evaluating its organisational model and long-term strategy for its future ways of working and future of its administrative office estate.

A new Future Workplace Strategy is in development. It will comprise a flexible high-level framework and new path forward with which to shape our future workplace plans for the next ten years, reflecting a different, improved multi-locational approach to working and conducting our business. It does not sit alone but is one of three new complementary organisational strategies (including workforce and digital) also under development.

These new strategies will form the central planks of a new operating model, embedding a permanent change in working patterns with more staff expected to work remotely. There is also a direct correlation with the Welsh Government's wider aims to embed remote working across all sectors of Wales.

The strategy covers the Welsh Government's ambitions for multi-location flexible working, decarbonisation, alignment with wider economic regeneration objectives including 'Town Centre First' principles and collaborative opportunities for sharing space with other public sector, as well as the re-purposing of our offices to match new ways of working. The size, shape and location of our estate will be primary considerations going forward and efficiency, performance and affordability of our asset remain over-arching aims.

## Future Digital Strategy

The Welsh Government has recently published the Digital Strategy for Wales which sets out the vision for wanting people in Wales to experience modern, efficient and streamlined public services and at the same time stimulate innovation in our economy and support outcomes today and for future generations.

The Future Digital strategy focuses internally on the Welsh Government's own digital transformation ambitions. Along with the Future Workforce and Future Workplace Strategies, it is aimed at transforming the Welsh Government into an exemplar organisation.

The Future Digital Vision has 7 key digital principles and 4 principles which support the Future Workforce and Future Workplace Strategies. These include principles around user-centred design and 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. The framework through which this will be delivered is in development.

Remote working during the pandemic has raised the expectations of staff to access modern digital tools which support them in doing their job. In addition we want to deliver integrated digital services which enable efficiencies in the way we work as an organisation.

The Strategy builds on the success of the Future ICT programme and will deliver robust and high quality Digital services to staff, supported by greater capacity for in-house application development and management.

# Decarbonisation



In March 2021 the Senedd agreed to update Wales's emissions reduction pathway to 2050. The new targets and carbon budgets are in line with recommendations from the Climate Change Committee (CCC):

- Carbon Budget 2 (2021-25): average 37% average reduction
- Carbon Budget 3 (2026-30): average 58% average reduction
- 2030: 63% reduction
- 2040: 89% reduction
- 2050: at least 100% reduction ('net zero').

In December 2020 the CCC published a report assessing progress in reducing Welsh emissions.

They concluded that "Wales is on track to meet its 2020 target (a 27% reduction on 1990 levels) and the First Carbon Budget (23% average reduction on 1990 levels across 2016-2020).

Welsh Government has continued to develop Wales's next statutory decarbonisation plan, due for publication in November 2021 to coincide with the United Nations Climate Change Conference (COP 26) to be held in Glasgow from 31st October until 12th November. The plan will describe long-standing and more recently implemented policies, such as the Wales Transport Strategy and the Optimised Retrofit Programme, which will collectively enable Wales to meet Carbon Budget 2 (2021-25). The plan will also include proposed policies and actions for the longer term. To inform the plan Welsh Government hosted Wales Climate Week in November 2020, a virtual conference that attracted over two thousand people to hear from eighty speakers.

This however, will not just be a Welsh Government document. It will be an 'All Wales Plan', reflecting the need for an approach in which government stimulus works alongside concerted action across the public sector, across our economy and throughout our communities.

Recognising the need for a whole Welsh Government approach, we have drawn together and integrated work from across all government departments, with, for example, new policy being developed to drive decarbonisation in industry (UK Emissions Trading Scheme), health (NHS Wales Decarbonisation Strategic Delivery Plan), transport (Wales Transport Strategy) and housing (Optimised Retrofit Programme).

As well as reducing emissions, we also need to build resilience to the impacts of climate change.

In November 2019, we published our climate change adaptation plan, *Prosperity for All: A Climate Conscious Wales*.<sup>45</sup> Since publishing, we have been delivering the key actions described in the plan, informed by a Monitoring and Evaluation Framework (MEF).

In the summer of 2021, the Welsh Government will receive further advice from the CCC in the form of the third Climate Change Risk Assessment, which will respond to the latest evidence of current and future threats related to the climate change we will see as a result of past emissions. Welsh Government will assess the advice and respond accordingly.

In 2020-21 we allocated £140m of capital funding to directly help combat the climate emergency.

These investments were to deliver, for example, electric vehicle infrastructure, active travel, nature-based solutions and a continuation of the Innovative Housing Programme.

Welsh Government also made significant additional investment in other projects which, whilst not solely addressing decarbonisation, will have a substantial impact. This included increases to the level of Social Housing Grant available and investment in our Economic Action Plan, where driving sustainable growth and combating climate change is one of the key "calls to action" for private businesses to access the Economy Futures Fund.

The Budget Improvement Plan developed in 2020-21 and published alongside the Draft Budget 2021-22 sets out planned improvements to budget and tax processes to maximise the impacts of our investments, including preparations that are underway to develop the successor to the current ten-year Wales Infrastructure Investment Plan. The new infrastructure investment strategy will set the framework for Welsh Government investment in infrastructure and will be designed around the four well-being themes of economic, environmental, social and cultural well-being. At its heart will be the Welsh Government's response to the climate emergency, including the commitment to Net Zero and tackling the decline in biodiversity.

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45 Prosperity for All: A Climate Conscious Wales  
[gov.wales/sites/default/files/publications/2019-11/prosperity-for-all-a-climate-conscious-wales\\_0.pdf](http://gov.wales/sites/default/files/publications/2019-11/prosperity-for-all-a-climate-conscious-wales_0.pdf)

## Case Study

### Beyond Recycling – A Circular Economy Strategy

There has been a strong emphasis on continuous engagement and co-production in the development and delivery of the Circular Economy Strategy.

The Strategy is a long-term plan containing actions to improve economic, social and environmental outcomes. It has been co-produced in partnership – through genuine collaboration with citizens and stakeholders. The consultation was conducted at an early stage of strategy development and ideas were sought rather than views on a final product. Over 40 events were held across Wales with many taking place in communities and schools at times and locations convenient for attendees.

To support access, documentation was short and an easy-read version and one-page summary were also published. A presentation with notes was published to support independent engagement.

After publishing a consultation summary, we continued our engagement online as we prepared the final document. This meant running or participating in webinars and workshops with experts and delivery partners to develop final actions.

The Beyond Recycling Strategy was published alongside an easy-read version and a number of impact assessments including a Well-being Goals Assessment setting out how we will work to maximise the Strategy's contribution towards the Goals. We also committed to continue the engagement as part of delivery.

# Sustainability

## Protecting Our Environment

Due to the COVID-19 pandemic, offices were either closed or partially closed with majority of staff working from home or blended working. This resulted in a huge reduction of staff attending sites, which has had a profound effect on utility consumption and waste produced:

### Energy

- Reduction in gross percentage CO<sub>2</sub>e emissions by 8.1% over previous year.
- Reduction in Electricity consumption by 25% over previous year.
- Increase in Gas consumption by 51% over previous year.

The considerable spike in gas consumption is explained by the need to introduce new operating parameters for air conditioning systems to allow for full fresh air supply, avoiding recirculation of air while ensuring, in so far as possible, that thermal comfort is not compromised. The Welsh Government is continuing to follow industry guidance on the safe operation of its building systems during the pandemic.

### Waste

- Reduction in Waste Total (Domestic) from 284 tonnes to 50 tonnes (82% reduction) over previous year.
- Waste to Landfill reduced by 2 tonne but in percentage terms increased to 2% of the total – double the previous year.
- Reduction in Recycling (which includes Anaerobic Digestion/Food Composting) from 233 tonnes to 34 tonnes from previous year – an 85% reduction.
- Although Waste to Energy (WTE) reduced by 32 tonnes over previous year it's percentage increased by 12%.

The reduction in recycling and increase in WTE and Landfill was caused by the increase in medical and contaminated waste such as masks, gloves, antibacterial cloths (none of which are recyclable) and other contaminated waste streams due to COVID-19 restrictions.

## Water

The reduction in m<sup>3</sup>/per person consumed was noted as offices saw fewer staff and contractors on site and closure of some offices. The calculation is based on expected staff usage not actuals.

Details of greenhouse gas emissions (GHG), waste produced and water consumption on the administrative estate are shown below:

GHG	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Total gross Emissions (tonnes CO <sub>2</sub> e)	8.4	6.9	6.3	5.4	4.2	3.7	3.4
Total Gross Emissions Scope 1 Gas (tonnes CO <sub>2</sub> e)	1.3	1.1	1.1	1.1	1.0	1.0	1.6
Total Gross Emissions Scope 2 Electricity (tonnes CO <sub>2</sub> e)	7.1	5.8	5.2	4.3	3.2	2.6	1.8
Electricity gwh	13.4	11.8	11.6	11.2	10.5	10.3	8.1
Gas gwh	7.1	5.8	5.8	6	5.7	5.8	8.8
Expenditure on Energy (£M)	2.1	2.1	2.1	2.0	2.1	2.1	2.5
CRC Allowances	0.16	0.27	0.1	0.1	0	0	0

Waste (tonne)	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Total waste	500	498	563	350	372	284	50
Landfill	127	112	104	41	3	3.8	1.1
Waste to Energy					41	47	15
Reused / Recycled	314	322	396	222	245	150	24
AD Food	59	64	63	87	83	83	10

Waste %	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Landfill	25.4%	22%	18%	12%	0.8%	1%	2%
Waste to Energy					12%	17%	29%
Reused/ Recycled	62.8%	64%	70%	63%	66%	53%	49%
AD Food	11%	12%	11%	25%	22%	29%	20%

Water	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
(m <sup>3</sup> per person/year)	8	8	7.1	6.3	6.2	5.6	2.1

Although COVID-19 had an inevitable impact on how we use of our office space, in March 2021 we created a Living Wall at our office at Picton Terrace, Carmarthen. This was based on a Trellis with Tray system with cables supporting climbing plants/vines planted at the base of the frame.

The wall will be maintained naturally with rain water and only native plants were used. Living Walls enhance biodiversity by removing air pollutants, attenuating rain water, reducing noise and improve sense of well-being. Other similar structures are currently being considered at other Welsh Government sites.

# Digital Agenda



The year 2020-21 has been an exceptionally busy year for digital, with various aspects of digital transformation being progressed to meet customer needs and expectations in the face of the COVID-19 pandemic. Not only has the pandemic accelerated the development of a range of new Welsh Government services and functionality of existing services this year, it has facilitated new ways of data sharing, compelled us to work in joined up and collaborative ways, transformed the way we work as an organisation and proven the value of using data for public good.

A number of new digital services were created. In health, the Welsh Government supported the rapid national rollout of video consultation software to primary and secondary care, it delivered a One Wales approach to digital systems supporting Test, Trace and Protect; and, continued with work to establish the new Digital Health and Care Wales in April 2021 which will drive forward the digital transformation needed for better health and care in Wales.

An online COVID-19 triage service on the Welsh Government website signposted users to programmes of support and information based on their answers to a series of questions. Similarly, we established a digital service which provided information on COVID-19 symptoms and seamlessly directed users to test booking sites.

In addition to building new digital services, the Welsh Government augmented key existing services to provide an agile response to the pandemic. The Business Account Service (BAS) was significantly enhanced to enable the online delivery of the £500m Economic Resilience Fund for businesses and charities.

The Business Wales website was frequently updated to offer latest guidance for businesses and a series of new digital courses and webinars to help Welsh SMEs.

Data Map Wales, our single geospatial platform for the Welsh public sector, increased functionality and moved from Alpha phase to Beta. It provided valuable information in support of COVID-19 activities from mapping the best sites for vaccination centres, to drive time analysis for temporary hospitals and planning for COVID-19 recovery by identifying Active Travel routes.

In education, the Hwb Programme played a crucial role, providing learners and practitioners with access to Hwb digital services including email and online learning tools. As part of its Education Technology Fund, we also worked closely with local authorities and schools across Wales to provide almost 11,000 repurposed school devices and 4G connectivity to digitally excluded learners.

The importance of using and sharing data to support the digital agenda was clear throughout 2020-21. We played a vital role in the provision of food parcels for people who were shielding. The establishment of quick and robust data sharing protocols was critical to the success of this. Similar data transfer protocols were provided for data sharing with pharmacies and water companies.

Statistics and pandemic related data have been subject to unprecedented demand and interest. The Welsh Government has led the statistical service across Wales in rising to the challenge of collaborating, adapting and innovating at a rapid pace to provide the evidence needed to inform the response to the pandemic.

The Data Science Unit, launched on 1 April 2020, also proved valuable in supporting the COVID-19 analytical response and identifying projects to maximise the value of the information held by the Welsh Government. The Unit explored available data to understand how the citizens of Wales changed their patterns of movement in lockdown restrictions and explored clusters of deprivation in Wales. Our Administrative Data Research Wales partnership with academia also proved the value of linked data research with a range of innovative projects supporting policy makers and the Technical Advisory Cell.

During the year, the Welsh Government also played a leadership role in cross public sector digital transformation. We established the Centre for Digital Public Services in June 2020 to improve capability in digital public services and support the public sector in taking forward transformative projects.

The Centre delivered a programme of digital awareness training to senior leaders and elected members, began developing common service standards and shared best practice to drive cross-sector collaborative working to meet the needs and expectations of users.

Our Local Government Digital Transformation Fund continued to support digital transformation projects by solving common problems collaboratively across local government in Wales.

In addition to pandemic work, the Welsh Government provided strategic leadership to the Welsh public sector in order to assess and mitigate the potential impacts of EU exit on data flows. Throughout the year, the Welsh Government worked closely with the UK government and with the public, private and third sectors in Wales on preparedness, assurance and risk management.

None of this would have been possible if our staff did not have the right tools, services and training to become operationally efficient in a virtual way. The pandemic significantly affected the level of ICT support required following the Welsh Government's decision that staff work from home.

Staff within ICT Services assisted in unplanned activities such as delivering and installing IT equipment in homes, increasing capacity to allow for the significant increase in remote working, updating processes and procedures to support new ways of working as well as supporting the Emergency Response team in the Emergency Co-ordination Centre Wales. A Microsoft Teams deployment was expanded to include voice, allowing standard calls and contact centre telephony to be operated by staff remotely.

Remote working increased the need for cyber monitoring and the development and rollout of new applications to support this new way of working. ICT Services has also provided new and extended core services to enable Welsh Ministers and staff to work effectively remotely. The digital tools and technologies delivered in previous years, including the rollout of new laptops and the move to Cloud services, has ensured the creation, continuity and resilience of Welsh Government ICT services during unprecedented circumstances.

Digital skills have also been very important to us over the last year and despite the pressure of COVID-19 priorities the Welsh Government has continued to develop its digital, data and technology (DDaT) capability and to recruit into the profession. The first cohort of DDaT Apprentices successfully completed the scheme and were matched into permanent DDaT roles across the organisation. We are now considering how to best support DDaT and Data Science apprentices, along with other staff, to further develop and apply their skills.

# Dignity and Respect



During 2020-21, the global COVID-19 pandemic disrupted or delayed much of our business as usual. It forced us into new ways of working, with the majority of staff working from home, enabled by our Smart Working technology and policies.

It also necessitated the move to online and virtual events, learning & development programmes and recruitment. This has given us greater geographical equality in our workplace than we have seen before. Whilst all of these were done at pace, we have ensured that we have equality impact assessed them and are continually measuring inclusion and any differential impact.

All teams have Team Charters to ensure that the needs of all team members are reflected in a team's working arrangements and respect people's individual needs.

## Keeping the Welsh Government Safe

In recent years the Welsh Government has put in place a whole-system approach to support individual and team level engagement, performance and development through regular, strengths-based conversations focused on priorities at an individual and team level. At the outset of the pandemic, the Welsh Government set out clear expectations for how the organisation would continue to support everyone to work safely and stay connected while working apart.

The health, safety and wellbeing of our workforce was and remains our priority. Alongside our corporate risk assessment, we provided an individual risk assessment for everyone to use to assess their personal risk and inform conversations with their managers about their work. We also had a specific focus on the importance of individual risk assessments and regular check-ins with managers for colleagues who may have been at higher risk – including tailored communications to our colleagues from black, asian and minority ethnic communities where the disproportionate impact of COVID-19 is deeply concerning. All colleagues were also made aware of the confidential advice and support available to them including via our HR team and via external services including our Employee Assistance Programme.

As public health advice developed and new measures announced at a local, national and UK wide level, the Welsh Government set out clearly for its workforce the measures that would be taken to keep our own staff safe. Our senior leadership and managers received regular briefings on the COVID-19 specific HR policies, practices and support that were in place for everyone to access. At the heart of our response to the pandemic was a focus on everyone having regular conversations specifically focused on their wellbeing.

Managers and Team Leaders were required to hold conversations at key points as measures changed to understand the impact on staff and put in place additional support wherever needed. Throughout the pandemic, we have supported those with serious wellbeing concerns with additional flexibility to attend at one of our open offices.

This has been a critical element of our support to make sure that anyone who felt unsafe at home was supported to work from our offices. In addition to confidential support from our central HR team, colleagues were encouraged to take up the support available through our Employee Assistance Programme. This was especially important for those experiencing mental health challenges, additional caring responsibilities and home-schooling.

At a team-level dedicated conversations to ways of working and wellbeing were required throughout the pandemic with a specific focus on inclusivity and ensure an equitable experience regardless of their personal circumstances.

For those attending an office, clear expectations to keep everyone safe including a the introduction of 'Building Charters' to be clear on the expected behaviour in our offices, the hygiene and safety measure that were in place and everyone signing up to a 'pledge to protect'. This was beneficial and internal insight shows that, for those attending an office, there was an improvement in their mental health and wellbeing.

Our internal communications channels were overhauled to provide everyone with essential information and immediate updates and measures changed. The introduction of 'Lets Talk Live' sessions with the Permanent Secretary and our executive team have ensured that everyone, regardless of where, how or when they work, could connect with our leadership team, hear the latest information and raise any concerns. A new focus was placed on 'staying connected' with virtual opportunities for staff to stay in touch with colleagues or connect informally with others. This was especially important for those colleagues struggling or feeling isolated during the winter months.

Our internal guidance, support and learning offer has been continually refreshed to respond to the needs of our workforce with additional training focused on resilience and well-being, coaching conversations and adapting to the new tools available to connect and collaborate.

The Welsh Government has also sought the best practice from across the Civil Service to provide our own bespoke package of support for staff during the pandemic. This has included:

- Recognising the additional hard work staff had been putting in meant that some were less likely to be able to take annual or flexi leave. We therefore doubled the amount of annual leave staff could carry over from one year to the next and have given an extra year in which to take it. We have also been making overtime payments where excess flexi credits exist.
- Ensuring where staff have been absent because of COVID-19, short term absences were not counted towards trigger points. In addition, where there were caring pressures at the height of the pandemic, we enabled staff to work as flexibly as they were able to and topped up any flexi deficit within the 4 week reporting period where hours could not be completed as a result of caring needs.
- Enabling staff to work safely from home by further developing our home working support offer. This included a desk, chair, and headset upon request and allowing staff to buy and reclaim (within set limits) additional equipment including monitors, keyboard and mouse and laptop risers. We also set up a print and collect service for staff needing to access paper documents.
- Enhancing our well-being support package for staff which included useful guides for working in isolation, raising awareness and signposting for those dealing with domestic issues and established a twice weekly virtual gym where staff could dial in to a gym session online, set up and designed by Welsh Government staff.

The approach to keep our workforce safe, connected and supported has led to a significant improvement in the key themes of our People Survey. Our 2020 survey results saw our highest ever overall engagement scores at 69%, leadership and managing change up by 12 percentage points and scoring above the UK Civil Service benchmark in the majority of survey themes.

## COVID-19 Expert Advisory Group

The First Minister's COVID-19 expert advisory group was co-chaired by Judge Ray Singh and Dr Heather Payne. Its remit was to explore the disparities in health outcomes from COVID-19 in minority ethnic populations, and look for short and longer term responses to address these disparities and offer greater protections to affected communities.

The Risk Assessment (Chaired by Prof Keshav Singhal) and the Socio-economic (Chaired by Prof Emmanuel Ogbonna) subgroups were set up to report into the main group. The Risk Assessment group rapidly produced an easily accessible Workforce Risk Assessment Tool which was put into use across NHS and

Social Care Wales, (and was also used in Education and Police) and helped protect workers with high risk features, especially those from minority ethnic groups. The Socio-economic group produced an influential report, which identified key factors causing inequality and disadvantage, and suggested remediations.

This has successfully influenced the production of a Welsh Government Race Equality Action Plan, the appointment of community champions for minority ethnic communities, leading to a highly successful COVID-19 vaccination programme in Wales, protecting higher proportions of communities at higher risk.

## 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 new Strategic Equality Plan 2020-2024 was published in April 2020, with the objective "We will be an exemplar employer by:

- Increasing diversity
- Removing barriers and
- 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 developed, in coproduction with our staff diversity networks and Trade Union Side, our Workforce Equality, Diversity & Inclusion Strategy 2021-2026<sup>46</sup>, setting out how we aim to achieve the above objective. The Strategy was published in March 2021, together with a supporting annual Delivery Plan, an infographic and a refreshed Equality, Diversity & Inclusion Policy. The Strategy was originally due to be published in April 2020 but was delayed due to the pandemic.

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46 Workforce Equality Diversity and Inclusion Strategy 2021 to 2026

[gov.wales/sites/default/files/pdf-versions/2021/6/5/1623412868/workforce-equality-diversity-and-inclusion-strategy-2021-to-2026.pdf](http://gov.wales/sites/default/files/pdf-versions/2021/6/5/1623412868/workforce-equality-diversity-and-inclusion-strategy-2021-to-2026.pdf)

## Workforce Diversity Targets

Progress on workforce targets set in our previous Diversity & Inclusion Action Plan 2016-2020:

- Target for disabled staff 5.8% – met as at 31 March 2020 (5.8%).
- Target for Black, Asian and Minority Ethnic staff – 2.5% – exceeded as at 31 March 2020 (2.6%).
- 50/50 by 2020 gender balance in the Senior Civil Service (SCS) – not met. As at 31 March 2020, this was 42.8%.

It is disappointing that we have not met our 50/50 target but it was an increase of 2% on the previous year. Due to relatively small numbers in the SCS, the figure fluctuates quite significantly based on even small numbers entering or leaving. In the context of limited turnover in the SCS, change is slow and the target has not proved achievable.

Percentages of women at Deputy Director level are closer to the target at 45% and given progression and turnover it was anticipated that change would be seen first at Deputy Director level. Additionally good progress is also being made at the feeder grades 6 and 7 below SCS.

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

### 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 population share, to address current under-representation at all levels of the organisation.
- To promote ethnic minority staff at a level which exceeds their 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.

## Staff Diversity Networks

There are four diversity networks within the Welsh Government. The networks give underrepresented groups a voice, enable colleagues to share experiences and support each other:

- **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.
- **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+).

There are also informal peer support networks for Adoption and Fostering, Autism Spectrum Disorder, Mind Matters (Mental Health), Carers, Christian Fellowship and Stammering.

During the year, the staff networks have played a huge role supporting their members, who were working from home whilst juggling childcare, home schooling, caring or who may have been shielding or had health/mental health concerns or other worries.

During this time, the networks managed to run a number of virtual events for members and allies as well as sending out regular newsletters. They also worked closely with the organisation in developing/revising policies and undertaking equality impact assessments. DAAS were also very involved, working with the organisation to support staff requiring adjustments to ICT hardware or software or specialist furniture in order to be able to work remotely.

MESN were named in Business in the Community's Responsible Business Awards 2020.

## Running Against the Wind Report



Driven by global events of 2020 and the resurgence of the Black Lives Matter movement, our Minority Ethnic Staff Network (MESN) and Women Together Network were inspired to jointly conduct their own research on Welsh Government employees' experiences of race, gender and intersectionality in the workplace.

Focus groups were conducted with Black, Asian, Minority Ethnic and White female staff to gain first-hand insight of the equality issues women are currently experiencing, focusing particularly on those related to the intersecting and overlapping characteristics of race and gender.

The evidence was made into a report, entitled *Running Against the Wind*<sup>47</sup> – a title derived from a thought-provoking discussion with one of the focus groups. In addition to their findings, the report also includes a range of recommendations for the organisation to tackle, which have been included in our Workforce Equality, Diversity & Inclusion Strategy/Delivery Plan.

## LGBT+ and Stonewall

The Welsh Government is proud to be an LGBT+ inclusive employer. We use gender- neutral language wherever possible in our policies to avoid gender bias which may inadvertently disadvantage women, men and non-binary people. We do not feel that this is to the detriment of any other protected group. We are committed to being a diverse, inclusive employer, where all staff are supported to thrive and reach their potential.

In accordance with the Public Sector Equality Duty, we consult with our staff diversity networks on internal policy developments and amendments as required, in addition to the employment law requirement to consult our recognised trade unions on such matters.

All our policies are fully inclusive of all staff regardless of age, marriage (including equal/same sex marriage) and civil partnership, impairment or health condition, sex, sexual orientation, pregnancy and maternity, race, religion or belief, gender identity or gender expression.

We acknowledge that the terms 'gender identity' and 'gender expression' are not protected characteristics in the Equality Act 2010, but we use these terms to cover the Equality Act protected characteristic of 'gender reassignment'. We feel that these terms do not misrepresent the Equality Act in terms of the spirit of the law. The Equality Act's definition of "gender reassignment" covers trans status, gender identity and protects non-binary and gender fluid people too, as was recently ruled.

Our commitment to being a diverse, inclusive employer is set out in more detail in our Workforce Equality, Diversity and Inclusion Strategy 2021-26. As an inclusive employer, we take part in a variety of workplace benchmarking activities to ensure we learn from best practice in other organisations. Stonewall are one of a number of organisations we draw on to test our policies and practices. We have signed up to be a Stonewall Diversity Champion 2021-22.

## Case Study

### Race Equality Action Plan

In summer 2020, the Deputy Minister and Chief Whip Jane Hutt called for an “ambitious and radical” Race Equality Action Plan. The draft Plan has been co-created with many community, public, private and third sector partners, and is now out for consultation with summary, easy read and BSL versions also published. Its vision is to make Wales a more equitable, anti-racist country.

We experimented with a model of appointing, for small fees, seventeen community mentors who brought their individual, and their communities’, lived experiences to the attention of policy officials. In addition, twenty four community engagement grants were awarded to community groups and forums to fund engagement that centred ethnic minority voices in the development of the Plan.

We then brought together the different partners working on the evidence base, on community led dialogues, steering group members, Wales TUC, Trade Unions, experts in the field, and lead policy officials for ‘deep dive’ sessions to share the different types of evidence and inform the development of the Plan. Subsequent refinement of the goals and actions were enabled at ‘round table events’.

During consultation we will be seeking views from all communities and partners to further develop this work. The final Plan will truly reflect and respond to the lived experience of the people it serves.

## Reverse Mentoring

This year we launched a fifth cohort of our successful reverse mentoring scheme – members of the Senior Civil Service (SCS) are reverse mentored by reverse mentors 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

Based on previous published data the gender pay gap as at 31 March 2021 was **7.37%**, an increase from **5.53%** at 31 March 2020.

The increase in our gender pay gap this year is disappointing. 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. This was exacerbated in 2020-21 by the large number of women who joined the organisation at

apprentice and Team Support level. In previous years, we have been able to reduce our gender pay gap by targeting pay awards at our lower paid staff. The pay award in 2020-21 was 2.5% at all pay points at all grades, therefore it did not reduce our 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 continue 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.

Internally, we have been piloting a new recruitment adjustments process for our disabled candidates. The process includes the opportunity for 1-1 advice sessions for candidates who are unsure whether, or what reasonable adjustments they could or should ask for in order 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 will ensure that they are matched to roles which are compatible with workplace adjustments.

## Further information

Further information on the Welsh Government diversity and inclusion activity as an employer and more detail on related statistics can be found in our Annual Employer Equality Report.<sup>48</sup>

The Welsh Government also 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 funded seven key strands of work, all led by Welsh equality organisations. The programme is delivered across Wales, reaching into communities, representing and empowering people with different protected characteristics and supporting us in achieving our equality objectives.

The Annual Equality Report<sup>49</sup> sets out the work underway across the Welsh Government and our partners to deliver the actions and outcomes in the Welsh Government's Strategic Equality Action Plan for 2020-24.<sup>50</sup> The Report has a dedicated chapter on the COVID-19 pandemic and the needs of those with protected characteristics, as well as those who are marginalised in any way, as the Welsh Government develops plans to respond to the pandemic, and a summary of progress towards equality objectives.

48 Welsh Government Employer Equality Report 2019-2020

[gov.wales/sites/default/files/publications/2021-04/welsh-government-employer-equality-report-2019-2020-.pdf](http://gov.wales/sites/default/files/publications/2021-04/welsh-government-employer-equality-report-2019-2020-.pdf)

49 Annual Equality Report: 2019 to 2020 and 2020 to 2021

[gov.wales/annual-equality-report-2019-2020-and-2020-2021-html#section-66364](http://gov.wales/annual-equality-report-2019-2020-and-2020-2021-html#section-66364)

50 Equality Plan and Objectives: 2020 to 2024 [gov.wales/equality-plan-and-objectives-2020-2024](http://gov.wales/equality-plan-and-objectives-2020-2024)

# Respecting Human Rights

## Commercial Procurement

The Welsh Government is committed to ensuring workers are treated fairly and with respect and ensuring Wales is free of slavery. The Code of Practice – Ethical Employment in Supply Chains is embedded throughout the procurement process. All successful suppliers are encouraged to sign up to the Code, and as a minimum contractors/supply chain partners are required to work with the Welsh Government in order to continuously performance manage contracts to ensure that fair employment practices are observed.

All procurement processes over the value of £25,000 are subject to a strategy risk assessment, which considers the sustainability of the service and the potential for specific areas of the Code to be addressed through the contract terms, for example payment of the living wage.

Internally, all procurement professionals must complete the Chartered Institute of Purchasing and Supply e-learning on Ethical Procurement which will provide them with the knowledge and understanding of fair and ethical employment practices and how they can ensure the Code is adhered to.

The Wales Procurement Policy Statement (WPPS) was updated in March 2021 and sets the strategic vision for public sector procurement in Wales. The WPPS sets out ten principles for procuring well-being for Wales based on the Well-being of Future Generations (Wales) Act Goals and key Welsh Government policies.

Principle 8 states: *We will collaborate with stakeholders to promote equal opportunities and fair work in Wales.*

The Welsh Government will develop an action plan to underpin delivery against the Statement's principles which will be published on our website and the WPPS asks other Welsh Public Sector Buying Organisations to do this.

# Working Bilingually

The Welsh Government's new strategy for the internal use of Welsh – "Cymraeg. *It belongs to us all*" – was published in April 2020. It can be found on the Welsh Government's website.<sup>51</sup>

The strategy sets a long-term goal for the use of the language, which will have a positive effect for generations to come. Our aim is that the Welsh Government should be truly bilingual 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. The shorter-term goal of the strategy for 2020-2025 is for the Welsh Government to become an exemplar organisation in its use of the language compared to similar bodies in Wales.

Also relevant is a commitment made in the Welsh Government's wider reaching strategy on the development of the Welsh language across Wales "Cymraeg 2050: *a million Welsh speakers*" pledging to lead by example in promoting the use of Welsh in the workplace. As noted in the Cymraeg 2050 Strategy, the Welsh Government Civil Service has a vital part to play in assisting Ministers to reach the goal of a million speakers. This is not only in developing the necessary policies to promote the language across Wales, but also by leading the way as a public sector employer.

Despite the challenging circumstances posed by the pandemic, a good start has been made and a solid foundation laid for progress to be made over the first five year period of the strategy. Good progress has been made in relation to all four underlying themes of the strategy; learning, leadership, recruitment and technology.

The Welsh language learning available to staff has been overhauled, resulting in a more varied, accessible and a broader offer than ever before. More opportunities now exist to undertake language learning, from weekly lessons to new online learning opportunities to a new self-study course. We have also removed the requirement of a business case as an acceptance criteria for Welsh language learning this year, and applications from staff for weekly lessons starting in September 2021 increased by 44%.

The Permanent Secretary is leading the way and the wider Senior Civil Service understand the important role they have to play in setting a good example, promoting the value of the Welsh language to the organisation and in encouraging more use of the language. We expect to see the Welsh Government's leaders encourage staff to use, learn or develop their Welsh language skills, and support them to make the most of the opportunities now available through the Welsh language training offer.

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51 Cymraeg. *It belongs to us all* [gov.wales/cymraeg-it-belongs-to-us-all](http://gov.wales/cymraeg-it-belongs-to-us-all)

The new 'Leading in a Bilingual Nation' course provided by Academi Wales for senior leaders in the public sector in Wales has also accepted its first cohort of students during the year. The programme for providing information on the Welsh language in the Welsh Government for new starters has been overhauled, and new courses on Welsh language pronunciation and language awareness have been introduced this year.

In line with our statutory duties, we publish an annual report on our compliance with the Welsh Language Standards, the 2019-2020 report can be found on the Welsh Government website.<sup>52</sup>

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52 Welsh Language Standards Annual Report 2020 to 2021  
[gov.wales/sites/default/files/pdf-versions/2021/6/1/1624883285/welsh-language-standards-annual-report-2020-to-2021.pdf](http://gov.wales/sites/default/files/pdf-versions/2021/6/1/1624883285/welsh-language-standards-annual-report-2020-to-2021.pdf)

# Working in Partnership

Trade Union Side (TUS) is the umbrella body that co-ordinates the views of the three trade unions recognised by Welsh Government. Our management team has worked closely in partnership with TUS for a number of years following the principles of social partnership and, engaging with unions at the earliest stage of development of a policy or planned change affecting Welsh Government staff.

The three unions represent their members on a wide range of conditions of service and other work-related matters. When policy changes are proposed that will affect staff, TUS are formally consulted and liaise with members as appropriate. TUS and the Welsh Government Civil Service have a long-standing Partnership Agreement which provides a framework for joint working. To reflect the new social partnership arrangements, the TUS Chair participated as an observer in meetings of the Board and TUS had a working membership of the Board's Executive Committee.

Our productive working relationship with TUS proved particularly invaluable during the COVID-19 crisis, which necessitated flexibility on both sides to adapt staff policies at short notice to reflect pandemic working arrangements. TUS were closely involved in all aspects of our organisational response to the pandemic and most recently, recovery planning.

Ensuring staff are fully supported, remain healthy and have a safe environment is an important part of our health and safety approach, and one on which we work particularly closely with TUS to continuously improve. Both sides worked collaboratively to implement COVID-19 secure workspaces for staff who have been unable to work from home during the pandemic.

As restrictions have eased, both sides supported our higher risk outward delivery colleagues as they have prepared to resume their activities. By working together in providing advice and guidance around risk assessments and safe systems of work, they have ensured that staff are able to resume their activities in a safe manner.

## Case Study

### Working in Social Partnership

A draft Social Partnership and Public Procurement (Wales) Bill was published for consultation in February 2021.

The Bill aims to establish a system of social partnership which facilitates engagement of collective worker representation for the purpose of improving public services, promoting fair work, and supporting strategic aims to improve the wider economic and social well-being of people in Wales.

The Bill proposes a new duty for specified public bodies to engage in social partnership; relevant public sector employers will be required to engage with certified and recognised trade unions when setting and taking steps to meet their well-being goals under the Welfare of Future Generations Act. A new statutory Social Partnership Council will advise Ministers on matters relating to social partnership, fair work and socially responsible procurement.

The draft Bill and supporting policy have been developed in social partnership. Three senior-level staff from the trade union movement, public and private sector employers were seconded into the Welsh Government with a specific remit to support development of the Bill. The secondments have been instrumental to ensuring that the draft legislation is ambitious, robust and will have real impact. The secondments have also helped strengthen wider collaboration with social partners on matters of shared interest.

## Health and Safety Standard

In November 2020, in collaboration with the TUS, the organisation attained accreditation to the new international H&S Standard – ISO 45001.

The Standard requires that management take a stronger leadership role in H&S and follows a preventative process in that it requires risk to be evaluated and remedied before they cause accidents and injuries as opposed to simply hazard control. A requirement of the Standard is to undertake internal audits of our Health and Safety management system, and a cohort of 10 volunteers including a TUS representative, have been trained as internal auditors. These audits will complement the external audits that are already being undertaken by our certified body, British Standards Institute.

# Anti-bribery and Corruption

Our standards and expectations of the way employees of the Welsh Government are expected to behave when undertaking their duties are very clear. Our Terms and Conditions of Service, Civil Service Code, Staff Code of Conduct and guidance on Managing Welsh Public Money all focus on our core values of integrity, honesty, objectivity and impartiality. They provide unambiguous advice that staff should not misuse their official position to further private interests, to accept gifts or hospitality, or receive other benefits from anyone which might reasonably be seen to compromise judgement or integrity.

All staff are required to disclose any outside business interests that may impact on their role within Welsh Government, and to have these interests approved by management. Regular communications are issued to remind colleagues about this requirement. In addition, due diligence checks are undertaken on organisations we fund, as part of a range of measures to protect against financial crime by recipients of Welsh Government grants and contracts.

We have a Counter Fraud Branch whose remit is to embed a culture of anti-fraud and corruption and to promote a zero tolerance approach to fraud and corruption through the investigation of all allegations made, whether against Welsh Government officials or against third parties in receipt of Welsh Government grants and contracts. The Branch maintains close contact with Welsh Police forces and other specialist groups and participates in national data matching exercises to identify potential fraud and conflicts of interest. The Counter Fraud Branch is also responsible for maintaining our Counter Fraud and Corruption Policy and the Fraud Response Plan.

The past year of the COVID-19 pandemic has seen the Counter Fraud Branch enhanced its network and partnership working with fellow counter fraud specialist teams. The Counter Fraud Branch engaged with Welsh local authority fraud leads, Wales NHS Counter Fraud Team, the UK government Cabinet Office Counter Fraud team and the other devolved administrations.

Working together sharing intelligence and best practice in relation to fraud attacks on the various COVID-19 sustainability payments. Many applications were stopped by the Welsh Government teams that failed to meet the criteria or where potential malpractice and fraud were suspected, enable funding to be distributed to support genuine individuals and organisations in difficult times. Counter Fraud post assurance monitoring checks will continue to be investigated well into and beyond the next financial year. This will include matches from the National Fraud Initiative data checks with all the organisations that take part.

# Handling 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 2020-21, we handled 64 complaints. 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 2018 – March 2019 69%
- April 2019 – March 2020 78%
- April 2020 – March 2021 68%

Complaint response timescales are monitored on a monthly basis 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 2020-21, the COVID-19 pandemic had an impact on timescales being met as officials responded to a large number of complaints in relation to the pandemic.

Most of these complaints did not fall under the Welsh Government's complaints process, however, they did need to be handled sensitively and in a timely manner. If 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.

We referred 21 complaints to the PSOW (7 more than the previous year) with only 2 taken forward to be investigated by the PSOW. They chose not to investigate 17, 1 was withdrawn and 1 was not upheld. PSOW has yet to determine if two further cases of those referred are to be taken forward. The table below shows total cases closed by the PSOW over the past four years.

#### Year Total cases closed by PSOW:

- 2017-18: 30
- 2018-19: 20
- 2019-20: 7
- 2020-21: 5

The number of cases that are closed differ from the number of cases received. This is because some of the cases closed in 2020-21 were received in the previous year and some cases received in 2020-21 will be closed in 2021-22.

We continue to review our practices and protocols to ensure that we are continually investing in improving the process for both our customers and employees. We have trained additional staff to deal with complaints and continue to review our documentation to ensure that our service is inclusive and accessible. Due to the COVID-19 pandemic, the Complaints Advice Team's webpages were also updated in order to alert customers to possible delays.

# Accountability Report 2020-21

## Statement of Accounting Officer's Responsibilities

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

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

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

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

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

The PAO (or Additional Accounting Officers, on 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.

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.

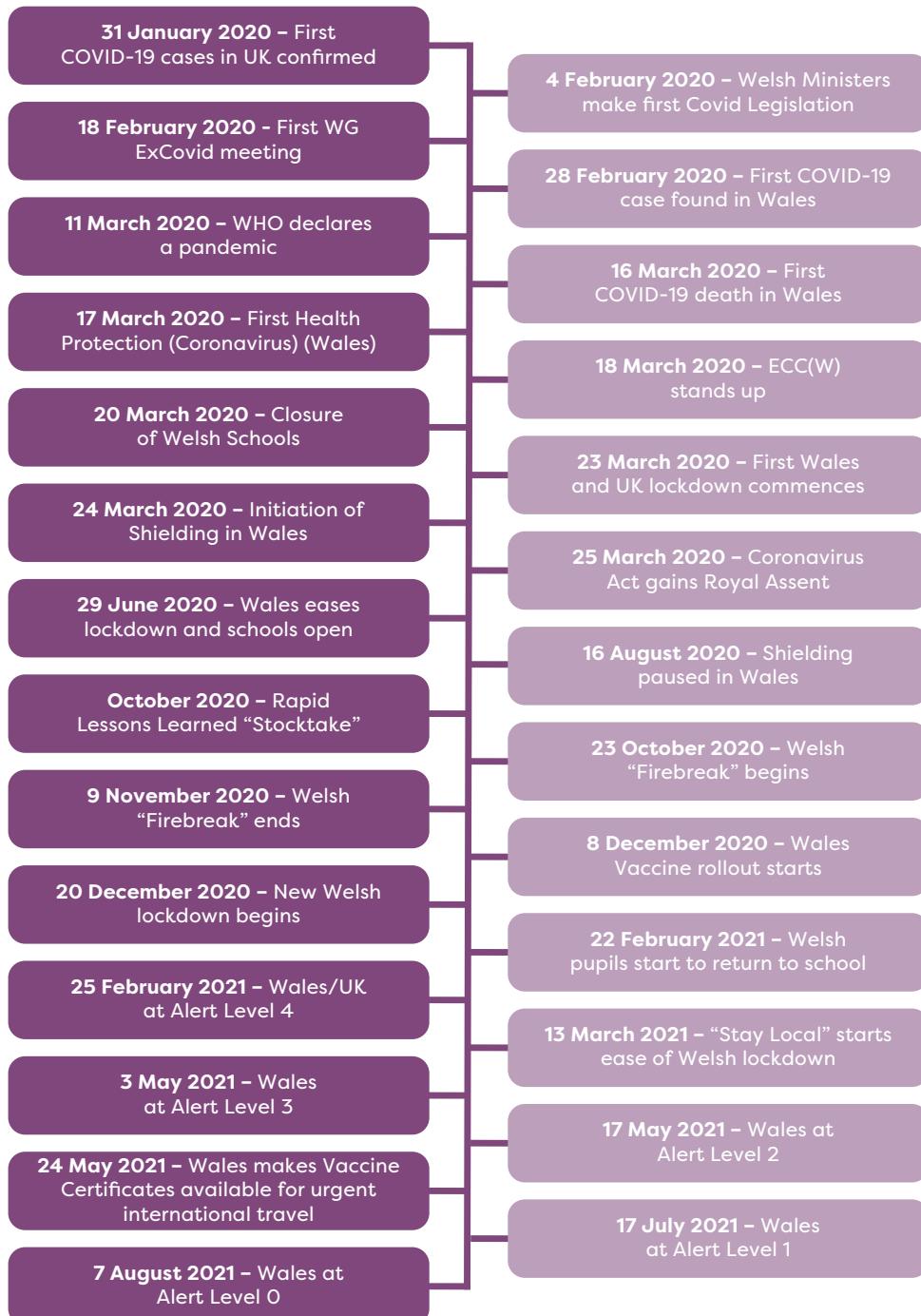
These include but are not limited to reports from:

- Audit Wales
- Regulators
- European Commission
- External Assessors

## COVID-19

On 11 March 2020 the World Health Organisation declared the Coronavirus, COVID-19 to be a global pandemic. As a result the Welsh Government redeployed a significant amount of internal capacity and capability to the crisis response. Figure 2 shows the Covid Timeline.

**Figure 2: COVID-19 Timeline 2020-2021**



Pre-existing governance arrangements have remained in place during the pandemic. However, as PAO, I introduced new measures to provide transparent and focused governance, risk management (risk tolerance) and control to support the Welsh Government in its response to COVID-19. The key measures are set out below.

## ExCovid

The additional governance measure key to the organisation's response has been the creation of the ExCovid Committee. Membership comprises of Additional Accounting Officers and other senior officials, with Non-Executive Board members attending on a rotational basis. It is the strategic oversight, co-ordination and assurance forum at official level enabling me to lead and monitor the Welsh Government's support for Ministers in their response to COVID-19.

The role of ExCovid has been to oversee and co-ordinate officials' activities to ensure delivery of key policy and operational objectives and so provide effective support to Ministers to assist them in dealing with the crisis, including:

- providing assurance that officials are doing all they can to help manage the COVID-19 crisis and are meeting the expectations of Ministers;
- ensuring delivery of the Welsh Government's critical policy and operational priorities;
- overseeing and reviewing the wider portfolio of policy delivery to ensure it meets the needs of the COVID-19 crisis and is delivered effectively;
- ensuring clear prioritisation of work on COVID-19 and identifying and removing areas of duplication of effort and activity;
- developing clear strategic vision for policy evolution, including into the recovery phase; and
- reviewing and managing a list of COVID-19 related risks.

ExCovid started meeting twice a week from February to May 2020, and meetings thereafter have been held weekly. It will continue to meet regularly while the crisis persists. In addition to core members, attendance has been fluid to include those officials with a need to bring issues to the Committee.

## Other Governance Measures

Other measures I have introduced have included:

- Writing to all Additional Accounting Officers (AAOs) and Accounting Officers of Public Bodies, on matters of risk appetite in respect of decisions made in response to the pandemic, managing at pace and the importance of putting proportionate safeguards in place, including the need to plan to mitigate risks, consider value for money, maintain adequate records and work with central teams providing advice and guidance.
- Writing to all AAOs with expectations of them with regard the possible need to seek a Ministerial Direction.
- Meeting with AAOs on a regular basis to discuss any accounting officer related issues.
- Issuing additional guidance to all staff on financial management, grants, governance, fraud prevention and procurement during COVID-19.
- Ensuring Strategic Budgeting and the Centres of Excellence (for Grants and Corporate Governance) continue to be fully engaged on the preparation of Ministerial Advice.

As well as implementing ExCovid, the Executive Committee's subcommittee FinCo started meeting weekly in the early stages of the pandemic to ensure a shared understanding across the Groups of the impact of financial decisions. As the Pandemic progressed, the need for FinCo to meet weekly diminished but the separate Committees for Finance (FinCo) and Corporate Resources and People have found it more effective and efficient to meet as a joint committee in the present circumstances, leading to a modified governance structure at the present time.

There were other changes during the year to ensure we could respond to the pandemic. The Cabinet challenge sessions and the Non-Executive Director (NED) challenge sessions were paused and I introduced the Permanent Secretary's Delivery Board in August 2020 to oversee the operational delivery of the Programme for Government and the Restart and Future Recovery Plan.

## Welsh Government Stocktake and Lessons Learned

In October 2020, ExCovid commissioned a rapid cross-Welsh Government Stocktake and Lessons Learned exercise into the overall response of the Welsh Civil Service during the first wave of the COVID-19 pandemic. The aim of the stocktake was to capture what worked well and identify lessons learned, so the Welsh Government could review and adjust its arrangements to improve its ongoing response to the pandemic. The stocktake found many positives including: very strong cross-Welsh Government working between operational, communications and policy colleagues, the flexibility and resilience of staff in responding to the changing demands of the pandemic and the unprecedented level of dialogue and engagement across the public sector.

Generally, emergency response arrangements addressed our immediate requirements. Engagement and communications between Welsh Government and Local Authorities were unprecedented in their urgency, frequency, transparency and with a willingness to work together towards a common goal. The experience of COVID-19 has demonstrated the need for longer term emergency planning to ensure our response to sustained crises of this nature is sustainable and resourced sufficiently.

The stocktake found that there was a strong willingness amongst staff across the Welsh Government to help and play a part in helping manage the pandemic. Staff reacted flexibly to the fast changing pace and movement into priority areas, responding positively to the fast learning curve and welcoming the opportunities offered by the variety of work available.

The stocktake did however find evidence to suggest that in the early days of the pandemic roles, as a result of these rapid moves, responsibilities could be blurred at times and there was sometimes a lack of strategic oversight and clear strategic objectives.

Across the Welsh Government, teams and individuals adapted quickly and effectively to remote working and rapidly adopted the new technology put in place to support it. But the organisation needed to recognise that home-working has been challenging for some, particularly those with caring responsibilities.

In September 2020, an interim Director General (DG) for Covid Crisis Coordination was appointed to ensure clarity of roles and accountability (as identified in the lessons learned exercise). The DG is responsible for delivery of the Welsh Government's emerging and latest COVID-19 policy and operational priorities and providing advice to Ministers, the Permanent Secretary and other Directors General on the Civil Service's collective handling of the crisis.

Further scrutiny will come with the Prime Minister's recent announcement of the intention for a public inquiry under the terms of the Inquiries Act 2005 to be held into the handling of the public health emergency, probably getting underway in spring 2022. I have asked for a small, dedicated team to be established who will oversee the preparation work in the Welsh Government and act as the co-ordinating point once the Inquiry is underway.

## Organisational Changes

In addition to the significant redeployment of staff across the organisation in response to the pandemic and to ensure effective operational management of the COVID-19 response, new structures have been established at Group-level in some areas, for example in the case of functions supporting the Chief Medical Officer (CMO) within HSSG.

At the organisation level, the key function created to bring together, coordinate and communicate across the different aspects of the Welsh Government's COVID-19 response, has been the COVID-19 Restart & Recovery Directorate, including the creation of a new Director General post.

Engagement events have been introduced with all staff (11 Let's talk Q&A sessions) and 13 sessions with the SCS. Senior Leaders Group (Directors meeting) was also re-introduced on 11 November 2020 after it had been paused due to the pandemic.

## Financial Decision Making

A funding decision and risk template (plus supporting advice) for COVID-19 decisions was introduced in March 2020 which supplemented existing guidance on preparing advice to Ministers. This additional documentation requires specific consideration of the financial risks around a given intervention. It was implemented to ensure that risks were appropriately considered in light of the changes to the Welsh Government's risk appetite and to ensure that COVID-19 proposals were appropriate and affordable. These additional templates facilitated integrated and rapid decision-making throughout the pandemic.

The Ministerial "Star Chamber" was established by Cabinet to provide added scrutiny at a time when pressures to fund proposals were significant. Even after the larger funding decisions had been made and the work of the Star Chamber concluded, the Minister for Finance (MFT) continued to seek advice from an Advisory Panel made up of officials and an independent member to support her in making decisions about funding allocations.

The Centres of Excellence (Grants and Corporate Governance) have provided advice on the requirements of *Managing Welsh Public Money* and challenge on aspects of regularity, propriety and value for money throughout the pandemic. Some of the Centres of Excellence staff were embedded in teams dealing with large allocations of funding, to ensure the requirements of *Managing Welsh Public Money* were complied with. The Corporate Governance CoE has also maintained close scrutiny over Ministerial Advice (MA) relating to COVID-19 and maintains a register of all Covid-related MAs. A different, even closer working relationship between the Groups and central functions was necessitated to respond to the pandemic, leading to greater mutual sharing and escalation of issues.

In relation to the COVID-19 interventions where local authorities acted as agents in relation to the distribution of funding, assurance was obtained via a combination of mechanisms provided by S151 officers and the control framework implemented by the Welsh Government for each specific intervention. These included:

- comprehensive guidance documentation and scheme rules provided by the Welsh Government;
- grant award letters;
- claims certified by Chief Finance Officers;
- regular meetings between the Welsh Government, the Welsh Local Government Association and Local Authorities, this was to provide "live" oversight and to communicate any significant issues that arose;
- for some interventions, a Welsh Government Oversight Group was established; and
- the submission of regular (sometimes) daily monitoring information.

## Assurance and Scrutiny

The Auditor General for Wales has undertaken a number of COVID-19 related reviews during the year including the Test, Trace and Protect programme, the supply and procurement of PPE, NHS governance arrangements during the pandemic, and the rollout of the vaccinations programme.

These reports paint a broadly positive picture of aspects of the response, for example around collaboration between public bodies and flexible governance arrangements. However, we have recognised that all also highlight lessons to learn as well as informing Welsh Government reflections on the COVID-19 response phase. The Auditor General has emphasised that the reports cover the management and governance of individual programmes, rather than the overall response.

Throughout the pandemic the AO and AAOs have attended a number of dedicated COVID-19 Public Accounts Committee (PAC) sessions to provide PAC members with updates on the Welsh Government's response to the pandemic.

Internal Audit also undertook 15 COVID-19 related reviews over the same period, covering a number of Welsh Government policy interventions. The reviews provided either a reasonable or substantial assurance opinions and all observations made were accepted by management. The primary focus of internal audit's work was to ensure the consistency of governance arrangements and the effectiveness of control, risk management and monitoring mechanisms over these interventions, which were developed at pace.

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

In February 2020 the Executive Committee discussed the internal barriers to realising the benefits of the legislation. These covered aspects such as improving joined up government; using the Future Trends Report as a platform to build capacity for long-term thinking; embedding a preventative approach beyond the budget; and how we can improve the capability of our policy profession. We also acknowledged the importance for Welsh Government to show visible leadership and improve how we communicate the changes we are making. ExCo agreed to an updated strategic implementation framework to better reflect and communicate the breadth and scope of the WFG Act within Government.

This framework, importantly distinguishes:

- the role of Welsh Ministers in maximising Government's contribution to the well-being goals by setting and delivering well-being objectives;
- the role of the Civil Service in improving the support and advice to Welsh Ministers by embedding the sustainable development principle in how we work;

- our role in enabling others to contribute to the achievement of the well-being goals and implement the WFG Act; and,
- our role in helping to understand Wales now and in the future through work on the Future Trends Report, national well-being indicators and Annual Well-being of Wales Report.

In January 2021 I provided a supporting paper<sup>53</sup> to the Public Accounts Committee (PAC) inquiry into the Well-being of Future Generations (Wales) Act 2015. The paper focuses on the actions I have taken as Permanent Secretary with the ExCo and officials from across the Welsh Government. The PAC Report *Delivering for future generations: the story so far*<sup>54</sup> was published on 17 March 2021 and debated on 24 March 2021. The Deputy Minister and Chief Whip wrote<sup>55</sup> to the Chair of the PAC stating that the Welsh Government would respond to the report by the autumn.

## 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 with the Accounting Officer's System Statement.

## 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 has continued to develop the partnership relationship between the Welsh Government and its public bodies. The Public Leaders Forum has continued to meet regularly during the pandemic and has proved to be of increasing value as a forum for dialogue with, and between, public bodies. The Forum is chaired independently and membership has been expanded over the year. The Public Bodies Unit has begun rolling out its programme of Tailored Reviews, adopting a consultative and risk-based approach. The Unit has also been leading on implementation of the Welsh Government's Diversity and Inclusion Strategy for Public Appointments in Wales.

53 Public Accounts Committee Inquiry | Barriers to the successful implementation of the Well-being of Future Generations (Wales) Act 2015 [www.business.senedd.wales/documents/s112194/PAC5-04-21%20P2%20-%20Welsh%20Government.pdf](http://www.business.senedd.wales/documents/s112194/PAC5-04-21%20P2%20-%20Welsh%20Government.pdf)

54 Delivering for future generations: the story so far [www.business.senedd.wales/documents/s500006899/Committee%20Report%20-%20Delivering%20for%20Future%20Generations%20The%20story%20so%20far%20March%202021.pdf](http://www.business.senedd.wales/documents/s500006899/Committee%20Report%20-%20Delivering%20for%20Future%20Generations%20The%20story%20so%20far%20March%202021.pdf)

55 Letter from Deputy Minister [www.business.senedd.wales/documents/s114240/Letter%20from%20the%20Deputy%20Minister%20and%20Chief%20Whip%20-%202024%20March%202021.pdf](http://www.business.senedd.wales/documents/s114240/Letter%20from%20the%20Deputy%20Minister%20and%20Chief%20Whip%20-%202024%20March%202021.pdf)

The impact of the pandemic has required the Public Bodies Unit 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, the Public Bodies Unit worked with colleagues in Finance and HM Treasury to ensure those Public Bodies in Wales, which were impacted adversely by the reduction in receipts and therefore revenue, had effective access to the UK Government's Job Retention Scheme. The Public Leaders Forum has also been able to facilitate exchanges of experience about subjects such as remote working.

## 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 Delegation (previously known as the Common Control Framework) sets out the standard delegations which operate across all parts of the Welsh Government.

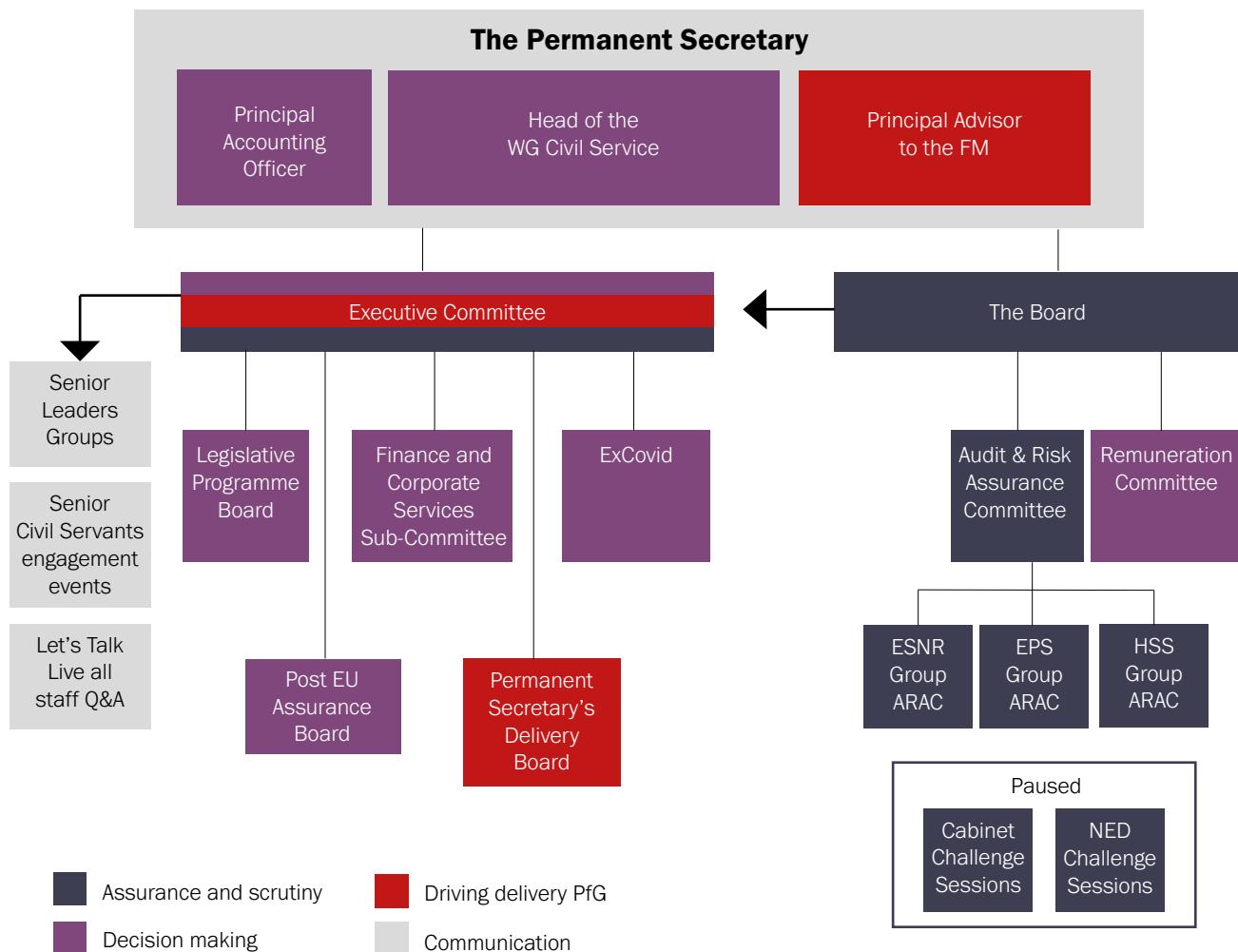
An updated Scheme of Delegation was issued in October 2020 to reflect the most up to date policies within the Welsh Government. Since this date the Corporate Governance Centre of Excellence has updated the Schedule on several occasions to reflect where minor changes have occurred in year, such as individuals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

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 October 2020, we reminded staff of the need to follow value for money (VFM) principles when dealing with public funds and updated staff on amendments to the Ministerial Advice process. 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.

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. Whilst at the initial stages, the revised version is planned to be completed during 2022. A communication plan has been developed to ensure that all relevant stakeholders are engaged in the update process.

## The Corporate Governance Structure



## Key Performance Indicators

The KPI framework which I reported on in my Statement last year has now progressed to the stage where it is being used by the Welsh Government Board as an information base for improving the operational performance of the Welsh Government. Although the full range of indicators is not yet complete, the framework is proving to be a helpful means for the Board to get a rounded overview across all of the attributes and functions included in the International Civil Service Effectiveness Index. This was an ambitious project to undertake, even before we had the demands of the public health emergency, and I am very pleased to see it progress to the stage where it adds value to the work of the Welsh Government.

## Governance Review

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; and
- the number of executives exceed the number of non-executive directors.

## 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.

Last year I reported that a review of the Welsh Government's Conflict of Interest procedures by Internal Audit Services (IAS) had identified a number of areas where processes needed to be strengthened. IAS have revisited this audit during 2020-21 and were able to provide reasonable assurance on the extent to which the observations in the original report have been implemented. They commented that they were mindful in the ability of staff to implement the observations in a timely manner due to the impact of COVID-19 and

the Welsh Government's response, including the redeployment of staff to priority areas, but were content that sufficient progress had been made, short of the new IT system which was suggested, to warrant the overall opinion given.

In April 2021, in response to UK Civil Service concerns about senior civil servants holding outside appointments which are not compatible with the Civil Service Code, I commissioned a review into the conflicts of interest policy, process and procedures. This review is underway and whilst I am comfortable that our existing policies and procedures are effective, there are areas I would like to see strengthened, including a 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. The fuller policy review and robust record keeping is now underway.

## 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. TUS representatives and 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 and ensures the Welsh Government delivers the objectives and strategies set out in Ministers' Programme for Government "Taking Wales Forward" and the priorities identified in "Prosperity for All"<sup>56</sup>. I chaired the Board meetings and I also met 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, however this was also postponed during 2020-21 due to the pandemic.

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

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<sup>56</sup> This has been superseded by a new Programme for Government following the Senedd Elections in May 2021

- Welsh Government Performance Framework
- Health and Safety Risks
- Workforce, Workplace and Digital Strategies
- People Survey Results
- KPIs.

## Board Membership and Attendance

Current Membership	Meeting Attendance
Shan Morgan, Permanent Secretary	7/8
Ellen Donovan, Non-Executive Director	8/8
Jeff Farrar, Non-Executive Director	8/8
Gareth Lynn, Non-Executive Director	8/8
Meena Upadhyaya, Non-Executive Director	7/7
Andrew Slade, Director General, Economy, Skills & Natural Resources	8/8
Tracey Burke, Director General, Education & Public Services	7/8
Andrew Goodall, Director General, Health & Social Services/Chief Executive NHS Wales	8/8
Des Clifford, Director General, Office of the First Minister	7/8
Reg Kilpatrick, Director General Covid Crisis Co-ordination	3/4
David Richards, Director, Governance and Ethics	8/8
Peter Kennedy, Director, Human Resources & Corporate Services	8/8
Gawain Evans, Director, Finance	8/8
Natalie Pearson, Head of OD & Engagement	8/8
Andrew Jeffreys, Director, Welsh Treasury	8/8
Helen Lintel, Director, Legal Services	7/8

## Board Self-Assessment of Performance

The annual Board review was held in October 2020 via a self-assessment exercise. Overall the findings were positive, although some areas for development were identified. The exercise 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 was noted as another strength, with membership now being more diverse than in previous years, although it was suggested that there could be greater representation from across all protected characteristics. In general, the Board considered itself to have the right mix of skills and experience, but reported that access to Learning and Development had become more challenging during the pandemic and an enhanced offer should be a priority moving forward. The remit of the Board and governance arrangements were generally felt to be clear. Some clarification was sought on the relationship between the temporary governance arrangements that had emerged due to COVID-19 and EU Transition and the existing arrangements.

It was suggested that 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 felt that it had adapted well to remote meetings and new technology, contributing effectively to the handling of COVID-19, although virtual meetings were not always thought to be conducive to in-depth discussions and networking. Actions will be taken forward in light of the feedback received from the review.

## 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 2020-21 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. Due to COVID-19 the April 2020 sessions of the Group and Welsh Government ARAC's were cancelled.

In addition during this period, Welsh Government and group ARAC members were briefed by AAOs in relation to our response to COVID-19 and the additional support and guidance being provided across the Welsh Government. Special meetings of the Welsh Government ARAC were held in mid-May 2020 and 2021 to provide ARAC members with an update on the Welsh Government's response to COVID-19. Both the Group and Main ARAC continued with their normal programme of meetings from June 2020.

## Board Sub Committee: Remuneration

The Board's second sub-committee is the SCS Remuneration Sub-Committee which is responsible for Senior Civil Service (SCS) pay and conditions, senior succession planning and recruitment and all SCS personnel cases. A Non-Executive Director chairs the Committee. The Committee met seven times during the year and I attended all the meetings. The Remuneration Committee does not set my own pay which is dealt with by the UK Cabinet Office.

## Executive Committee (ExCo)

Throughout 2020-21, 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. ExCo meet on a fortnightly basis.

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 Committee. These Director designations are reviewed to ensure they remain appropriate and relevant.

## ExCovid

Key to the organisation's response to the COVID-19 crisis has been the creation of the ExCovid Committee – full detail of this committee is outlined on page 103.

## ExCo: Brexit (BrexCo)/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 met since then on a monthly basis 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 regularly in different formats during 2020-21, including on a weekly basis in the run up to and immediately after 31 December 2020 when the UK left the Transition Period, focusing on the development and delivery

of actions to prepare for, or respond to, the end of the Transition Period and related issues. The Assurance Board was also supported by a Negotiations Board, which met regularly during 2020-21 to develop and put recommendations to Ministers on the Welsh Government's negotiating positions related to the UK's future trading relationships with the EU and countries in the rest of the world. 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 on an operational level with respect to the management of HR, IT security, data management, finances and resources, allowing the ExCo to maintain a strategic, cross-organisational focus. The Finance & Corporate Services Sub-Committee membership includes one of the Non-Executive Directors on the Welsh Government Board.

This Committee was previously constituted as two separate ExCo sub-committees; namely: Finance (FinCo) and People & Corporate Services. In October 2020 I agreed that these committees should be combined due to the overlap of key people in both meetings, the complimentary nature of the work and it represented a better use of time, particularly in view of COVID-19 pressures. This committee meets once every three weeks.

## ExCo Sub Committee: Legislative Programme Board

The Legislation Programme Board co-ordinates and oversees at official level the delivery of the Government's programme of legislation. It is chaired by the Director of Governance and Ethics and meets every other month.

## Non-Executive Challenge Sessions

To provide additional support, challenge sessions chaired by Non-Executive Directors have been 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 is to offer opportunities for constructive scrutiny and discussion in a safe environment. 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. One meeting has been held to date, which was on the Legislative Programme. As the challenge sessions were established shortly before the COVID-19 pandemic they were subsequently paused, I intend to resume these sessions in the near future so that the Non-Executive Directors can continue to provide the additional support.

## Whistle-Blowing

The Whistle-Blowing Panel met regularly 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. The cases were:

Whistle-blowing Cases	2020-21	2019-20	2018-19	2017-18
Not substantiated	4	3	4	2
Resolved internally (staff-related matters)	1	6	-	1
Not a matter for the Welsh Government	-	-	-	-
Advice provided to the Whistleblower	1	2	-	1
Still under investigation	4	-	3	1
Substantiated and action taken	1			
<b>Total</b>	<b>11</b>	<b>11</b>	<b>7</b>	<b>5</b>

In addition to the Whistle-Blowing Panel dealing with internal cases, the External Assurance Panel 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 is able to identify lessons learned and best practice which can be disseminated to policy officials.

There were 10 new cases reported in the year reported to the Panel and 76 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 down 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 12 cases in year, 6 of which were carried forward from the previous year. 5 cases carried forward into 2021-22, which includes 1 long standing complex case from 2019-20.

41 cases were investigated by Counter Fraud and did not need further consideration by the Panel, either because they were referred to other departments or agencies for action, or because fraud was proven and action taken without the need for Panel consideration, or because they identified at an early stage as having no case to answer. 39 of these new cases remain open, together with two from previous years which were carried forward.

The reason for the significant rise in Counter Fraud cases being referred was as a result of the provision of COVID-19 support grants. Covid-related referrals came from a number of 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	2020-21	External Assurance Panel Cases	2020-21
Carried forward from 2019-20 <sup>57</sup>	6	Carried forward from 2019-20	7
New cases arising	76	New cases arising	10
Cases resolved	41	Cases resolved	12
Cases remaining	41	Cases remaining	5
- Court Case in Progress	0	- Court Case in Progress	0
- Under police investigation	1	- Under police investigation	0
- Under repayment monitoring	0	- Under repayment monitoring	0
- In review by an independent fraud agency	4	- In review by an independent fraud agency	0
Total Investigation ongoing	36	Total Investigation ongoing	5
<b>Total outstanding</b>	<b>41</b>	<b>Total outstanding</b>	<b>5</b>

<sup>57</sup> Some Counter Fraud and External Assurance Panel cases carried forward from previous year may be duplicated in the data for reasons described above

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.

## 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 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 2020-21, which drives the overall assurance opinion given, produced the following conclusions for the audit reports issued:

Assurance Opinion	2020-21	2019-20	2018-19	2017-18	2016-17
Substantial Assurance	12	19	35	16	14
Reasonable Assurance	22	15	30	38	29
Limited Assurance	3	4	9	7	9
No Assurance	0	1	0	0	0
Advisory Reviews	0	9	3	2	0

The HIA issued three limited assurance reports during the year. The type of weaknesses identified that led to the provision of a limited assurance opinion included:

- a. Insufficient planning to meet legal targets.
- b. Lack of evidence on which to base policy decisions.
- c. Inconsistent governance practices across sectors.
- d. Retention of information beyond legal requirements.
- e. Guidance documentation not updated.

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. Management actions agreed following an internal audit have been monitored by Group Operations Teams to ensure they are implemented properly and in a timely manner and IAS undertakes further reviews itself of those areas in which a “limited” or “no” assurance opinion has been given.

The HIA maintained the “agile” planning approach for 2020-21, which had been adopted in 2019-20, as the most flexible and adaptable approach suitable for responding to the impacts of the COVID-19 pandemic on the organisation. The HIA realised quickly the organisation’s capacity to accommodate audits during the early phases of the pandemic would be very limited and so focused initially on the rapid completion of audits in progress, based only on work done at that time, rather than completing the full scope of work planned originally.

Planning for the new 2020-21 Audit Programme was suspended and IAS changed its mode of working from “assurance delivery” to “crisis advisory”, working with officials to deliver consistent advice and guidance on matters of governance, risk and control. A core team was retained within IAS but all other internal auditors were released to support other parts of the organisation with their COVID-19 response. This situation remained until August 2020 when Internal Auditors were recalled to IAS to commence a programme of audit work designed to reflect the changed risk-profile of the Welsh Government, with particular focus on its critical COVID-19 interventions but with some time also reserved for other areas of continuing Government activity.

The critical risks to be addressed in the year changed substantially and COVID-19 became the primary focus. The audit work done at a strategic level on the governance and management of risk of the various interventions, in the view of the HIA suggests the Welsh Government has responded in an appropriate way with appropriate governance arrangements in place to help ensure public money is safeguarded.

In relation to non-COVID-19 work, despite the disruption to Welsh Government operations and the accommodation that has had to be made to release staff to address priority COVID-19 responses, the conclusions suggest there has been no compromise in effective risk management, governance and control for ‘normal’ activities.

A wide range of interventions have been delivered to respond to the COVID-19 pandemic. Many were introduced at pace, funded through the COVID-19 Reserve Fund. Interventions have varied significantly from grant schemes and new policy implementation to repurposing of existing funding. To ensure there is sufficient visibility of the controls in place over these interventions, the HIA developed a COVID-19 Assurance Map, in line with the WG Assurance Framework, that will be continually updated as further interventions are established or changes are made to existing controls, governance arrangements and financial management. The COVID-19 Assurance Map follows the ‘3 lines of defence’ model and is populated with details of management controls, oversight arrangements and independent and objective assurances available for each COVID-19 intervention.

IAS adapted its audit methodology and modified its reporting protocols in order to deliver assurances in a timely, effective and efficient manner. In this way, while the programme of audit work for 2020-21 was much smaller than it would otherwise have been, I am satisfied, based on the advice of the Head of Internal Audit and of the Audit & Risk Assurance Committee, a sufficient body of work has been concluded to provide an assurance opinion for the year on the Welsh Government’s operations.

IAS operates in accordance with Public Sector Internal Audit Standards (PSIAS). These Standards require the Service is subject to a five-yearly External Quality Assessment (EQA), which fell due for the IAS in 2021. The latest EQA has been completed and the Reviewer appointed has concluded the IAS is a high performing and well-managed internal audit team, delivering professional and high-quality services to the Welsh Government. Whilst some areas of partial conformance with the Standards have been identified, this does not prevent an overall opinion of General Conformance being awarded.

## European Funds Audit Team

In February 2021, 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 2019 to 30 June 2020. This report was based on work carried out by EFAT in accordance with its audit strategy for the Programmes. I am pleased to report EFAT was able to provide an unqualified opinion to the Commission in respect of the ESF and ERDF programmes. EFAT also issued an unqualified opinion in respect of the Ireland/Wales Territorial Cooperation Programme for the same period. Both ACRs and opinions were formally accepted by the Commission on 30 April 2021 (Ireland-Wales) and 4 May 2021 (ESF/ERDF).

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

Based on its work throughout 2020-21, 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

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 either the same or marginally down on the 2019-20 DG's levels of confidence. Following the stocktake and as a result of the challenge and moderation process, 16 changes were made to ICQs in the areas of COVID-19, business planning, fraud reporting, staffing matters and information management.

The ICQ heatmap also includes narrative to recognise that the ICQ is only one aspect of the Welsh Government's overall control environment and all elements must be considered to obtain a true and proportionate reflection of the control environment that has been operating during the pandemic.

Having assessed the additional controls in place, including the COVID-19 Assurance Map, the narrative concluded that whilst 2020-21 presented an incredibly challenging operating environment for the Welsh Government, the evidence assessed indicates that the overall increase in risk was balanced by the introduction of additional control and governance measures to manage those risks appropriately.

## Business Critical Analytical Models

An annual assurance exercise has been undertaken by the Welsh Government's analytical Heads of Profession to assess analytical models in use and provide me with assurance on these models.

Across the Welsh Government, there has been an increase in organisational exposure to analytical modelling risk this year. New models have been developed at pace to inform some of the most significant and high profile decisions during the pandemic response. In previous years, economic shocks have been identified as a risk to modelling and this year both the pandemic and EU transition have contributed significant uncertainty, raising the risk level of a number of existing analytical models.

The Welsh Government has worked closely with Swansea University to rapidly build capability to model the potential paths of the pandemic and develop the Reasonable Worst Case scenario. Strong quality assurance processes have been established, building in peer review and expert challenge from across the UK.

The urgent nature of this modelling brings risks and there is considerable uncertainty for some assumptions due to the evolving nature of the science, for example on vaccine effectiveness. These risks are well understood and communicated.

As with previous years, significant risk exposure remains in certain areas, such as student finance, with large annual budgets for grant and loan liability, based on a statutory demand-led system. Good governance and mitigation are in place. Models on devolved taxes are now well-embedded in the tax forecasting and budget-setting process.

There is routine use of 2011 Census data, either as a key input or through the use of population projections, which are derived from census data. As we are now at the furthest point from the 2011 Census, the length of time that has passed since this data was collected introduces further uncertainty and risk. The affected modelling teams have been advised to begin planning for how to integrate 2021 Census data once it becomes available.

Each year the analytical Heads of Profession carry out a number of more detailed peer reviews of analytical models. As a result of the COVID-19 pandemic, peer review sessions did not take place this year, but priority models have been identified for the coming year as part of the ongoing assurance programme.

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 the costs of alternative 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.

### Regeneration Investment Fund for Wales (RIfW) Settlement

In July 2020 the Welsh Government reached a settlement in relation to the legal action initiated with respect to the Regeneration Investment Fund for Wales (RIfW). The settlement was reached on a commercial basis and without any admission of liability by any party. The detailed terms have been incorporated into a confidential settlement agreement between the parties. As a result of the settlement, Ministers confirmed that the £40.7 million contained in the Fund as at 31 March 2020 would now be made available to support regeneration and other projects throughout Wales.

The Welsh Government has learned a number of lessons as a result of the RIfW case and we have made changes to our working methods. At a strategic level we would highlight the impact which RIfW has had in generating a much more sophisticated approach to our use of loan finance which is and will continue to generate a range of benefits.

### European Commission Funding

#### Impact of COVID-19 on the auditing of Structural Funds

EFAT performs the role of Audit Authority for Wales in respect of ESF, ERDF and ETC programmes, as well as undertaking audits for the EMFF programme on behalf of DEFRA. In order to meet European Commission (EC) requirements, EFAT must complete a number of audits across two separate sample periods by the end of the calendar year. Normally, audits are carried out at the premises of the project subject to audit.

Despite the COVID-19 pandemic, normal EC deadlines remain in place for 2021. In addition, the greater flexibility provided by the EC last year for reduced sample sizes (to allow for the increased time required to undertake a desk-based audit) has not been extended to the current year and a full sample of audits will have to be carried out. However, as with last year, audits continue to be undertaken remotely and will be for the foreseeable future until it is safe and appropriate to audit on-site at projects.

## European Court of Auditors (ECA)

In September 2019, EFAT was subject to an audit by the ECA for the purpose of confirming whether the level of assurance EFAT provides to the EC on the 2014-2020 ESF and ERDF Programmes was adequate. The report on this audit was finalised in September 2020. An issue in relation to State Aid for one project remains. EFAT and WEFO continue to liaise with Welsh Government Legal Services on the matter and the issue remains open with the European Commission.

In March 2021, the ECA commenced an audit of the closure of the ESF 2007-2013 Programme, for the same purpose a draft report was received in April 2021. Due to a combination of the tight timescales involved and restrictions in place due to COVID-19, it has been a significant challenge to retrieve evidence from projects that has been stored in hard copy and is often archived off-site. EFAT, WEFO and the selected projects have now provided all the additional evidence requested. The ECA has considered this further evidence and issued its final report in July 2021.

## Losses, Write-Offs & Special Payments

### Cardiff International Airport Loan (CIAL) and Equity Impairment

The impact of the COVID-19 pandemic has had a significant and dramatic impact in the value of the Welsh Government's holdings in Cardiff Airport. As sole shareholders of Cardiff International Airport, £42.6m of debt issued to the airport was written off to maximise the recovery of remaining Welsh Government loan investment and a four year plan for the rescue and restructure of the airport totalling £42.6m was put in place in March 2021 to enable it to recover from the pandemic as soon as travel restrictions are lifted. The Welsh Government equity investment was also affected by the COVID-19 pandemic impact on the airport, leading to a £43.5m equity impairment.

This decision, put to Ministers regarding the future of the Airport was not recommended lightly, and there has been significant interest in the Senedd, including from the Public Accounts Committee, into our investment and funding of Cardiff Airport. However, the decision was taken following advice from relevant and independent experts from across the Welsh Government and provides the best opportunity to ensure we maximise the value of our remaining investment in Cardiff Airport.

### M4 Corridor around Newport

In accordance with standard accounting procedures, and the principles enshrined in Managing Welsh Public Money, there were further write downs in the development costs we had incurred in the project for the M4 Corridor around Newport.

The writing down of the remaining value of £75.9m follows on from the £43.1m reduction in the 2019-20 accounts. Expenditure was incurred on development work including environmental surveys, ground investigation data and transport models.

Even though the costs written down will no longer be reported in the Statement of Financial Position as assets, that does not mean that studies and data sets will be disregarded. The data library created through the expenditure remain in Welsh Government ownership and shall be referred to in future projects to maximise value to the public purse. There remains some small items with value for this project, mainly around land and buildings we acquired.

### **Ex-gratia payment for horses in care**

During the year a payment was approved of £0.5m to the Shared Regulatory Services (the Service) covering Bridgend, Cardiff and Vale of Glamorgan Councils which had a serious equine welfare case. This resulted from a large scale seizure of 200 horses from a renowned previously banned breeder requiring the Service to care for the horses in a safe and secure location pending legal possession being awarded to the Vale of Glamorgan Council as part of the wider prosecution case. Given the number of horses involved, the extraordinary cost for the Service and the welfare of the horses I was content that an ex-gratia payment should be made in this case.

### **Business Debt Write-Offs**

During the year, the write-off of two significant amounts of funding owed back to the Welsh Government were authorised. 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 £0.9m due from a company called Oysterworld after loans were made in 2012 and 2013 to support the development of computer games. Although many of the other conditions of grant were satisfied such as the employment of staff for a number of years as the games unfortunately never made it to the market the company eventually ceased trading.

The second debt is for £1.5m in relation to Quinn Radiators. The original loans were made in 2014 and through subsequent refinancing of the company part of the loans have been repaid. The company went into administration in 2019 and during this financial year we received independent legal advice confirming all the assets from the company had been sold off and there was no prospect of the Welsh Government recovering the funds owed to us.

### **Student Loans Company**

I have previously reported that a number of part-time Welsh-domiciled students on distance-learning courses have been paid Grants For Dependents (GFDs) in error with £3.3m being recorded in the Welsh Government's 2018-19 financial accounts. SLC has been instructed to provide an annual statement confirming the annual GFDs to be written-off for the affected students – the value of the payments will be included in the Welsh Government accounts in future years and it is expected that the annual figure will reduce year

on year as more of the continuing students complete their courses. Payments are continuing to be made to existing students to the end of their studies and will in subsequent years, to maintain the position that students face no financial penalty for this error. The write-off of £0.4m made this year relates to the 2018-19 academic year and brings the total written-off to date in respect of this error to £3.7m.

## Pandemic flu stocks

Pandemic flu stocks were written off in the year to the value of £5.3m. 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.

## VAT Arrangements/Tax Planning and Management

As part of a rolling programme of compliance reviews, HMRC are currently undertaking three reviews within the Welsh Government focusing on VAT, Employment status and generic Employer Compliance. However due to HMRC resource issues linked to COVID-19 and EU Transition responsibilities, limited work on the Inspections has taken place. No repayments were required to be made to HMRC during the 2020-21 financial year.

## 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 “Cyber Essentials” standard.

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 receives regular security briefings in addition to briefings provided to the Permanent Secretary.

Incidents Falling Within the Criteria for Reporting to the ICO (Reported):		
Year	Incidents Reported to ICO	Action Taken by ICO
2020-21	2	0
2019-20	7	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	2020-21	2019-20
I	Loss of inadequately protected electronic equipment, devices or paper documents from secured Government premises	0	7
II	Loss of inadequately protected electronic equipment, devices or paper documents from outside secured Government premises	4	7
III	Insecure disposal of inadequately protected electronic equipment, devices or paper documents	0	0
IV	Unauthorised disclosure	96	68
V	Other	3	20

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. Of these incidents, 81% involved data transmission external to the Welsh Government and 19% internal to the Welsh Government. Although the number of incidents in 2020-21 (96) is an increase from the previous year (68), this is in the context of the average number of emails sent by staff every month having doubled.

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. Where necessary, lessons to be learnt across the organisation form part of the regular all-staff Security Bulletin.

## Data Protection Officer Report

In addition, I take assurance from the Welsh Government's Data Protection Officer (DPO) concerning compliance with the UK GDPR. The reprioritisation of resources to respond to the COVID-19 pandemic has, unsurprisingly, delayed progress in addressing some of the areas for improvement identified by my DPO last year, such as the development of a single automated Welsh Government Information Asset Register process and better, centrally-held information on data protection impact assessments and data sharing agreements and contracts. COVID-19 also slowed the roll-out of induction training for all Information Asset Owners in this role but this task is now almost complete and further training needs will be identified over the coming year.

The creation of a new Digital Data and Technology Directorate in April 2020 under the Chief Digital Officer, reporting directly to me and bringing together all aspects of information technology and information and records management, has strengthened information governance considerably. Furthermore, while the pandemic has delayed some improvements, my DPO has also observed a good, and growing level of awareness amongst officials of the overarching data protection principles and requirements of UK GDPR. There is no doubt officials have gained valuable practical experience and greater technical understanding of data protection in the course of implementing responses to the pandemic through which officials, often working with other public sector partners, have been able to use personal data appropriately and securely to deliver interventions to protect and support Welsh citizens.

## 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 settlement for Unitary Authorities which comprises Revenue Support Grant (RSG) and a share of non-domestic rates income. This funding may be used for any purpose in delivering the services for which those authorities are responsible. 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. Until 1 April 2021 principal councils had to put in place arrangements to make continuous improvements, including related plans and reports, and the Auditor General had to assess whether each council was likely to (or had) met these requirements. From 1 April 2021 councils will be subject to a new performance and governance regime requiring them to keep their performance under review, and requiring them from 5 May 2022 to arrange a panel performance assessment at least once every electoral term. The Auditor General for Wales also carries out performance audit work at each council to be satisfied that it has put in place proper arrangements to get value for money for the resources it uses and to assess the extent to which councils are acting in accordance with the sustainable development principle.

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 will be agreed between the local authorities and the relevant UK Government Department.

## Specific issues:

An Improvement and Assurance Board was established in Powys in March 2018 to assist the Leader in driving forward the required change and improvement in Powys County Council (the Council). In March 2020 the purpose/remit of the Board and its effectiveness were reviewed. The review looked at the Board's current remit to monitor progress in relation to: Social Services (Children and Adults), Education, and Corporate matters and considered whether there is a continuing need for statutory independent challenge and support to be provided in all three areas.

In light of sufficient progress made to date by the Council the review concluded that there should be a move from a formal Improvement and Assurance Board to local arrangements to oversee and drive improvement. The Improvement and Assurance Board remained in place for a short period with a revisited remit with a specific focus on ensuring an effective transition to the Council driving its own improvement, meeting formally for the last time in October 2020. There is an ongoing need to maintain external challenge and advice on specific service areas, namely education and social services and this forms part of the Council's arrangements.

A statutory support package has been in place in Merthyr Tydfil since July 2019 following a letter from the Leader of the Council requesting formal support in response to a concerning Annual Audit Letter issued to the Council by Audit Wales in May 2019. The support comprises of three strands:

- The establishment of an overarching Improvement and Assurance Board to assist the Leader, Deputy Leader and Chief Executive in driving forward the required change and improvement in the Council and to report on assurance to the Minister.
- Appointment of external advisers to provide short targeted support to inform the appointment in relation to member/officer support; education; social services; and support on the improvement/transformation agenda.
- Provision of mentoring and Peer support for the Leader and Chief Executive from a serving Leader and previous chief executive of a Welsh local authority.

The support package is reviewed on a regular basis to ensure the support remains fit for purpose and identify any modifications required.

Improvement and Support Conferences, including representatives from Audit Wales, Estyn, CIW and the WLGA, continue to be held regularly to discuss 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.

Last year I reported that six out of ten Local Health Boards and NHS Trusts had complied with the statutory break-even duty by operating within their budgets over the three year period of assessment. Four of the seven Local Health Boards failed to achieve their financial duty to break-even over three years. Consequently, these four organisations received qualified regularity opinions from the Auditor General for Wales on their 2019-20 accounts, having failed to meet their statutory financial duty for the fourth three-year period.

In 2020-21 four health boards again failed to meet their duty to break-even over a three-year period. However, there is positive progress, the total NHS in-year deficit fell from £89 million in 2019-20 to £48 million this year, and the three-year cumulative over-spend across the NHS reduced from £352 million to £233 million.

Two of the four bodies failing to meet their financial duty to break even over three years, Hywel Dda University Health Board (UHB) and Swansea Bay UHB, also failed to break-even in year. Whilst Hywel Dda UHB continues to show an improving trend in its financial position, the finances of Swansea Bay UHB have again deteriorated.

The other two bodies failing to meet their financial duty to break-even over three years, Cardiff and Vale UHB, and Betsi Cadwaladr UHB, have both made significant financial progress, breaking-even in year. (Cardiff and Vale UHB also achieved a break even in-year surplus in 2019-20).

The Auditor General for Wales qualified his 2020-21 regularity audit opinion on these four bodies on the basis that the health boards did not achieve their statutory financial duty to break even over the three years. The other three health boards and three NHS trusts all met their duties to break-even over a three year period, whilst the special health authority met its one year target to break-even.

In 2020-21, all LHBs, NHS Trusts and the Strategic Health Authority were subject to an Emphasis of Matter statement in their audit opinion from the AGW in respect of contingent liabilities arising from the Ministerial Direction issued in December 2019 for the pension scheme for clinicians who incur tax charges for undertaking work in 2019-20.

The Auditor General for Wales was required to limit the scope of his audit opinion on the accounts of Velindre University NHS Trust as, due to his policy in following Welsh Government restrictions relating to COVID-19, he was unable to attend stocktakes to obtain audit evidence regarding the valuation of the Trust's stocks at 31 March 2021. It is important to emphasise that this qualification is not due to any shortcomings in the Trust's systems or actions, but because of the impact of COVID-19 on key audit procedures.

## NHS Escalation and Intervention arrangements

Cardiff and Vale University Health Board reverted to routine monitoring arrangements in 2019-20 to reflect the improvement in their financial performance. Both Swansea Bay University Health Board (formerly Abertawe Bro Morgannwg University Health Board) and Hywel Dda University Health Board are in enhanced monitoring. Betsi Cadwaladr University Health Board's status has improved and they have moved from Special Measures to Targeted Intervention.

Cwm Taf Morgannwg University Health Board's predecessor organisation (Cwm Taf University Health Board) was escalated to 'enhanced monitoring' in January 2019 after concerns were raised in relation to an ionising radiation inspection, a review of mortuary services and serious untoward incidents within its maternity services. Then in April 2019, following the publication of a joint review conducted by the Royal College of Obstetricians and Gynaecologists and the Royal College of Midwives, the Welsh Government's Minister for Health and Social Services announced that the maternity services of the former Cwm Taf University Health Board be put into 'special measures'. The health board was also escalated to Targeted Intervention for Leadership, Culture, Trust and Confidence and Quality Governance. The health board has continued to deliver improvements in 2020-21 with 50 out of 70 maternity services recommendations now completed.

In March 2020, the impending impact of the COVID-19 pandemic became clear and fundamentally affected the revised delivery objectives of NHS bodies. The major cost of meeting the financial challenges of the pandemic were met in the 2020-21 financial year but the final two weeks of March were accounted for in the 2019-20 financial year. To support this, in 2020-21 £1.170 billion was allocated for revenue expenditure and £133 million for capital purposes.

To reflect the dramatic effect on how organisations would be expected to operate in this unprecedented environment, guidance was issued to NHS Wales' bodies on 30 March 2020 which offered following principles to be applied in decision-making:

- Due consideration is given to regularity in relying on legal powers, propriety and meeting the standards of 'Managing Welsh Public Money', and value for money supported by an assessment of the realistic options available to you at the time.
- Decisions taken must be rational and justifiable with due consideration of all options and risk. If approval is required then it should be sought and justification for decisions should be recorded, if not at the time then subsequently.
- Individuals and organisations should ensure that decision-making conduct is in line with Nolan Principles, with integrity at the heart of decisions and with no conflict of interest affecting or appearing to affect decisions.
- During emergencies, organisations inevitably are more vulnerable to the risk of fraud. Therefore a continued focus on good governance and potential fraud is essential.
- If any organisation has any concerns in any aspects of their decision-making process and revised governance arrangements, in addition to seeking advice of Welsh Government officials, they should ensure the continual involvement of Audit Wales in their activities to refocus decision-making processes.

Given the immediate challenges presented by the COVID-19 pandemic, it was recognised that routine financial arrangements and disciplines are disrupted and need to adapt on an interim basis. In keeping with the principles and spirit of guidance, the routine financial arrangements were adapted to a supportive and balanced focus in ensuring core minimum requirements were in place to support all organisations at this challenging time.

In this environment, financial guidance advocated the need to ensure that:

- There were clear and pragmatic financial arrangements in place which minimised any disruption to the system.
- Business continuity arrangements are effective.
- Frameworks to support effective decision-making are clear.
- Core financial assumptions and positions are clear and monitored, but with a light touch approach whilst maintaining sufficient clarity on minimum key measures.

## 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, its responsibility for the Welsh transport infrastructure 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 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. ExCovid have identified and monitored COVID-19 specific risks and issues for the organisation and the Corporate Risk Register has been updated to ensure that corporate risks existing before the global pandemic have been updated to ensure that impact of COVID-19 is reflected within them.

COVID-19 has led to an unprecedented increase in pressures on the Welsh Government for 2020-21 and the future path of the economy and public finance is very unclear. It has also increased risks to the workforce including issues around capacity and staff well-being. Effective mechanisms have operated to monitor and provide support to staff, as needed.

The key corporate risk throughout the pandemic has been that staff may not have been redeployed quickly enough, or have sufficient skills to respond appropriately to the demands of the pandemic.

The Priority Resourcing process has been used to identify critical roles for the COVID-19 response and reassigned suitable staff to those roles. Another relevant corporate risk has been ICT resilience and the

Welsh Government's ability to be operationally effective if ICT systems and applications are not available. The impact of this risk was increased by remote working due to COVID-19 but robust mitigations have meant staff have been able to work effectively from remote locations.

COVID-19 has also led to an unprecedented increase in pressures on the Welsh Government's budget for 2020-21 and the future path of the economy and public finance is very unclear. We continue to work closely with colleagues in HM Treasury and scenario plan for possible fiscal futures, including the impact assessment of policies and programme to focus on maximising value for money.

During the year two new risks were added to the Corporate Risk Register. The first reflected the risk around the Senedd elections. This risk recognised the impact of COVID-19 on the election process and put in place measures to manage that risk. Following the elections in May 2021 this risk has now been removed.

The second risk was escalated from ESNR's Group Risk Register and relates to the condition of the strategic road network in Wales and the costs of maintaining this asset in a safe and satisfactory state.

An overarching risk related to EU transition appears on the Corporate Risk Register, and the Post EU Assurance Board regularly reviews strategic and cross-cutting risks, with more detailed consideration of specific risk happening at the Implementation and Negotiations Boards as necessary.

## 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.

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.

In early 2021, ExCovid reviewed the approach to the management of COVID-19 risks across the organisation, given the way the pandemic had evolved. Welsh Government was increasingly managing multiple issues to emerge from the pandemic, it was agreed that ExCovid should have oversight of a central COVID-19 specific risk register. In addition, Cabinet had stopped receiving a weekly dashboard of key interventions, meaning there was a requirement to bring these key risks together in a different way.

The ExCovid risk register follows a similar approach to that taken with the Welsh Government Corporate Risk Register, and includes significant/critical risks that impact on multiple parts of the organisation at the same time, requiring a “whole organisation” approach to deliver a single solution effective for all. The ExCovid risk register also includes for information, the most significant risks being managed at group level.

## Ministerial Direction

In the 2019-20 financial year I sought and obtained a Ministerial Direction from the First Minister. This was the first Ministerial Direction given since the start of devolution. The Direction<sup>58</sup> 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. I 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 I needed to seek a Direction from the First Minister.

NHS bodies in Wales have recorded an unquantified contingent liability in their 2020-21 accounts in relation to this Ministerial Direction, which is included in the Welsh Government Consolidated Account at note 12.

## 2019-20 Welsh Government Consolidated Accounts Qualification

The Auditor General for Wales qualified his true and fair opinion and his regularity opinion on the Welsh Government Consolidated Accounts for 2019-20 in relation to the application of International Accounting Standard 37, Provisions, Contingent Liabilities and Contingent Assets to COVID-19 support for businesses announced in March 2020.

The Welsh Government has a difference of opinion from the Auditor General for Wales on the interpretation of IAS37 and its application in respect of grant support for small businesses and the leisure, hospitality and retail sectors announced by Ministers in March 2020. The accounting treatment applied in 2019-20 is considered appropriate and consistent with the Welsh Government accounting policy on and handling of grants. Welsh Government senior finance officials have considered further guidance issued on this matter by HM Treasury in 2021, and have concluded that no change is required to the accounting treatment applied to these schemes.

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58 Ministerial direction regarding the NHS Pension Tax Proposal 2019 to 2020  
[gov.wales/ministerial-direction-regarding-nhs-pension-tax-proposal-2019-2020](http://gov.wales/ministerial-direction-regarding-nhs-pension-tax-proposal-2019-2020)

However, as the expenditure incurred for the grant support provided in 2020-21 is reported in the Consolidated Accounts for 2020-21, which is not in accordance with the view of the Auditor General for Wales, the Auditor General for Wales' true and fair opinion will be qualified for 2020-21 in respect of this matter.

## Conclusion

The system of internal control has been in place in the organisation for the year ending 31 March 2021 and up to 27 October 2021. 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 presented an unprecedented change for the organisation but throughout the period I am satisfied that sound governance and assurance arrangements remained in place.

**Shan Morgan**  
**Permanent Secretary and Principal Accounting Officer**

27 October 2021

Based on the above assurances from the former Permanent Secretary & Principal Accounting Officer, which I have discussed with her, and from my own review of the matters required to be included within this Governance Statement, I am satisfied that for the 2020-21 financial year and up to the date of approval of the accounts a sound governance framework and system of internal control were in place. They supported the achievement of the Welsh Government policies, aims and objectives; facilitated effective exercise of Welsh Ministers' functions; and safeguarded public funds and assets for which the former Principal Accounting Officer was personally responsible. These matters of governance and control are in accordance with the responsibilities that were assigned to the former Principal Accounting Officer, and now to me as Permanent Secretary & Principal Accounting Officer from 1 November 2021 in HM Treasury's 'Welsh Government Accounting Officers' Memorandum'.

## NHS scheme pays

Further to the Governance Statement content signed by my predecessor, subsequent information has arisen regarding the liability for the pension and tax 'NHS Scheme Pays' arrangements for higher paid clinicians in the NHS which was subject to a Ministerial Direction. As part of the 2021-22 NHS bodies accounts preparation information has been provided to the NHS bodies as employers to support provisions for this liability being included in their 2021-22 accounts. Welsh Government has assessed this information under the relevant accounting standards and has included a quantified contingent liability for £21.5m in the financial statements at note 12. As the costs of the scheme are to be met by the Welsh Government, a provision will be included in the 2021-22 accounts consistent with the accounts for NHS Bodies in Wales.

## Remuneration

I understand that Auditor General for Wales intends to qualify his audit opinion for the 2020-21 Welsh Government Accounts on the basis of a payment of £39,123 made to the former Permanent Secretary on her departure from the organisation (albeit the payment was made in 2021-22). I recognise that the Auditor General has to apply the appropriate audit standards to all elements of the Accounts and the Welsh Government acknowledges the concerns about us not keeping contemporaneous records and the reasons for making the payment to the former Permanent Secretary. I confirm we have taken steps to improve processes for the future.

However, 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 Welsh Government brought the payment to the attention of Audit Wales in accordance with our responsibilities to highlight any events occurring between the submission of the draft accounts for audit and sign off by the Auditor General. The payment to the former Permanent Secretary occurred in October 2021, a month before the accounts for 2020-21 should have been signed off. Since first raising this matter with Audit Wales in November 2021, we have shared all emails and documentation relating to the payment, answered all queries raised and retrospectively confirmed the efficacy of the payment with UK Cabinet Office who oversee the appointments of Permanent Secretaries and the civil service pension administrator who advise on matters of partial retirement. We have also met with Audit Wales staff on numerous occasions to endeavour to satisfy them in relation to their queries. We have also included a note to the remuneration report within these accounts which discloses the payment made.

In 2018 the former Permanent Secretary requested partial retirement, electing to benefit from her pension as permitted by the rules around Civil Service pensions. She was consequently paid 80% of her salary and no further pension contributions were made thereafter by Welsh Government. Due to the demands of the pandemic and prior to that because of Brexit, the former Permanent Secretary continued to work full time hours and often on weekends as her job demanded. On that basis the former Permanent Secretary came to an agreement with Welsh Government as her employer to bank time off in lieu, equivalent to one additional day worked per week, to take towards the end of her contract which was due to end in February 2022.

It was evident internally and to anyone who dealt with the Welsh Government during Brexit and the Covid pandemic that the former Permanent Secretary did not work less hours than she would have done had she been in receipt of 100% of her salary.

Since her identified successor was an internal candidate who could start immediately and it was in the interests of the organisation to avoid a protracted handover period, the former Permanent Secretary was prepared to leave sooner than the end of her contract. This made it impossible for her to take this additional time off and, therefore, the Welsh Government offered the former Permanent Secretary a monetary alternative to the value of £39,123. This offer was less than the sum the former Permanent Secretary could have asked for, beyond the salary she was receiving, and was less than the former Permanent Secretary would have received if she had been paid 100% of her contracted salary. As the original agreement had been for time off in lieu and not a monetary equivalent, the Welsh Government felt that on value for money grounds an offer to pay for circa half the time that would have been taken in lieu would be reasonable. The final payment was approved in accordance with Managing Welsh Public Money.

For the avoidance of doubt, the former Permanent Secretary received payment for credit in lieu of banked hours and payment in lieu of notice but did not receive any severance payments when she left the organisation before the end of her contractual period.

## Support for businesses during the pandemic

During 2020-2021 support was provided to businesses in Wales due to the unprecedented circumstances that led to many business' such as those in the leisure, retail and hospitality sectors having to close for periods of the year.

The Welsh Government took a risk balanced view of the need to provide this rapid support to ensure businesses that were viable pre-pandemic could still operate post pandemic, thereby supporting jobs, the supply chain and ultimately families' livelihoods. Based on the combination of application controls, Post Completion Monitoring (PCM) and the overall control environment the Welsh Government is content that the approach taken to deliver support to businesses during the COVID-19 pandemic was proportionate, effective and provided adequate safeguards for public funds.

This has been substantiated by the low levels of fraud evidenced to date (less than 0.08%) and the low levels of recovery that has been required through PCM for the Welsh Government delivered schemes. Overall, from the reported incidence of fraud and PCM completed a range of fraud and error of between 0.08% and 4.17% has been assessed. This indicates that on a total of £893m worth of schemes which had enhanced eligibility requirements from the initial flat rate support schemes managed by Welsh Government and Local Authorities, the potential risk of fraud and error is £0.7m to £37.2m, well below the threshold for materiality for the Welsh Government accounts.

PCM for the initial phases has now been undertaken and PCM for the remaining phases is in the process of being implemented.

Therefore, overall I am also reassured that the design of the schemes, combined with up-front checks undertaken using Non Domestic Rates database and other third party sources plus our post completion monitoring will ultimately demonstrate that the risk of loss to the taxpayer through fraud or error in applications is low and is proportionate to the action needed to protect businesses during the pandemic.

**Dr Andrew Goodall CBE**  
**Permanent Secretary and Principal Accounting Officer**

4 August 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.

	2020-21	2019-20
Total number of losses	170	214
Total value of losses (£000's)	129,049	61,864

Details of losses over £300,000:		
Store losses	Expired drug stocks	£5,313,586
Claims abandoned	Cardiff International Airport Ltd <sup>1</sup>	£42,600,000
Claims abandoned	Quinn Radiators Ltd – company administration	£1,500,000
Claims abandoned	Oysterworld Ltd – company administration	£909,950
Claims abandoned	Grants for Defendants – processing error <sup>2</sup>	£399,425
Constructive loss	M4 Corridor around Newport – write down of historic expenditure <sup>3</sup>	£75,946,602

<sup>1</sup> As sole shareholders of Cardiff International Airport, £42.6m of debt issued to the airport was written off to maximise the recovery of remaining Welsh Government loan investment, a four year plan for the rescue and restructure of the airport was put in place in March 2021.

<sup>2</sup> These losses were incurred within the 2019-20 financial year and reported to the Welsh Government by the Student Finance Company in the 2020-21 financial year.

<sup>3</sup> Following the announcement by the First Minister on 4 June 2019 not to proceed with the M4 Corridor Around Newport project a further £75.9m of capitalised costs has been reviewed as part of standard accounting processes and assessed as requiring write off.

Included within the losses noted above are 21 losses incurred in relation to the COVID-19 pandemic amounting to £43.0 million. The majority of this value relates to the Cardiff International Airport Ltd loan write-off, with the remainder principally for events cancelled as a consequence of the pandemic as initial lockdown took effect.

	2020-21	2019-20
Total number of special payments	14	13
Total value of special payments (£000's)	925	188

**Details of losses over £300,000:**

Ex-gratia payment	Care of seized horses	£493,333
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More details on the individual losses and special payments disclosed can be found in the Annual Governance Statement on pages 126-128.

## Remuneration and Staff Report 2020-21

### Remuneration Policy

The remuneration of senior civil servants is set at UK Government level following independent advice from the Review Body<sup>59</sup> on Senior Salaries. 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.<sup>60</sup>

### Service Contracts

The Constitutional Reform and Governance Act 2010, requires Civil Service appointments to be made on merit on the basis of fair and open competition. The Recruitment Principles published by the Civil Service Commission specify the circumstances when appointments may be made otherwise.

Unless otherwise stated below, the officials covered by this report hold appointments, which are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Further information about the work of the Civil Service Commission can be found at [www.civilservicecommission.org.uk](http://www.civilservicecommission.org.uk)

### Welsh Government Annual Pay Policy Statement

In line with the 'Transparency of senior remuneration in the devolved Welsh public sector' 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 Government's 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.

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59 Senior Salaries Review Body Report: 2020  
[www.gov.uk/government/publications/senior-salaries-review-body-report-2020](http://www.gov.uk/government/publications/senior-salaries-review-body-report-2020)

60 Determination – Remuneration Board [www.remunerationboard.wales/publications/determination/](http://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 (2019-20: £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 below.

Single total figure of remuneration – Ministers									
Ministers	Salary 2020-21 £	Salary 2019-20 £	Benefits in kind 2020-21 £	Benefits in kind 2019-20 £	Pension benefits 2020-21 (to nearest £1000) <sup>[1]</sup> £	Pension benefits 2019-20 (to nearest £1000) <sup>[1]</sup> £	Total 2020-21 (to nearest £1,000) £	Total 2019-20 (to nearest £1,000) £	
<b>Mark Drakeford</b> First Minister	147,983	147,983	0	0	57,000	58,000	205,000	206,000	
<b>Rebecca Evans</b> Welsh Minister	105,701	105,701	0	0	30,000	31,000	136,000	137,000	
<b>Vaughan Gething</b> Welsh Minister	105,701	105,701	0	0	30,000	31,000	136,000	137,000	
<b>Lesley Griffiths</b> Welsh Minister	105,701	105,701	0	0	29,000	29,000	135,000	135,000	
<b>Julie James</b> Welsh Minister	105,701	105,701	0	0	30,000	31,000	136,000	137,000	
<b>Eluned Morgan</b> Welsh Minister	105,701	105,701	0	0	31,000	32,000	137,000	138,000	
<b>Ken Skates</b> Welsh Minister	105,701	105,701	0	0	31,000	31,000	137,000	137,000	
<b>Kirsty Williams</b> Welsh Minister	105,701	105,701	0	0	29,000	29,000	135,000	135,000	
<b>Jeremy Miles</b> Counsel General & Minister for European Transition	105,701	105,701	0	0	31,000	32,000	137,000	138,000	
<b>Hannah Blythyn</b> Deputy Minister	89,846	89,846	0	0	27,000	27,000	117,000	117,000	
<b>Dafydd Elis-Thomas<sup>2</sup></b> Deputy Minister	89,846	89,846	0	0	4,000	4,000	94,000	94,000	
<b>Jane Hutt</b> Deputy Minister & Chief Whip	89,846	89,846	0	0	32,000	32,000	122,000	122,000	
<b>Julie Morgan<sup>3</sup></b> Deputy Minister	89,846	89,846	0	0	0	18,000	90,000	108,000	
<b>Lee Waters</b> Deputy Minister	89,846	89,846	0	0	27,000	27,000	117,000	117,000	

<sup>1</sup> The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) less (the contributions made by the individual). The real increase excludes increases due to inflation or any increase or decrease due to a transfer of pension rights.

<sup>2</sup> Dafydd Elis Thomas only accrues pension on his Office Holder salary of £22,197.

<sup>3</sup> Julie Morgan ceased contributing to the pension scheme in November 2019.

Pension details – Ministers						
Ministers	Accrued Pension at pension age as at 31/03/21 £000	Accrued Pension at pension age as at 31/03/20 £000	Real increase in pension at age 65 at Effective Date £000	CETV at 31/03/21 £000	CETV at 31/03/20 £000	Real increase in CETV £000
Mark Drakeford First Minister	25-30	20-25	2.5-5	547	489	54
Rebecca Evans Welsh Minister	20-25	15-20	0-2.5	247	218	12
Vaughan Gething <sup>1</sup> Welsh Minister	25-30	25-30	0-2.5	386	352 <sup>2</sup>	13
Lesley Griffiths Welsh Minister	40-45	35-40	0-2.5	727	674	23
Julie James Welsh Minister	20-25	15-20	0-2.5	383	336	26
Eluned Morgan Welsh Minister	5-10	5-10	0-2.5	127	95	18
Ken Skates Welsh Minister	15-20	15-20	0-2.5	224	196	12
Kirsty Williams Welsh Minister	40-45	35-40	0-2.5	615	574	14
Jeremy Miles Counsel General & Minister for European Transition	5-10	5-10	0-2.5	118	89	15
Hannah Blythyn Deputy Minister	5-10	5-10	0-2.5	84	64	9
Dafydd Elis-Thomas Deputy Minister	60-65	60-65	0-2.5	918	946	2
Jane Hutt Deputy Minister & Chief Whip	65-70	65-70	0-2.5	1134	1133	24
Julie Morgan <sup>2</sup> Deputy Minister	10-15	10-15	0-2.5	197	206	0
Lee Waters Deputy Minister	5-10	5-10	0-2.5	90	67	11

Some members may incur Annual Allowance tax charges as a result of pension accrual during the accounting period.

<sup>1</sup> The CETV at 31.3.20 for Vaughan Gething has been subject to recalculation due to a small adjustment that was made to this member's pension at the end of last year, the prior year figure disclosed in the 2019-20 Remuneration Report was £353,000.

<sup>2</sup> 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 6 May 2021. From 7 May 2021 all members are in the Career Average Scheme.

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 has 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 have agreed to consult with the affected Members and the Senedd Commission on a proposed remedy.

The contribution made by the Senedd was 19.9% of Members aggregate salaries. Members not subject to 'Transitional Protection' pay contributions at the rate of 10.5%. Those members who are subject to 'Transitional Protection' continue to pay contributions at their existing rate of either 6% or 10% depending on whether they are accruing benefits on a 50th or 40th basis respectively.

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. [gov.wales/ministerial-private-interests](http://gov.wales/ministerial-private-interests)

The declaration of interests, identification of potential or actual conflicts of interest and the management of any such conflicts is undertaken in accordance with the Ministerial Code. [gov.wales/ministerial-code](http://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 2020-21 £000	Salary 2019-20 £000	Pension benefits (to nearest £1000) 2020-21 £000	Pension benefits (to nearest £1000) 2019-20 £000	Total (to nearest £1000) 2020-21 £000	Total (to nearest £1000) 2019-20 £000
Shan Morgan <sup>1</sup> Permanent Secretary	135-140	130-135	-	-	135-140	130-135
Andrew Goodall <sup>2</sup> Director General	205-210	200-205	-	-	205-210	200-205
Tracey Burke Director General	125-130	120-125	45-50	50-55	170-175	170-175
Des Clifford Director General	125-130	120-125	40-45	25-30	165-170	150-155
Andrew Slade Director General	125-130	120-125	60-65	50-55	185-190	170-175
Reg Kilpatrick <sup>3</sup> Director General from 28/09/2020	60-65	-	120-125	-	180-185	-
David Richards Director of Governance & Ethics	105-110	105-110	45-50	25-30	155-160	130-135
Jeff Godfrey <sup>4</sup> Director Legal Services Board Member to 13/09/2019	-	50-55	-	10-15	-	60-65
Helen Lente <sup>5</sup> Director of Legal Services from 08/07/2019 Board member from 13/09/2019	95-100	65-70	65-70	90-95	160-165	160-165
Natalie Pearson Head of HR Strategy, OD and Engagement	80-85	75-80	55-60	20-25	135-140	100-105
Gillian Baranski <sup>6</sup> Equality and Diversity Champion to 31/08/2019 Board Member to 05/07/2019	-	30-35	-	15-20	-	50-55
Peter Kennedy Director of HR & Corporate Services	100-105	95-100	50-55	50-55	150-155	150-155
Gawain Evans Director of Finance	105-110	100-105	55-60	45-50	165-170	150-155
Andrew Jeffreys Director of Welsh Treasury & Equality Champion from 01/09/2019	100-105	95-100	45-50	35-40	150-155	135-140

Single total figure of remuneration – senior officials of the Welsh Government						
Senior officials*	Salary 2020-21 £000	Salary 2019-20 £000	Pension benefits (to nearest £1000) 2020-21 £000	Pension benefits (to nearest £1000) 2019-20 £000	Total (to nearest £1000) 2020-21 £000	Total (to nearest £1000) 2019-20 £000
Glyn Jones <sup>7</sup> Chief Digital Officer from 13/08/2020	55-60	-	60-65	-	120-125	-
Ann Keane <sup>8</sup> Non-Executive Director to 06/03/2020	-	10-15	-	-	-	10-15
Ellen Donovan Non-Executive Director	10-15	10-15	-	-	10-15	10-15
Jeff Farrar <sup>9</sup> Non-Executive Director	10-15	10-15	-	-	10-15	10-15
Gareth Lynn Non-Executive Director	10-15	10-15	-	-	10-15	10-15
Meena Upadhyaya Non-Executive Director from 05/05/2020	10-15	-	-	-	10-15	-

\* Senior officials for the single total figure of remuneration disclosures are members of the Welsh Government Board and the Executive Committee.

<sup>1</sup> Shan Morgan elected 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. Shan Morgan stepped down as Permanent Secretary of the Welsh Government on 31 October 2021. On departure she received payment of £92,018 relating to salary to the date of departure, pay in lieu of notice, 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 benefit from her pension. Typically where an individual elects 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.

<sup>2</sup> Andrew Goodall is seconded from Aneurin Bevan University Health Board and he has chosen not to be covered by the NHS pension arrangements. Andrew Goodall was appointed Permanent Secretary from 1 November 2021.

<sup>3</sup> Reg Kilpatrick was appointed temporary Director General, Covid Coordination from 28 September 2020, his comparable Full Time Equivalent salary is £120,000-£125,000 pa. In addition for the period Reg Kilpatrick was a Senior Official in 2020-21, an allowance which does not form part of his remuneration as a Senior Official disclosed above was overpaid in error, which has been recovered.

<sup>4</sup> Jeff Godfrey served as Director of Legal Services until 7 July 2019 but remained on the board until 13 September 2019, his comparable Full Time Equivalent salary was £110,000-£115,000 pa.

<sup>5</sup> Helen Lentle was appointed as Director of Legal Services from 8 July 2019, her comparable 2019-20 Full Time Equivalent salary was £90,000-£95,000 pa. Due to a delay in salary increment processing pension disclosures are based on salary paid in year rather than salary payable for year.

<sup>6</sup> The 2019-20 salary disclosed for Gillian Baranski is in respect of her role as Chief Inspector- Care Inspectorate Wales. Disclosure included in the Senior Officials table above in respect of her additional voluntary service as the Welsh Government's Equality and Diversity Champion until the last Board meeting in that post on 5 July 2019. Gillian ceased the Equality and Diversity Champion role on 31 August 2019.

<sup>7</sup> Glyn Jones post as Chief Digital Officer became part of the Executive Committee from 13 August 2020, his comparable Full Time Equivalent Salary is £90,000-£95,000.

<sup>8</sup> Ann Keane's salary for 2019-20 includes additional fees of £564 for commissioned work within the Welsh Government. Ann Keane resigned from the Board on the 6 March 2020.

<sup>9</sup> Jeff Farrar resigned from the board on 15 August 2021.

Pension details – senior officials of the Welsh Government					
Senior officials	Accrued Pension at pension age as at 31/03/21 and related lump sum £000	Real increase in pension and related lump sum at pension age £000	CETV at 31/3/21 £000	CETV at 31/3/20 £000	Real increase in CETV £000
Shan Morgan Permanent Secretary	-	-	-	-	-
Andrew Goodall Director General	-	-	-	-	-
Tracey Burke Director General	35-40	2.5-5	558	449	31
Des Clifford Director General	35-40 Plus a lump sum of 110-115	0-2.5 Plus a lump sum of 5-7.5	889	812	44
Andrew Slade Director General	50-55 Plus a lump sum of 100-105	2.5-5 Plus a lump sum of 0-2.5	853	782	39
Reg Kilpatrick Director General from 28/09/2020	45-50 plus a lump sum of 130-135	5-7.5 plus a lump sum of 12.5-15	1,065	920	115
David Richards Director of Governance & Ethics	55-60 Plus a lump sum of 175-180	0-2.5 Plus a lump sum of 5-7.5	1,213	1,177	43
Jeff Godfrey Director Legal Services Board Member to 13/09/2019	-	-	-	1,181	-
Helen Lente <sup>1</sup> Director of Legal Services from 08/07/2019 Board member from 13/09/2019	40-45 Plus a lump sum of 85-90	2.5-5 Plus a lump sum of 2.5-5	792	716	48
Natalie Pearson Head of Organisational Development and Engagement	30-35 Plus a lump sum of 85-90	2.5-5 Plus a lump sum of 2.5-5	703	634	44
Gillian Baranski Equality and Diversity Champion to 31/08/2019 Board Member to 05/07/2019	-	-	-	586	-
Peter Kennedy Director of HR & Corporate Services	35-40 Plus a lump sum of 90-95	2.5-5 Plus a lump sum of 0-2.5	783	715	39
Gawain Evans Director of Finance	45-50 Plus a lump sum of 115-120	2.5-5 Plus a lump sum of 0-2.5	1,000	922	43
Andrew Jeffreys Director of Welsh Treasury & Equality Champion from 01/09/2019	30-35 Plus a lump sum of 55-60	2.5-5 Plus a lump sum of 0-2.5	542	491	28
Glyn Jones Chief Digital Officer from 13/08/2020	25-30 plus a lump sum of 50-55	2.5-5 plus a lump sum of 5-7.5	410	355	40

<sup>1</sup> Due to a delay in salary increment processing, pension disclosures are based on salary paid in year rather than salary payable for year.

## Register of Interests

The Welsh Government Register of Interests for Senior Officials disclosing relevant interests is published on the Welsh Government Internet [gov.wales/senior-officials-register-of-interests](http://gov.wales/senior-officials-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, 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 pages 111-112.

## 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, one Director General 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 2020-21 were £nil.

## Pay multiples

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce.

The banded remuneration of the highest paid director in the Welsh Government in the financial year 2020-21 was £205,000-£210,000 (2019-20: £200,000-205,000). This was 5.5 times (2019-20: 5.6) the median remuneration of the workforce, which was £37,410 (2019-20: £36,500). Based on the Permanent Secretary's banded remuneration the ratio is 3.7 (2019-20: 3.6). In 2020-21 and 2019-20 no employees received remuneration in excess of the highest paid director. Remuneration ranged from £20,000-£25,000 to £205,000-£210,000 (2019-20: £15,000-20,000 to £200,000-205,000).

Total remuneration includes salary, non-consolidated performance-related pay and benefits in kind. It does not include 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 2020-21	Total 2019-20
<b>Total</b>	<b>90,828</b>	<b>4,220</b>	<b>12</b>	<b>95,060</b>	<b>90,010</b>
Of which:					
Welsh Government	5,087	322	12	5,421	5,317
LHBs & NHS Bodies	84,513	3,898	0	88,411	83,717
Subsidiaries	1,228	0	0	1,228	976
Of the Welsh Government total:					
Regulatory & delivery bodies	720				
Tribunals	28				

Gender Breakdown of Welsh Government staff (unaudited)		
	Male	Female
Board members	56%	44%
Senior Civil Service	57%	43%
All Staff	41%	59%

The Welsh Government aimed to have a 50/50 gender balance in the SCS by 2020. Unfortunately, the target was not met, but it was an increase of 2% on the previous year. Due to relatively small numbers in the SCS, the figure fluctuates quite significantly based on even small numbers entering or leaving.

In the context of limited turnover, change is slow and the target proved unachievable. Percentages of women at Deputy Director level are closer to the target at 45.8% and given progression and turnover it was anticipated that change would be seen first at Deputy Director level. Additionally good progress is also being made at the feeder grades 6 (47.8%) and 7 (54.4%) below SCS.

Our Workforce Equality, Diversity and Inclusion Strategy 2021-2026 has new targets. For external recruitment, we aim for more than 50% of appointments to the SCS between now and 2026 to be women. For internal progression, we aim for more than 50% of promotions to the SCS to be women.

Staff costs		Permanently employed staff* £m	Other Staff £m	Year ended 31 March 2021 Total £m	Year ended 31 March 2020 Total £m
Welsh Government					
Salaries		236	12	<b>248</b>	233
Social Security Costs		26	-	<b>26</b>	25
Other Pension Costs		67	-	<b>67</b>	62
<b>Total</b>		<b>329</b>	<b>12</b>	<b>341</b>	<b>320</b>
Recoveries from secondments		(2)	-	<b>(2)</b>	(2)
Net staff costs		327	12	<b>339</b>	318
Consolidated					
Salaries		3,831	291	<b>4,122</b>	3,605
Social Security Costs		364	4	<b>368</b>	337
Other Pension Costs		666	3	<b>669</b>	617
<b>Total</b>		<b>4,861</b>	<b>298</b>	<b>5,159</b>	<b>4,559</b>
Recoveries from secondments		(2)	-	<b>(2)</b>	(2)
Net staff costs		4,859	298	<b>5,157</b>	4,557

\* 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 £1,100,923 (2019-20 – £836,466)<sup>61</sup> for the year, inclusive of pension and social security costs, and have been included within the figures above. There were 14 Special Advisers in post for all or part of the 2020-21 financial year, equating to 12 average full-time equivalents, as set out in the table above.

The Welsh Government Register of Interests for Special Advisers disclosing relevant interests is published on the Welsh Government Internet. [gov.wales/special-advisers-register-of-interests](http://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 pages 111-112.

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 50 staff whose FTE salary was above £100k as at 31 March. Of these, 6 were part-timers whose actual earnings therefore fell below the £100k threshold and 4 left part way through the year. The target rate for Director level within the Welsh Government went above £100,000 for the first time in 2020-21 (£100,820). Senior Civil Servant salaries were increased by 2.5%, in line with the pay award for delegated staff.

## 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 will switch into **alpha** sometime between 1 June 2015 and 1 February 2022. Because the Government plans to remove discrimination identified by the courts in the way that the 2015 pension reforms were introduced for some members, it is expected that, 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 page 148). 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](http://www.civilservicepensionscheme.org.uk)

Employees of the Welsh Government belong to the Principal Civil Service Pension Scheme, with the exception of a small number of staff who have elected to retain membership of other public sector schemes.

The Principal Civil Service Pension Scheme (PCSPS) and the Civil Servant and Other Pension Scheme (CSOPS) – known as ‘Alpha’ – are unfunded multi-employer defined benefit scheme but the Welsh Government is unable to identify its share of the underlying assets and liabilities. The Scheme Actuary valued the scheme as at 31 March 2016. Details can be found in the resource accounts of the Cabinet Office.

For 2020-21, employers contributions of £58,960,519 were payable to the PCSPS/Alpha (2019-20: £55,974,742) at one of four rates in the range to 26.6-30.3 per cent (2019-20: 26.3 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 2020-21 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 £244,428 (2019-20: £228,556) 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 £8,412 0.5% (2019-20: £7,908 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 (2019-20: nil). Contributions prepaid at the date were £nil (2019-20: £nil).

Three (2019-20: Four) individuals retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £22,857 (2019-20: £1,446).

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 2020-21 or 2019-20 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 2020-21, 8 (2019-20 13) employees have left or agreed to leave for voluntary exit or other reasons between 31 March 2020 and 31 March 2021. Compensation payments agreed are £314,590 (2019-20: £259,066).

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 2020-21	Total number of exit packages by cost band 2019-20
<£10,000	-	2	2	5
£10,000- £25,000	-	2	2	4
£25,000-£50,000	-	1	1	2
£50,000-£100,000	-	3	3	2
£100,000-£150,000	-	-	-	-
£150,000-£200,000	-	-	-	-
£200,000+	-	-	-	-
<b>Total number of exit packages by type</b>	-	<b>8</b>	<b>8</b>	<b>13</b>
<b>Total resource cost £</b>	-	<b>314,590</b>	<b>314,590</b>	<b>259,066</b>

The table above shows the total cost of exit packages agreed and accounted for in 2020-21 (2019-20 comparative figures are also given). Total exit costs paid during 2020-21, the year of departure, were £314,590 (2019-20 £5,829,912).

The costs included in the table provide the total cost to the organisation of any exit. However, in some instances individuals on exit may have used their compensation payments to provide early access to an unreduced pension, or to buy an increased pension.

## Sickness absence (unaudited)

The measures introduced during the previous two years, such as the Health and Wellbeing Strategy and Wellbeing Hour, have resulted in a significant reduction in the total number of days lost through sickness absence, with a subsequent 13% reduction in the average working days lost.

The number of staff taking no sickness absence continues to increase as a result of our positive interventions. The increase in the number of days lost due to short term absence reinforces the positive impact of the actions taken to combat long term absence as staff are returning to work earlier than they might have done previously. This reflects the range of wellbeing support that has been put in place and continues to be developed in response to the pandemic, and needs of staff. The ability to work remotely also allows staff to work from home if they are not feeling well enough to travel to an office location, negating the need to take sickness absence.

Relatively few members of staff in the Welsh Government have contracted the COVID-19 virus and the impact on sickness absence levels during the year has therefore been negligible. The success of our smart working policies has enabled the vast majority of staff to work safely from home, including those self-isolating, and has resulted in less absence as staff have had reduced contact with others.

Our continuing drive to support managers and staff through the absence cycle and provide them with the advice and tools necessary to support their return to work is expected to result in reductions to both long and short term absence in the coming year. We are also ensuring that staff have the appropriate support, tools and resources to enable them to work in a blended way whether from home, office or SMART working, which is also expected to have a positive impact on absence levels.

Welsh Government Sickness Absence	2020-21	2019-20	2018-19	2017-18
Days Lost (short term)	12,103	18,321	16,545	17,818
Days Lost (long term)	14,315	17,291	23,840	22,627
<b>Total Days Lost (12 month period)</b>	<b>26,418</b>	<b>35,612</b>	<b>40,385</b>	<b>40,445</b>
Total staff years	5,235	5,186	5,098	5,035
Total staff employed in period (headcount)	5,861	5,920	5,770	5,682
Total staff employed in period with no absence (headcount)	3,979	2,977	2,826	2,490
% staff with no sick leave	68%	50%	49%	44%
Average working days lost	5.1	6.87	7.9	8

## Staff Turnover (unaudited)

The Financial Reporting Manual for 2020-21 introduced a new disclosure requirement for 'Staff Turnover' disclosures. The calculation of the disclosure is based on guidance from the Cabinet Office.

The turnover figure is calculated as the number of leavers within that period divided by the average number of staff in post over the period and for 2020-21 is 3.42% for the Welsh Government.

Staff are included as leavers if they leave the Welsh Government with no planned return e.g. retirement, early severance. Staff on secondments or loans outside the Welsh Government are not included in the average number of staff in post for the time they are on loan or secondment.

## Summary of Resource Outturn

AMBIT	Budget 2020-21 Net expenditure £m	Outturn 2020-21 Net expenditure £m	Outturn compared with Budget Variance £m
Health and Social Services	10,467	10,166	301
Housing and Local Government	5,945	5,912	33
Education	3,575	3,361	214
Economy and Transport	4,195	4,248	(53)
Central Services and Administration	453	447	6
Environment, Energy and Rural Affairs	640	640	0
Mental Health, Wellbeing & Welsh Language	414	389	25
<b>Total Resource and Capital requirements</b>	<b>25,689</b>	<b>25,163</b>	<b>526</b>
<b>Income</b>	<b>979</b>	<b>819</b>	<b>160</b>
<b>Gross expenditure</b>	<b>26,668</b>	<b>25,982</b>	<b>686</b>

## Explanation of Variances

The uncertainties brought about by the pandemic created unusually high levels of volatility within MEGs during the 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 and Social Services Group – Underspend £301m

The underspend includes Revenue DEL underspend of £137m, Capital DEL underspend of £1m, Non Fiscal Resource DEL of £5m and an Annually Managed Expenditure (AME) underspend of £158m.

The Revenue DEL underspend is comprised mainly of a £115m underspend on COVID-19 funding allocated. The principle reason for the underspend is simply that actual costs for demand-led areas fell at the lower end of the range of estimated costs, rather than activities not being delivered. For example; PPE, Testing and Tracing which were extremely sensitive to cost and demand combined generated a £259m underspend. The net £115m underspend is reflective of active budget management across schemes in a flexible way during the year. This is reflective of a very challenging budget management period, the level and pace of the HSSG pandemic response was often dictated by the ever changing circumstances of the pandemic, and by volatile factors such as price and availability of equipment, consumables and PPE.

The Revenue DEL outturn includes the total NHS in-year £47.9m deficit (arising from two Local Health Board deficits) which has been offset by a planned provision within the MEG for the NHS deficit in 2020-21 which was broadly in line with expectations.

Non-Fiscal Resource DEL primarily funds depreciation for the NHS. The underspend was £5m, reflecting COVID-19 impacts on schemes progressing and a technical reassessment relating to an expected impairment which did not arise.

The AME underspend of £158m relates mainly to NHS provision variances between forecast and actual requirement, these provisions including clinical negligence are included in AME as they are demand driven and highly variable. The remainder of the AME underspend relates to anticipated impairments for NHS capital build schemes, which were impacted by project slippages and variances between forecast and actual valuations on scheme completions.

### Housing and Local Government – Underspend £33m

The underspend includes Revenue DEL underspend of £80m, Capital DEL overspend of £82m and an AME underspend of £30m.

The Revenue DEL underspend mainly relates to the Local Authority Hardship Fund £69m, which is demand led and the NDR Relief Scheme £21m. Allocations were made to the Hardship Fund in the third supplementary budget based on scenario planning for potential activity to the end of the financial year,

due to the uncertain environment of the pandemic maximum capacity to provide support was budgeted for. Actual demand was lower than anticipated, generating underspends in some areas of the Hardship Fund. The NDR Relief Scheme benefitted towards the end of the financial year when a number of large companies returned relief they had received to Welsh Government. Actions were taken within the MEG to manage underspends arising, including an allocation of £12m to local authorities to support road maintenance.

The Capital DEL overspend is largely due to planned action to increase expenditure on Phase 3 of the Help to Buy Wales scheme of £95.6m to accelerate Phase 3 delivery.

An Annually Managed Expenditure underspend of £30m arose due to Help to Buy Wales Fair Value adjustments. The Fair Value movements on the Help to Buy Wales scheme are included in AME as they are influenced by sensitivity to market valuation conditions beyond Welsh Government control. The valuation for 2020-21 resulted in a significant gain to the loan book, which could not be anticipated at the time of the third supplementary budget resulting in the variance.

## Education – Underspend £214m

The underspend includes Revenue DEL overspend of £50m and Capital DEL overspend of £11m which were offset by a Non Fiscal Resource DEL underspend of £269m and an AME underspend of £8m.

The £50m Revenue DEL overspend relates to planned action to provide £33m of additional funding to support teaching and learning pandemic recovery across the education system, £45m for schools revenue maintenance and £6.5m for the International Learning Exchange programme. These were partially offset by underspends arising where planned contingencies were not utilised.

The Capital overspend of £11m relates mainly to planned actions to bring forward innovation projects from 2021-22. The majority of the Non-Fiscal Resource DEL underspend of £269m is in relation to Student loans, the portfolio valuation of which is significantly impacted by economic factors. Budgets included contingency consistent with other UK administrations in respect of potential economic impacts of COVID-19 on the valuation model. When the valuation was undertaken, this contingency was not required.

The Annually Managed Expenditure (AME) £8m underspend is also related to the Student Loans portfolio and is demand driven based on loan issues, the underspend relates to a lower amount of loan issues than anticipated.

## Economy and Transport – Overspend £53m

The overspend includes Revenue DEL underspend of £42m, Capital DEL overspend of £56m and a Non Fiscal Resource DEL overspend of £40m.

The Revenue DEL underspend is largely attributable to a technical budgetary treatment for the £43m impairment of the investment in Cardiff International Airport Limited scoring to Non-Fiscal Resource DEL and not Revenue DEL as originally expected. The Capital overspend of £56m primarily arose from additional planned spend on strategic project opportunities with local authorities to support rail and regeneration activity, offset by some reduced demand for capital business support and the impact of pandemic restrictions on the delivery of Transport for Wales and sustainable travel schemes.

The Non Fiscal Resource DEL overspend of £40m is largely attributable to the same technical budgetary treatment of impairments affecting the Revenue DEL outturn, offset by a small variance in depreciation charges.

## Central Services and Administration – Underspend £6m

The CSA MEG underspend is principally due to £2m underspend on Non-Fiscal Resource DEL and £4m underspend on Annually Managed Expenditure.

The CSA MEG Non-Fiscal Resource includes provision for the depreciation of Welsh Government estate, the £2m variance has arisen due to differences in the annual charges to forecast after property indices are applied, which are driven by market and economic factors.

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 £4m arises from differences between forecast and detailed actuarial pension scheme valuations which are provided after the financial year end.

## Mental Health, Well-being and Welsh Language – Underspend £25m

The underspend includes Revenue DEL underspend of £6m, Capital DEL underspend of £1m, Non Fiscal Resource DEL £2m and AME £16m.

The Revenue DEL underspend reflects the impact of the pandemic and associated restrictions on the postponement of activity in the portfolio related to events, tourism and workplace based campaigns such as Healthy Weight, Healthy Wales. It also includes a £3.5m accounting adjustment for Sport Wales sponsored body delivery activities.

Capital underspend of £1m mainly relates to small variances on demand led programmes and arising in sponsored bodies.

Non-Fiscal Resource underspend of £2m arose mainly due to delays in CADW conservation work and major projects as a consequence of pandemic restrictions.

Annually Managed Expenditure underspend of £16m is principally due to variances in pension valuations for pension liabilities in sponsored bodies including the National Museum of Wales and the National Library of Wales, and associated budget alignment adjustments for sponsored bodies.

## Income £160m under budget

The majority of the income variance to budget is related to EU receipts. Timing of receipts from the EU on multi-year programmes make the outturn difficult to forecast. The budgets are therefore set to ensure they provide more than adequate cover in any year. Failure to do so could result in a loss of funding to Wales.

## Welsh Government Report on Outturn

The Summary of Resource Outturn sets out the Welsh Government outturn against the control totals approved in the Third Supplementary Budget motion of 2020-21. As noted on pages 36-37, a more detailed report of final outturn against the lower lever controls operated and enforced by HM Treasury and the Wales Reserve balance including carry forward from the Wales DEL outturn is provided annually after the publication of the Welsh Government Consolidated Accounts by the Minister for Finance and Trefnydd to the Senedd Finance Committee and published on the Welsh Government website [gov.wales/government-finance](http://gov.wales/government-finance)

## 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.

**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.

**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.

**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

<b>Funding drawn from the Welsh Consolidated Fund</b>	<b>Outturn 2020-21 £m</b>	<b>Outturn 2019-20 £m</b>
Authorised for issue from Welsh Consolidated Fund	23,954	17,311
Funding drawn down	(23,397)	(16,901)
Undrawn funding	557	410

<b>Reconciliation of outturn and CSoCNE</b>	<b>Outturn 2020-21 £m</b>	<b>Outturn 2019-20 £m</b>
<b>Net Resource Outturn</b>	<b>25,163</b>	<b>18,113</b>
Less: Capital & loans adjustments	(2,596)	(2,225)
Less: Consolidation Adjustment	(105)	15
Plus: NDR Adjustment	(2)	29
Plus: Other adjustments	(59)	9
<b>Expenditure per the CSoCNE</b>	<b>22,401</b>	<b>15,941</b>

The Summary of Resource Outturn is compiled against the budgeting framework – which is similar to, but different from IFRS. Therefore, this reconciliation explains the difference between the Resource Outturn and the Consolidated Net operating expenditure, linking the Resource Outturn to the financial statements.

Capital & Loans adjustments remove from the Resource Outturn capital resource transactions arising from the Statement of Financial Position that do not pass through the Consolidated Statement of Net Expenditure.

Consolidation adjustments reflect misalignments between budgeting and accounts treatment of certain transactions for entities in the consolidation boundary.

Other adjustments principally relate to transactions which are treated differently between the budgeting framework and accounts.

Reconciliation of resources to cash requirement	Budget 2020-21 £m	Outturn 2020-21 £m	Outturn compared with Budget £m	Outturn Restated* 2019-20 £m
<b>Net resource outturn</b>	<b>25,689</b>	<b>25,163</b>	<b>526</b>	<b>18,113</b>
Less: Bodies designated under s126A of GOWA – Resource only transactions		(714)	714	(408)
Less: Non-Cash Transactions				
Depreciation	(586)	(241)	(345)	(224)
Impairments & fair value adjustments	(960)	(597)	(363)	(266)
Movements in provisions	(189)	(55)	(134)	(71)
Less: Movements in working balances		(591)	591	(183)
Other		21	(21)	(33)
<b>Net cash requirement</b>	<b>23,954</b>	<b>22,986</b>	<b>968</b>	<b>16,928</b>

The Summary of Resource Outturn is compiled against the budgeting framework on a resource expenditure basis, rather than a cash basis. This reconciliation explains the difference between the Resource Outturn to the net cash requirement.

\* Restated to amend presentation of reconciling items.

**Dr Andrew Goodall CBE**  
**Permanent Secretary and Principal Accounting Officer**  
4 August 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 2021 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 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 99-170) that is described in that report as having been audited.

In my opinion, except for the effects and possible effects of the matters 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 2021 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 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 £92,018. The Welsh Government disclose in the Remuneration and Staff Report that this was salary to the date of departure, payment in lieu of notice, annual leave untaken and an extra-contractual payment of £39,123 (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 and consequently whether the former Permanent Secretary was entitled to receive a payment of £39,123. 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 the payment, and
- whether it is, or should be, included in the Welsh Government's financial statements 2020-21.

Consequently, I am unable to determine whether the expenditure in the financial statements is materially correct.

### **Effects of omitted costs arising from the Ministerial Direction on senior clinicians' pension tax**

In my opinion, the estimated cost arising from the Ministerial Direction dated 18 December 2019 on senior clinicians' pensions should have been reflected as a provision and expenditure in the 2020-21 financial statements. The Welsh Government have not recognised this cost and consequently, provisions and expenditure are understated by £21.5 million.

### **Effects of my prior year qualification on the 2020-21 financial statements**

In my opinion, the announcements and actions taken prior to 31 March 2020 in response to the COVID-19 pandemic to ensure that cash was paid out to businesses as soon as possible created a constructive obligation under International Accounting Standard 37, Provisions, Contingent Liabilities and Contingent Assets, and the related costs should have been included in the 2019-20 financial statements. The Welsh Government did not include these costs in the 2019-20 financial statements and consequently I qualified my audit opinion on the 2019-20 financial statements. The Welsh Government has incorrectly included £730.4 million of these costs in its 2020-21 financial statements with the result that its expenditure in the year is overstated by this amount.

Further detail is set out in my Report on pages 178 to 182.

### **Qualified opinion on regularity**

In my opinion, except for the possible effects of the matter 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**

#### **Possible effects of a payment made to the former Permanent Secretary**

I have been unable to obtain sufficient audit evidence about the former Permanent Secretary's working arrangements from April 2018 and consequently whether the former Permanent Secretary was entitled to receive the payment referred to in the 'Basis for qualified true and fair opinion (possible effects of a payment made to the former Permanent Secretary)' section of my report.

The Welsh Government did not keep contemporaneous records of its reasons for making the payment, the rationale for the amount paid or evidence of who 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 178 to 182.

## 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 matter

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 the estimated level of fraud and error in business grants.

## 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 1-98) and the Accountability Report (pages 99-170) 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 effects and possible effects of the matters described in the 'Basis for qualified true and fair opinion' and 'Basis for qualified regularity opinion' sections of my report and the Other Matter regarding the disclosures made in the Governance Statement 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 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 effects and possible effects of the matters described in the ‘Basis for qualified true and fair opinion’ and ‘Basis for qualified regularity opinion’ sections of my report, and the Other Matter regarding the disclosures made in the Governance Statement 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.

## **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 the following areas:
  - Management override which is considered a significant risk in all audited bodies; and
  - Additional expenditure in 2020-21 to deal with the COVID-19 pandemic.
- 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; and
- substantive testing to address the risk of fraud in additional expenditure to deal with the COVID-19 pandemic.

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](http://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; the effects of my prior year qualification on business grants; the implications of the ministerial direction on senior clinicians' pensions; and disclosures in the Governance Statement on the estimated level of fraud and error in business grants is on pages 178 to 182.

The maintenance and integrity of the Welsh Government's website is the responsibility of the Welsh Government; the work carried out by auditors does not involve consideration of these matters and accordingly auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

**Adrian Crompton**  
**Auditor General for Wales**  
4 August 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 2020-21 financial statements, I set out:
  - a. the reasons and context for my qualified audit opinions relating to a payment to the former Permanent Secretary;
  - b. concerns about some of the commentary in the Governance Statement about this payment to the former Permanent Secretary;
  - c. the reasons and context for my qualified audit opinion relating to 2019-20 COVID-19 business grants;
  - d. the reasons and context for my qualified audit opinion relating to the Ministerial Direction on senior clinicians' pensions; and
  - e. the background disclosures in the Governance Statement about the estimated level of fraud and error in business grants.

### Qualification of the true and fair and regularity opinions regarding a payment to the former Welsh Government Permanent Secretary

3. I have qualified my true and fair and regularity audit opinions on the Welsh Government's 2020-21 financial statements in respect of a payment to the former Welsh Government's 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.
4. 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 £92,018. This contained her final month's salary of £11,499 together with a payment 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
Payment in lieu of notice	£31,843
	<b>£80,519</b>

5. The Welsh Government states that the £39,123 element of the payment is consequential to changes it agreed to the former Welsh Government 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 is included in the general employee benefits accrual within 'Other accruals and deferred income' as at 31 March 2021.
6. 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.
7. The Welsh Government however has not been able to provide me with sufficient, appropriate evidence to confirm the changes it states were made and therefore I have been unable to satisfy myself regarding:
  - the basis on which the payment was made;
  - how the payment was calculated;
  - whether the Welsh Government had an obligation to make the payment; and
  - whether it is, or should be, included in the Welsh Government's financial statements 2020-21.
8. 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.
9. The following elements of the payment made to the former Permanent Secretary in October 2021 relate to the Welsh Government's Consolidated Accounts 2021-22.

Payment for additional days worked	At least part of £39,123
Untaken annual leave	£9,553
Payment in lieu of notice	£31,843

10. These payment elements are within the scope of my audit of the Welsh Government's Consolidated Accounts 2021-22 and not therefore considered by this report.

## Other matter: Governance Statement – payment made to the former Permanent Secretary

11. 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.
12. The Governance Statement includes the Welsh Government's explanation as to why the payment of £39,123 referred to above was made to the former Permanent Secretary. 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.

13. I will be issuing a memorandum to the Senedd's Public Accounts and Public Administration Committee (PAPAC), in which I will provide further information on this issue to inform scrutiny in autumn 2022 of the Welsh Government 2020-21 Consolidated Accounts.

## Qualification of the true and fair audit opinion regarding 2019-20 COVID-19 business grants

14. I have qualified my true and fair opinion on the Welsh Government's 2020-21 financial statements as they contain expenditure that should have been included in the 2019-20 financial statements.
15. The Welsh Government announced in March 2020 that qualifying businesses could expect to receive support in responding to the immediate effects of the COVID-19 pandemic. Businesses eligible for Small Business Rates Relief could receive a grant of £10,000 and certain retail, leisure and hospitality businesses could receive a grant of £25,000. The Welsh Government had responsibility for managing the schemes; payments to businesses were administered by local authorities.
16. In my view, the announcements and actions taken prior to 31 March 2020 to ensure that cash was paid out to businesses as soon as possible created a constructive obligation under International Accounting Standard 37, Provisions, Contingent Liabilities and Contingent Assets, and the related costs of £0.7 billion should have been included in the 2019-20 financial statements. The Welsh Government does not agree with this position and has included this expenditure in its 2020-21 financial statements.

## Qualification of the true and fair opinion regarding NHS Clinicians' pension tax liabilities

17. I have qualified my true and fair opinion on the Welsh Government's 2020-21 financial statements due to an omission of expenditure arising from the Ministerial Direction on senior clinicians' pensions.
18. 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.
19. 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.

20. 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 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.
21. 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'.
22. 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.
23. 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.
24. 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.
25. In my opinion, any expenditure arising from this Ministerial Direction is material by its nature and the Welsh Government should have recognised expenditure as a provision at 31 March 2021 for £21.5 million in accordance with International Accounting Standard 37, Provisions, Contingent Liabilities and Contingent Assets. The Welsh Government has not recognised this expenditure in the 2020-21 financial statements but has disclosed a contingent liability in note 12. As a result, I have qualified my 'true and fair' opinion.
26. If the Welsh Government had recognised the transactions in the 2020-21 financial statements, I would have qualified my 'regularity' opinion as I consider any transactions recognised to be 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.

## Other matter relating to the disclosures made in the Governance Statement concerning the estimated level of fraud and error in business grants

27. Between March 2020 to March 2021 the Welsh Government provided £2 billion of financial assistance to businesses facing operational and financial challenges as a result of the COVID-19 pandemic. This assistance took the form of business grants and a business rates relief programme, with the Welsh Government having responsibility for overall management of the grant schemes. Payments to businesses were administered by Welsh local authorities and the Welsh Government.
28. Under the first phase of the programme, Welsh local authorities were responsible for administering business grants and business rates relief schemes totalling £1.1 billion. Eligibility was based on conditions that could be verified before the grants were awarded including business type and rateable value. I have not identified any significant eligibility issues with payments made under these schemes.
29. For Welsh Government administered schemes and later phases of the Local Authority administered schemes, totalling £893 million, the eligibility criteria were more specific to target the provision of grant support. Businesses were required to apply for the schemes when they were announced. While there were some checks on some of the eligibility criteria before grants were paid, these checks were not systematic or always documented. The Welsh Government also relied upon self-declarations for certain aspects of the eligibility criteria and plans to check some of these at a later stage. The Welsh Government's estimate of the level of potential fraud and error in these grants is disclosed in the Governance Statement, but there are uncertainties in this estimate as a result of data limitations. While the level of fraud and error in these grants is uncertain, I am satisfied that there is sufficient evidence to conclude that this does not constitute material expenditure in the Welsh Government's accounts.

The maintenance and integrity of the Welsh Government's website is the responsibility of the Welsh Government; the work carried out by auditors does not involve consideration of these matters and accordingly auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

**Adrian Crompton**  
**Auditor General for Wales**  
4 August 2022

# Part 3

## Financial Statements

These Financial Statements include Health Education and Improvement Wales (HEIW) from 1 April 2019 as a newly consolidated body.

### Consolidated Statement of Comprehensive Net Expenditure for the year ended 31 March 2021

	Note	Year ended 31 March 2021		Year ended 31 March 2020	
		WG Core £m	WG Group £m	WG Core £m	WG Group £m
Income from sale of goods and services	2	(41)	(64)	(41)	(57)
Other operating income	2	(449)	(762)	(1,096)	(1,478)
<b>Total operating income</b>		<b>(490)</b>	<b>(826)</b>	<b>(1,137)</b>	<b>(1,535)</b>
Staff costs	3	339	5,157	318	4,557
Expenditure	3	22,409	17,826	17,219	12,693
Provision expense	3	194	244	203	226
<b>Total operating expenditure</b>		<b>22,942</b>	<b>23,227</b>	<b>17,740</b>	<b>17,476</b>
<b>Net expenditure for the year</b>		<b>22,452</b>	<b>22,401</b>	<b>16,603</b>	<b>15,941</b>
<b>Other comprehensive net expenditure:</b>					
Items which will not be reclassified to net operating expenditure:					
Net (gain)/loss on revaluation of property, plant, equipment and investments		(58)	(330)	(544)	(2,398)
Actuarial (gain)/loss on pension scheme liabilities		19	24	(1)	(4)
<b>Comprehensive net expenditure for the year</b>		<b>22,413</b>	<b>22,095</b>	<b>16,058</b>	<b>13,539</b>

The Notes on pages 189 to 236 form part of these accounts.

## Consolidated Statement of Financial Position as at 31 March 2021

	Note	As at 31 March 2021		As at 31 March 2020	
		WG Core £m	WG Group £m	WG Core £m	WG Group £m
<b>Non-current assets:</b>					
Property, plant and equipment	4	18,025	24,610	18,106	24,163
Intangible assets	5	22	76	22	67
Financial assets	6	6,177	4,798	5,129	4,239
Trade and other receivables	8	18	227	22	135
<b>Total non-current assets</b>		<b>24,242</b>	<b>29,711</b>	<b>23,279</b>	<b>28,604</b>
<b>Current assets:</b>					
Assets classified as held for sale		-	2	-	3
Financial assets	6	168	168	169	169
Inventories	7	201	376	191	275
Trade and other receivables	8	221	390	344	505
Cash and cash equivalents	9	640	1,828	107	839
<b>Total current assets</b>		<b>1,230</b>	<b>2,764</b>	<b>811</b>	<b>1,791</b>
<b>Total assets</b>		<b>25,472</b>	<b>32,475</b>	<b>24,090</b>	<b>30,395</b>
<b>Current liabilities:</b>					
Trade and other payables	10	(2,140)	(3,352)	(1,277)	(2,131)
Provisions	11	(329)	(378)	(277)	(318)
Other liabilities	13	-	(2)	-	(2)
<b>Total current liabilities</b>		<b>(2,469)</b>	<b>(3,732)</b>	<b>(1,554)</b>	<b>(2,451)</b>
<b>Total assets less current liabilities</b>		<b>23,003</b>	<b>28,743</b>	<b>22,536</b>	<b>27,944</b>
<b>Non-current liabilities:</b>					
Trade and other payables	10	(76)	(146)	(86)	(145)

### Consolidated Statement of Financial Position as at 31 March 2021 (Cont'd)

	Note	As at 31 March 2021		As at 31 March 2020	
		WG Core £m	WG Group £m	WG Core £m	WG Group £m
Provisions	11	(977)	(1,032)	(973)	(1,021)
Other liabilities	13	(47)	(96)	(65)	(107)
Total non current liabilities		(1,100)	(1,274)	(1,124)	(1,273)
Total assets less total liabilities		21,903	27,469	21,412	26,671
<b>Taxpayers' equity &amp; other reserves</b>					
General fund		12,274	15,211	11,634	14,517
Revaluation reserve		9,629	12,258	9,778	12,154
<b>Total equity</b>		<b>21,903</b>	<b>27,469</b>	<b>21,412</b>	<b>26,671</b>

The Notes on pages 189 to 236 form part of these accounts.

**Dr. Andrew Goodall CBE**  
**Permanent Secretary and Principal Accounting Officer**  
4 August 2022

## Consolidated Statement of Cash Flows for the year ended 31 March 2021

	Note	Year ended 31 March 2021		Year ended 31 March 2020	
		WG Core £m	WG Group £m	WG Core £m	WG Group £m
<b>Cash flows from operating activities:</b>					
Net operating expenditure		(22,452)	(22,401)	(16,603)	(15,941)
Provisions used	11	(119)	(152)	(106)	(137)
Adjustments for non cash transactions <sup>1</sup>		1,035	1,297	698	536
Movements in working capital other than cash	14	601	765	193	196
Income payable to Welsh Consolidated Fund		-	-	(32)	(32)
Other		(24)	(18)	(1)	(3)
<b>Net cash (outflow) from operating activities</b>		<b>(20,959)</b>	<b>(20,509)</b>	<b>(15,851)</b>	<b>(15,381)</b>
<b>Cash flows from investing activities:</b>					
Purchase of property, plant and equipment <sup>1</sup>		(278)	(849)	(201)	(688)
Purchase of intangible assets		(3)	(24)	-	(19)
Proceeds from disposal of property, plant and equipment		4	13	4	10
Proceeds from disposal of development assets		4	4	2	2
Purchase of development assets		(21)	(21)	(26)	(26)
Issue of loans and investments		(1,743)	(1,214)	(984)	(892)
Repayment of loans		170	205	146	180
<b>Net cash (outflow) from investing activities</b>		<b>(1,867)</b>	<b>(1,886)</b>	<b>(1,059)</b>	<b>(1,433)</b>
<b>Cash flows from financing activities:</b>					
From Welsh Consolidated Fund		23,364	23,364	16,901	16,901
EU Deferred Grant Additions		-	17	-	36
PFI & Finance Lease Capital Element		(10)	(2)	(10)	(7)
<b>Net financing</b>		<b>23,354</b>	<b>23,379</b>	<b>16,891</b>	<b>16,930</b>

<sup>1</sup> Includes adjustment in Group for £469.8m nil cash capital grant for the acquisition of the Core Valley Lines (CVL) see Note 4.1 for more detail.

### Consolidated Statement of Cash Flows for the year ended 31 March 2021 (Cont'd)

	Note	Year ended 31 March 2021		Year ended 31 March 2020	
		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		528	984	(19)	116
Income payable to Welsh Consolidated Fund		5	5	19	19
Newly Consolidated Bodies cash balances <sup>1</sup>		-	-	-	6
Net increase/(decrease) in cash and cash equivalents in the period after adjustments for receipts and payments to the Welsh Consolidated Fund	9	533	989	-	141
Cash and cash equivalents at the start of the year	9	107	839	107	698
Cash and cash equivalents at the end of the year	9	640	1,828	107	839

<sup>1</sup> Newly Consolidated Bodies cash balances reflect the balances included at 1 April 2019 for HEIW.

The Notes on pages 189 to 236 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 2019	13,741	9,721	23,462
Newly Consolidated Bodies <sup>1</sup>	4	-	4
Welsh Consolidated Fund - Funding from the WCF	16,901	-	16,901
Net expenditure for the year	(15,941)	-	(15,941)
Revaluation gains and losses	-	2,398	2,398
Transfers between Reserves	(35)	35	-
Other adjustments	(153)	-	(153)
<b>Balance at 31 March 2020</b>	<b>14,517</b>	<b>12,154</b>	<b>26,671</b>
Newly Consolidated Bodies <sup>1</sup>	-	-	-
Welsh Consolidated Fund - Funding from the WCF	23,364	-	23,364
Net expenditure for the year	(22,401)	-	(22,401)
Revaluation gains and losses	-	330	330
Transfers between Reserves	226	(226)	-
Other adjustments <sup>2</sup>	(495)	-	(495)
<b>Balance at 31 March 2021</b>	<b>15,211</b>	<b>12,258</b>	<b>27,469</b>

Welsh Government Core	General Fund £m	Revaluation Reserve £m	Total Reserves £m
Balance at 31 March 2019	11,518	9,185	20,703
Welsh Consolidated Fund – Funding from the WCF	16,901	-	16,901
Net operating cost for the year	(16,603)	-	(16,603)
Revaluation gains and losses	-	544	544
Transfers between Reserves	(49)	49	-
Other adjustments	(133)	-	(133)
<b>Balance at 31 March 2020</b>	<b>11,634</b>	<b>9,778</b>	<b>21,412</b>
Welsh Consolidated Fund – Funding from the WCF	23,364	-	23,364
Net operating cost for the year	(22,452)	-	(22,452)
Revaluation gains and losses	-	58	58
Transfers between Reserves	207	(207)	-
Other adjustments <sup>2</sup>	(479)	-	(479)
<b>Balance at 31 March 2021</b>	<b>12,274</b>	<b>9,629</b>	<b>21,903</b>

<sup>1</sup> Newly Consolidated Bodies reflect the balances included at 1 April 2019 for HEIW.

<sup>2</sup> The Other Adjustments figure includes the impact of the Welsh Government creditor with the Welsh Consolidated Fund at 31.3.21 of £411m for funding drawn unspent which is repayable to the Welsh Consolidated Fund.

## 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. 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 50-51.

### 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 2021		Year ended 31 March 2020	
	WG Core £m	WG Group £m	WG Core £m	WG Group £m
<b>Income from sale of goods and services:</b>				
Income from property and investments	39	39	32	32
Other	2	25	9	25
	<b>41</b>	<b>64</b>	<b>41</b>	<b>57</b>
<b>Other non-EU operating income:</b>				
Health income	86	357	55	402
Other <sup>1</sup>	45	62	491	496
	<b>131</b>	<b>419</b>	<b>546</b>	<b>898</b>
<b>Other EU operating income:</b>				
European Structural Funds Programme	241	266	224	254
Common Agricultural Policy	71	71	319	319
Other EU Income	6	6	7	7
	<b>318</b>	<b>343</b>	<b>550</b>	<b>580</b>
	<b>490</b>	<b>826</b>	<b>1,137</b>	<b>1,535</b>

<sup>1</sup> Included within Core Non EU Operating Income 'other' is £34.9m ( 2019 20: £0m) 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 2021		Year ended 31 March 2020	
	WG Core £m	WG Group £m	WG Core £m	WG Group £m
<b>Expenditure</b>				
Grants <sup>1,4</sup>	21,177	11,509	16,386	7,676
Goods and Services <sup>1,3</sup>	335	5,177	281	4,126
Rentals under operating leases	18	18	18	18
Staff Costs	339	5,157	318	4,557
PFI and other service concession arrangements	12	21	13	22
Student loan policy write-offs	21	21	30	30
Net fair value (gains)/losses on financial assets at fair value through SOCNE <sup>2</sup>	295	288	175	208
Fixed Asset Depreciation	233	449	217	407
Amortisation	8	23	7	21
Donated and government granted assets	-	(10)	-	(7)
Impairments	303	318	91	192
(Profit)/Loss on disposals	6	6	1	(4)
Pension Finance	(3)	2	(2)	2
Release of EU grant	(1)	(1)	(1)	(1)
Bad Debt Provision	5	5	3	3
	<b>22,748</b>	<b>22,983</b>	<b>17,537</b>	<b>17,250</b>
<b>Provisions</b>				
Increase in provisions	194	244	203	226
	<b>22,942</b>	<b>23,227</b>	<b>17,740</b>	<b>17,476</b>

<sup>1</sup> Expenditure on Grants and Goods and Services reflects the Ambit Resource Outturn allocation.

<sup>2</sup> Student Loans and Help to Buy Wales Financial Assets are measured as Fair Value through Statement of Comprehensive Net Expenditure.

<sup>3</sup> Included within Core Goods and Services is £26.8m (2019-20 £0m) of expenditure in relation to the utilisation of COVID-19 consumables including vaccines, lateral flow test kits and medicines transferred to the Welsh Government from other UK Government Departments for nil consideration, as part of the wider COVID-19 pandemic response and distribution of certain supplies procured by the UK Government.

<sup>4</sup> Grant expenditure includes £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 linked Business Grant
- Cultural Resilience Fund Freelancer Grant
- Non-Domestic Rates Relief Fund
- Flooding
- Statutory Sick Pay Enhancement Scheme
- Social Care Worker Bonus Scheme
- Self Isolation Support Scheme

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 2020-21.

## 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 155-157.

## 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 2020-21 is £395,000 (£379,706 2019-20) and 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 2021 £	Year ended 31 March 2020 £
NHS Summarised Account	30,000	30,295
National Non Domestic Rate Account	8,700	8,753
Whole of Government Account	13,734	11,445
Welsh Consolidated Fund	19,000	18,897
Well-Being Future Generations Audit	-	47,389

The 2019-20 audit fee includes billing for all work carried out in relation to the 2019-20 accounts, including certain additional costs relating to COVID-19 accounting matters.

Audit fees of Consolidated bodies are disclosed within their individual accounts.

## 4. Property, Plant and Equipment

	Network Assets see Note 4.1 £m	Land £m	Buildings including Dwellings £m	Information Technology Fixtures and Fittings £m	Payments on account & Assets under construction £m	Total £m
<b>Cost or valuation for the year ended 31 March 2020</b>						
At 1 April 2020	19,447	427	2,728	1,130	1,147	24,879
Newly Consolidated Bodies	-	-	1	2	-	3
Additions	612	6	35	105	400	1,158
Disposals	(96)	(2)	-	(65)	-	(163)
Transfers	(66)	-	-	-	(5)	(71)
Impairments	(10)	(1)	(93)	(5)	(44)	(153)
Revaluations	2,444	(2)	1	-	-	2,443
Reclassified to held for sale	-	(2)	(3)	(20)	-	(25)
Reclassification	96	1	186	23	(314)	(8)
<b>As at 31 March 2020</b>	<b>22,427</b>	<b>427</b>	<b>2,855</b>	<b>1,170</b>	<b>1,184</b>	<b>28,063</b>
<b>Depreciation for year ended 31 March 2020</b>						
At 1 April 2019	2,660	-	231	744	2	3,637
Newly Consolidated Bodies	-	-	-	1	-	1
Charged in year	202	-	97	108	-	407
Disposals	(96)	-	-	(64)	-	(160)
Transfers	(7)	-	-	-	-	(7)
Impairments	10	-	(7)	-	-	3
Revaluations	73	-	(29)	-	-	44
Reclassifications	(11)	-	7	(21)	-	(25)
<b>As at 31 March 2020</b>	<b>2,831</b>	<b>-</b>	<b>299</b>	<b>768</b>	<b>2</b>	<b>3,900</b>
<b>Carrying amount at 31 March 2020</b>	<b>19,596</b>	<b>427</b>	<b>2,556</b>	<b>402</b>	<b>1,182</b>	<b>24,163</b>
Carrying amount at 31 March 2019	16,787	427	2,497	386	1,145	21,242
<b>Asset financing for the year ended March 2020</b>						
Owned (Restated)	19,105	424	2,455	396	1,182	23,562
Finance Leased (Restated)	-	-	17	5	-	22
On-balance sheet PFI contracts	491	3	84	1	-	579
<b>At 31 March 2020</b>	<b>19,596</b>	<b>427</b>	<b>2,556</b>	<b>402</b>	<b>1,182</b>	<b>24,163</b>

## 4. Property, Plant and Equipment (Cont'd)

	Network Assets see Note 4.1 £m	Land £m	Buildings including Dwellings £m	Information Technology Fixtures and Fittings £m	Payments on account & Assets under construction £m	Total £m
<b>Cost or valuation for the year ended 31 March 2021</b>						
At 1 April 2020	22,427	427	2,855	1,170	1,184	28,063
Newly Consolidated Bodies <sup>1</sup>	-	-	-	-	-	-
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)
<b>As at the 31 March 2021</b>	<b>22,676</b>	<b>420</b>	<b>3,312</b>	<b>1,336</b>	<b>951</b>	<b>28,695</b>
<b>Depreciation for year ended 31 March 2021</b>						
At 1 April 2020	2,831	-	299	768	2	3,900
Newly Consolidated Bodies <sup>1</sup>	-	-	-	-	-	-
Charged in year	229	-	104	116	-	449
Disposals	(143)	-	-	(39)	-	(182)
Transfers	-	-	-	-	-	-
Impairments	-	-	(10)	-	-	(10)
Revaluations	(64)	-	(4)	-	-	(68)
Reclassifications	-	-	2	(4)	(2)	(4)
<b>As at 31 March 2021</b>	<b>2,853</b>	<b>-</b>	<b>391</b>	<b>841</b>	<b>-</b>	<b>4,085</b>
<b>Carrying amount at 31 March 2021</b>	<b>19,823</b>	<b>420</b>	<b>2,921</b>	<b>495</b>	<b>951</b>	<b>24,610</b>
<b>Asset financing for the year ended March 2021</b>						
Owned	19,330	418	2,820	490	951	24,009
Finance Leased	-	-	16	3	-	19
On-balance sheet PFI contracts	493	2	85	2	-	582
<b>At 31 March 2021</b>	<b>19,823</b>	<b>420</b>	<b>2,921</b>	<b>495</b>	<b>951</b>	<b>24,610</b>

## 4. Property, Plant and Equipment (Cont'd)

	Network Assets see Note 4.1 £m	Land £m	Buildings including Dwellings £m	Information Technology Fixtures and Fittings £m	Payments on account & Assets under construction £m	Total £m
Core department at 31 March 2021	17,215	52	136	40	582	18,025
LHBs and subsidiaries at 31 March 2021	2,608	368	2,785	455	369	6,585
Core department at 31 March 2020	17,237	51	129	42	647	18,106
LHB and subsidiaries at 31 March 2020	2,359	376	2,427	360	535	6,057

<sup>1</sup> Newly Consolidated Bodies reflect the balances included at 1 April 2019 for HEIW.

### 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 2021 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 1st 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.

As a result of the Royal Institution of Chartered Surveyors guidance issued in relation to the impact of COVID-19, the professional valuers reported material uncertainty in their valuation reports for the end of 2019-20 for certain Welsh Government Core and NHS bodies valuations. Included in the Consolidated Property, Plant and Equipment note for 2019-20 are Land and Building assets totalling £234.4m the valuation of which included material uncertainty statements.

## 4.1 Property, Plant and Equipment Network Assets

	Road Network £m	Network Assets Rail Network £m	Total £m
<b>Cost or valuation for the year ended 31 March 2021</b>			
At 1 April 2020	20,068	2,359	22,427
Additions	143	17	160
Disposals	(144)	-	(144)
Transfers	-	3	3
Impairments	-	-	-
Revaluations	1	229	230
Reclassified to held for sale	-	-	-
Reclassification	-	-	-
<b>As at 31 March 2021</b>	<b>20,068</b>	<b>2,608</b>	<b>22,676</b>
<b>Depreciation for the year ended 31 March 2021</b>			
At 1 April 2020	2,831	-	2,831
Charged in year	217	12	229
Disposals	(143)	-	(143)
Transfers	-	-	-
Impairments	-	-	-
Revaluations	(52)	(12)	(64)
Reclassifications	-	-	-
<b>As at 31 March 2021</b>	<b>2,853</b>	<b>-</b>	<b>2,853</b>
<b>Carrying amount at 31 March 2021</b>	<b>17,215</b>	<b>2,608</b>	<b>19,823</b>
<b>Carrying amount at 31 March 2020</b>	<b>17,237</b>	<b>2,359</b>	<b>19,596</b>
Core department at 31 March 2021	17,215	-	17,215
LHBs and subsidiaries at 31 March 2021	-	2,608	2,608

### Road Network

The Road network is valued at Depreciated Replacement Cost using the Road Authorities Asset Valuation System (RAAVS) model (for more information see Appendix A – Accounting Policies A.1)

The RAAVS model uses key indices in the valuation which 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%	(157)	157
BEAMA index	(1)	1

### Rail Network – Core Valley Lines Asset

The Core Valley Lines (CVL) Asset was valued as at 31 March 2021 by Transport for Wales (TfW) with support from Atkins Limited (professional valuers) using data provided by TfW. This was the first year of valuation by TfW after the asset purchase in 2019-20.

The valuation in the 2019-20 Welsh Government Consolidated Accounts at 31 March 2020 was an update to the 31 March 2019 valuation undertaken by Network Rail to the date of acquisition of the CVL asset, using inflationary indexation factors as at 31 March 2020.

The valuation is at Depreciated Replacement Cost as a specialised asset used to deliver a service to the public. 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 72%) 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	(189)	189
Scenario 2	(41)	41
Scenario 3	(137)	137

## Core Valley Lines Acquisition

The 2019-20 comparatives include the acquisition of the Core Valley Lines (CVL) Asset by Transport for Wales from Network Rail on 28 March 2020. This acquisition comprised the Aberdare, Coryton, Merthyr Tydfil, Rhymney and Treherbet lines (including all stations, track and related rail infrastructure).

The purchase price for this transaction was £469.8m being the Regulated Asset Base valuation by Network Rail. Land Transaction Tax and other directly attributable costs result in a full capital addition of £520.9m.

In accordance with the FReM, the asset is required to be held in the Welsh Government Consolidated Account at valuation. Depreciated Replacement Cost is the most appropriate valuation methodology to apply to the CVL asset, which gave rise on application in 2019-20 to a £1.8bn revaluation gain, which was taken to the revaluation reserve.

See Appendix A – Accounting Policies A.1 for further information on applicable accounting policies for valuation and depreciation.

The 2019-20 purchase transaction for the acquisition of this asset was undertaken through a nil-cash mechanism to minimise unnecessary cash transactions between Central Government bodies.

Welsh Government issued a nil-cash capital grant for £469.8m to Transport for Wales. Transport for Wales assigned the rights to funding arising from the Welsh Government grant to Network Rail as settlement for the CVL purchase. The disposal of the CVL asset and its acquisition was undertaken on a nil gain/loss principle, accordingly Department for Transport issued a nil-cash capital grant for £469.8m to Welsh Government.

The nil-cash transactions are reflected in the 2019-20 Group Cashflow statement by adjustments to non-cash transactions and purchases of property, plant and equipment.

The capital grant from Department for Transport to Welsh Government is included in the 2019-20 WG Core 'Other non-EU operating income' – see Note 2.

The capital grant from Welsh Government to Transport for Wales is included in the 2019-20 WG Core 'Grants' – see Note 3.

## 5. Intangible Assets

	Information Technology			
	As at 31 March 2021		As at 31 March 2020	
	WG Core £m	WG Group £m	WG Core £m	WG Group £m
<b>Cost or valuation</b>				
At 1 April	56	181	57	165
Additions	3	24	-	19
Disposals	-	(18)	(1)	(8)
Reclassifications	5	7	-	5
<b>At 31 March</b>	<b>64</b>	<b>194</b>	<b>56</b>	<b>181</b>
<b>Amortisation</b>				
At 1 April	34	114	28	102
Charged in year	8	23	7	21
Disposals	-	(19)	(1)	(8)
Reclassifications	-	-	-	(1)
<b>At 31 March</b>	<b>42</b>	<b>118</b>	<b>34</b>	<b>114</b>
<b>Net Book Value at 31 March</b>	<b>22</b>	<b>76</b>	<b>22</b>	<b>67</b>
Net Book Value at 1 April	22	67	29	63

## 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 2019	3,115	-	875	3,990
Newly Consolidated Bodies	-	-	-	-
Additions	699	-	193	892
Disposals/Write-Offs	-	-	-	-
Loan repayments	(139)	-	(76)	(215)
Fair value adjustment	-	-	(2)	(2)
Net fair value gains/(losses) on financial assets at fair value through SOCNE (see note 3 Expenditure) <sup>2</sup>	(150)	-	(58)	(208)
Policy write-offs	(30)	-	-	(30)
Reclassification	-	-	(5)	(5)
Adjustments	-	-	(14)	(14)
<b>Balance at 31 March 2020<sup>1</sup></b>	<b>3,495</b>	<b>-</b>	<b>913</b>	<b>4,408</b>
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) <sup>2</sup>	(330)	-	36	(294)
Policy write-offs	(21)	-	-	(21)
Reclassification	-	-	-	-
Adjustments	-	-	12	12
<b>Balance at 31 March 2021<sup>1</sup></b>	<b>3,828</b>	<b>-</b>	<b>1,138</b>	<b>4,966</b>
WG Core only				
<b>At 31 March 2021</b>	<b>3,828</b>	<b>222</b>	<b>2,295</b>	<b>6,345</b>
<b>At 31 March 2020</b>	<b>3,495</b>	<b>203</b>	<b>1,600</b>	<b>5,298</b>

<sup>1</sup> Included within the balance carried forward is £168m (2020 – £169m) due within one year.

<sup>2</sup> Student Loans measured as Fair Value through Statement of Comprehensive Net Expenditure. 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 2019	4,590
Additions	699
Repayments	(139)
Interest	209
Policy write-offs	(30)
Balance at 31 March 2020	5,329
Additions	819
Repayments	(135)
Interest	171
Policy write-offs	(21)
Balance at 31 March 2021	6,163
<b>Closing fair value adjustments/impairments:</b>	
At 31 March 2021	(2,335)
At 31 March 2020	(1,834)
<b>Carrying value:</b>	
At 31 March 2021	3,828
At 31 March 2020	3,495

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 2021.

### 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 2021, to each variable is quantified:

**Discount rate:** The Welsh Government has considered the principles under IFRS 9 and have used the rate as set out in the latest PES paper, being RPI plus 0.7%. This is HM Treasury's long term discount rate representing the Government's long term cost of borrowing. This changes infrequently, 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 £40.5m; a 0.1 percentage point decrease will result in an increase of £41.3m.

**RPI Inflation:** The model uses RPI rates in line with OBR short-term forecasts (November 2020) until 2025-26 and OBR long-term economic determinants from 2026-27 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. For each 1% the predicted RPI increases, the net book value of the student loan book will decrease by £21m; a 1% decrease will result in an increase in net book value of £21.8m.

**Graduate earnings:** The model assumes short-term average nominal earnings growth will be in line with OBR short-term forecasts (November 2020) until 2025-26, and OBR long-term economic determinants from 2026-27 onwards. Long-term earnings growth is assumed to be at a rate of 3.71% from 2026-27 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% point graduate earnings increase, the net book value of the student loan book will increase by £28.8m; however a decrease of 1% point will result in a fall of £29m 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 2020-21 the threshold was £26,575pa. For pre-2012 loans the 2020-21 earnings threshold was £19,390pa. 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 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 (November 2020) 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 0.1 percentage point the Base Rate increases, the net book value of the student loan book will increase by £16.1m, a decrease of 0.1 percentage point will result in a £16.4m 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 2020-21 was 0.89% at the time of modelling; in the previous ten financial years, the ONS outturn figures varied between 1.32% and 3.13%.
- The long term OBR assumption for **RPI** is currently 2.90%. The OBR forecast for March RPI in 2020-21 was 1.16% at the time of modelling; in the previous ten financial years, the ONS outturn figures varied between 0.90% and 5.30%.

- The long term OBR assumption for **base rates** is currently projected to rise to 4.17%. At the time of modelling, the OBR forecast for the base rate was an average of 0.07% during 2020-21; in the previous ten financial years, the outturns varied between 0.10% and 0.75%.

There are a number of other assumptions used in the model, but changing these to other reasonable outcomes does not have a significant impact on the value of the loan books. Many of the assumptions are independent of each other, although could change at the same time.

Data on the above key variables, including historical, can be found on the Office for National Statistics ([www.ons.gov.uk](http://www.ons.gov.uk)); Office of Budget Responsibility ([www.obr.uk](http://www.obr.uk)); and the Bank of England ([www.bankofengland.co.uk](http://www.bankofengland.co.uk)) websites.

Statistical information on Student Loans can be found on the Student Loans Company website (latest statistical release: [www.gov.uk/government/statistics/student-loans-in-wales-2020-to-2021](http://www.gov.uk/government/statistics/student-loans-in-wales-2020-to-2021)).

## 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 bond and the profile of loan redemptions. There is no observable data for the HPI for the 25 year duration of the model. The model uses Welsh HPI as published by HM Land Registry as a key input, and HPI data provided by independent market analysis has been used to establish the long term HPI rate in Wales. The HPI forecasts include the expected impact of COVID-19 on house prices. 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 1 April 2020 was £61.3m investment in Cardiff International Airport Limited (CIAL) via WGC Holdco Limited and £54.6m loan from Welsh Government to CIAL. 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 to passenger traffic and expectations for recovery to normal operations as restrictions are eased has 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. A rescue and restructure package to provide support to CIAL for the medium term was announced on 3 March 2021.

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; and, assets held by the Development Bank of Wales PLC and other group financial assets.

## 7. Inventories

	As at 31 March 2021		As at 31 March 2020	
	WG Core £m	WG Group £m	WG Core £m	WG Group £m
Development Assets	171	171	166	166
Drugs <sup>1</sup>	27	57	22	51
Telecommunication spares	1	1	1	1
Road salt	1	1	1	1
Other consumables	1	146	1	56
	201	376	191	275

<sup>1</sup>Included within the Core drugs inventories at 31 March 2021 is £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 2021		As at 31 March 2020	
	WG Core £m	WG Group £m	WG Core £m	WG Group £m
<b>Amounts falling due within one year:</b>				
Trade receivables	151	240	229	337
Other tax	15	45	13	13
Prepayments and accrued income	55	105	102	155
	<b>221</b>	<b>390</b>	<b>344</b>	<b>505</b>
<b>Amounts falling due after more than one year:</b>				
Trade receivables	7	215	11	118
Prepayments	11	12	11	17
	<b>18</b>	<b>227</b>	<b>22</b>	<b>135</b>
<b>Total trade receivables and other current assets</b>	<b>239</b>	<b>617</b>	<b>366</b>	<b>640</b>

## 9. Cash and cash equivalents

	As at 31 March 2021		As at 31 March 2020	
	WG Core £m	WG Group £m	WG Core £m	WG Group £m
Balance at 1 April	107	839	107	698
Newly Consolidated Bodies <sup>1</sup>	-	-	-	6
Net change in cash and cash equivalent balances	533	989	-	135
<b>Balance at 31 March</b>	<b>640</b>	<b>1,828</b>	<b>107</b>	<b>839</b>
<b>The following balances were held at:</b>				
Government Banking Service	629	749	90	171
Commercial banks & cash in hand	11	1,079	17	668
	<b>640</b>	<b>1,828</b>	<b>107</b>	<b>839</b>

<sup>1</sup> Newly Consolidated Bodies reflect the balances included at 1 April 2019 for HEIW.

## 10. Trade and other payables

	As at 31 March 2021		As at 31 March 2020	
	WG Core £m	WG Group £m	WG Core £m	WG Group £m
<b>Amounts falling due within one year:</b>				
Taxation and social security	2	76	3	58
Trade and other payables	1,101	2,136	771	1,518
Deferred European Union Income	198	198	66	66
Other accruals and deferred income	409	506	391	437
Amounts payable to the Welsh Consolidated Fund	420	420	36	36
Obligations under finance leases and PFI contracts	10	16	10	16
	<b>2,140</b>	<b>3,352</b>	<b>1,277</b>	<b>2,131</b>
<b>Amounts falling due after more than one year:</b>				
Trade and other payables	-	4	-	2
Obligations under PFI	76	124	85	137
Obligations under finance leases	-	18	1	6
	<b>76</b>	<b>146</b>	<b>86</b>	<b>145</b>
<b>Total trade payables and other current liabilities</b>	<b>2,216</b>	<b>3,498</b>	<b>1,363</b>	<b>2,276</b>

## 11. Provisions for liabilities and charges

	As at 31 March 2021		As at 31 March 2020	
	WG Core £m	WG Group £m	WG Core £m	WG Group £m
Balance at 1 April	1,250	1,339	1,180	1,278
Provided in the year	294	347	376	413
Provisions not required written back	(101)	(105)	(175)	(205)
Transfer	(18)	(19)	(25)	(10)
Provisions utilised in year	(119)	(152)	(106)	(137)
Balance at 31 March	1,306	1,410	1,250	1,339
Analysis of expected timing of discounted flows:				
Not later than one year	329	378	277	318
Later than one year and not later than five years	391	414	408	432
Later than 5 years	586	618	565	589
Balance at 31 March	1,306	1,410	1,250	1,339

### WG Group only

	Other £m	Welsh Risk Pool <sup>1</sup> £m	Total £m
Analysis of expected timing of discounted flows:			
Not later than one year	62	316	378
Later than one year and not later than five years	77	337	414
Later than 5 years	138	480	618
	277	1,133	1,410

<sup>1</sup> The Welsh Risk Pool is hosted as part of NHS Wales Shared Services Partnership by Velindre NHS Trust whose accounts can be found at [www.velindre-tr.wales.nhs.uk/key publications](http://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 and expected future re-imbursements of the Welsh Risk Pool (WRP).

The Wales Infected Blood Support Scheme 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 provision for the Wales Infected Blood Support Scheme, as at 31 March 2021, is £136.9m (2019-20: £84.2m).

WRP assists Welsh NHS bodies with risk management and settlement of disputed claims for alleged medical or employer negligence. WRP balance as at 31 March 2021 is £1,133m (2019-20: £1,134m).

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.

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 & 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 life time 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](http://www.velindre-tr.wales.nhs.uk/home).

## 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 2021		As at 31 March 2020	
	WG Core £m	WG Group £m	WG Core £m	WG Group £m
Legal Claims – alleged medical/employer negligence	1,348	1,366	1,099	1,121
Potential contractual obligations under the WDA Act 1975	10	10	10	10
Other legal and contractual claims	114	120	94	103
<b>Total</b>	<b>1,472</b>	<b>1,496</b>	<b>1,203</b>	<b>1,234</b>

### (i) Legal Claims – alleged medical/employer negligence

This reflects that under the Wales Act 2006, the Welsh Government must meet the liabilities of the Welsh Risk Pool should the NHS bodies cease to exist.

### (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. The value of contingent liabilities for commercial contractual indemnities or guarantees reduced in 2020-21.

(iii) NHS Scheme Pays arrangements In accordance with a Ministerial Direction issued on 18 December 2019, the Welsh Government has taken action to support circumstances where pensions tax rules are impacting upon clinical staff who want 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. 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 contingent liability of £ 21.5m is included in the other legal and contractual claims in the table above.

## 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.

As at the balance sheet date of 31 March 2021 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:**

##### **Rail Services**

Welsh Government has provided an indemnity to the Department for Transport and Network Rail in the event that any diseconomies of scale emerge or any new financial risks materialise as a result of the devolution of rail franchising powers and the transfer of the Core Valley Line assets from Network Rail to Transport for Wales.

Welsh Government has provided an indemnity to the rail service provider for a limited time only against any additional tariffs imposed as a result of EU Exit.

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 £419 million 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 2021 was £24 million.

**Letters of comfort:**

The Welsh Government has issued a Going Concern letter of assurance to RIFW to cover future liabilities of £2.346m. 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 2021		As at 31 March 2020	
	WG Core £m	WG Group £m	WG Core £m	WG Group £m
Pension fund deficits	36	84	54	98
National Loans Fund (falling due after 5 years) <sup>1</sup>	11	11	11	11
Other	-	3	-	-
<b>Total</b>	<b>47</b>	<b>98</b>	<b>65</b>	<b>109</b>

<sup>1</sup> National Loans Fund balances represent National Loans Funds lent onwards by the Secretary of State for Wales originally to the Mid Wales Development Corporation. They were then passed to the Development Board for Rural Wales 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.

## 14. Movements in working capital other than cash

	As at 31 March 2021		As at 31 March 2020	
	WG Core £m	WG Group £m	WG Core £m	WG Group £m
(Increase)/decrease in inventories (excluding development assets)	(6)	(99)	(2)	(13)
<b>(Increase)/decrease in receivables:</b>				
current	123	115	(88)	(96)
non-current	4	(92)	5	(18)
<b>Increase/(decrease) in payables:</b>				
current	863	1,221	297	344
non-current	(10)	1	(10)	(9)
Development assets movement	-	-	-	-
PFI/Finance lease capital element	10	-	10	7
Other adjustment	-	2	-	-
Less movement in amounts payable to the Welsh Consolidated Fund and other non-operating cost balances	(383)	(383)	(19)	(19)
	<b>601</b>	<b>765</b>	<b>193</b>	<b>196</b>

## 15. Capital and other commitments

### 15.1 Capital commitments

Contracted capital commitments not otherwise included within these financial statements.

	As at 31 March 2021		As at 31 March 2020	
	WG Core £m	WG Group £m	WG Core £m	WG Group £m
Property plant and equipment	137	618	113	373
Investments and loans	84	91	37	40
	221	709	150	413

### 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 2021		As at 31 March 2020	
	WG Core £m	WG Group £m	WG Core £m	WG Group £m
<b>Buildings</b>				
Not later than one year	6	37	6	35
Later than one year and not later than five years	20	83	21	81
Later than five years	39	106	43	117
	65	226	70	233
<b>Other</b>				
Not later than one year	-	1	-	1
Later than one year and not later than five years	-	-	-	-
Later than five years	-	-	-	-
	-	1	-	1
<b>Total</b>	<b>65</b>	<b>227</b>	<b>70</b>	<b>234</b>

## 15.2.2 Commitments under finance leases

Total future minimum lease payments under finance leases are given in table below.

	As at 31 March 2021		As at 31 March 2020	
	WG Core £m	WG Group £m	WG Core £m	WG Group £m
Other				
Not later than one year	1	3	1	4
Later than one year and not later than five years	-	1	1	4
Later than five years	-	-	-	-
	1	4	2	8
Less interest element	-	-	-	-
	1	4	2	8

## 15.3 Commitments under PFI contracts

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 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 £9,434,792 (2019-20: £9,273,758); and the payments to which the Welsh Government is committed, are as follows:

	As at 31 March 2021 £m	As at 31 March 2020 £m
Not later than one year	10	9
Later than one year and not later than five years	41	40
Later than five years	-	11
	51	60

### 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 £8,969,253 (2019-20 £9,952,132). 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 2021 £m	As at 31 March 2020 £m
<b>Minimum Lease payments</b>		
Not later than one year	12	12
Later than one year and not later than five years	48	48
Later than five years	36	48
	<b>96</b>	<b>108</b>
Less interest element	(11)	(14)
	<b>85</b>	<b>94</b>

	As at 31 March 2021 £m	As at 31 March 2020 £m
<b>Service elements due in future periods</b>		
Not later than one year	8	6
Later than one year and not later than five years	24	33
Later than five years	-	(1)
	<b>32</b>	<b>38</b>

## 15.4 Other Financial Commitments

The Welsh Government has entered into non-cancellable contracts (which are not leases or PFI contracts) 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 2021		As at 31 March 2020	
	WG Core £m	WG Group £m	WG Core £m	WG Group £m
Not later than one year	503	503	615	615
Later than one year and not later than five years	514	514	1,162	1,162
Later than five years	1,925	1,925	2,512	2,512
	<b>2,942</b>	<b>2,942</b>	<b>4,289</b>	<b>4,289</b>

The Welsh Government provides grant funding for a number of entities on an annual basis. These grants have been committed to within the latter part of the year ended 31 March 2021 in order to provide security to the recipient organisation. As they relate to the year ending 31 March 2022 and are funded by the Welsh Government's budget allocation for the year ending 31 March 2022, they have not been disclosed within the above commitments.

In responding during the initial stages of the pandemic, Welsh Government and Transport for Wales (TfW) largely followed the same process as the UK Department for Transport and Scottish Government, in the use of 'Emergency Management'. This provided a transition period to the new contractual model we have now implemented. This was first reflected in the Emergency Interim Measures Agreement (EIA) for March and April 2020 closely followed by the Emergency Measures Agreement (EMA) as from May 2020 until early February 2021.

However, the 'grant agreement' for the Wales and Borders rail service agreed in 2018 was very different to traditional rail franchise contracts in that it included train operation, infrastructure management and transformation of the Core Valley Line network and therefore, needed a slightly different approach. As a result, through the 'Operator of Last Resort' mechanism, TfW established Transport for Wales Rail Ltd (TFWRL) and the transition of services took place on the 7 February 2021, when the new Operator of Last Resort Grant Agreement between TFWRL and Welsh Ministers commenced.

TFWRL is a wholly owned subsidiary of TfW, which now 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 identifies a five year term from 7 February 2021 and 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 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.

## 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 Environment, Energy and Rural Affairs) and Ken Skates (Minister for Economy and Transport) are both Vice-Presidents of Llangollen International Eisteddfod which received £285,000 grant funding in 2020-21.

Dafydd Elis-Thomas (Deputy Minister for Culture, Sport and Tourism) is an honorary life member of North Wales Wildlife Trust which received £155,953; and is also a steward and Lay Canon at Llandaff Cathedral which received £2,000 in 2020-21 for procured services.

The wife of Vaughan Gething (Minister for Health and Social Services) is a member of Thompsons Solicitors who were paid £1,200 in 2020-21 for procured legal services. The Minister would have had no involvement in the procurement process and decision on the appointment of the legal firm. The Minister is also a member of the Cardiff and Vale Credit Union, which in 2020-21 received £101,495 of grant funding.

Jeremy Miles (Counsel General and Minister for European Transition) and Rebecca Evans are members of Celtic Credit Union, which in 2020-21 received £494,962 of grant and loan funding.

The wife of Lee Waters (Deputy Minister for Economy and Transport) was a non-Executive Director of Llamau Ltd which, which in 2020-21 received £937,221 of grant funding.

The husband of Kirsty Williams (Minister for Education) is a partner in a farming business which received £102,433, including funding under the EU's Common Agricultural Policy, in 2020-21.

The partner of Tracey Burke is a governor of Cardiff and Vale College which received grant funding of £63,054,077 in 2020-21. She was not involved with the grant awarding to the college.

Reg Kilpatrick is a non-executive director of Monmouth Housing Association which received £6,360,434 of grant funding in 2020-21. He was not involved with the determination, payment or monitoring of the grant funding award to the housing association.

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 2020-21 of £7,994,000.

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 £59,081 in 2020-21. He is also a non-executive director of Spindogs Limited which received £8,280 in 2020-21 for procured services to Welsh Government.

Meena Upadhyaya (non-executive director) is a Trustee of Race Equality First which received £197,121 of grant funding in 2020-21. Meena is also a Trustee of Race Council Cymru which received £86,963 including grant funding in 2020-21.

Related party transactions of the Local Health Boards and NHS Trusts 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 2021		Year Ended 31 March 2020 (Restated)	
	Profit/(Loss) £m	Share Capital and Reserves £m	Profit/(Loss) £m	Share Capital and Reserves £m
Development Bank of Wales PLC <sup>1,3</sup>	25	347	(21)	237
Regeneration Investment Fund for Wales LLP <sup>2</sup>	4	47	4	43
WGC Holdco Limited <sup>2</sup>	-	18	(43)	18
Careers Choices Dewis Gyrafa Limited	(5)	(42)	(3)	(32)
Transport for Wales <sup>4</sup>	-	2,079	-	1

<sup>1</sup> Investment of 49,999 ordinary £1 shares, 25p part paid.

<sup>2</sup> 2019-20 Account finalised after Welsh Government Consolidated account signed, disclosure updated for subsidiary final accounts, no restatement of Consolidated Accounts as below materiality

<sup>3</sup> 2019-20 Account restated, disclosure updated for restatement, no restatement of Consolidated Accounts as below materiality.

<sup>4</sup> Transport for Wales established two new subsidiary entities in 2020-21, Transport for Wales Rail Limited and Transport for Wales Innovation Services Limited (a majority owned TFW joint venture). As set out on page 51 these entities are not consolidated for 2020-21, the results for Transport for Wales noted above are for the Transport for Wales parent entity only.

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
- Sector Development Wales Partnership Limited
- Life Sciences Hub Wales Limited
- Centre for Digital Public Services Limited (formerly Innovation Point Limited)
- National Academy for Education Leadership
- International Business Wales 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](http://www.gov.uk/government/organisations/companies-house).

## 17. Events after the Reporting Period

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. Assets and liabilities held at 31 March 2021 and reported in these accounts will be reviewed and split accordingly between both organisations once audited accounts have been finalised. In accordance with the Welsh Government consolidation policy, Digital Health & Care Wales is expected to be consolidated within the Welsh Government Consolidation Accounts in the future, subject to a Designation Order.

Cwmni Egino was established as a 100% owned Welsh Government subsidiary on 24 June 2021.

The company has been established to take forward energy and nuclear technology development at the Trawsfynydd site. Any future change to the Welsh Government consolidation boundary relating to this new subsidiary will be dependant upon National Accounts classification and any Designation Order required. The transactions of Cwmni Egino are anticipated to be below Welsh Government materiality.

On 6 August 2021 Transport for Wales acquired Pullman Fleet Services Limited a fleet maintenance and servicing company. In accordance with the Welsh Government consolidation policy, and as a subsidiary of Transport for Wales, the company will be subject to National Accounts classification during 2021-22. Any future change to the Welsh Government consolidation boundary relating to this acquisition will be dependant upon classification and any Designation Order required. The transactions of Pullman Fleet Services Limited are below Welsh Government materiality.

On 31 August the ONS classified the Development Bank of Wales Group to the Central Government sector, except for FW Capital Limited which has been classified as a Public Corporation. In accordance with the Welsh Government consolidation policy, no change will be made to the consolidation boundary until a Designation Order is made. The impact of classification to the Central Government sector is not expected to have a material impact on future Welsh Government Consolidated Accounts as the DBW Group is currently consolidated in full.

GCRE Limited was established as a 100% owned Welsh Government subsidiary on 24 August 2021.

The company has been established 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. 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 GCRE Limited are anticipated to be below Welsh Government materiality in the initial development stages.

## 18. Authorised for Issue

The Principal Accounting Officer authorised these financial statements for issue on 4 August 2022.

# Appendix A – Accounting Policies

## A.1 Property, Plant and Equipment

### 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.

### Network Assets

#### Road network

The road network is valued at its depreciated replacement cost in line with the guidance in the Financial Reporting Manual (FReM) for specialist assets for which market valuations are not available. To produce this valuation requires the use of assumptions, estimates and professional judgement. The model used to produce the valuation is known as the Roads Authorities' Asset Valuation Systems (RAAVS), run by external consultants W.S. Atkins. External professional surveyors undertake a full valuation of the network at intervals not exceeding five years. This valuation was last carried out in 2019-20. 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 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.

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 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 CVL asset includes railway infrastructure, stations, bridges and other assets which taken together form a Networked Asset in accordance with the HMT FReM.

Under the FReM, Networked Assets are valued at Depreciated Replacement Cost (DRC), because they are specialised assets used to deliver a service to the public. This valuation approach is based on a FReM adaptation of IAS 16 (Property, Plant and Equipment). To produce this valuation requires the use of assumptions, estimates and professional judgement.

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. A full valuation must take place at least every five years, with input indices applied to a standard price list of the Network's components in interim periods. Judgement is required to determine the nature of a modern equivalent asset and the current condition of the assets.

Modern Equivalent Asset valuation uses repeatable 'components' which are aggregated to form the network. These components are:

- Earthworks
- Structures
- Electrification, plant & signals
- Operational property
- Track
- Telecoms

All renewals that maintains the service potential of the rail network will be capitalised. Subsequent expenditure that adds to the services or life of the CVL network is capitalised.

Enhancements and renewals of the CVL asset are included 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.

## Information Technology and Fixtures and Fittings

Information technology and fixtures and fittings (which include vehicles, plant and equipment), 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	98 years
Structures	60 years
Signalling and Power	27 years
Operational Property	32 years
Track	18 years
Telecoms	9 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
Information technology:	3 to 10 years
Intangible software assets:	2 to 10 years
Fixtures and 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), 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 issued are shared equity loans and are held at Fair Value through the Statement of Comprehensive Net Expenditure in accordance with IFRS 9.

### 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 Her Majesty's Revenue and Customs (HMRC). For repayments made via the SLC, the Welsh Government recognises the repayment when the SLC has received the cash and updated the borrower record. For repayments collected via the tax system, this is recognised when the amounts which HMRC estimate as being due to the Welsh Government for the financial year are received. Student loans values are shown net of estimated future write-offs in respect of the non-recovery of loans and are reviewed annually.

In accordance with the FReM application of IFRS 9, student loans are classified as Loans and Receivables and are carried at Fair Value through Statement of Comprehensive Net Expenditure. Detailed explanation of the valuation approach is set out in Note 6. Disclosures relating to risk, required by IFRS 7, are set out in Accounting Policy A.15.

## 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 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 Gyrrfa 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.

Employees of Local Health Boards 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 LHB and NHS Trust 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 land and buildings, 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/Public Private Partnership transactions

HM Treasury has determined that government bodies shall account for infrastructure PFI schemes where the government body controls the use of the infrastructure and the residual interest in the infrastructure at the end of the arrangement as service concession arrangements, following the principles of the requirements of IFRIC 12. The PFI 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 PFI 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.

The PFI assets are recognised as property, plant and equipment, when they come into use. The assets are measured initially at fair value 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 PFI liability is recognised at the same time as the PFI asset. This is measured at the same amount as the fair value of the PFI assets and is subsequently measured as finance lease in accordance with IAS 17. An annual finance cost is calculated by applying the implicit interest rate in the lease to the operating lease liability for the period and is charged to Income. 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.

## 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, 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 January 2019.

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.

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.

### **IFRS 17 Insurance Contracts** – effective 1 April 2023

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. It is expected to be effective for accounting periods beginning on or after 1 January 2023, following IASB decisions to defer the effective date.

Guidance has yet to be issued to government departments on the interpretation of this standard.