Llywodraeth Cymru
Welsh Government

Welsh Government Consolidated Accounts

2025-26













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Government of Wales Act 2006

Accounts of the Welsh Government are prepared pursuant to Section 131 of the Government of Wales Act 2006 for the year to 31 March 2026, 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.

This report covers the period 1 April 2025 to 31 March 2026, under the Welsh Government formed following the 2021 Senedd election. It is published after the Senedd election of May 2026 and the formation of a new Welsh Government.

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Mae'r ddogfen hon ar gael yn Gymraeg hefyd / This document is also available in Welsh
Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg / We welcome correspondence and telephone calls in Welsh

Overview from the Permanent Secretary



Dr Andrew Goodall CBE
Permanent Secretary

I'm pleased to present my fifth consolidated accounts on behalf of the Welsh Government. They cover the 2025-26 financial year, which fell entirely under the Welsh Government formed after the 2021 Senedd election. A new Welsh Government took office following the Senedd election in May 2026, before this report was published. This report therefore reflects our position for the 2025-26 financial year, and may not represent the policy direction of the next government. It should be read in that context.

This period was a significant year of achievement for the Civil Service organisationally, and I'm proud to be able to say that we have continued to manage our financial position within the Senedd's voted budget with ongoing professional discipline across departments.

This record of organisational success was also reflected in our Staff Survey results. We've seen a year-on-year increase in our engagement score, showing that our staff continue to feel committed and connected to the organisation, with a strong sense of purpose, pride in their work and a clear alignment to our organisational priorities. Benchmarking against the 20 main Whitehall departments and the devolved administrations shows we were ranked first in eight of the nine themes, and second in the remaining theme. One of the most important pieces of feedback we can receive is from our own staff, and the 2025 results provide a strongly positive picture.

I'm immensely proud of what we have achieved this year, consistently delivering against our core functions and statutory responsibilities. I would like to take this opportunity to thank everyone for the hard work, dedication and professionalism shown in making a real difference. We know that change lies ahead, but I'm optimistic and confident for the future of our organisation – a future guided by the Civil Service code and our core values of Professionalism, Fairness, Integrity and Creativity.

Dr Andrew Goodall CBE
Permanent Secretary

Image: © John Wellings

Introduction by Welsh Government Audit and Risk Assurance Committee Chair

The Welsh Government's Audit and Risk Assurance Committee (the ARAC) provides support and advice to the Principal Accounting Officer on matters of risk management, internal control and governance, and met on five occasions during 2025-26. I also met regularly with the Principal Accounting Officer, the Director of Finance, the Head of Internal Audit, senior officials and the independent chairs of the Group Assurance Boards on a range of matters to help inform the ARAC work programme.

The Welsh Government handles a challenging and varied portfolio of responsibilities, including the provision of support to Ministers, the development of robust policy advice, the drafting of Welsh legislation, oversight and support of a wide range of devolved public bodies, delivery of statutory requirements and the direct provision of some public services. It operates within a complex political environment, and against a backdrop of continuing pressures on the UK and Welsh public finances. Good governance sits at the heart of the Welsh Government's ability to operate both swiftly and safely, and with due regard to propriety, regularity and the need to deliver good value for money.

I therefore remain concerned to note that, for the second year running, the Head of Internal Audit has considered it necessary to issue a 'split' annual assurance opinion. As explained within the Annual Governance Statement on page 95, a 'reasonable' assurance opinion was given (as in previous years) on the arrangements to secure governance, risk management and internal control at the group level. However, at the organisational level, the Welsh Government's reliance on corporate 'legacy' IT systems which have limited interoperability impacts on the sufficiency and reliability of management information. Only a 'limited' assurance opinion could therefore once again be given on the arrangements for managing the risks associated with corporate processes and systems.

The ARAC has noted the work that Welsh Government officials have undertaken to date and is continuing to take a keen interest in the 'Transforming Corporate Systems' programme that is intended to mitigate the identified risks for key corporate HR, Finance and Grants systems, including supporting business processes. It is apparent to us that significant investment will be needed within the context of a challenging financial environment over the coming years to address these issues as the various corporate 'legacy' systems approach the end of their operational lifespans.

I should like to take this opportunity to thank the Permanent Secretary, my fellow Non-Executive Directors and ARAC members, all Welsh Government officials, auditors and the secretariat for their support for the work of the ARAC and the Group Assurance Boards.

Mike Usher CPFA
Non-Executive member of the Welsh Government Board and ARAC Chair

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What's in the Report and Accounts: A snapshot

This is the Welsh Government Annual Report and Accounts for 2025-26. It covers the period of the previous Welsh Government, before the Senedd election of May 2026. It provides a detailed representation of how we managed our finances, met our statutory obligations and gives an insight into the Welsh Government as an organisation throughout the year. The Welsh Government Annual Report[1] is the vehicle for the Programme for Government which can be found on the National Archives website.

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

The Performance Report

The Performance Report covers the Welsh Government as an organisation. For ease of navigation, it's subdivided into the following sections:

Who we are gives an overview of our responsibilities, supporting legislation and provides information about the membership of the Cabinet and the senior leadership of the Civil Service.

What we do covers supporting ministers to deliver policy objectives and activities to embed the cross-cutting themes of the Well-being of Future Generations (Wales) Act 2015. It provides details of our legislative activity throughout the year, grant management activities, and gives a final update on the Wales European Funding Office. It also provides Group commentaries, where each group highlights its top priorities for the year.

How we are funded and how we spend it highlights our tax policy, borrowing and top areas of spend. It also covers our accounting boundaries and contains a narrative explaining the financial context in which we operate.

How we perform covers how we are taking forward the Welsh Government Performance Framework and provides staff insights including managing change and our Staff Survey results.

How we organise ourselves to deliver provides a diverse range of updates from Welsh Government 2025 and sustainability reporting, through to our commitment to fairness and inclusion and bilingual working. There is also an update on our complaints process.

The Accountability Report

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

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

Financial Statements

The Financial Statements are prepared in accordance with the Government Financial Reporting Manual[2] and represent a comprehensive statement of the costs incurred by the Welsh Government and details of all its assets and liabilities. The Financial Statements comprise the Primary Statements, Notes to the Accounts and details of significant Accounting Policies.

1 www.webarchive.nationalarchives.gov.uk/ukgwa/20260407194832/https://www.gov.wales/welsh-government-annual-report-2025
2 Guidance on annual reports and accounts – GOV.UK

Welsh Government Reporting Overview

The Annual Report and 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[3]	**Outturn Report**[4]	**Welsh Government Annual Report**[5]	**Annual report and Accounts**	**Well-being of Wales Report**[6]	**Future Trends Report**[7]
Legislation	S125 and 126 of Government of Wales Act 2006, Standing Orders 20.7 – 20.24 20.25 – 20.37	N/A	Well-being of Future Generations (Wales) Act 2015	Government of Wales Act 2006 – s131-136	Well-being of Future Generations (Wales) Act 2015	Well-being of Future Generations (Wales) Act 2015
Lead	Cabinet Secretary for Finance and Welsh Language	Cabinet Secretary for Finance and Welsh Language	First Minister	Permanent Secretary	Chief Statistician	Cabinet Secretary for Social Justice, Trefnydd and Chief Whip
Purpose	To propose and agree the financing plans, and the amounts of resources and cash which the government proposes to use for the following financial year (with provisional amounts for the subsequent two years or for such other period as the Minister considers appropriate) and revisions to that budget during the current financial year	In line with the Welsh Government's commitment to working openly and transparently, the Welsh Government agreed to provide a written report to the Finance Committee on final outturn. The report includes a comparison with the spending plans set out in the last Supplementary Budget of the year and an explanation of significant variations	Progress towards the Welsh Government's 10 well-being objectives	Details on how the Welsh Government is run including how it manages its finances and discharges its statutory obligations	Monitors 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

3 Welsh Government budgets
4 Government finance – Sub-topic
5 Welsh Government Annual Report 2025
6 Wellbeing of Wales: 2025
7 Future Trends: 2021

Key reports						
	Ministerial			Organisation	Statistical Data	
	Budget process[3]	**Outturn Report**[4]	**Welsh Government Annual Report**[5]	**Annual report and Accounts**	**Well-being of Wales Report**[6]	**Future Trends Report**[7]
Timings 	Not specific, but prior to the summer recess the Minister for Finance is required to write to the Business Committee to agree the budget timetable	Within three weeks of the sign-off of the annual accounts	As soon as is reasonably practicable following the end of the financial year	Submitted to the Auditor General for Wales for audit by 30 November each year	As soon as practicably possible following the end of the financial year	Within 12 months of an election – slides updated regularly
Timings This Year 	Draft budget laid 10 December 2024 Final budget 20 February 2025 1st Supplementary Budget 17 June 2025 2nd Supplementary Budget 24 February 2026	Within three weeks of the sign-off of the annual accounts	July 2025	27 November 2026	7 October 2025	Future Trends Report 2021 published December 2021
Scrutiny 	Finance and Subject Committees	Finance Committee	Plenary debate First Minister Scrutiny Committee	Public Accounts and Public Administration Committee	N/A	N/A

Who we are

Introduction to the Welsh Government



The Welsh Government is the devolved government for Wales. It works to help improve the lives of people in Wales and make our nation a better place in which to live and work. The Welsh Government consists of:

- The First Minister
- Cabinet Secretaries and Ministers
- The Counsel General.

They are supported by civil servants who work across devolved areas that include key areas of public life including:

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

The Welsh Government Board provides collective leadership to the organisation as a whole.

The Welsh Government was formally created in 2007 under the Government of Wales Act 2006 which established a division of functions between the legislature for Wales and the executive Government. The Wales Act 2014 changed the name of the legislature to the Senedd Cymru, or the Welsh Parliament (commonly known as the Senedd) and the executive to the Welsh Government. The Welsh devolution settlement has evolved dramatically since the establishment of the National Assembly for Wales in 1999. Led by the First Minister, the Welsh Government makes decisions and is responsible for delivery in the areas devolved to it, as set out in the Government of Wales Act 2006 and the Wales Acts 2014 and 2017.

This involves developing and implementing policies; setting up and directing delivery and governance; proposing Welsh laws (Senedd Bills); and making subordinate legislation, such as regulations. It also funds Arms-Length Bodies in Wales.

More information about what the Welsh Government is responsible for can be found on the Welsh Government website.[8]

8 www.gov.wales

The Cabinet

The Cabinet is the main decision-making body of the Welsh Government. It is made up of the First Minister, all Cabinet Secretaries and Ministers and the Permanent Secretary. The First Minister appoints a Cabinet Secretary for each of the core portfolios described below, as well as additional ministers to support the work of the Welsh Cabinet, and a Law Officer (Counsel General for Wales).

The information in this section covers the First Minister and Cabinet arrangements in place from the 1 April 2025 – 31 March 2026.

Welsh Government

Rt Hon Eluned Morgan MS  First Minister of Wales



Jeremy Miles MS
Cabinet Secretary for Health and Social Care



Jayne Bryant MS
Cabinet Secretary for Housing and Local Government



Ken Skates MS
Cabinet Secretary for Transport and North Wales



Huw Irranca Davies MS
Deputy First Minister and Cabinet Secretary for Climate Change and Rural Affairs



Rt Hon Mark Drakeford MS
Cabinet Secretary for Finance and Welsh Language



Lynne Neagle MS
Cabinet Secretary for Education



Rebecca Evans MS
Cabinet Secretary for Economy, Energy and Planning



Jane Hutt MS
Cabinet Secretary for Social Justice, Trefnydd and Chief Whip



Dawn Bowden MS
Minister for Children and Social Care



Vikki Howells
Minister for Further and Higher Education



Jack Sargeant MS
Minister for Culture, Skills and Social Partnership



Julie James
Counsel General Designate and Minister for Delivery



Sarah Murphy MS
Minister for Mental Health and Wellbeing

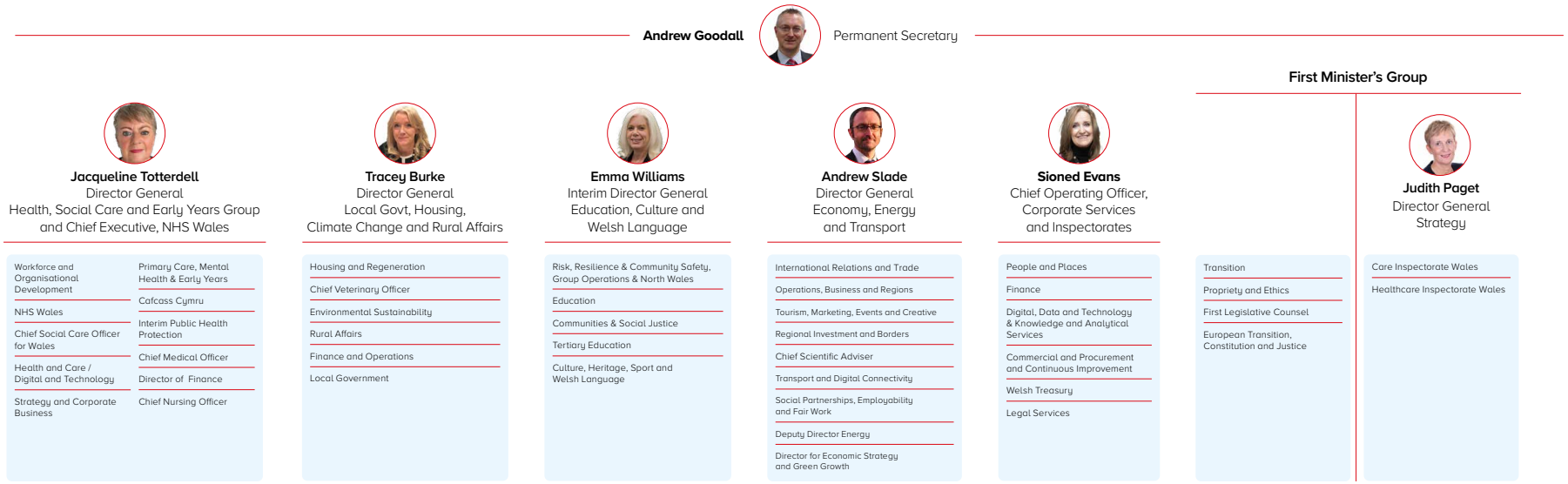
The Civil Service

The First Minister leads the Welsh Government, with the support of the Cabinet. The Civil Service is the non-political administration that supports the Welsh Government's First Minister and Cabinet to develop and implement its policies as well as deliver public services. Civil servants are accountable to ministers, who in turn are accountable to the Senedd.

The Permanent Secretary is the head of the organisation, and the most senior civil servant in Wales. He leads the Civil Service within the Welsh Government and supports the government in developing, implementing and communicating its policies, and is the principal policy adviser to the First Minister. The Permanent Secretary is also the Principal Accounting Officer with responsibility to ensure that the government's money and resources are used effectively and properly.

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 government is structured into a number of Groups which are managed by Directors General (DGs). For the period from April 2025 to March 2026 all staff worked within the following Group Structure:



Emma Williams was appointed Interim Director General Education, Culture and Welsh Language on 12 May 2025.

Judith Paget was appointed as Director General Strategy on 30 September 2025. The Welsh Government Strategy Unit was established on 1 October 2025.

Jacqueline Totterdell commenced the role of Interim Director General Health, Social Care and Early Years and Chief Executive NHS Wales on 1 October 2025.

What we do

Programme for Government



The Programme for Government for the period of this report was structured around ten well-being objectives of creating a stronger, fairer, greener, and more compassionate Wales.

The Welsh Government Civil Service supported Welsh Ministers to deliver the objectives in the Programme for Government through activities including policy development, delivering legislation, financial management and direct delivery.

The final Welsh Government Annual Report of the previous Senedd term was published in July 2025[9] setting out the progress made in 2024-25. Monthly monitoring of progress towards delivery of the Programme for Government continued until March 2026, with oversight from the Executive Committee and the Welsh Government Board.

9 www.webarchive.nationalarchives.gov.uk/ukgwa/20260407194832/https://www.gov.wales/welsh-government-annual-report-2025

Meeting our Commitment to the Well-being of Future Generations

The Well-being of Future Generations Act

The Well-being of Future Generations Act allows everyone in Wales to do things differently. It puts sustainable development as the central organising principle for government and public bodies. Delivering sustainable development will improve the way we achieve our economic, social, environmental and cultural well-being, ultimately providing better outcomes for the people of Wales.

Over the past decade, the Well-being of Future Generations Act has changed how Wales's public sector prioritises the well-being of both people and the planet. In the same period, the Act has evolved in wording, scope, interpretation and implementation. This has been demonstrated by the impact and continuous innovation of successive policies and legislation introduced through the lens of the Act. It is now imperative that as we move into the next decade of the Act, we look to the future to deliver sustainable development for Wales.

The Well-being of Future Generations Act defines sustainable development as: "The process of improving the economic, social, environmental and cultural well-being of Wales by taking action, in accordance with the sustainable development principle, aimed at achieving the well-being goals." It puts in place a 'sustainable development principle' which means that bodies must act in a manner to ensure the needs of the present are met without compromising future generations from meeting their needs. The operation, governance and mechanics of government, and the advice and support provided by the Welsh Civil Service should all continually improve and respond to this requirement.

The Continuous Learning and Improvement Plan and a new Senedd term

Welsh Government arrangements to promote sustainable development were being delivered through WG2025, the three-year programme for organisational development (more information about WG2025 begins on page 75). To ensure sustainable development and the five ways of working were at the heart of everything the Welsh Government does, in February 2023, we published a Well-being of Future Generations Continuous Learning and Improvement Plan 2023-25 (CLIP). The CLIP brought together over 51 actions to deepen our understanding and application of the sustainable development principle in the Welsh Government.

In May 2024, we published a progress report on the CLIP which updated our progress against each action and told the story of our learning. As the CLIP ended in 2025, internal analysis found that of the 51 actions, 20 have either not been completed or are continuous and will be continued with a view to demonstrate continuous improvement. Some of these actions will need to be revised or require further review in terms of their relevance and long-term nature.

As we set new well-being objectives for the next Senedd term, we will also review how we promote sustainable development across the Welsh Government and align it with wider organisational strategies. We believe our approach sends an important signal to other public bodies in Wales – that the Well-being of Future Generations agenda requires continuous improvement and reflection.

Some notable actions completed over the past 12 months include:

- Working with key stakeholders to continue to develop the next iteration of the Future Trends Report, an important institutional mechanism in Wales to help policy makers understand Wales's future and respond accordingly. This will aid policy makers to consider long-term and preventive ways of working.

- Delivery of bespoke Well-being of Future Generations Act sessions to all Welsh Government Senior Civil Servants which included presentations from the Future Generations Commissioner for Wales and the Auditor General for Wales. It included an internal, interactive breakout session on the five ways of working.
- The publication and promotion of the 'Building culture for co-production: A manual for applying the Well-being of Future Generations Act'.[10] This manual collates the most popular elements of our learning in relation to the five ways of working, the inner-development goals and culture change in one single document.
- The development of the Welsh Spending Review, a strategic, cross-government approach to shaping Wales's long-term budget planning, examining how key challenges can be tackled through a more preventative fiscal lens.
- Promotion of continuous learning of the Well-being of Future Generations Act through e-learning such as You, Me and the Future of Wales[11] an internal to Welsh Government e-learning module and work on a future training module with Academi Wales.
- Establishment of the Strengthening Public Services Board (PSB) Progress Group which brings together key national partners working on PSB delivery to respond to challenges and driven by a shared ambition to improve how PSBs operate, collaborate, and deliver impact.
- Working with the Future Generations Commissioner for Wales to deliver involvement and futures training through Hwb Dyfodol.[12] Hwb Dyfodol continues to build expertise and capacity in foresight and futures thinking and raise awareness of the Future Trends Report across Wales.
- In collaboration with key partners, hosting the Living the Future event in Aberystwyth. This event brought together changemakers from around mid-Wales to cross-learn about embedding the Well-being of Future Generations Act by imagining different futures for the region.

Wider Reporting

Last year the Future Generations Commissioner for Wales published their assessment of the improvements public bodies should make to achieve the well-being goals. The Future Generations Report 2025[13] includes an assessment of progress made so far, with targeted advice and recommendations for the Welsh Government and other public bodies. It provides examples of the positive change that is already happening in our public services. The Welsh Government's response[14] was published in March 2026.

At the same time the Auditor General for Wales published 'No time to lose: Lessons from our work under the Well-being of Future Generations Act'.[15] This report assessed the extent to which the Welsh Government applied the sustainable development principle when setting well-being objectives and taking steps to meet them. It focused on how the Welsh Government is thinking and acting for the long term and meeting the duties under the Well-being of Future Generations Act. The Welsh Government published a Written Statement[16] in July 2025.

10 Building culture for co-production: A manual for applying the Wellbeing of Future Generations Act
11 You, me and the future of Wales
12 Hwb Dyfodol – Future Generations Wales
13 Future Generations Report 2025 – Future Generations Wales
14 www.gov.wales/written-statement-welsh-government-response-recommendations-future-generations-report-2025
15 No time to lose: Lessons from our work under the Well-being of Future Generations Act
16 www.gov.wales/written-statement-welsh-government-response-future-generation-commissioners-future-generations

Throughout 2025, the sixth Senedd's Equality and Social Justice Committee undertook their post-legislative scrutiny of the Well-being of Future Generations Act.[17] In March 2026 the Committee published their findings in 'Fit for the Future? The Well-being of Future Generations Act ten years on'.[18] This report had 8 recommendations for the Welsh Government and our initial response[19] was published in March 2026.

These reports are an essential accountability mechanism, driving us towards achieving the well-being goals and acting in accordance with the sustainable development principle. The reports highlight the significant progress made by the Welsh Government through the CLIP and other activities. The report also highlights the work still needed to achieve our well-being goals, embed the sustainable development principle and promote sustainable development as the central organising principle of the Welsh public sector.

17 Well-being of Future Generations (Wales) Act 2015: Post-legislative scrutiny
18 Fit for the Future? The Well-being of Future Generations Act ten years on
19 www.business.senedd.wales/documents/s173016

Case Study: **Applying the Five Ways of Working – Children's Rights Masterclass for North Wales Public Services Boards**



The Welsh Government collaborated with Public Services Boards (PSB) and the Office of the Children's Commissioner for Wales to develop a short film introducing children's rights and the support available to embed meaningful participation across public services in Wales. To promote this work, Welsh Government funding supported the delivery of a Children's Rights Masterclass for PSB partners across North Wales.

The session was developed and facilitated in partnership with the Children's Commissioner for Wales, using 'The Right Way' framework and embedded the five ways of working to support practical application of children's rights within PSB practice. The session aimed to build long-term capability by supporting sustained cultural change by embedding a rights-based approach across PSB partnerships. Through structured self-assessment and action planning, it integrated children's rights into strategic decision-making and service delivery.

By strengthening understanding of statutory duties and the practical implications of children's rights, the session was preventative, supporting earlier and more consistent consideration of children's needs, reducing the risk of inequalities and reactive service responses. The session integrated national policy intent with local delivery by aligning children's rights duties with PSB well-being planning. The use of a shared self-assessment matrix enabled partners to consider children's rights across multiple service areas in a consistent and joined-up way.

Delivery was collaborative and brought together partners in a shared learning environment. Group-based mapping exercises enabled partners to collectively assess current practice and agree joint priorities for improvement. The focus on 'The Right Way' principles reinforced the importance of involvement and participation, particularly how partners capture and act on the views of children and young people.

Managing our Legislative Programme

Managing work on the Welsh Government's legislative activities is a major focus for the organisation. The Senedd passed 27 Government Bills in the Sixth Senedd, the most in any Senedd term. This included the four Year 5 Bills in the 2025 Legislative Statement, as well as the emergency Mental Health Review Tribunal for Wales (Membership) Bill. An extensive amount of subordinate legislation has also been made in this period and there has been significant work to respond to the UK Government's legislative programme.

Primary Legislation

During the period covered by these accounts, the following Bills were considered by the Senedd:

- **The Welsh Language and Education (Wales) Act**

  The Welsh Language and Education (Wales) Bill was introduced on 15 July 2024 and received Royal Assent on 7 July 2025. The main objective of the Act is to aim to ensure that all pupils reach the end of compulsory school age as independent Welsh language users. This will help contribute to ensuring one million Welsh speakers in Wales by 2050. The aim is for all pupils to develop oral skills equivalent to level B2 of the Common European Framework of Reference for Languages.

- **The Legislation (Procedure, Publication and Repeals) (Wales) Act**
  - The Legislation (Procedure, Publication and Repeals) (Wales) Bill was introduced on 21 October 2024 and received Royal Assent on 10 July 2025. The Act:
    - Brings together and formalises the procedural arrangements for making Welsh subordinate legislation and the requirements for publishing Acts of Senedd Cymru and Welsh statutory instruments, and other subordinate legislation that is not made by statutory instrument.
    - Improves the accessibility of Welsh law by repealing, amending and otherwise disapplying in relation to Wales provisions and enactments that are no longer of practical utility or benefit.
    - Makes minor amendments to the Legislation (Wales) Act 2019.

- **The Disused Mine and Quarry Tips (Wales) Act**

  The Disused Mine and Quarry Tips (Wales) Bill was introduced on 9 December 2024 and received Royal Assent on 11 September 2025. The Act aims to reduce the likelihood of landslides on disused coal and non-coal tips through the establishment of a new public body which will have functions in relation to the assessment, registration, monitoring and management of disused tips.

- **Visitor Accommodation (Register and Levy) Etc. (Wales) Act**

  The Visitor Accommodation (Register and Levy) Etc. (Wales) Bill was introduced on 25 November 2024 and received Royal Assent on 18 September 2025. The Act:
  - Requires visitor accommodation providers in Wales to be registered on a register of visitor accommodation providers.
  - Provides local authorities with a discretionary power to charge a visitor levy on overnight stays in visitor accommodation ('the levy').
  - Requires local authorities to consult before introducing, changing or abolishing the levy.

- Makes visitor accommodation providers liable to pay the levy to the Welsh Revenue Authority.
- Provides a basis for the calculation of the levy and its collection.
- Requires local authorities to use the net proceeds for the purposes of destination management and improvement in their areas and report on the use of the proceeds.
- Provides the Welsh Ministers with a power to extend the levy to berths and moorings by regulations.

- **The Mental Health Review Tribunal for Wales (Membership) Act**

  The Mental Health Review Tribunal for Wales (Membership) Bill 2026 was introduced on 13 January 2026 and received Royal Assent on 21 January 2026. The Act changed the criterion for medical membership of the Mental Health Review Tribunal for Wales. It provides that medical members of that tribunal must be registered medical practitioners within the meaning of the Medical Act 1983, but do not require a licence to practise issued under that Act. The Act also makes connected provision about the validity of previous appointments to, and membership of, the Tribunal.

- **The Bus Services (Wales) Act**

  The Bus Services (Wales) Bill was introduced on 31 March 2025 and received Royal Assent on 2 February 2026. The Act aims to provide a joined up public transport network that is safe, integrated, environmentally sustainable, efficient, economic and responds to meet the transport needs of the public.

The following Bills were introduced into the Senedd during the Reporting Period; they have all subsequently received Royal Assent:

- **The Homelessness and Social Housing Allocation (Wales) Bill**

  The Homelessness and Social Housing Allocation (Wales) Bill included provision for:

  - Expanding access to homelessness services and provide additional support to those who need it most.
  - Widening responsibility to certain specified public authorities to identify individuals who are homeless or at risk of homelessness and respond effectively.
  - Prioritising allocation of social housing to those most in need.

- **Environment (Principles, Governance and Biodiversity Targets) (Wales) Bill**

  The Environment (Principles, Governance and Biodiversity Targets) (Wales) Bill was introduced on 2 June 2025. The Bill included environmental principles provisions to establish a robust framework for environmental governance in Wales. This framework seeks to address three core challenges: combating the combined impact of climate and nature emergencies, protecting the environment from harm, and responding to changes in environmental governance structures following the UK's departure from the EU. The Bill will:

  - Establish certain environmental principles and an environmental objective. It will require the Welsh Ministers and Natural Resources Wales, when making policy, and certain other public authorities, when carrying out environmental assessment under the Environmental Assessment of Plans and Programmes (Wales) Regulations 2004 (or any corresponding provision replacing those Regulations), to apply the principles, and to integrate environmental protection.

- Establish an independent environmental governance body, the Office of Environmental Governance Wales ('the OEGW') to provide strategic oversight of requirements on public authorities to: comply with environmental law; make effective environmental law; implement/apply environmental law effectively; and to hold those public authorities to account, in a similar way to the Office for Environmental Protection established by the Environment Act 2021.
- Amend the Environment (Wales) Act 2016 to establish a biodiversity target setting framework aimed at halting and reversing the decline in biodiversity in Wales, as well as imposing a duty on the Welsh Ministers to promote awareness in Wales of the importance of, and the threats to, biodiversity.

- **The Building Safety (Wales) Bill**

  The Building Safety (Wales) Bill was introduced on 7 July 2025. The Bill will:

  - Identify those on whom statutory duties under the Bill are to be placed.
  - Require the registration of certain regulated buildings i.e. those at least 11 metres in height or which have at least five storeys with a building safety authority.
  - Confer new functions on the 'building safety authority', which are each of the local authorities in Wales.
  - Confer new functions on the 'fire safety authority' in Wales, which are each fire and rescue authority for an area in Wales or a fire inspector (with regards regulation of Crown buildings).
  - Create duties to assess and manage fire safety risks in all in-scope buildings.
  - Create duties to assess and manage structural safety risks in in-scope buildings that are at least 11 metres high, or which have at least five storeys.
  - Put in place new rights for residents and place duties on them in respect of all in-scope buildings.
  - Establish a new enforcement regime to enable enforcement action to be taken if the new duties are not met.

- **The Planning (Wales) Bill**

  The Planning (Wales) Bill was introduced on 15 September 2025. The Bill will bring together the principal legislation relating to town and country planning in Wales into a coherent and accessible form. Its purpose was to modernise the structure and language of planning law, making it clearer and more consistent, while preserving its legal effect. The Bill did not seek to reform the planning system but was intended to improve legal clarity and usability.

- **The Planning (Consequential Provisions) (Wales) Bill**

  The Planning (Consequential Provisions) (Wales) Bill was introduced on 15 September 2025. The Bill will amend and repeal enactments, and make transitional and saving provisions, in connection with the Planning (Wales) Bill.

- **The Prohibition of Greyhound Racing (Wales) Bill**

  The Prohibition of Greyhound Racing (Wales) Bill was introduced on 29 September 2025. The Bill makes it an offence to:

  - Operate a stadium or similar venue in Wales and use it, or knowingly permit it to be used, for greyhound racing; and
  - Be involved in organising greyhound racing in Wales.

- **The Development of Tourism and Regulation of Visitor Accommodation (Wales) Bill**

  The Development of Tourism and Regulation of Visitor Accommodation (Wales) Bill was introduced on 3 November 2025. The Bill will:

  – Restate and modernise the Welsh Ministers' functions of promoting tourism in Wales, while requiring them to have regard to the potential social impact of tourism and its potential impact on the environment and the Welsh language;

  – Regulate the provision of visitor accommodation in Wales by:

    – Introducing a licensing regime to reassure visitors that accommodation meets the standards they would expect and aligning those standards, in the case of self-catering accommodation, more closely with corresponding standards already applicable to the private rented sector in Wales,

    – Making a standard in relation to the fitness of visitor accommodation a contractual requirement, and

    – Building on the register created by the Visitor Accommodation (Register and Levy) Etc. (Wales) Act 2025 to establish a visitor accommodation directory for the purpose of providing information to the public about visitor accommodation in Wales.

- **The Senedd Cymru (Member Accountability and Elections) Bill**

  The Senedd Cymru (Member Accountability and Elections) Bill was introduced on 3 November 2025. The Bill included provision for:

  – Enhancing the accountability of Members of the Senedd to the electorate, providing a mechanism to recall an elected Member, removing them from office during their term on the basis of the expressed will of voters in the relevant constituency.

  – Strengthening the Senedd's standards process as considered by the Standards of Conduct Committee, including:

    – Establishing a mandatory Standards of Conduct Committee;

    – Introducing an element of independence and expertise for that committee through the appointment of lay members; and

    – Providing more flexibility to the Commissioner for Standards to proactively consider concerns regarding the conduct of Members of the Senedd.

    – Placing a duty upon the Welsh Ministers to make provision prohibiting the making or publishing of false statements of fact. This is in response to the recommendations of the Standards of Conduct Committee's report into deliberate deception.

Further detailed information on the individual Acts and Bills can be found on the Senedd Legislation internet pages.[20]

Subordinate Legislation

An extensive amount of Welsh subordinate legislation was prepared and made during this period. The level of policy, legal and translation resource needed for each instrument varies considerably but can be significant. Over 1,000 pieces of subordinate legislation were made in the Sixth Senedd term which gives a sense of the scale and resource required to successfully deliver the overall subordinate legislative programme. This included subordinate legislation to deliver key priorities, including the implementation of Acts of Senedd Cymru, as well as subordinate legislation necessary to implement UK Government Acts.

UK Legislation

This reporting period covered significant activity in response to the UK Government's legislative programme. During this period, the Welsh Government laid legislative consent memoranda in relation to 24 Bills which have since become Acts and which made provision in devolved areas. This volume of activity placed considerable demands across the Welsh Government, requiring sustained engagement with both the UK Government and the Senedd to ensure the effective management of the legislative consent process. Many of the Bills contained complex and technically challenging provisions affecting devolved responsibilities, requiring detailed analysis of their implications for Wales, often within demanding UK parliamentary timescales. This included provisions ranging from water, environmental health and transport amongst others, with significant operational and constitutional consequences for Wales.

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. Grant funding is awarded to public, third and the private sectors for a diverse range of purposes aligned to Welsh Government ministerial policies, including core/project funding, capital/revenue grants as well as funding running costs for Welsh Government Sponsored Bodies and subsidiaries.

The Welsh Government has approximately 360 currently active grant schemes in place on PayGrants (the main corporate system) and issues circa 10,000 award letters each year.

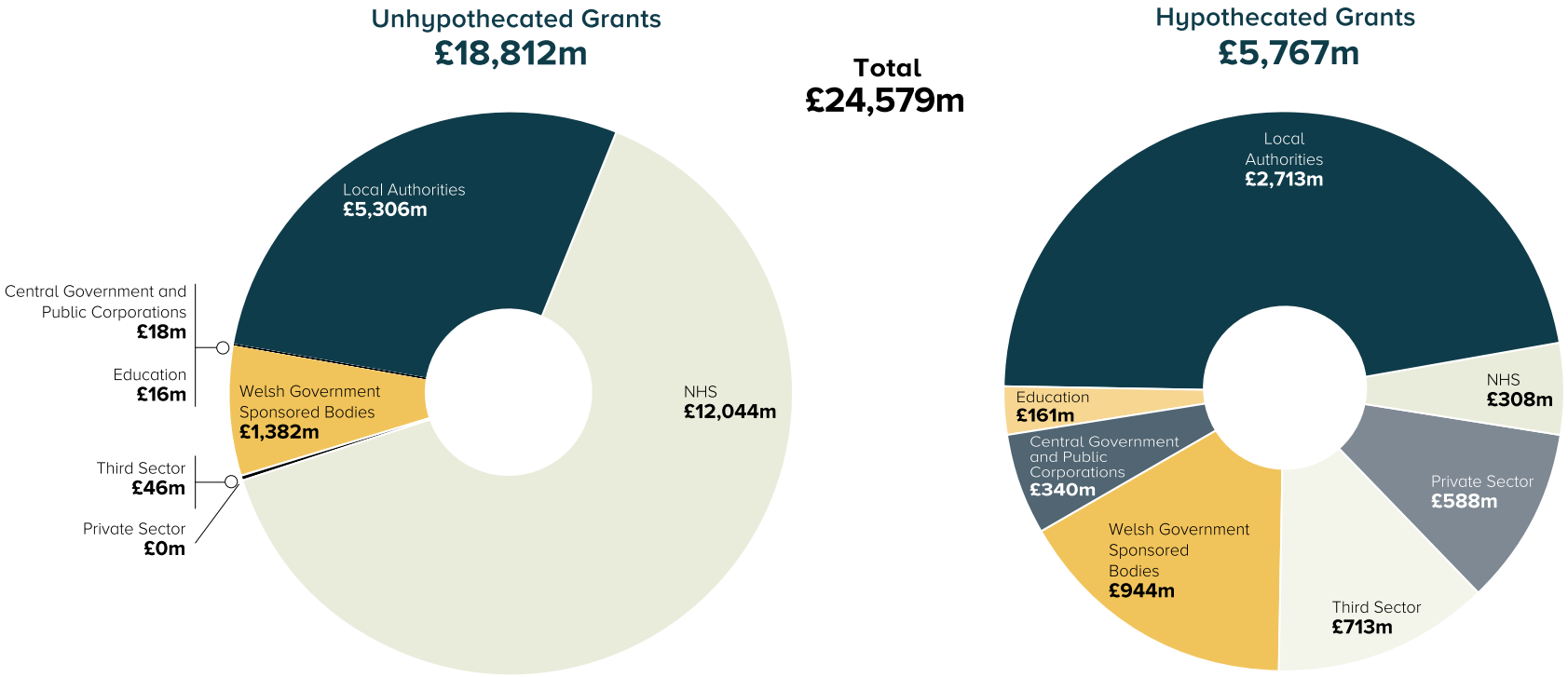
Grants are divided into two distinct categories:

1. Unhypothecated grants include those payments provided to health bodies and local government and account for £18,812m of the £24,579m total paid in grants for 2025-26.
2. Hypothecated grants represent payments where there are specific deliverables and criteria surrounding the purpose of the grants and account for the remaining £5,767m of funding.

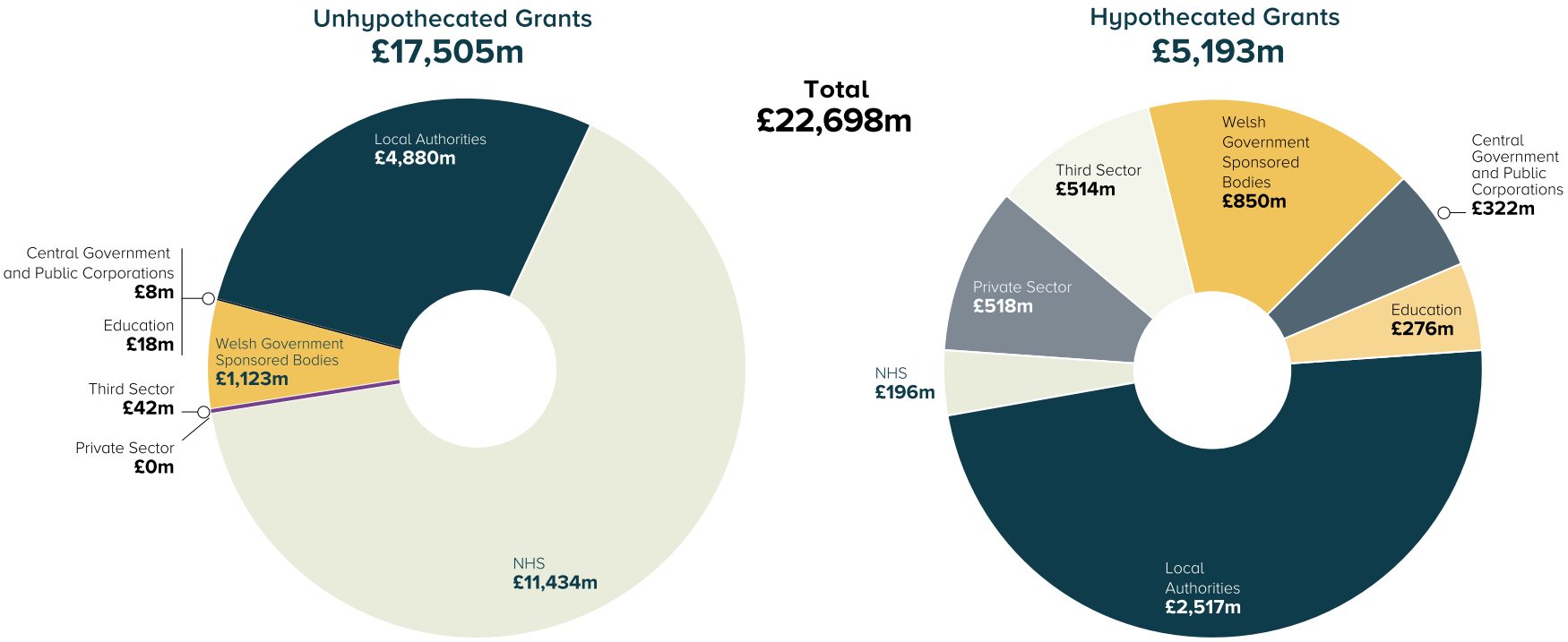
Grant Funding from the Welsh Government

The analysis below of grant funding data for 2025-26 is based on the system of 'industry keys' to provide a picture of funding by sector.

Analysis for 2025-26



Analysis for 2024-25



Welsh Government grant expenditure has increased year on year from 2024-25 to 2025-26 by 8% due to the expansion of funding commitments. The distribution of grant expenditure annually reflects policy priorities and, for some schemes, sector demand for that particular financial year.

Unhypothecated grant expenditure has increased by 8%. NHS unhypothecated funding has increased by 5% primarily due to increased NHS revenue allocations to address the unavoidable inflationary pressures and inescapable growth in healthcare demand, as well as the cost of the 2025-26 NHS Wales Pay Award and additional investment to address Waiting Lists. Similarly, the Local Authorities sector has seen an upward movement of 9% in unhypothecated funding due to the higher revenue support grants awarded to Local Authorities to help finance their general core services.

The Education sector has seen a reduction of 42% in hypothecated funding and 12% in unhypothecated funding, this decrease is primarily attributable to the transfer of responsibility for post-16 education and training provision to Medr. Funding previously reported within the Education sector is now reflected within the Welsh Government Sponsored Bodies (WGSB) sector, resulting in a corresponding increase within WGSB funding.

Third Sector has seen an upward trend of 39% in hypothecated funding principally in relation to the Social Housing Grant (SHG) uplift of £81m in 2025-26 to build and improve low-carbon affordable homes.

Other notable variances include an increase in Local Authorities sector hypothecated funding of 8% principally driven by higher investment in the Sustainable Communities for Learning Programme and the Children and Communities Grant. The Central Government and Public Corporations sector has seen an increase of 6% in hypothecated funding year on year due to £20m paid in April 2025 under the Welsh Ministers' subsidy package to Cardiff International Airport of up to £205.2m over ten years.

There are a number of ways unhypothecated/ hypothecated funding can be allocated and is shown in the tables below. Determining which category is the most appropriate forms part of developing and designing the grant scheme. Intended outcomes, value, size, complexity can all help shape which is the most appropriate method to use, for some schemes this can be a combination.

Unhypothecated Grants – funding methods

Budget Allocation	Block funding allocated to (usually) Local Authorities/NHS bodies to determine how they deliver the various services they provide.

Hypothecated Grants – funding methods

Application Based	Awarded in response to an open call for applications or competitive bidding round. Open Call: Organisations apply to a grant scheme and funding is awarded based on the organisation's ability to meet pre-determined eligibility criteria. Competitive: Competition is mainly used when there is a limited budget and there are a number of organisations able to deliver against the policy objective. The competitive process allows the Welsh Government to support the best projects and demonstrates openness, transparency, objectiveness, fairness and delivers best VfM.
Funding Allocation	Allocated to external bodies for a specific purpose; the level of funding is based on a statistical model or formula. Usually used for Local Authorities, where the allocation amount available is based on formula such as population statistical model. Local Authorities would then submit proposals against the value of the allocation.
Funding Request	Either a one-off or annual proposal by an external body seeking funding for a specific activity or for a single source award based on one delivery partner. Also used when Welsh Government is contributing to other Government departments.
Compensation	Awarded to compensate or make good for losses incurred as a result of Government action.

Grants Centre of Excellence – Background

The Grants Centre of Excellence (GCoE) is a small central team that provides advice, guidance and support to officials across the Welsh Government. The team maintains a comprehensive suite of guidance and templates covering all aspects of grant management processes. In addition, the team can deliver bespoke training on request and schedules awareness sessions on key topics during the year.

The team continues to answer queries during the year, as well as providing face to face and virtual support to grant managers for specific queries on any part of the end-to-end grants process. The GCoE also offers tailored advice in response to specific queries, working collaboratively with colleagues across the organisation to ensure coordinated support. This includes engagement with Legal Services, Subsidy Control, and Internal Audit as required. In addition, the GCoE undertakes work to raise awareness of issues identified by Audit Wales through its audit of the accounts, supporting continuous improvement and strengthening grant management practices across the organisation.

The Grants Assurance Panel

The GCoE established the Grants Assurance Panel in 2018. It provides practical advice, challenge, and assurance to grant managers in the early development phase of a grant scheme. It aims to add value by helping grant managers mitigate potential risks, ensuring transparency, compliance, and alignment with organisational priorities. The panel is composed of a diverse cross-section group from across the Welsh Government, each bringing specialist expertise to the table. Membership includes representatives from Legal Services, Economics, Digital, GDPR, Counter Fraud, Subsidy Control, the GCoE, Corporate Governance, Procurement, Well-being of Future Generations, and Welsh Language Standards. This collaborative approach enables the panel to provide practical recommendations that support grant managers in designing effective schemes.

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

As part of its commitment to continuous improvement and transparency the GCoE has continued to undertake an annual survey to gather feedback from both panel members and grant managers. The aggregated feedback indicates strong satisfaction with the panel's processes and documentation. Suggestions for improvements have been considered and implemented where appropriate. The GCoE will continue to promote and raise awareness of the panel as well as sharing emerging themes across the Welsh Government.

The Central Due Diligence Team

The Central Due Diligence Team was introduced in April 2019 and has 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 grant 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, remain the responsibility of grant managers and policy teams.

The team prepares a ‘Corporate Financial Health Check’ for each organisation which includes an analysis of audited accounts, checks on information held by Companies House and the Charity Commission, use of fraud prevention tools and information from the Due Diligence Hub. Typically, the type of issues identified include organisations that are in financial difficulty or insolvent, County Court Judgements, governance concerns or adverse information about the organisation or its principles. Where risks are identified the team provide recommendations to the grant manager on mitigation action, for example, recommending cross company guarantees, payments in arrears, tighter monitoring or obtaining further information, forecasts, or clarification on areas of concern.

During 2025-26, the Central Due Diligence Team completed over 530 assessments, bringing the total to more than 3,600 since its inception. These are uploaded to the Due Diligence Hub, ensuring they are accessible not only to grant managers but also to teams and departments across the Welsh Government. In addition to providing corporate assessments, the team has provided bespoke advice and guidance to grant managers on individual awards and schemes, attended team meetings to offer targeted due diligence input, and contributed to the review of grant terms and conditions from a due diligence perspective.

Welsh European Funding Office

The Welsh European Funding Office (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, and the cross-border Ireland – Wales programme.

Under the terms of the EU/UK Withdrawal Agreement, EU funded programmes were to be drawn to a close under the normal EU regulations governing their administration, even though much of this activity would take place after the UK's formal departure from the EU. EU funding rounds, which are nominally for seven-year periods, actually overlap considerably, and activity on projects approved under the 2014–2020 programmes was eligible for EU support up until the end of December 2023. Beneficiaries of the funds then had time to assemble and submit their final claims on each operation to WEFO, together with their reports on delivery against the agreed performance targets and independent evaluation of each operation's impact. WEFO then performed its usual checks and made its final payments.

Claims to the EU are made in arrears, based on evidence of eligible defrayed expenditure in each operation. WEFO consolidated the evidence and information received from beneficiaries across the programme to draft its final claims and programme level performance reports to the European Commission, which were then subjected to independent audit by the European Funds Audit Team (EFAT). EFAT reports to the European Commission to provide assurance that claims from WEFO do not include items which are not appropriate charges to EU budgets.

With over 350 individual projects to be taken through this process, programme closure was much more of a process than event, and all this activity was spread over the years 2023 to the end of 2025. The final package of accounts, Final Implementation Reports and EFAT Audit Reports was submitted to the European Commission in December 2025, several weeks before their deadline. This final package confirmed that eligible defrayed expenditure across the programmes was enough to support a 100% drawdown of the funding reserved for Wales under the 2014–2020 Operational Programmes. This has been an outstanding achievement against a backdrop during the programme period of Covid, the war in Ukraine and other impacts on exchange rates, the costs and operating capacity of all partners in the programmes.

More information on the range of operations supported across Wales and across a wide range of economic activities can be found on the Welsh Government website.[21]

The single biggest challenge to programme delivery was, and in some respects still is, EU Exit. As well as general uncertainty and dramatic shifts in exchange rates, the absence of subsequent programmes caused many project teams to disperse, sometimes sooner than was necessary for the programme completion work. This was managed closely by the programme teams in WEFO and the EU Funds Audit Team, ensuring that essential roles were maintained with flexible redeployment of remaining staff as the programmes wound down. Individual beneficiaries who were struggling to complete their operations were given unprecedented levels of support and sympathetic treatment, while being careful not to compromise WEFO's independence as the Managing Authority for the funds.

This is still an ongoing issue. All beneficiaries of EU funding have document retention obligations which could raise issues at programme level if EU auditors make requests for audit trails, information and explanations that beneficiaries cannot meet. All beneficiaries have been reminded repeatedly of their obligations to maintain

21 www.gov.wales/sites/default/files/publications/2023-12/eu-structural-funds-in-wales-2000-to-2023.pdf

some skeleton capacity that can be called upon at need, as will the Welsh Government itself. WEFO's own approach is that a small cell of staff has been retained within the Group's finance function to fulfil regulatory post programme monitoring obligations. A number of other key staff stand by ready to respond to other queries. The WEFO Chief Executive has also been redeployed but formally retains the delegations necessary to perform as such, should the need arise. Most of the key staff referred to above are in his directorate and could be remobilised swiftly. Similar arrangements are in place in respect of EFAT.

The European Commission is now considering the final package of documentation before issuing formal closure letters for the programmes. No significant queries have been raised to date. As remaining work on the programmes is expected to be administrative in nature on the part of both WEFO and the European Commission, we do not anticipate reporting on these programmes in future annual reports.

Corporate Services and Inspectorates Group

The Corporate Services and Inspectorates Group underpins the effective operation of the Welsh Government, delivering critical corporate, governance and specialist services alongside key planning and inspectorate functions. It plays a central role in supporting the Permanent Secretary and ministers to ensure effective corporate operations, strong financial stewardship, and delivery of government priorities. It brings together finance, workforce, digital, commercial, legal, analytical and resilience capabilities to enable informed decision-making, manage risk and support delivery across the organisation.

Corporate Services and Inspectorates Group Key Achievements for 2025-26 include:

- **Financial Control, Governance, Commercial Procurement and Modern Corporate Services**

  A central focus of the year was strengthening the foundations that underpin organisational performance. The Group maintained core financial management, assurance, governance and shared services, ensuring robust control of public finances and effective support to ministers. Alongside this, it progressed the Transforming Corporate Services programme, mapping current processes across HR, payroll, finance and grants to establish a clear baseline for reform. This will enable the development of a future operating model that is more consistent, efficient and data-driven, with improved access to reliable, timely information to support decision-making.

  In parallel, steps were taken to improve commercial governance and contract management, supported by better use of procurement data. Simplification of procurement processes, including raising thresholds from £25,000 to £75,000, reduced administrative burden while maintaining appropriate oversight.

- **Digital, Data and Technology (DDaT)**

  During 2025-26, the Directorate progressed delivery of key digital, data, technology and analytical priorities, strengthening capability across government. This included continued progress in delivering AI capability across the Welsh Government to support staff in their work, and delivery of the One Big Thing campaign, with over 80% of the Civil Service trained in the foundations of AI in government.

During the year, the Directorate established the Office for AI and the AI Plan for Wales, supporting innovation and responsible adoption of emerging technologies. They also led a successful project to transition the Centre for Digital Public Services into the Welsh Government from 1 April 2026. For 2026-27 these teams will be brought together in a new Digital Public Services Wales Directorate, alongside digital policy, workforce and change, to provide strengthened leadership of the public service digital and AI agenda.

- **Statistics and Research**

  A wide programme of statistical and research outputs were delivered, including publication of the Welsh Index of Multiple Deprivation, launch of the new StatsWales service, and redesign of the National Survey for Wales.

- **Legal Services**

  Legal Services had an extremely busy year supporting ministerial priorities and the Programme for Government to date, in particular working on 16 Senedd Bills during this period, as well as hundreds of Statutory Instruments. The legislation included emergency legislation – the Mental Health Review Tribunal for Wales (Membership) Act 2026.

  Legal Services also continued to represent Welsh Ministers in defending and prosecuting matters on their behalf through the Courts and Tribunals, advising and acting in relation to commercial contracts and property matters, supporting the Procurement team and advising the Welsh Government as an employer on employment law-related issues. Members of the Directorate also supported social mobility events, in particular to encourage individuals who might not have contacts in the sector to consider a legal career, and acted as committee members to Public Law Wales, an organisation that promotes discussion, education and research relating to public law and human rights in Wales.

- **National Security and Resilience**

  During 2025–26, the National Security and Resilience Division (NSRD) strengthened Wales's resilience, cybersecurity and contribution to the national security agenda. The programme of strategic and operational delivery included the Wales Resilience Framework and Delivery Plan and reviewing oversight arrangements and establishing new risk management processes. In partnership with health teams, NSRD led the Welsh Government's contribution to Exercise PEGASUS, the UK's largest resilience exercise. This tested existing plans, piloted an enhanced crisis management concept of operations, and embedded lessons from the COVID-19 Inquiry.

  NSRD coordinated the strategic response to 31 emergency incidents, supporting effective multi-agency action while maintaining wider policy delivery. It also contributed to major public inquiries, including COVID-19, Grenfell and the Manchester Arena attack, ensuring learning informed policy and planning.

  Cyber resilience was further strengthened through expansion of CymruSOC, now protecting over 650,000 users, alongside the introduction of a national cyber exercising programme and Wales's first national cyber resilience conference. NSRD also supported the UK national security and counter-terrorism agenda, ensuring Welsh Government priorities were reflected in UK-wide decision-making. Collectively, this work strengthened Wales's preparedness, response capability and contribution to national security outcomes.

- **People and Places**

  During 2025-26, the Directorate progressed workforce and organisational reforms to strengthen capability, improve delivery and support long-term sustainability.

Organisational culture and inclusion continued to improve, with positive People Survey results, including among underrepresented groups, and gender parity achieved at Senior Civil Service level. The 2025 pay award contributed to stronger workforce engagement, with pay satisfaction at its highest level relative to UK Government comparators. Performance management was reinforced through full compliance in SCS objective setting, alongside strengthened leadership capability through expanded executive development and talent programmes.

Recruitment timelines for Welsh Government and Public Appointments were reduced through streamlined processes, enabling faster access to talent. The Academi Wales offer was refreshed, including successful summer and winter schools and the first Annual Leadership Symposium to support collective leadership and anti-racism ambitions.

The administrative estate and health and safety arrangements were reviewed to ensure services remain efficient and aligned to organisational needs.

- **Planning and Environment Decisions Wales (PEDW)**

  PEDW delivered improved performance across planning casework during 2025-26. Thirteen Developments of National Significance decisions were issued, with average decision times reduced to 30 weeks. Following new regulations, delegated decisions were issued ahead of statutory timescales.

  The number of Enforcement Appeal decisions increased by 40% compared to the previous year, supported by training of new Inspectors. PEDW also progressed examination of four Local Development Plans concurrently.

  All legal challenges brought against decisions during the year were successfully defended.

- **Welsh Tribunals Unit**

  The Welsh Tribunals Unit is responsible for the administration of the six devolved tribunals. The Unit reports directly into the President of Welsh Tribunals. Last year the Welsh Tribunals heard 2,263 applications on matters covering a range of issues including mental health, provision of education support for learners with additional needs and the application of Welsh language standards.

- **The Welsh Treasury**

  The Welsh Treasury continued to support infrastructure delivery through the Mutual Investment Model, including the £2bn A465 dualling programme, progress on the Velindre Cancer Centre, a new all-through school in Flintshire, and the start of construction on the Cardiff and Vale College project. In tax policy, legislation to introduce a Visitor Levy secured Royal Assent in September 2025, providing local authorities with the option to raise revenue for investment in tourism.

  Alongside delivery of the annual Budget, the Welsh Treasury advanced the Welsh Spending Review to strengthen medium- to long-term fiscal decision-making. The initial phase has been completed, with lessons captured and plans developed to support transition to the next administration.

Case Study: **Desktop 2.0 Programme**



Andrew Goodall (Permanent Secretary) with a Desktop 2.0 Programme team member during the rollout in Cathays Park.

Desktop 2.0 represents the Welsh Government's most significant end-user computing upgrade since 2018-19, delivering a modern, secure and more user-focused digital working environment for colleagues. Over a nine-month period, the programme successfully upgraded more than 7,000 laptops across all UK-based offices, alongside providing guidance and support to overseas colleagues transitioning to Windows 11. This large-scale deployment ensured that staff have access to up-to-date technology, including the replacement of older X380 and X390 devices as part of the upgrade.

The programme introduced a range of improvements designed to enhance user experience and productivity. Colleagues now benefit from greater customisation, including more intuitive navigation, flexible desktop set-ups, a range of approved corporate and Microsoft backgrounds, and enhanced accessibility features.

Security was a key focus of the upgrade. Desktop 2.0 implemented Windows Hello for Business, enabling more secure and convenient authentication through PIN, fingerprint or facial recognition, while retaining password access where required. The changes have also reduced the frequency of authentication prompts, contributing to a more seamless user experience.

User engagement and adoption were strong throughout the programme. A total of 98% of the organisation completed the upgrade within the required timeframe. Feedback has been positive, with over 90% of users reporting a favourable experience of the transition.

The successful delivery of Desktop 2.0 demonstrates the organisation's ability to implement large-scale digital change, improving both the security and usability of core technology services while maintaining continuity of business operations.

Economy, Energy and Transport Group

During 2025-26, the work of the Group was underpinned by four national priorities:

- A just transition and green prosperity
- Creating a platform for young people to access fair work, skills and success
- Creating stronger partnerships for stronger regions and supporting our everyday economy; and
- Investing for growth.

Our approach to delivering more and better jobs was anchored in partnership with local government through Regional Development Frameworks and the delivery of economic priorities via Corporate Joint Committees. The Welsh Government also worked with the UK Government, local government and partners to deliver programmes such as Freeports, Investment Zones, AI Growth Zones, the Wales Defence Growth Deal, and City and Growth Deals. This included closer alignment across the economic mission, with a focus on delivering an Industrial Strategy that prioritises key growth sectors, including clean energy industries, advanced manufacturing (including defence), digital and emerging technologies, creative industries, life sciences and financial services.

Economy, Energy and Transport Group key achievements for 2025-26 include:

- **Economy**

  The Welsh Government worked to harness the benefits of Artificial Intelligence (AI) to grow the economy and to build a strong AI ecosystem by leveraging its strengths in compound semiconductors, cybersecurity, green energy and research. Wales secured two of the designated Artificial Intelligence Growth Zones (AIGZs) in the UK.

  AIGZs are a UK Government initiative under the UK AI Opportunities Action Plan.[22] These are designed to support longer-term sovereign AI capabilities for the UK and accelerate responsible deployment of large-scale AI and digital infrastructure by coordinating planning, energy, skills and investment levers in places with strong economic potential, particularly around data centre capacity, advanced computing, and AI enabled industries.

- **Entrepreneurship and Business Wales**

  Big Ideas Wales provided a dedicated service to support the next generation of young entrepreneurs in Wales and helps those interested in starting a business to take their idea forward. In 2025-26 Big Ideas Wales supported 805 young people, with 219 going on to start trading.

  In 2025-26, business role models engaged with 78,415 young people across education and community settings to raise entrepreneurial awareness, deliver inspirational workshops and coach future entrepreneurs. Business Wales supports new entrepreneurs, micro-businesses and SMEs to build resilience, improve productivity and drive inclusive, sustainable growth. In 2025-26 Business Wales provided advice to 9,006 individuals and businesses to support 3,745 jobs.

  The Development Bank of Wales met its key targets for job creation and economic delivery. It invested £140m in 2025-26, helping create and safeguard 5,153 jobs via 533 investments across Wales. This included £37m across 116 investments, creating and safeguarding 1,268 jobs in North Wales; £39m across 147 investments, supporting 1,315 jobs in mid and West Wales; and £64m across 270 investments helping to create and safeguard 2,570 jobs in South-East Wales.

- **Welsh Freeport Programme**

  The Welsh Freeport programme is intended to contribute to increased productivity and long-term economic development. The programme also provides a platform for regeneration and the development of strategic industrial clusters.

22 www.gov.uk/government/publications/ai-opportunities-action-plan/ai-opportunities-action-plan

Separate Memoranda of Understanding have been agreed and signed by the Welsh Government, the UK Government, and the respective Freeport partnerships for both the Celtic and Anglesey Freeports. The agreements provide the framework for partnership working and programme delivery, setting out the roles, responsibilities, and commitments of all parties in delivering the anticipated benefits of Freeport status which will see £25m of capital funding.

- **Local Growth Fund**

  The Welsh Government reached agreement with the UK Government on a three-year Investment Plan for the Local Growth Fund in Wales. TheWelsh Government agreed to invest £547m of funding from the UK Government to support jobs and growth in the Welsh economy between April 2026 and March 2029.

  It was agreed the investment would focus on areas with the greatest need to drive productivity growth and reduce inequalities within Wales. These areas were agreed in collaboration with partners across the system, with the funding delivered through continued collaboration.

- **Energy**

  Energy is fundamental to the success of our economy. We worked with industry to develop new policies to support the deployment of carbon capture and storage and low carbon hydrogen in Wales.

  The Welsh Government agreed actions with the renewable industry to accelerate deployment of clean energy in Wales in a way that supported our economy, generates wealth in our communities and provides new jobs and skills opportunities for generations to come. Action was taken to invest in the supply chain with an £8m loan to Marine Power Systems to advance their deep-water offshore wind capability.

  The Welsh Government led direct delivery through Trydan Gwyrdd Cymru and Ynni Cymru. Trydan has launched its first four development sites in Wales with the potential to generate over 400 megawatts of clean power, contributing to their 1 gigawatt target by 2040. The Ynni Cymru programme supported 78 community energy projects across Wales bringing total investment to £23m.

- **Centre for Digital Public Services**

  During 2025-26, the Centre for Digital Public Services (CDPS) focused on supporting improvements to digital applications for benefits, digital planning services and children's neurodiversity pathways, working in partnership with the Welsh Government, local authorities and health organisations. CDPS also strengthened digital capability across the public sector by delivering leadership programmes, training and communities of practice. It convened the AI Leadership Group for Wales and the Digital and Data Standards Board for Wales to support collaboration and the safe, ethical use of digital and data. This included supporting the Welsh Government to better understand the AI landscape for digital public services in Wales.

  Alongside this, CDPS supported organisations in meeting the Digital Service Standard for Wales by providing guidance, tools and shared approaches, including common service patterns and components to help teams design more consistent, reusable and user-centred services. Following creation of the Office for AI, from 1 April 2026 CDPS will be brought into the Welsh Government.

- **Welsh Government Office for Science (WGOS)**

  The Chief Scientific Adviser for Wales (CSAW) led the Welsh Government science engagement on the UK Government's PEGASUS emergency preparedness exercise. PEGASUS was a pandemic preparedness exercise held in autumn 2025 to test the UK's readiness to face another virus-type disease pandemic with the aim of testing the lessons learned from the COVID-19 pandemic and public inquiry recommendations.

  The CSAW was an observer on the UK Government SAGE (Science Advisory Group in Emergencies) and provided independent scientific and technical challenge to test assumptions, investigate the quality of evidence and discourage groupthink. The CSAW was also the main conduit through which contact was maintained between the emergency science advice structures within the Welsh Government and SAGE, UK Government Chief Scientific Adviser and UK Government Office for Science. The CSAW has also led on scientific input to Welsh Government responses to Covid Inquiry Module reports. He has collaborated with the UK Research and Innovation (UKRI) on the improvement of UK research funding outcomes and has led on the development of Welsh Government Areas of Research Interest (ARIs) for policymakers.

- **Transport**

  In 2025-26, working in partnership with Transport for Wales, local authorities and industry, we began developing the Welsh Bus Network Plan, establishing the blueprint for a new system across both rural and urban areas. This work supported the 'one network, one timetable, one ticket' ambition, improving ease of use and enabling seamless journeys across modes.

  We also progressed preparatory work for the phased introduction of franchised services. This included building delivery partnerships and engaging with stakeholders to co-design services.

  Transport for Wales' rail passenger numbers increased by 9.9%. The new South Wales Metro depot was opened in Taff's Well as part of the transformation of the Core Valley Lines. New rail services were launched in North Wales, including an increase in services connecting Wrexham and Chester.

- **International relations and trade**

  The Wales and Japan 2025 programme delivered significant economic and cultural impact, including Wales's largest trade mission to Japan – with participation by 29 Welsh companies. There was also the signing of new Memoranda of Understanding with the governments of the Basque Country and Catalonia and multilateral engagement with UNESCO, supported by a Welsh Government placement in Paris which contributed to Aberystwyth's successful designation as a UNESCO City of Literature.

  The Export Action Plan and our export support programmes supported around 900 companies with their export development and directly supported Welsh businesses to secure over £120m in new export deals. To attract inward investment, we generated over 200 investment enquiries and attended over 40 national/international events to engage with potential investors.

  The Wales Investment Summit strengthened Wales's global profile and investor confidence, with over 350 delegates (primarily senior executives) from 29 countries. 43% of delegates were from organisations with no existing

presence in Wales. In the run-up to the summit, investments totalling circa £16bn were confirmed for Wales.

The team continued engagement with the UK Government on trade policy.

- **Tourism, marketing, events and creative**

  Creative Wales played a key role when Wales hosted the creative industries-themed 44th British-Irish Council Summit in December. 'A Creative Future: Unlocking the Potential of the Creative Industries Across These Islands' brought together leaders from all member administrations and industry to showcase the strength of Wales's creative sector and its cultural and economic contribution.

  The AIG Women's Open was held at Royal Porthcawl Golf Club in summer 2025, the first time this major championship had been staged in Wales. It attracted more than 47,000 attendees and featured 144 elite players from 32 countries, delivering extensive global broadcast exposure. Independent analysis estimates a direct economic impact of £8.44m for Wales.

  The marketing programme for the Wales Investment Summit, delivered under the Cymru Wales brand, resulted in 98% of delegates reporting improved understanding of Wales's strengths and 100% clarity on how to engage on investment opportunities. In 2025-26, over 300 tourism and hospitality businesses benefitted from more than £4m of capital funding through the Weather Proofing Fund.

- **Innovation**

  The £10m budget for Research, Development and Innovation (RD&I) in 2025-26 leveraged RD&I investments by Welsh businesses and academia totalling £29.3m across 101 projects. The multiplier effects of early interventions in R&D were demonstrated during 2025-26 with Draig Therapeutics, Cardiff, securing £107m from international venture investors. Closer working with Innovate UK during 2025-26 leveraged £65m investment into Welsh projects, alongside £50m awarded to two Welsh proposals from the Local Innovation Partnership fund.

- **Employability**

  Employability was all about helping people towards and into work. In 2025-26, more than 17,000[23] individuals were supported by the Welsh Government's Communities for Work+, Jobs Growth Wales+ and ReAct+ schemes.

23 Based on provisional management data with end of year data updated in June 2026.

Education, Culture and Welsh Language Group

The Education, Culture and Welsh Language Group leads on education across all stages of learning, culture, the Welsh language, social justice, and community safety. We aim to improve education outcomes, build fairer and more equitable communities, support a vibrant cultural and linguistic life, and work with partners to help keep people safe and resilient.

Education, Culture and Welsh Language Group key achievements for 2025-26 include:

- **Additional Learning Needs (ALN) reform implementation rollout complete**

  In September 2025, the Additional Learning Needs (ALN) system fully commenced across Wales. The ALN system provides a unified statutory framework to support learners from age 0 to 25 with person-centred practice to identify and respond to their additional learning needs. Its core aims include earlier intervention, reduced adversarial processes, clearer rights of appeal, stronger participation of learners and families, and improved collaboration between education, health and social care.

  Over 43,000 learners of compulsory school age in maintained schools now have a statutory Individual Development Plan, with legally enforceable rights. The Welsh Government has provided investment to support implementation of the ALN system and deliver the ambitions of the reform including over £190m capital and £196m in revenue funding since 2020. There are new statutory roles within schools, further education institutions, health bodies and local authorities to lead strategic delivery of the ALN system.

  In 2025-26 the Welsh Government undertook a review of the legislation to identify how to improve implementation. Five priority actions were taken forward with steps to clarify the legislative framework, improvements to national consistency and oversight, more information for families, strengthened multi-agency working, and exploring a vision for an inclusive education system.

- **Digital resilience and keeping safe online**

  The digital world continues to develop at an enormous pace, and the Welsh Government is supporting our children and young people to navigate the resulting benefits and challenges through our ‘Keeping safe online’ area of Hwb. ‘Keeping safe online’ provides learners, families, education practitioners, professionals, and governors with access to up-to-date resources, guidance, information and training to support online safety and strengthen digital resilience. While recognising the many benefits that technology offers, these resources acknowledge that challenges can arise and provide bilingual, reliable support and advice for navigating the online world safely and responsibly.

  In 2025-26, we developed further advice, guidance and resources to address emerging online safety concerns. We participated in Safer Internet Day, engaging learners and practitioners to explore AI challenges and opportunities presented by AI. Our activities included providing guides for families on the latest apps popular with children and young people; delivering training and awareness raising webinars to schools on areas including cyber resilience, emerging technologies and online safety; collaborating with industry experts to develop advice and guidance to respond to the latest online safety issues; and continuing to encourage and listen to the views of children and young people through our Keeping safe online Youth Group.

- **Basic Income for Care Leavers in Wales pilot**

  In November 2025, the final payment was made to the final recipient of the Basic Income for Care Leavers in Wales pilot, marking the end of the delivery phase. The pilot, which launched in July 2022, provided over 600 care leavers with £1,600 a month (before tax) for up to two years to support them as they transitioned out of care and towards independent living.

  Whilst the delivery stage of the pilot has finished, the independent evaluation, led by the Children's Social Care Research and Development Centre (CASCADE) at Cardiff University alongside colleagues at King's College London, University of Oxford, University of York and Northumbria University, continues until 2027.

- **Caerphilly Castle investment**

  The reopening of Caerphilly Castle's Great Hall in July 2025 was a major milestone in the renewal of one of Wales's most significant heritage assets. Supported by over £8m of Welsh Government investment, the project has combined careful conservation with modern interpretation, enhancing accessibility and creating an engaging visitor experience that brings the castle's 13th century history to life.

  The project contributes directly to well-being by providing inclusive opportunities for learning, recreation and cultural connection. Improved access, new pathways and immersive storytelling enable a wider range of visitors to engage with Wales's shared heritage, strengthening community identity and pride in place. The regeneration of Caerphilly Castle forms part of the wider Caerphilly 2035 vision, supporting economic revitalisation, cultural investment and sustainable tourism.

  At the Caerphilly reopening, Cadw launched a new £1 ticket for people on universal credit and other benefits to visit Cadw sites. In its first year, 11,740 visits were recorded with 97% of visitors attending for the first time.

- **Cymraeg 2050 and the Welsh Language and Education Act 2025**

  The Welsh Language and Education (Wales) Act 2025, focused on ensuring all learners leave compulsory education as independent Welsh speakers. The Act adopts a 'twin-track' approach, supporting the expansion of Welsh-medium education while strengthening Welsh language outcomes in English-medium settings.

  Alongside the legislation, an implementation programme was established in 2025-26 to drive delivery. This brings together target-setting, workforce planning, professional learning, and accountability to support system readiness.

- **Statutory framework for youth work**

  A new statutory framework for youth work was published in March 2026. The framework introduces a clear statutory duty on local authorities to secure the provision of youth work. It establishes robust planning and accountability arrangements through the introduction of a requirement for local authorities to produce 5-year strategic plans. Collaboration is a core principle of the framework.

  The framework recognises that effective youth work cannot be delivered by local authorities alone and requires close partnership with voluntary organisations and wider stakeholders.

  National standards underpin the framework, promoting greater consistency while retaining flexibility to reflect local needs.

- **Strategic Direction for Vocational Education and Training (VET) in Wales**

  The Strategic Direction for Vocational Education and Training (VET) in Wales, sets out the Welsh Government's ambitions to strengthen VET across a wide and complex landscape, spanning pre-16 education, Further Education, Higher Education, Work-Based Learning and Adult Learning. A Ministerial Board was established to develop this work. This was supported by a reference group of senior internal and external stakeholders and extensive sector engagement.

  This engagement identified five interconnected national priorities:

  – Growing the economy
  – Improving visibility
  – Supporting participation and progression
  – Strengthening partnerships
  – Supporting educators and training providers.

Case Study: **Cadw Cymru Minecraft**



Cadw Cymru Minecraft, the winner of the Welsh Government Awards 2025 Innovators category, demonstrates Welsh leadership in the field of digital education. Freely available to schools and pupils through Hwb, this pioneering educational resource, coupled with the Cadw Cymru Minecraft Welsh language resource pack offers an exciting tool to engage learners with Welsh history/ language in a fun and immersive virtual realm.

Initially launched with just Conwy Castle, today Minecraft World features multiple historic sites and has seen over 15,000 pack and challenge downloads. Featuring Taliesin, the Welsh bard of the Mabinogion, with other characters, it brings the past to life with technology of the present.

Minecraft isn't new, but the creation of a world on a national scale, bringing together a collection of meticulously detailed monuments in an authentic landscape, with curriculum linked resources and gaming functions in Cymraeg certainly is. Users include learners here in Wales and across the wider diaspora, promoting our culture and language. You can find out more on the Cadw website.[24] Minecraft continues to grow – look out for more sites in 2026-27.

24 https://cadw.gov.wales/learn/fun-activities/cadw-cymru-minecraft

Health, Social Care and Early Years Group

The Health, Social Care and Early Years Group plays a central role in delivering priorities for health and social care in Wales. The Group provides strategic leadership and oversight of the NHS and social services system, supporting the delivery of service transformation, improved outcomes, and sustainable care models. The Group has a dual role within government, combining responsibility for national policy development with oversight of NHS Wales's strategic and financial management. It works through seven Local Health Boards, three NHS Trusts, and two Special Health Authorities, which are accountable to ministers via the Chief Executive of NHS Wales.

Health, Social Care and Early Years Group key achievements for 2025-26 include:

- **Expansion of Flying Start childcare in Merthyr Tydfil**

  During 2025-26, Welsh Government investment to expand early years provision supported the rollout of Flying Start childcare to all two-year-olds in Merthyr Tydfil. This allowed the local authority to become the first in Wales to achieve full coverage. Families in Merthyr Tydfil can access fully funded childcare for two and a half hours a day, five days a week, supporting children's early learning and development. All 24 childcare providers across the local authority have been approved to deliver Flying Start provision.

  The rollout forms part of wider Welsh Government investment of £25m in 2025-26 to expand Flying Start childcare, with more than 4,000 additional two-year-olds across Wales expected to benefit in the first year.

- **National vision to improve mental health support and prevent suicide in Wales**

  In 2025-26, the Welsh Government set out a new national vision for mental health support by publishing two complementary long-term strategies focused on prevention, early intervention and timely access to care. These strategies aim to improve mental well-being and strengthen support for people experiencing suicidal distress or self-harm. A 10-year Suicide Prevention and Self Harm Strategy was launched to address factors contributing to suicide, reduce stigma, and improve responses for people at risk. The strategy's informed by lived experience, sets clear priorities to improve understanding, strengthen prevention and ensure compassionate, person-centred support for those affected.

  Alongside this, a new Mental Health and Well-being Strategy outlines plans to transform access to mental health services, including expanding same day support without the need for referral. This approach is being delivered through the Wales-wide NHS 111 'press 2' urgent mental health service which has received over 200,000 calls since launch, alongside further development of open access and stepped care models to ensure people receive appropriate support as early as possible.

- **Establishment of Women's Health Hubs across Wales**

  During 2025-26, Women's Health Hubs were rolled out in each health board in Wales, in line with the NHS Wales 10-year Women's Health Plan. The hubs were established to address long standing inequalities in women's health by improving access to advice, assessment and care through joined up local services.

  Hubs provide a consistent point of access for women seeking support for health issues, including menstrual health, menopause and contraception. By strengthening links between primary care, community services and specialist pathways, the hubs are designed to make services easier to navigate and improve women's experiences of care. The rollout to all Local Health Boards marked a significant milestone in the first year of delivery of the Plan, laying foundations for longer term system change.

  The hubs sit alongside wider first year delivery under the Women's Health Plan, including new digital resources, education materials, workforce training and the launch of Women's Health Research Wales.

- **Advancing cancer research and innovation in Wales**

  The Welsh Government supported world leading cancer research, diagnostics and treatment in Wales through nationally and internationally recognised initiatives led by Health and Care Research Wales in partnership with NHS Wales and academic institutions. This ensured access to innovative treatments and clinical trials.

  Investment supported faster cancer diagnosis, including the QuicDNA Max programme, building on Wales's leadership in liquid biopsy (ctDNA) testing expanding its use across multiple cancer types. This is complemented by support for the development and evaluation of a structured pathway to identify, evaluate and prioritise cancer innovations and new technologies for adoption across NHS Wales to support equitable access and improve patient outcomes. Wales recruited its first patient into FAKTion, an innovative cancer research programme designed to match patients to more personalised treatment options based on the molecular characteristics of their cancer.

  Wales has played a leading role in global cancer research, including participation in a new cancer vaccine study and research focused on improving outcomes for people with ovarian cancer, highlighted during World Cancer Day. Wales led the largest surgical prostate cancer research study in the UK, reinforcing its position as a centre of excellence for high quality clinical research.

- **Reducing NHS Wales waiting times**

  Official figures published by the Welsh Government[25] show the waiting list fell for ten consecutive months, reaching its lowest level since August 2021 by March 2026, reducing to just under 667,000 pathways. The number of people waiting more than two years for treatment reduced sharply, falling from 8,389 in March 2025 to 2,589 at the end of March 2026, while waits over three years reduced from 715 to just seven pathways. Improvements were also seen earlier in the pathway, with outpatient waits over 104 weeks reducing by 95% and waits over 52 weeks reducing by 82%.

  More than 182,000 additional outpatient appointments were provided during the year, contributing to a 36% reduction in the outpatient waiting list and helping more patients receive assessment and treatment sooner. This progress has been supported by a £120 million investment to help the NHS build on improvements and continue cutting waiting times.

- **£30m investment reducing hospital delays through stronger social care support**

  A £30m investment in social care has enabled local authorities to strengthen capacity, expand community-based services and improve patient flow and hospital discharge across Wales.

  In March 2025, social care specific delays stood at 528 cases and 20,011 total delayed days, reducing to 344 cases and 9,107 delayed days by March 2026, a fall of 34.8% and 54.5% respectively. The average length of delay reduced from 38 days to 27 days. Patients are now waiting, on average, 11 fewer days for the social care support required to leave hospital.

25 www.gov.wales/nhs-activity-and-performance-summary-march-and-april-2026

Local Government, Housing, Climate Change and Rural Affairs Group

The Group supports the Cabinet Minister for Rural Resilience and Sustainability and the Cabinet Minister for Local Government, Housing and Planning. This covers a range of policy areas – including housing and regeneration, local government planning, climate change and rural affairs.

Local Government, Housing, Climate Change and Rural Affairs Group key achievements for 2025-26 include:

- **Sustainable Farming Scheme**

  Through extensive collaboration and co-design with stakeholders and a whole government approach, the Welsh Government designed and delivered the Sustainable Farming Scheme, the major post-EU exit support scheme for Welsh agriculture, under the Agriculture (Wales) Act.

- **Local Government Funding**

  The Welsh Government distributed over £6.1bn revenue and provided £250m capital un-hypothecated funding to local authorities for vital local public services. A further £31m capital was provided for councils to continue to reduce carbon emissions as part of our joint ambition for a net zero public sector.

- **TB Eradication Programme**

  The TB Eradication Programme was driven by strong partnership working and collaboration across the sector. Policy changes informed by the Technical Advisory Group and Programme Board have provided greater flexibility for farmers, including options to delay the slaughter of certain cattle and the introduction of lifetime movement restrictions on resolved inconclusive reactors to reduce disease spread. Industry-led projects in Pembrokeshire and north Wales demonstrate the value of local, collaborative approaches, empowering farmers and vets to take informed action. With strengthened governance through the Programme Board and ongoing expert advice, the programme is well positioned to build on progress towards the long-term goal of a TB-free Wales.

- **Animal Disease Responses**

  Work on preparedness and response to animal disease outbreaks has continued throughout the year, including managing cases of Bluetongue and Avian Influenza (bird flu). Ongoing collaboration with delivery partners will support a programme of continuous improvement, including review and learning from response exercises such as Aspen and Pegasus. In addition, in 2025-26, £119,000 of funding was provided to support the establishment of a Welsh animal disease diagnostic testing centre at Aberystwyth University. This investment will strengthen national diagnostic capability within Wales.

- **Housing**

  We passed The Homelessness and Social Housing Allocation (Wales) Act 2026 which aims to transform our homelessness services with a focus on early identification and prevention. We also passed our Building Safety (Wales) Act 2026 which establishes a statutory framework for building safety in Wales. We published the Welsh Government Rent and Service Charge Standard 2026–2036 which provides a 10-year rent settlement for social landlords.

  We managed over half a billion pounds worth of social housing related funding in 2025-26. This delivery is providing a safe, secure roof over the heads of individuals and families most in need and greatly improving their life chances. Our quality standards, decarbonisation and warm homes work are improving the quality of homes across Wales, including being warmer and more energy efficient, lowering bills for individuals and helping tackle the climate emergency.

- **Welsh Government Energy Service**

  The Welsh Government Energy Service continued as the primary delivery mechanism for public sector decarbonisation in 2025-26, accelerating delivery across energy efficiency, renewable energy, low carbon heat and zero-emission transport projects (supporting 799 projects across 73 public sector bodies and 21 community enterprises across Wales, 2018–2026). In 2025-26, capital deployment reached £145m invested in energy projects with a pipeline progressing to financial close (£340m total invested, 2018–2026).

  Investment supported in 2025-26 contributed to £560m in projected local income and savings over project lifetimes (2018–2026). Delivery in 2025-26 further expanded renewable and low carbon infrastructure, contributing to 61.8 MW of renewable generation and 19.7 MW of low carbon heat installed to date. The Welsh Government Energy Service supported the transition to zero-emission transport in 2025-26, contributing to 1,991 zero-emission vehicles deployed across the Welsh public sector. The supported activity continues to drive long-term carbon reduction, with projects delivered to date expected to save up to 1.5m tonnes of CO_2e over their lifetime.

- **Planning**

  From September 2025 to March 2026, the Planning (Wales) Act 2026 ('the Planning Act') and the Planning (Consequential Provisions) (Wales) Act 2026 were introduced and subjected to detailed scrutiny by the Senedd. They bring together all key legislation concerning town and country planning in Wales. As a result, the entire framework for the Welsh planning system is now unified in a single and bilingual Planning Act.

  By making the law clearer and more accessible through these Acts, their implementation will produce practical benefits to all stakeholders in the planning system. This includes professionals who operate within it, individuals and organisations who use its processes, as well as those wishing to access and understand the law to participate effectively in the planning system.

Case Study: **Animal Licensing Wales**



In 2025-26, £700,000 of funding was awarded to Animal Licensing Wales to support local authorities in the enforcement of animal welfare legislation, with a particular focus on dog breeding. This funding enables the continuation of a specialist national team providing expert support to local authorities in regulating licensed animal activities, addressing illegal breeding practices, and pursuing enforcement action where necessary.

An example includes operational activity at Welsh ports, where officers have led compliance exercises to tackle the illegal movement and importation of animals under pet travel and commercial transport rules. The programme has improved professional capability through training and a coordinated pan Wales approach, resulting in improved animal health and welfare outcomes.

In recognition of its impact, Animal Licensing Wales received a prestigious RSPCA PawPrints Special Recognition Award in 2024 for its outstanding contribution to animal welfare enforcement.

Welsh Government Strategy Unit

The Welsh Government Strategy Unit was established on 1 October 2025 to provide strategic leadership, coordination, and policy capability across government.

Welsh Government Strategy Unit key achievements for 2025-26 include:

- **Preparing for Senedd elections and Senedd Reform**

  The Election Preparations Sub Committee (EPSC), chaired by the Director General for Welsh Government Strategy, was established to oversee our readiness, both strategic and operational, for the Senedd election. The committee met frequently (fortnightly and then weekly from April 2026) and developed a comprehensive delivery plan to identify all essential activities and monitor progress.

  Extensive communications and engagement took place across the organisation through regular newsletters, team discussion packs and engagement events. The EPSC ensured that support arrangements for the incoming government have been strengthened, working with colleagues across Welsh Government groups to develop clear briefing and induction materials and preparing for effective early engagement with incoming ministers.

- **Building capability across the policy profession**

  We have established a Cross Government Policy and Strategy Group to take a whole system, cross government view of the major social, economic and environmental challenges facing Wales, and to shape high impact strategic priorities that cut across traditional policy boundaries.

- **Healthcare Inspectorate Wales**

  Healthcare Inspectorate Wales (HIW) implemented a new approach to NHS engagement during 2025-26 which strengthened both the quality and impact of its assurance work across Wales. Through a more structured, intelligence-led approach, HIW deepened its engagement with NHS services, ensuring dialogue was purposeful, proportionate and focused on patient safety and improvement. It undertook 86 NHS inspections, informed by triangulated intelligence which enabled earlier identification of emerging risks and more targeted action.

  The development of clearer internal risk and escalation pathways has improved the way in which concerns, statutory notifications and intelligence are assessed and escalated into NHS intervention arrangements where necessary. System-level engagement has also been enhanced through regular partnership forums and joint working. HIW delivered 130 inspections in support of its independent healthcare regulatory role and other statutory duties. Healthcare Summits, hosted by HIW, provided a valuable platform for sharing intelligence and learning with NHS bodies and oversight partners, improving collective understanding of system pressures and risks.

  Post-inspection reflection sessions, refreshed advisory group membership, and clearer communication of themes and outcomes have supported NHS services to understand expectations and implement improvement effectively. During the period, HIW developed a new four-year strategy which launched in April 2026.

- **Care Inspectorate Wales**

  In 2025-26, Care Inspectorate Wales (CIW) delivered a programme of regulation and improvement across social care and childcare services in Wales. It completed 2,191 inspections – 1,178 of adult and children's services, 1,013 involving childcare and play providers and registered 381 new services. CIW also processed 44,832 statutory notifications and responded to 2,487 concerns raised.

  CIW inspected all Regional Adoption Collaboratives in Wales, producing individual reports and national insight. Following the publication of the Child Practice Review into the crimes of Neil Foden, CIW undertook a joint inspection with Estyn of Gwynedd children's services[26] to assess safeguarding practice and drive improvement.

  CIW introduced published inspection ratings for care homes and home care services from April 2025 and published a review of the first seven months of the ratings system[27], showing a consistently high standard of care across Wales.

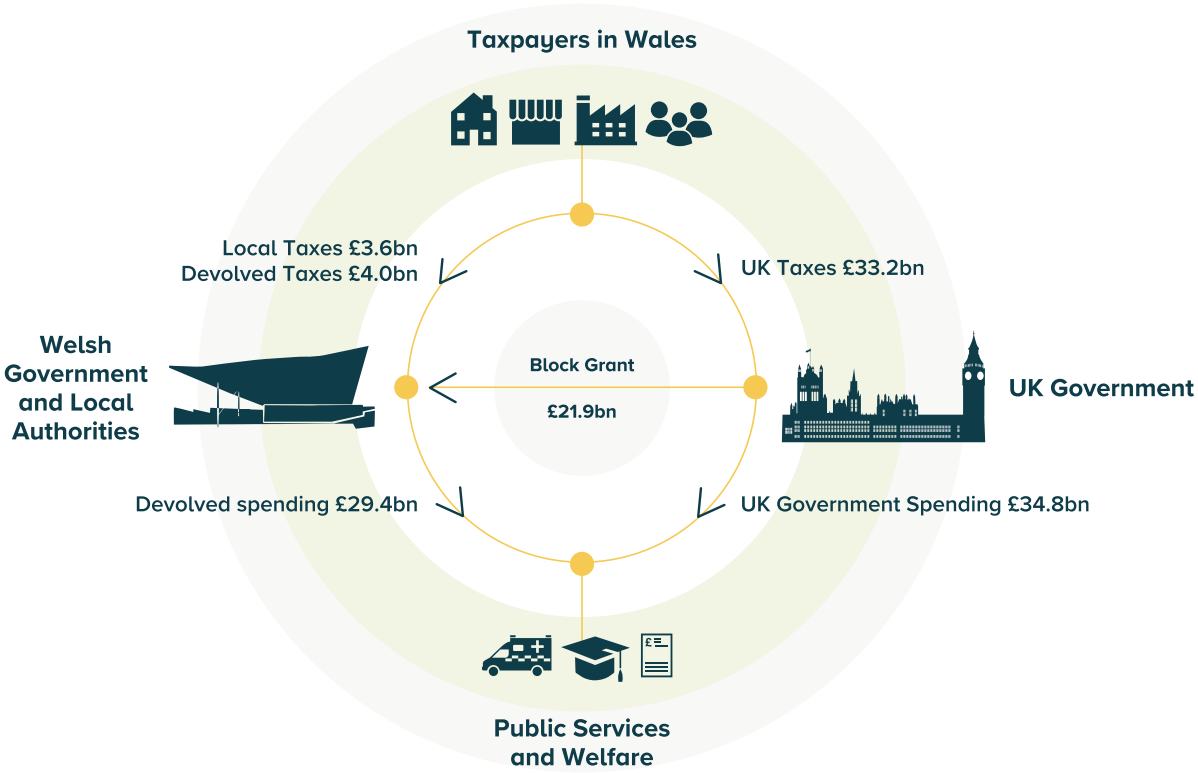
  As part of CIW's focus on supporting improvement, it published a report on Practice Worth Sharing[28] to share learning and celebrate excellent practice in childcare and play services. Additionally, CIW worked with Social Care Wales to develop and begin embedding the Supporting Positive Cultures[29] guide to promote open, inclusive and learning-focused practice across social care services.

26 www.careinspectorate.wales/joint-inspection-focus-safeguarding-gwynedd-council
27 www.careinspectorate.wales/ratings-care-homes-and-domiciliary-support-services-seven-months
28 www.careinspectorate.wales/lessons-practice-worth-sharing-new-report-celebrates-excellent-practice-childcare-and-play-across
29 www.insightcollective.socialcare.wales/positive-cultures

How we are funded and how we spend it

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 Second Supplementary Budget for 2025-26 and projects forward other taxes and spending from the 2024-25 Office for National Statistics (ONS) Country and Regional Public Sector Finances (CRPSF) statistics using the Office for Budget Responsibility's (OBR) March 2026 Economic and Fiscal Outlook. Devolved taxes are Land Transaction Tax, Landfill Disposals Tax and the Welsh Rates of Income Tax. Local taxes are Council Tax and Non-Domestic Rates.



Welsh Government tax policy and fiscal forecasting

The Welsh Government Budget provides detail on the government's financing, taxation and Main Expenditure Group (MEG) level allocations and sets out the government's revenue and capital spending plans, including detailed portfolio spending plans. Details of the Welsh Government Budgets[30] can be found on the Welsh Government website.

The Budget is supported by:

- The Wales Economic and Fiscal Report.[31]
- The Welsh Tax Policy Report.[32]
- The Welsh Taxes Outlook.[33]

The Welsh Taxes Outlook is prepared by the Office for Budget Responsibility (OBR) and provides the assessment of the wider fiscal framework in which the Budget is set. Further information on our Fiscal Framework and Devolved Taxes can be found on the Welsh Government website.[34]

Key areas of tax policy development during 2025-26 included the passage of the Visitor Accommodation (Register and Levy) Etc. (Wales) Act 2025, which became law in September 2025, and the commissioning of independent research to inform potential future options for income tax devolution in Wales.[35]

Welsh Ministers Borrowing

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

Borrowing undertaken from the National Loans Fund is repayable over 25 years. Each tranche of borrowing will have a fixed interest rate which is the prevailing NLF interest rate for Equal Repayment New Loans on the day the loan is drawn.

The first exercise of the borrowing powers took place in 2018-19 where £65m was paid into the Welsh Consolidated Fund from the National Loans Fund. This was followed by £150m in 2022-23, £125m in 2023-24 and £80m in 2024-25. In 2025-26, further borrowing of £125m was paid into the Welsh Consolidated Fund. On 31 March 2026, the outstanding balance is £822m (31 March 2025: £619m).

Further information on the borrowing from the National Loans Fund can be found in the Welsh Consolidated Fund Accounts.

Welsh Government Financial Context

For 2025-26, 'a Budget for a brighter future' was developed that focused on delivering priorities, protecting and investing in vital public services, and putting Wales on the path for growth. Following a sustained period of challenging financial settlements, an additional £1.5bn was allocated compared to the 2024-25 Budget due to increased funding allocations from the new UK Government after the 2024 General Election. The economic context remained challenging, with increased demand for public services and global instability continuing to erode available resources and create significant financial pressures.

The First Supplementary Budget published in June 2025 confirmed the allocation of a total package of £220m resource to support public services with increased National Insurance Costs. A resource allocation of £100m was also made to the Health and Social Care Main Expenditure Group (MEG) to support the government's priority to reduce waiting lists.

The Second Supplementary Budget published in February 2026 allocated an additional £126m resource to support the devolved public sector to meet increases in staff costs due to public sector pay awards.

30 Welsh Government budgets – GOV.WALES
31 www.gov.wales/wales-economic-and-fiscal-report-2025
32 www.gov.wales/tax-policy-report-october-2025
33 www.obr.uk/wto/welsh-taxes-outlook-january-2026
34 www.gov.wales/welsh-taxes
35 www.gov.wales/sites/default/files/publications/2026-03/future-options-for-income-tax-devolution-in-wales.pdf

The following additional allocations were also made:

- £200m of revenue funding for the Health and Social Care MEG to support frontline NHS services with in-year pressures and to continue to support the NHS in maintaining progress against its priority of reducing waiting times.
- £73m of capital funding for the Transport MEG to meet additional costs associated with rolling stock on the rail network; and
- £61m of capital funding for the Education MEG to support capital programmes in schools, further education and higher education establishments.

Departmental Running Costs (DRC) remained under pressure with pay-related costs requiring tight budget management. Through rigorous financial management, including use of reserves and borrowing, the Welsh Government remained within the Senedd's voted budget. The 2025-26 financial year demonstrated continued commitment to managing resources responsibly.

Further detail on MEG Outturn is included in the Summary of Resource Outturn on page 157.

Top 10 Revenue and Capital expenditure areas are shown on pages 50 and 51.

A summary of the Statement of Financial Position is shown on page 52.

A Report on Outturn is published annually which provides explanations for variances against HM Treasury control totals.[36]

Welsh Government Top Areas of Spend

The following infographics show the top 10 areas of spend for the Welsh Government in 2025-26. The analysis is by Budget Expenditure Line, as used in the Main Expenditure Group tables accompanying the Budget Motion. The Welsh Government's top 10 revenue and capital budget expenditure areas are:

36 www.gov.wales/outturn-reports

New to the top 10 revenue this year are:

There is only one change in the top 10 revenue expenditure for 2025-26 with Children and Communities Grant moving into the top 10. This Budget Expenditure Line (BEL) provides funding to Local Authorities to support early intervention and preventative services for vulnerable children, young people and adults. It funds a range of programmes including Flying Start, Families First, childcare and play services, and support for young people at risk of offending. Each Local Authority retains discretion to determine the amount of spending on each of the eight programmes currently within the Children and Communities Grant, whilst adhering to Welsh Government targets and policy objectives.

The BEL for Transport for Wales in 2024-25 has been renamed as Rail Service Support for 2025-26.

The percentage shares of each BEL are largely stable. Overall, the top 10 revenue BELs account for almost the same percentage share of the Welsh Government total revenue expenditure for the year, with 85% in 2025-26 vs 84% in 2024-25.

The top 10 revenue budget expenditure areas for 2025-26 were:



WG Revenue Outturn:
£22,157m
Top 10 total:
£18,806m
85% of the revenue budget

Core NHS Allocations	£10,767m	49%
Local Government General Revenue Funding	£5,120m	23%
Post 16 Education Provision – MEDR	£829m	4%
Rail Service Support	£397m	2%
Health Education and Improvement Wales	£370m	2%
Student Support Grants	£273m	1%
Non-Programme Staff Costs	£300m	1%
CAP Direct Payments	£234m	1%
Other Direct NHS Allocations	£297m	1%
Children and Communities Grant	£219m	1%

The top ten capital expenditure areas for 2025-26 were:



WG Capital Outturn:
£3,466m
Top 10 total:
£2,584m
74% of the capital budget

Social Housing Grants	£486m	14%
Core NHS Allocation	£467m	13%
Education Infrastructure	£414m	12%
Rail Service Support	£280m	8%
Local Government General Capital Funding	£281m	8%
Network Operations (Roads)	£184m	5%
Major Repairs Allowance (Housing)	£124m	4%
Residential Decarbonisation and Quality	£127m	4%
City and Growth Deals	£100m	3%
Regional Transport and Active Travel	£121m	3%

New to the top 10 capital this year are:

There is only one change in the top 10 capital expenditure for 2025-26 with Regional Transport and Active Travel moving into the top 10. This BEL supports delivery and development of sustainable transport modes and local transport initiatives: free bus services for the elderly and disabled, and discounted bus travel for young travellers.

The BEL for Transport for Wales in 2024-25 has been renamed as Rail Service Support for 2025-26. The BEL for Network Operations (Roads) in 2024-25 has been renamed as Strategic Road Network Operations and Renewals in 2025-26.

The percentage shares of each BEL are largely stable, however there has been a £149m reduction in capital spend against the Rail Service Support BEL year-on-year largely due to the following items relating to Transport for Wales: reduction in lease capital spend and a reduction in capital spend on the Core Valley Line transformation programme.

Overall, the top 10 capital BELs account for the same percentage share of the Welsh Government total capital expenditure for the year, remaining at 74%.

For comparison purposes, the top 10 revenue budget expenditure areas in 2024-25 were:



WG Revenue Outturn:
£20,767m
Top 10 total:
£17,413m
84% of the revenue budget

Core NHS Allocations	£10,147m	49%
Local Government General Revenue Funding	£4,751m	23%
Post-16 Education Provision	£551m	3%
Transport for Wales	£407m	2%
Health Education and Improvement Wales	£329m	2%
Student Support Grants	£282m	1%
Non-Programme Staff Costs	£272m	1%
CAP Direct Payments	£234m	1%
Other Direct NHS Allocations	£227m	1%
Homelessness	£213m	1%

The top ten capital expenditure areas for 2025-26 were:



WG Capital Outturn:
£3,466m
Top 10 total:
£2,584m
74% of the capital budget

Social Housing Grants	£486m	14%
Core NHS Allocation	£467m	13%
Education Infrastructure	£414m	12%
Rail Service Support	£280m	8%
Local Government General Capital Funding	£281m	8%
Network Operations (Roads)	£184m	5%
Major Repairs Allowance (Housing)	£124m	4%
Residential Decarbonisation and Quality	£127m	4%
City and Growth Deals	£100m	3%
Regional Transport and Active Travel	£121m	3%

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 Summary of Resource Outturn £1,039m or 75% (2024-25: £1,278m, 81%) related to Student Loans issued inclusive of interest and discounting, net of repayments in year.

Welsh Government Statement of Financial Position

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

Welsh Government Consolidated Assets	2025-26 £bn	2024-25 £bn
Physical Assets		
Road network (Trunk roads including motorways)	21.4	20.6
Rail Network (Core Valley Lines)	3.4	2.7
Land and Buildings (including the NHS Estate)	4.4	4.1
Assets under construction (mainly Roads and Rail)	1.9	2.4
Financial Assets		
Student loans portfolio	7.1	8.8
Help to Buy Wales portfolio	0.3	0.4
Development Bank of Wales loans	0.4	0.4
Other loans and investments	1.1	1.0
Cash	1.5	1.4
Other Assets	**2.7**	**2.6**
Total Assets	**44.2**	**44.4**
Trade and other payables	2.5	2.4
Accruals and deferred income	0.5	0.5
Welsh Risk Pool provision for clinical negligence claims	2.0	1.8
Other provisions	0.1	0.1
Other liabilities	1.9	1.9
Total Liabilities	**7.0**	**6.7**
Net Assets	**37.2**	**37.7**

Of the overall net asset decrease in 2025-26 of £0.5bn, the most significant impacts are the reduction in the value of the Student Loans portfolio of £1.7bn and a decrease in Assets under Construction of £0.5bn, mostly offset by a £0.8bn increase in the value of the Road Network and a £0.7bn increase in the value of the Rail Network.

The £1.7bn decrease in the Student Loans portfolio includes the fair value loss of £2.5bn attributable to the transition to the new Student Loans model as part of a Service Level Agreement with the Department for Education. The previous StEP model has been replaced with a new Student Finance Modelling Pipeline, incorporating methodological improvements. The fair value loss is offset by new loans issued of £1bn less repayments of £0.25bn. More information, including sensitivity analysis, can be found at Note 6.

The £0.5bn decrease in the value of Group Assets under Construction mainly reflects the reclassifications of £0.5bn of Assets under Construction within Transport for Wales to the Rail Network as substantial enhancements to the Rail Network are completed and come into use, particularly for the South Wales Metro. More information can be found at Note 4.1 and the accounts of Transport for Wales.

The £0.7bn increase in the value of the Rail Network is principally in respect of reclassifications from Assets under Construction noted above, as well as a £0.2bn gain on revaluation from the annual valuation exercise based on the latest available information from asset condition surveys and construction costs. More information can be found at Note 4.1 and the accounts of Transport for Wales.

The £0.8bn increase in the value of the Road Network is largely due to the impact of the annual valuation exercise using the Road Authorities Asset Valuation System with a revaluation gain of £0.6bn, plus an increase of £0.5bn due to reclassifications from Assets Under Construction, offset by other smaller movements. More information can be found at Note 4.1.

The increase in liabilities of £0.3bn mostly relates to an increase of £0.2bn in the Welsh Risk Pool provision, the value of which is affected by the volume and potential value of claims made against NHS Wales bodies, as well as changes in the discount rates applied to record the liabilities at fair value. More information can be found at Note 11.

Welsh Government Accounting Boundary

The Welsh Ministers are required to prepare accounts under s.131 of the Government of Wales Act 2006. The Permanent Secretary as Principal Accounting Officer for the Welsh Ministers has responsibility for the preparation and signing of the accounts.

These accounts reflect the consolidated assets and liabilities, and the results of entities within the Welsh Government consolidation accounting boundary. The accounting boundary is similar to the concept of a group for corporate accounting but is based on control criteria for the public sector. Further information on the accounting boundary is contained in the Financial Statements and Note 1.2 to the accounts.

The consolidated organisations produce and publish their own annual reports and accounts. These accounts include the Welsh Government Core (the Welsh Government itself) and Welsh Government Group entities.

These are:

Welsh Government Group

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

The Welsh Government Core investment in subsidiary consolidated entities in Note 6 to the Financial Statements is:

		31 March 2026 £m	31 March 2025 £m
Development Bank of Wales Group	Loans	1,618	1,553
	Equity	117	117
NHS Trusts	Public Dividend Capital	276	264
Regeneration Investment Fund for Wales LLP	Investment value	56	55
Transport for Wales Group	Loan and capital contribution	20	26
WGC Holdco Limited	Equity	-	22

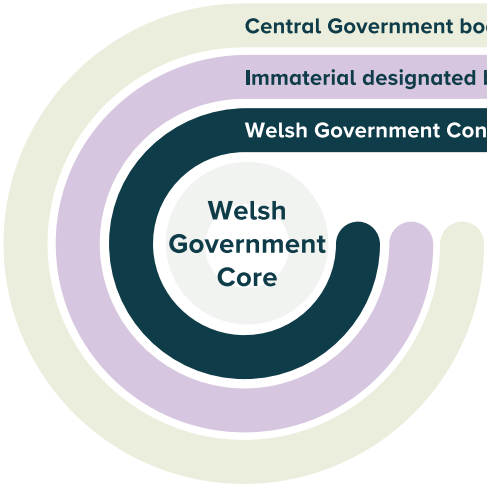
New Central Government bodies in year

No new subsidiaries or statutory bodies were established in 2025-26. No Designation Order was made in relation to the 2025-26 financial year, therefore there are no changes to the list of Designated bodies from 2024-25.

Medr was classified by the ONS as a Central Government body in February 2025. Designation of Medr was not undertaken in 2025-26. Accordingly, Medr is not consolidated in the Group account for 2025-26.

From 1 September 2025, the National Academy for Education Leadership was renamed Professional Learning and Leadership Education Wales, known as Dysgu.

Cwmni Egino Limited and Industry Wales (Sector Development Wales Partnership Limited) ceased operations on 31 March 2026. On 1 April 2026, the functions of the Centre for Digital Public Services Limited were transferred into the Welsh Government.



- Local Health Boards
- NHS Trusts
- Digital Health and Care Wales
- Health Education and Improvement Wales
- Careers Choices / Dewis Gyrfa Ltd [a]
- Development Bank of Wales Group [a]
- Transport for Wales Group [a]
- Royal Commission on the Ancient and Historic Monuments of Wales
- WGC Holdco Ltd [a]
- Regeneration Investment Fund for Wales LLP

- Adnodd Cyfyngedig [a]
- Citizen Voice Body for Health and Social Care (Llais)
- Children's Commissioner for Wales
- Comisiynydd y Gymraeg / Welsh Language Commissioner
- Cwmni Egino Ltd [a,b]
- Education Workforce Council
- Future Generations Commission for Wales
- GCRE Ltd [a,c]
- HM Chief Inspector of Education and Training in Wales (Estyn)
- Hybu Cig Cymru Cyf – Meat Promotion Wales Ltd [a]
- Centre for Digital Public Services Ltd [a,d]
- Life Sciences Hub Wales Ltd [a]
- Dysgu (Professional Learning and Leadership Education Wales) [a,e]
- Older People's Commissioner for Wales
- Qualifications Wales
- Industry Wales (Sector Development Wales Partnership Limited) [a,f]
- Welsh Revenue Authority

- Arts Council of Wales
- Commission for Tertiary Education and Research (Medr)
- Democracy and Boundary Commission Cymru
- National Library of Wales
- National Museum of Wales
- Natural Resources Wales
- Social Care Wales
- Sports Council for Wales
- Trydan Gwyrdd Cymru Ltd [a]
- Welsh NHS Charities

Welsh Government Accounting Boundary

a Entities are subsidiary companies of Welsh Ministers.
b Cwmni Egino ceased operations on 31 March 2026.
c GCRE's activities exceed the materiality level for consolidation but are immaterial to the Welsh Government Group as a whole. Although designated for consolidation and classified by the ONS as a Central Government entity in September 2024, GCRE has not been consolidated into the Welsh Government Group because further information is awaited on investment plans for the long-term future of this entity which is expected to impact future classification.
d On 1 April 2026, the functions of CDPS were transferred into the Welsh Government.
e Dysgu was formerly known as the National Academy for Educational Leadership.
f Industry Wales ceased operations on 31 March 2026.

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

Classification

Classification is undertaken for National Accounts purposes, which is a statistical framework applied by the ONS for describing what is happening in national economies. All institutional units operating within an economy are classified to an institutional sector (for example, as non-financial corporations, general government units or households).[37] In broad terms, entities are classified as central government if they are owned or controlled (i.e. the ability to determine their general policy or programme) by other central government entities and they are not a Public Corporation (which is a separate classification).

HM Treasury use this classification to determine the budgetary treatment appropriate for these entities, to ensure consistency of budgeting reporting across the public sector. For entities classified as central government in Wales, this means their income and expenditure on an accruals basis score in the Welsh Government budget controls set by HM Treasury. The same principles apply to any subsidiaries or joint ventures.

Designation

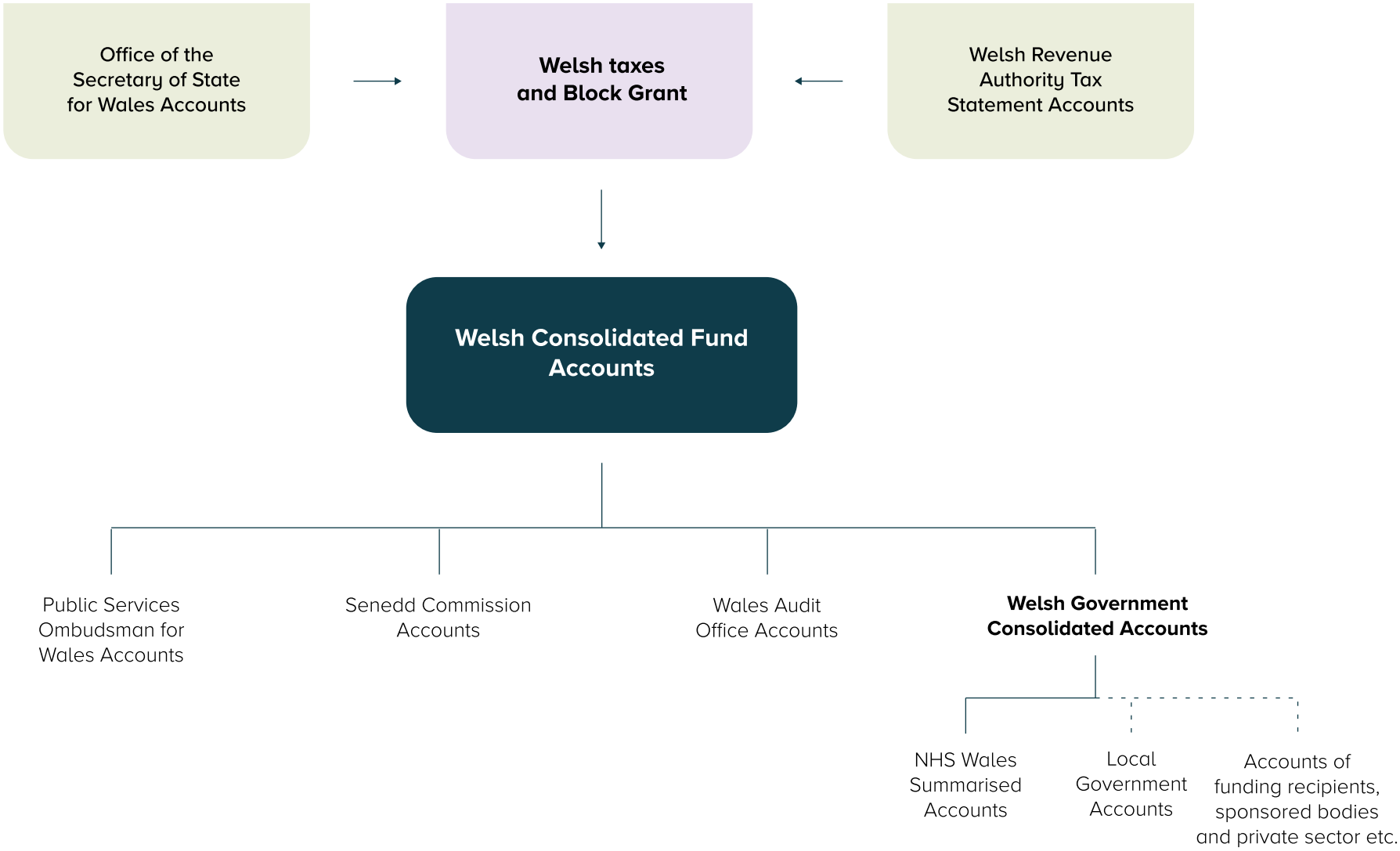
Only entities classified as central government are designated. Designation under the GOWA 2006 (Budget Motions and Designated Bodies) Order[38] is the legal process that gives the Welsh Government the legal authority to spend. Designation brings the income and expenditure on an accruals basis of Welsh Government central government entities within the Ambits of the Budget Motion i.e. within the Welsh Government Budget voted by the Senedd and the Accounts consolidation boundary, as the Government Financial Reporting Manual sets consolidation boundaries based on designated bodies.

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

37 Public sector classification guide and forward work plan – Office for National Statistics
38 The Government of Wales Act 2006 (Budget Motions and Designated Bodies) (Amendment) Order 2024

Relationship of Welsh Government Accounts to wider public sector financial reporting

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 from 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.[39]

Accounts of the bodies funded directly from the Welsh Budget

- The Public Services Ombudsman for Wales[40]
- The Senedd Commission[41]
- The Welsh Government Consolidated Accounts
- The Wales Audit Office[42].

39 Welsh Revenue Authority: Annual Report and Accounts 2025 to 2026 – GOV.WALES
40 www.ombudsman.wales/annual-report-accounts
41 www.laiddocuments.senedd.wales/gen-ld18131-en.pdf
42 www.audit.wales/publication/annual-report-and-accounts-2025-26

How we perform

Welsh Government Performance Reporting

The Welsh Government regularly reviews performance across a range of areas to drive improvements in the organisational effectiveness of its Civil Service. The focus is on operational performance and the responsibilities of the Permanent Secretary in respect to the running of the organisation. The approach taken involves a quarterly balanced scorecard alongside an annual summary of performance. This reporting, through both the Operational Effectiveness Subcommittee (previously known as the Finance and Corporate Services Subcommittee) and Executive Committee, has become an established and valued asset to improve corporate performance across the organisation.

The Welsh Government's new approach to performance reporting

The Welsh Government adopts a quarterly balanced scorecard approach to monitor performance more frequently, using a small set of key performance indicators. Sitting alongside the balanced scorecard, the annual report allows performance to be reviewed against metrics that are not suitable for quarterly reporting (e.g. the Annual Civil Service People Survey). It provides an opportunity to reflect on performance on balanced scorecard areas over the previous year, ensuring consistency between quarterly and annual reporting. It also provides an opportunity to review quarterly reporting to reflect the Welsh Government's strategic priorities for the coming year.

The approach taken for the annual report allows the Welsh Government to build on the latest understanding of best practice in civil service performance, informed by the Blavatnik Index. This ensures that key areas are consistently addressed in both quarterly and annual reporting, drawing on international best practice in civil service performance measurement.

The table below shows the areas reported on in the quarterly balanced scorecard and the annual report.

Quarterly Balanced Scorecard	Annual Report
People and Places Includes reporting on headcount and sickness absence	**Strategic Capability and Leadership** Includes reporting on staff confidence in decisions made by senior managers
Finance and Procurement Includes reporting on procurement spend in Wales, payment performance, year-end forecasting	**Welsh Government Values and Ways of Working** Includes reporting on Welsh Government's values of Fairness, Professionalism, Creativity and Partnership, and embedding of the WFGA Sustainable Development Principle (5 Ways of Working)
Internal and External Delivery Includes reporting on legislation delivery	**Welsh Language** Includes reporting on Welsh language skills among Welsh Government staff
Internal Processes and Governance Includes reporting on responding to Freedom of Information requests (FOIs)	**Equality, Diversity and Inclusion** Includes reporting on representation of equality groups in the Welsh Government workforce (ethnic minority staff, disabled staff and minority sexual orientation staff)

Use and Governance of Performance Reporting

The performance reporting is managed by Welsh Government analysts, who collate the reports using appropriate professional standards and best practice. It is considered by the Operational Effectiveness Subcommittee for detailed consideration and action planning. The Executive Committee play a key role in scrutinising the performance reports and the actions identified by the Subcommittee, agreeing actions, putting forward additional action areas as required, and providing strategic oversight of performance across the organisation. Performance reports are also scrutinised by the Welsh Government Board, who provide additional oversight and assurance.

Summary of Performance Reporting

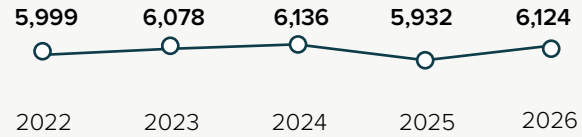
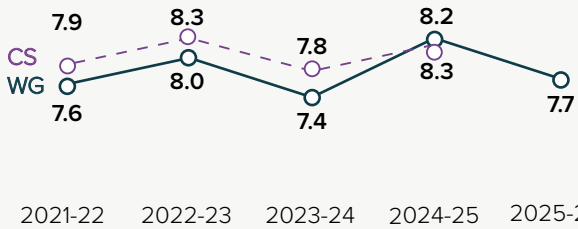
The table below provides a summary of performance in a range of areas from the balanced scorecard and annual performance reporting. Good or improved performance was seen in several areas:

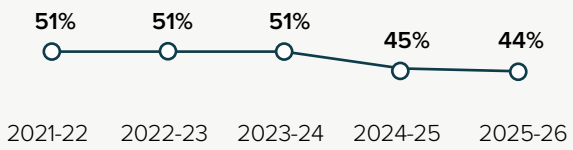
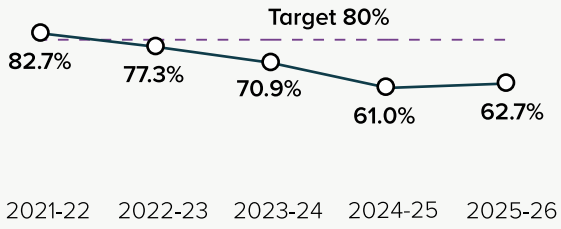
- On **Legislation**, all four Bills announced in the 2025 Legislative Statement for introduction within the legislative year were introduced. This includes important changes to Welsh Senedd member accountability, regulations around visitor accommodation, establishment of a new environmental governance body and access to homelessness services.
- The proportion of **Freedom of Information** requests responded to within the statutory deadline has seen a steady increase, and in 2025-26 reached 91%, just above the ICO target of 90%.
- On **Leadership**, staff believe the organisation's senior leaders have a clear vision for the future of the organisation which has consistently been above the Civil Service benchmark, with a small increase from last year.
- On our **Welsh Government Values**, People Survey metrics relating to Fairness, Professionalism and Creativity have consistently performed above the Civil Service benchmark, with high scores being maintained in 2025.

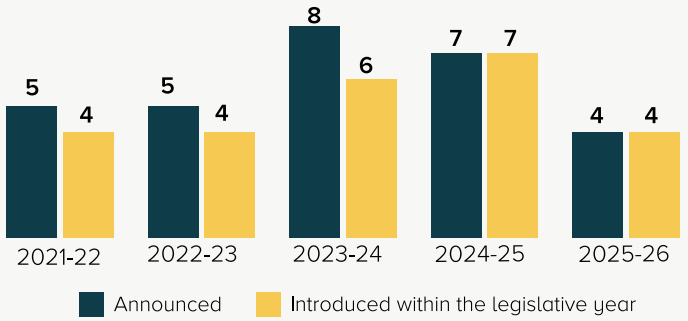
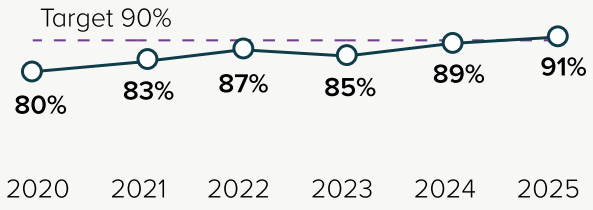
- There has been a steady increase in the proportion of Welsh Government staff with **Welsh Language** skills over time, with a corresponding decrease in the proportion of staff with no Welsh language skills.
- On **Equality, Diversity and Inclusion**, there has been an increase in representation of staff with a minority sexual orientation since 2020-21, with representation for this group above the Welsh population benchmark over this whole period.
- On **Staff Well-being**, there has been a decrease in sickness absence, at 7.7 average working days lost over 2025-26, compared to 8.3 over 2024-25.

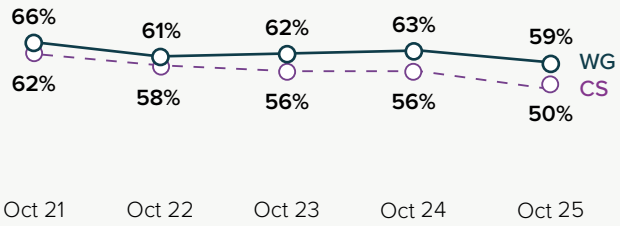
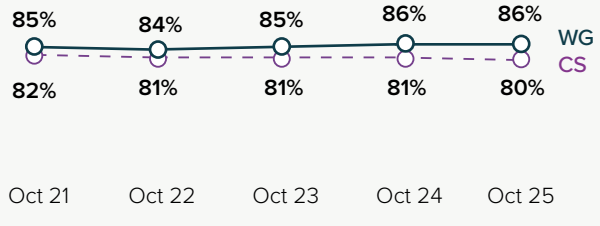
There were some areas where performance saw a decline or did not meet targets:

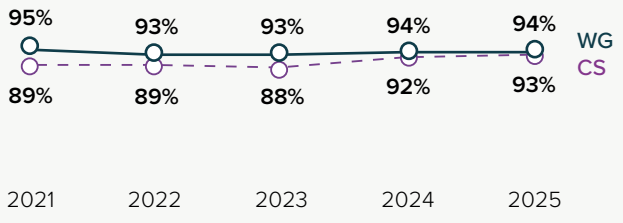
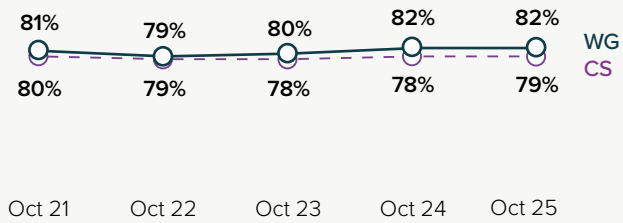
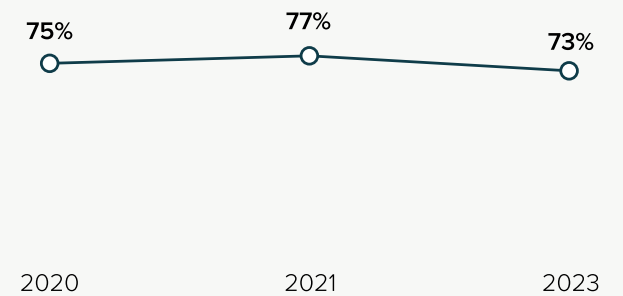
- On **Procurement**, the proportion of Welsh Government procurement activities which have been won directly by Wales-based businesses decreased for the second year, down to 44% after being stable at 51% between 2021-22 and 2023-24.
- On **Payment Performance**, there has been an increase in the proportion of invoices paid within 5 days, at 62.7%, which is an improvement from 61.0% in 2024-25, but was below the target of 80%.
- On **Equality, Diversity and Inclusion**, representation of ethnic minority and disabled people remains below the Welsh population benchmark, and, for ethnicity, below the Anti-racist Wales Action Plan target of 6%.

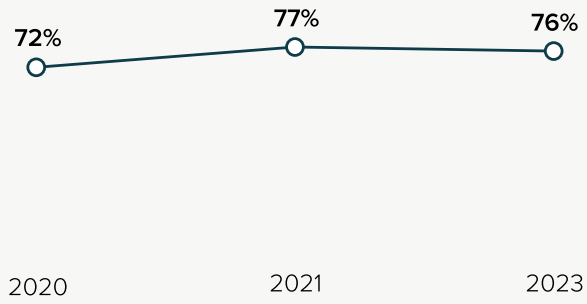
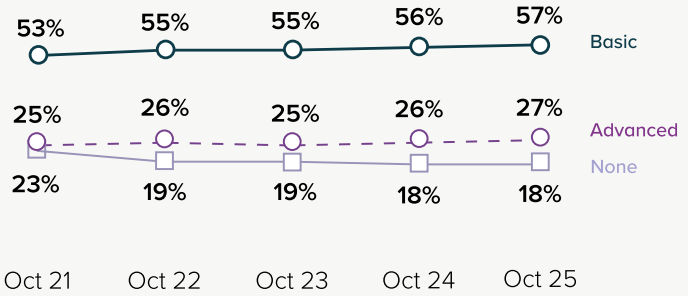
Area	Metrics 2025-26	Targets/ benchmarks	Change over time	Source/date
Balanced Scorecard Metrics				
People and Places				
Staff profile Staff headcount. Figures are based on permanent and temporary staff on 31 March each year. Contractors & agency staff are excluded.	6,124 staff	**No current target/benchmark**		HR data March 2022 – March 2026
Staff wellbeing Sickness absence.	7.7 Average Working Days Lost	**8.2 Civil Service Benchmark March 2025**		HR data March 2022 – March 2026

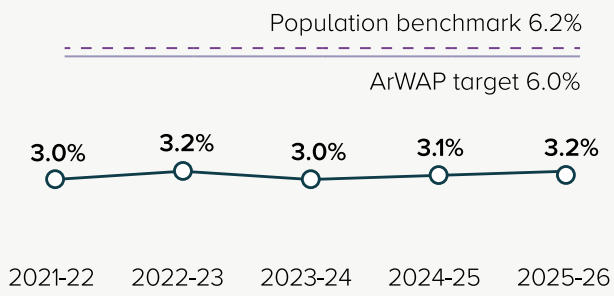
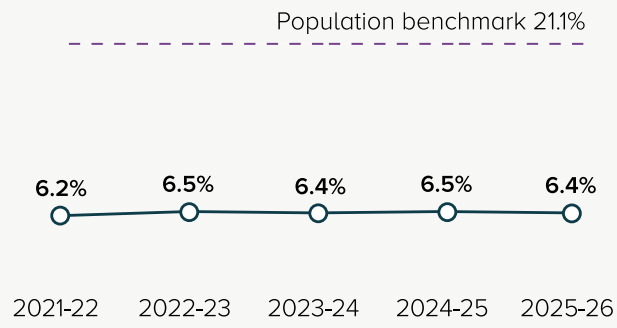
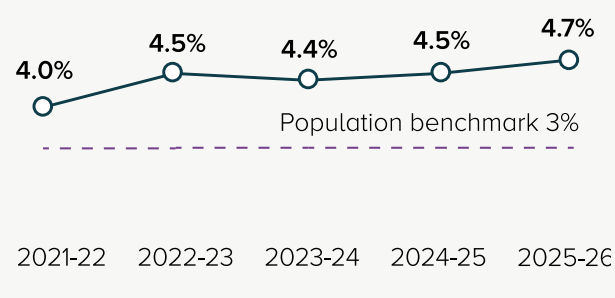
Area	Metrics 2025-26	Targets/ benchmarks	Change over time	Source/date
Finance and Procurement				
Procurement Proportion of influenceable spend won directly by Wales-based businesses. 2025-26 figures are based on an influenceable spend of £659.6m.	44%	**No current target/benchmark**		Procurement data April 2021 – March 2026
Payment Performance Percentage of correctly presented invoices paid within 5 days.	62.7%	**80%**		Finance data April 2021 – March 2026

Area	Metrics 2025-26	Targets/ benchmarks	Change over time	Source/date
Internal and External Delivery				
Legislation One Bill announced in 2024 for introduction towards the end of this Senedd term has been excluded from these figures, since it was not planned for introduction in Year 4 of the Legislative Programme.	4 announced 4 introduced in Year 5	**No current target/benchmark**		Data on Legislative Programme July 2021 – July 2026
Internal Processes and Governance				
FOI Proportion of FOIs responded to within the statutory deadline.	91%	**ICO target 90%**		Figures from Information Rights Unit 2020-2025

Area	Metrics 2025-26	Targets/ benchmarks	Change over time	Source/date
Annual Metrics				
Strategic Capability and Leadership				
Leadership Staff belief the organisation's senior leaders have a clear vision for the future of the organisation.	59% positive	**Civil Service Benchmark 50%**		People Survey October 2021 – October 2025
WG Values and Ways of Working				
Values – Fairness Inclusion and Fair Treatment Score.	86% positive	**Civil Service Benchmark 80%**		People Survey October 2021 – October 2025

Area	Metrics 2025-26	Targets/ benchmarks	Change over time	Source/date
Values – Professionalism Understanding of Civil Service Code.	94% positive	**Civil Service Benchmark 93%**		People Survey October 2021 – October 2025
Values – Creativity Teams being encouraged to come up with new and better ways of doing things.	82% positive	**Civil Service Benchmark 77%**		People Survey October 2021 – October 2025
Values – Partnership Collaboration with external stakeholders.	73% positive	**No current target/benchmark**		WG Surveys March 2020 – July 2023 There has been no further update to this question as it relies on survey data, which has not been collected in 2025-26

Area	Metrics 2025-26	Targets/ benchmarks	Change over time	Source/date
Well-being of Future Generations Act – Sustainable development principle index Average positive responses to questions on five ways of working.	76% positive	No current target/benchmark		WG Surveys March 2020 – July 2023 Since the Values – Partnership it is not possible to provide an updated average due to no available update on the Partnership metric above
Welsh Language				
Welsh Language Skills Responses to survey question on Welsh language skills.	27% advanced 57% basic 18% none	No current target/benchmark		People Survey October 2021 – October 2025

Area	Metrics 2025-26	Targets/ benchmarks	Change over time	Source/date
Equality, Diversity and Inclusion				
Ethnicity Representation of ethnic minority staff in Welsh Government.	3.2%	**6.0% Anti-racist Wales Action Plan target** **6.2% Population Benchmark**		Workforce data March 2022 – March 2026 Census 2021
Disability Representation of disabled staff in Welsh Government.	6.4%	**21.1% Population Benchmark**		Workforce data March 2022 – March 2026 Census 2021
Sexual Orientation Representation of minority sexual orientation staff in Welsh Government.	4.7%	**3.0% Population Benchmark**		Workforce data March 2022 – March 2026 Census 2021

Discussion of Performance by Executive Committee, the Board and Organisational Effectiveness Sub-committee

ExCo, the Board and Organisational Effectiveness Sub-committee considered the performance of the organisation throughout the year, including areas of focused action as well as other areas which reflect emerging priorities.

- **Payment performance,** where discussions underlined the benefit of focused action on a quarterly basis. Following gradual improvements in the 2024-25 position, there has been a continued focus across the organisation with regards to payment performance, and the collaborative approach is paying dividends as the reported position is materially improving as best practice is being embedded across the organisation. Key actions have focused on strengthening capacity, training new staff, prioritising key finance activity and learning from areas of best practice. Improved internal communication and collaboration across groups increased visibility of payment processing, reduced avoidable queries, and supported more consistent engagement with suppliers. Together, these actions contributed to an increase in performance from 51.85% in Quarter 1 to 69.95% in Quarter 4 of 2025-26.
- **Procurement,** where discussions focused on how to drive action over the coming year, including a more frequent focus on the metric and a need to understand the enablers for improved performance.
- **Equality, Diversity and Inclusion,** where discussions highlighted the need to address representation of ethnic minority and disabled staff within the organisation, and the importance of learning from successful approaches to support improvements for all groups of staff. Progress on Welsh Government's actions to support equality, diversity and inclusion in the workplace are discussed on pages 83 to 87.

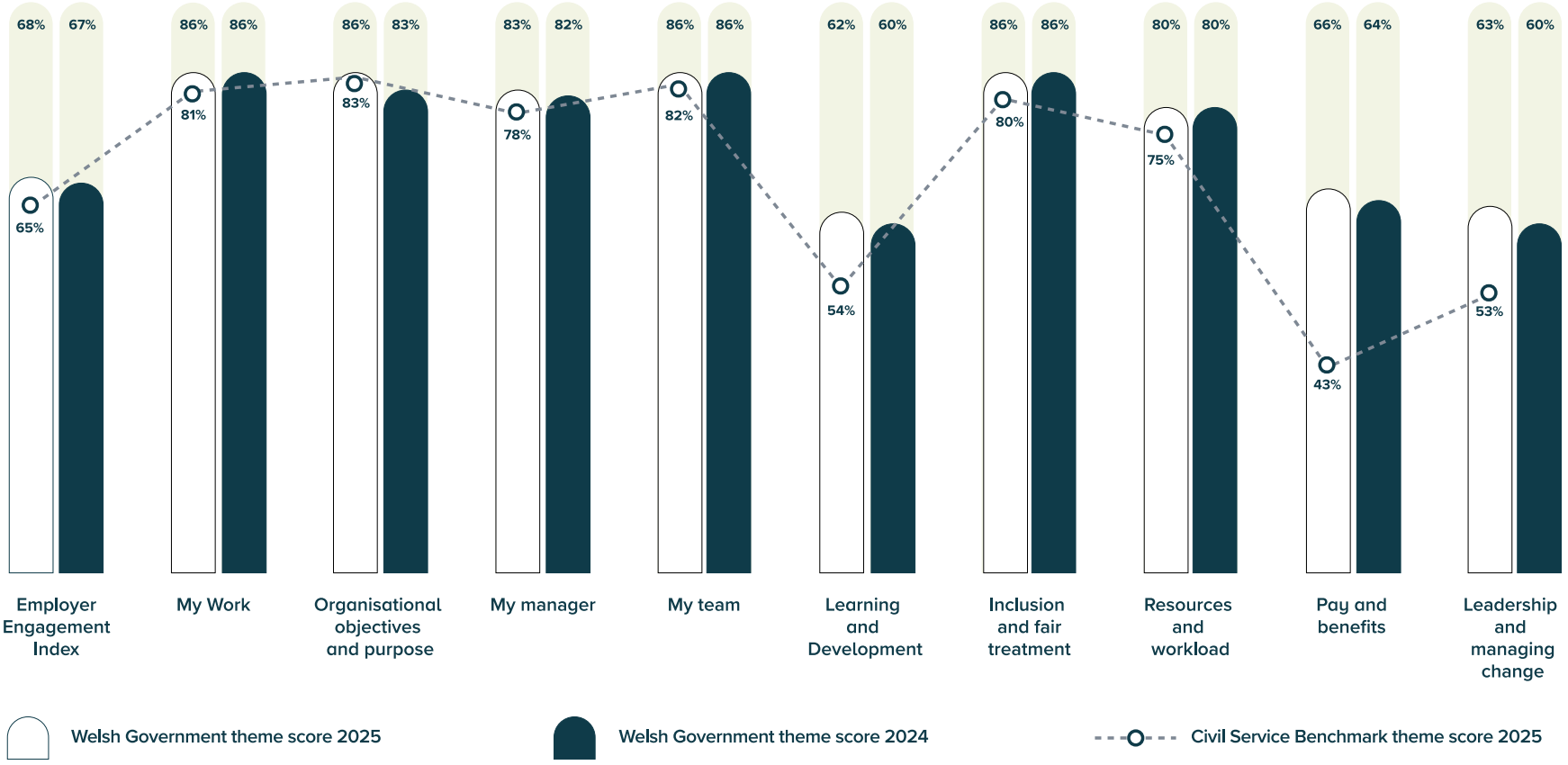
Staff Insight

People Survey Strengths

Overall, the 2025 People Survey results highlighted a strong positive picture of how people experience their roles and their immediate working environment. 'My work', 'My team', and 'Organisational objectives and purpose' all scored highly, indicating that staff generally found their work meaningful, understood how it contributes to wider goals, and felt part of supportive and effective teams.

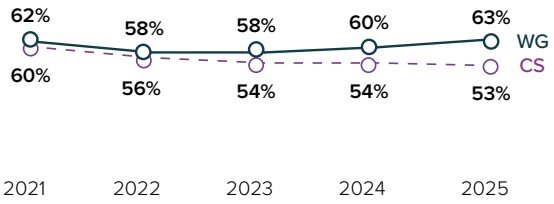
We have seen a year-on-year increase in our engagement score showing our staff continue to feel committed and connected to the organisation. The 2025 insights suggested a strong sense of purpose and alignment across the organisation, with staff demonstrating pride in their work and a clear connection to organisational priorities.

There were also clear strengths in line management and inclusive culture. High scores for 'My manager' indicated that staff felt supported, valued and well-managed in their day-to-day work. Similarly, 'Inclusion and fair treatment' remained a strong area, suggesting that people felt respected, reinforcing a positive and inclusive organisational culture. Collectively, these results highlighted a strong organisational value, characterised by meaningful work, supportive teams, effective line management and an inclusive environment – providing a positive platform for further improvement.



Figures included in table are rounded, differences are calculated using raw figures.

Leadership and Managing Change



The Leadership and Managing Change theme showed a gradual improvement over time, with 2025 scores increasing to 63% and remaining above the Civil Service benchmark. This reflected sustained organisational focus on leadership visibility, communication and capability-building. Initiatives such as employee engagement 'Let's Talk Live' sessions, 360-degree feedback, and targeted leadership development programmes supported greater engagement and confidence in leadership.

Research into high-performing leadership areas highlighted consistent behaviours such as empowering staff, promoting flexibility, encouraging learning and experimentation, and fostering open, non-hierarchical working environments. However, the results also indicated variation across different staff groups. While progress is evident, particularly in some aspects of leadership and change, change management remains a comparatively lower-performing area. These findings suggest that further targeted action is needed to drive greater consistency in how leadership and change are experienced across the organisation and will inform the development of the new improvement programme.

Learning and Development

Learning and development was an area of strength, with results indicating that staff felt supported to build skills and grow in their roles. Scores showed steady improvement, suggesting that investment in development opportunities had a positive impact with the 2025 results being the highest scoring on record and surpassing the Civil Service benchmark. Staff generally had access to learning that helped them perform effectively, alongside opportunities to develop for the future. This reflected a continued organisational focus on capability building and aligning skills with priorities. While positive, sustaining this momentum will require ongoing effort to ensure equitable access to development and clear links between learning, performance, and career progression.

Performance Management

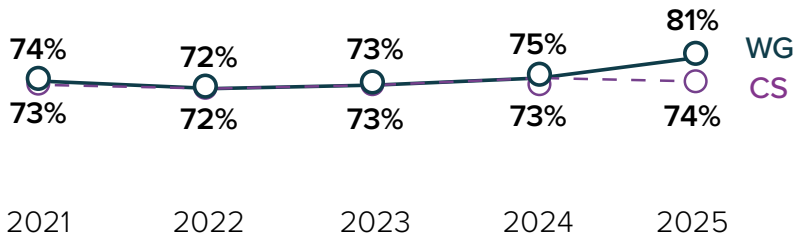
The 2025 insights showed an increase in staff saying their performance is evaluated fairly, the majority said their feedback helps them to improve their performance and we saw an increase in the percentage of staff discussing well-being, objectives and development with their manager. This reflected sustained organisational focus on strengthening performance practices and embedding consistency. The refreshed 'Let's Talk' performance management approach placed greater emphasis on regular feedback, clearer objective setting and more meaningful performance conversations. Alongside this, an expanded corporate learning offer and more bespoke, team-level development opportunities have helped address emerging challenges and build capability.

While progress is evident, variation across some staff groups highlighted the need to continue improving consistency in how performance is managed. Overall, the results suggested growing confidence in the approach, with performance management increasingly supporting both individual development and organisational delivery.

Supportive Feedback

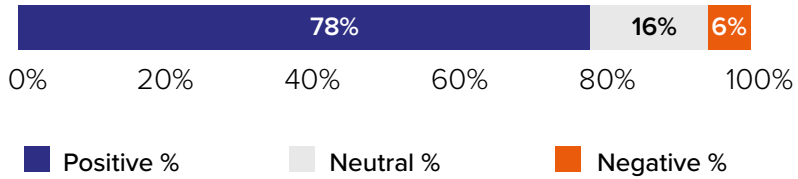
We see more positive views on the support staff receive from their manager for their performance.

I think that my performance is evaluated fairly



- The majority of staff (81%) agreed that their performance is evaluated fairly, which saw a 6 percentage-point increase from 2024 and was the most improved core survey question for Welsh Government.
- We also see increases in positive scores across all Groups and around 75% of Directorates and Divisions.
- There was some variation in positive scores across Groups (78% to 84%), but more notable variation across Directorates and Divisions (50% to 100%).

The feedback I receive from my manager helps me to improve my performance (amended in 2025)



- Over three-quarters of staff (78%) agreed that the feedback they receive helps to improve their performance.
- The question was removed from the core questionnaire and included as a WG local question in 2025, with a slight amendment to the wording.
- We see similar variations in scores across the organisation, with Group positive scores ranging from 73% to 81% and Directorate and Divisional positive scores from 48% to 100%.

It is useful to note that Welsh Government was 8 points below the Civil Service benchmark for *'I feel confident in addressing poor performance in my team'* (70% positive score). HEO to Grade 7 reported being less confident than average, particularly SEO (4 points below), which was also echoed in the Performance Management Pulse Survey where line managers felt more confident addressing dips in performance (73%) than poor performance more generally (65%).

Confidence to Challenge

The Confidence to Challenge theme showed a clear and sustained improvement over time, reflecting the impact of targeted organisational interventions. Scores steadily increased, indicating that more staff feel able to challenge inappropriate behaviour and speak up about how work is carried out. This progress has been supported by initiatives such as the Respect campaigns, Safe to Challenge workshops, and leadership-led conversations, which have strengthened awareness and encouraged open dialogue. Ongoing engagement with specific staff groups has also helped to understand barriers and tailor support. However, it is important to recognise that this progress is not felt consistently by everyone. Feedback from workshops highlighted that some colleagues do not yet experience this as a positive shift. Overall, the upward trend suggests growing confidence and psychological safety, although continued focus will be needed to ensure these improvements are experienced consistently across the organisation.

People Survey 2025: Survey Theme Score Performance Table – Main Departments

Theme	Welsh Government ranking across main Departments 2025	Welsh Government ranking across main Departments 2024	Welsh Government ranking across main Departments 2023
Engagement Index	3rd	Joint 4th	Joint 3rd
My Work	1st	1st	1st
Organisational Objectives & Purpose	Joint 2nd	Equal 4th	2nd
My Manager	1st	Joint 1st	Equal 2nd
My Team	Joint 1st	Equal 2nd	Equal 2nd
Learning & Development	Joint 1st	3rd	Joint 7th
Inclusion & Fair Treatment	1st	1st	Joint 1st
Resources & Workload	1st	1st	1st
Pay & Benefits	1st	2nd	2nd
Leadership & Managing Change	1st	3rd	Equal 3rd

This information is produced by the Cabinet Office. 'Main Departments' refers to the 20 main Whitehall departments plus the Devolved Administrations (the Welsh Government and Scottish Government) and the Northern Ireland Office (NIO). Due to minor differences in methodology, there can sometimes be a difference between figures produced by the Cabinet Office and those produced in the results dashboard provided by the external supplier (Qualtrics). This is due to how non-responses are accounted for in theme scores. Any difference, however, should not be larger than ±1 percentage point.

Overall ranking is based on rounded scores. 'Joint' refers to two Departments with the same score and 'equal' refers to three or more Departments with the same score. A full comparison table can be found in the 2024 Civil Service People Survey Results Highlights. Due to a Cabinet office change, theme scores from previous years have been recalculated to ensure a direct comparison with 2025 results.

How we organise ourselves to deliver

Welsh Government 2025

Launched by the Permanent Secretary in April 2022, Welsh Government 2025 (WG2025) is the organisation-wide change programme established to modernise how we work by strengthening our people, systems and culture, enabling more effective delivery for ministers and the people of Wales in a post-pandemic, post-EU context. It has been an evolving programme, adapting as the organisation's context and priorities have developed. It initially focused on strengthening the foundations of the organisation, including workforce capability, workplaces, digital capacity, continuous improvement and collaboration.

As the financial environment became more challenging, the programme refocused on organisational sustainability, with an emphasis on workforce affordability, estate efficiency and aligning staffing more closely to ministerial priorities. As pressures and priorities became clearer, the programme adapted to support organisational readiness, including preparing for Senedd reform, improving delivery systems and processes, and investing in leadership and capability. Its most recent phase has continued this focus on readiness, with particular emphasis on reform, innovation and ensuring the organisation is equipped to meet the demands of the period ahead.

Overall outcomes and deliverables

WG2025 set out an intentionally ambitious programme of organisational improvement. While meaningful progress has been made across a wide range of areas, not all elements have been fully realised within the lifespan of the programme. In particular, the most complex and cross-cutting changes, such as strengthening organisation-wide business planning and portfolio and programme management disciplines, and standardising core processes, require sustained effort beyond the timeframe of a single programme.

Progress was influenced by external factors, including changes in the political landscape requiring rapid alignment to evolving ministerial priorities, and a significantly constrained financial position which required organisational capacity to be directed towards urgent affordability measures. The overall ambition of WG2025 has remained consistent, but the programme's focus evolved to reflect these realities. Increasing emphasis was placed on organisational sustainability, readiness for Senedd Reform, improving systems and processes, and strengthening leadership and capability, alongside preparedness for innovation and the effective use of new technologies, including AI.

A number of deliverables were clearly defined and time-bound and have been successfully implemented, including the Voluntary Exit Scheme, the Values and Behaviours Framework, reforms to promotion and progression, and the rollout of Desktop 2.0 to 98% of the organisation. These changes are embedded and represent tangible improvements in how the organisation operates.

Other elements of the programme have been developed progressively and continue to be taken forward as part of ongoing organisational priorities, including work to drive efficiency, optimise the estate, embed new ways of working, and improve processes, systems and data. Not all changes are therefore considered fully complete, reflecting the continuing nature of organisational improvement. WG2025 has also generated learning, particularly in relation to clearer success measures, more systematic benefits tracking, and strong governance. These lessons are informing the design and delivery of subsequent change activity.

Phase 3: Strategic context and purpose

Phase 3 represents the final and most strategically focused stage of WG2025. While Phase 2 addressed acute financial pressures and affordability, Phase 3 recognised that the scale and complexity of the challenges facing the Welsh Government would continue. The emphasis therefore shifted towards organisational readiness, excellence in delivery and preparation for significant future change.

As Phase 3 commenced, the Welsh Government was entering the final fourteen months of the Sixth Senedd, with a clear delivery agenda agreed by the First Minister and Cabinet, alongside preparations for Senedd reform and the transition to the Seventh Senedd. To provide clarity of direction at this critical point, the Permanent Secretary and Executive Committee introduced a new strategic vision: Building a Better Wales by Delivering Excellence in Government.

This vision explicitly connects the delivery of ministerial priorities with excellence in how government operates, aligning both what the organisation must deliver and how it delivers it. Phase 3 was therefore designed to maintain delivery momentum while strengthening organisational capability, systems and governance. The focus is on ensuring the Welsh Government can manage risk effectively, support reform and continue to operate efficiently and confidently in the longer term.

Phase 3: Key workstreams and deliverables

Senedd Reform is a central pillar of Phase 3 with activity structured around direct support for ministers, improvement of core government business and legislative processes, and shaping the future operation of the Senedd. To coordinate this complex and interdependent work, an Election Preparation Sub Committee was established in October 2025, meeting fortnightly to oversee cross government readiness across the pre-election, election and post-election phases.

Key deliverables include successful recruitment to Private Offices, estate adaptations at Ty Hywel to accommodate an increased number of ministers, development of a comprehensive ministerial and Special Adviser induction programme, and the integration of technological solutions to support future government business. Together, these actions are strengthened readiness for electoral transition and supporting longer term reform.

The Improving Processes, Systems and Data workstream focuses on simplification, resilience and efficiency across corporate and operational systems. Recruitment and progression processes have been redesigned to be faster, fairer and values led, aligned with our anti-racist commitments. Public appointments processes have also been modernised, leading to improvements in diversity, transparency and data quality and receiving external recognition for performance.

Alongside process redesign, a systems transformation programme is also underway. This includes the migration of CRM systems to Microsoft Dynamics 365 and a Transforming Corporate Services programme to cover our HR, finance, grants and payroll. The delivery timetable has been affected by funding and technical challenges but remains ongoing as these systems are critical to our business continuity, data security and long-term organisational effectiveness.

Creating a Better Place to Work consolidates cultural and behavioural change across the organisation. Key deliverables include the launch of a new Staff Network Framework, which clarifies governance, expectations and organisational support for networks, and has been agreed with trade unions and diversity stakeholders. Performance management has been strengthened through a renewed focus on objective setting and meaningful conversations between managers and staff.

People Survey results show sustained improvements in leadership, engagement and line management, now exceeding UK benchmarks, providing clear evidence that cultural change is being embedded. Workforce accountability has also been enhanced through devolved resourcing authority to Directors General, with further work planned to strengthen strategic workforce planning in line with organisational priorities.

The Continuous Improvement and Change workstream embeds continuous improvement as a core organisational capability. Continuous learning and improvement plans are now integrated into governance arrangements, supported by partnership working with Nesta to apply evidence-led approaches to innovation, testing and scaling change.

Programmes such as Future Engage Deliver provide a shared leadership language and practical tools for leading change, while initiatives such as Network Draig support inclusion, confidence and capability among Team Support and Executive Officer colleagues. Investment in AI capability, including through initiatives such as One Big Thing, has further strengthened organisational readiness for future ways of working.

Finally, Driving Efficiency, Governance and Empowerment focuses on financial sustainability, effective controls and accountability. Efficiency improvements are delivered through the wider affordability strategy rather than as a standalone exercise. The strengthening of governance surrounding the delegation of budgets to Group Additional Accounting Officers has increased ownership and accountability, while updated project, business case and assurance standards, expanded SRO training and enhanced project delivery capability are collectively improving confidence in delivery and risk management.

From the start, WG2025 focused on both quick improvements and longer-term changes to culture and skills. Some benefits were always expected to take longer than the life of the programme. As priorities changed, the programme changed too. Some benefits shifted, some were delayed, and some were reshaped to match what the organisation needed at the time. WG2025 both delivered change and helped the organisation keep improving. Many of the biggest gains especially around culture, skills and ways of working are building blocks, not finished outcomes which will help inform and underpin the Welsh Government's next programme.

Senedd Reform

Implementation work in relation to Senedd Reform continued throughout 2025-26. The Welsh Government contributed to the Senedd's procedural review, through the work of the Future Senedd Committee and the Business Committee. The Future Senedd Committee published its final report on 9 May 2025, while the Business Committee published its legacy report on 31 March 2026, making a number of recommendations about Parliamentary business in the Seventh Senedd.

Following the work of the Standards of Conduct Committee on Individual Member Accountability, the Welsh Government developed and introduced legislation to provide for a recall mechanism and strengthen the Senedd's standards system. The Senedd Cymru (Member Accountability and Elections) Act was agreed by the Senedd in March 2026.

In addition to working with our delivery partners to ensure all changes were in place ahead of the May 2026 election, the Political Parties Elections and Referendums Act (Exclusions and Variation of Campaign Expenditure Limits) (Wales) Regulations 2025 and the Senedd Cymru Constituency Regulations 2025 both came into force in July 2025. As part of WG2025, internal work continued to ensure the Welsh Government's processes, resources and ways of working were ready for the changes arising from Senedd Reform. This work integrated with the organisation's usual election preparations ahead of the 7 May poll.

Artificial Intelligence (AI)

In June 2025, the Office for AI was established to strengthen the Welsh Government's own capacity and capability to develop and use new technologies. It provided leadership and coordination on AI policy for public services and has oversight of delivery of the AI Plan for Wales. The Office for AI supported the work of the Strategic AI Advisory Group which comprised experts from industry, academia and the public sector. The Group provided strategic leadership for the Welsh public sector, identified priority opportunities, championed AI literacy, promoted responsible innovation and helped strengthen Wales's AI ecosystem.

Building on this leadership and oversight, the Office has supported innovation, productivity and efficiency by strengthening the Welsh Government's ability to apply AI safely and responsibly in day-to-day activities. Central to the wider adoption of AI tools across the organisation was a commitment to social partnership. The Office for AI engaged closely with the workforce and trade unions to inform how AI tools were introduced, tested and rolled out across the organisation.

Internal AI developments

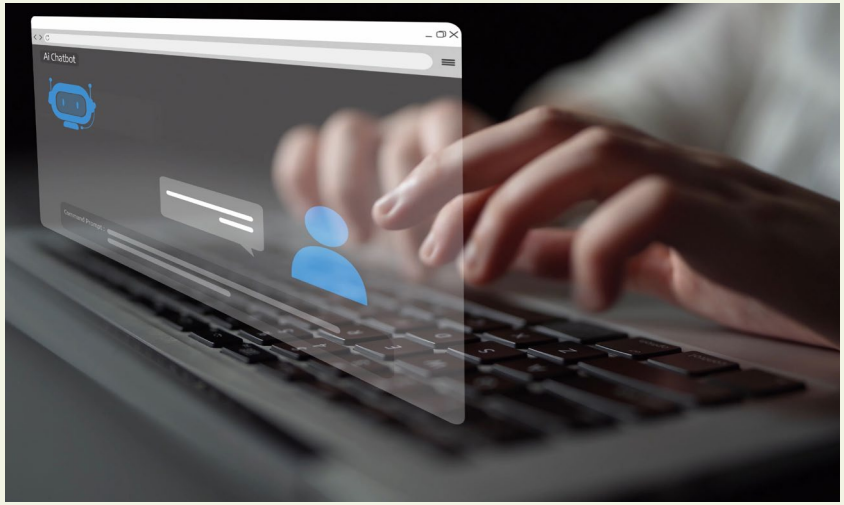
While Microsoft 365 Copilot has been an important enabler of organisational change, helping to build capability, improve productivity and support new ways of working, some challenges have required more tailored responses. The Welsh Government has also developed bespoke AI tools to address specific policy, operational and service delivery needs. These include:

- Content design Tool – developed an AI-powered writing assistant designed to assist users without content design experience to prepare accessible, easy to read content for our GOV.Wales site.
- Computer vision models are being used to locate historic woodland throughout Wales, with a publicly available dataset on DataMapWales. After achieving success, Forestry Commission England has officially commissioned the Welsh Government's Data Science Unit with creating an England-specific dataset.
- 2026 Senedd Election Manifesto AI Commitment Search – a factual analysis tool that allows searching and comparing commitments from published political party manifestos. The tool has enabled teams across Welsh Government to search, filter and compare commitments across parties and policy areas, supporting consistent, evidence-based analysis ahead of the new Senedd term.

AI Fund

The Office for AI has also delivered public sector projects through an AI Fund. The projects established a robust foundation for future AI activity, demonstrating the practical benefits that AI offers in enhancing the delivery of public services across Wales. The projects enabled a baseline understanding of AI adoption and use across public services – identifying benefits, skills gaps and opportunities; helped evaluate the effectiveness and accuracy of AI scribe and transcription tools used in Welsh public services; and, produced practical, end to end guidance to support local authorities to adopt AI responsibly.

Case Study: **AI in Social Partnership**



Following the Microsoft 365 Copilot trial, the Welsh Government's roll out of the technology was taken forward through a social partnership model, with collaboration, transparency and inclusion shaping how it was introduced and used. This reflected a commitment to workforce and trade union engagement, rather than treating AI solely as a technical or operational change. Trade union representatives were engaged from the outset and were given visibility of implementation as it developed. This included access to shared channels for feedback, guidance, frequently asked questions and technical updates, enabling issues to be identified early and considered through ongoing dialogue.

The model was also designed to support inclusive participation. Access arrangements took account of colleagues with different needs, including neurodivergent users and those requiring workplace adjustments, while trade union representatives remained involved in discussions on how participation was extended across the organisation. This reinforced a fair and transparent process.

Regular feedback, survey findings and engagement with senior leaders created a shared learning process as implementation progressed. By discussing evidence, concerns and next steps openly with trade union representatives, the Welsh Government strengthened accountability and supported decision-making in line with social partnership principles.

This has enabled wider use of Microsoft 365 Copilot across the Welsh Government, with more than 2,000 colleagues holding Copilot licences and the wider organisation able to access Copilot Chat capabilities. It has enabled the use of AI in areas such as drafting, summarising, information retrieval and routine administrative activity, with all outputs subject to human oversight. The continued emphasis on workforce engagement, transparency and inclusion has helped ensure that implementation has remained consistent with social partnership principles.

Climate Change – Welsh Government estate and sustainability reporting

The Welsh Government has embraced the ambition to reach net zero by 2030 for our own corporate emissions and we are driving this vision through our Net Zero Strategic Plan, published in September 2022.[43] We have a central role in addressing the climate emergency in Wales and we aim to lead by example. As an important public sector employer in Wales, we have large financial resources and significant assets under our influence. We continue to be committed to the statutory target of reaching net zero by 2050.

We have further improved capability and awareness through an organisational 'Let's Learn' in January 2026 as well as supporting senior colleagues to take part in climate and nature literacy training.

We undertake our annual carbon reporting as part of the public sector reporting and drive to net zero. Since the first measurements in 2019-20 we have achieved real measurable change in reducing our operational carbon emissions by 50%. This includes significant progress with energy efficiency measures at our offices such as building management, LED lighting and reduced water systems.

Our supply chain produces 87% of our overall emissions, which is higher than average for the public sector. A senior commercial procurement team is in place to identify and work with key suppliers and contracts to decarbonise future contracts as well as improving measurement of carbon emissions from current contracts. We will be strengthening our capability and focus on our supply chain emissions, moving to Tier 2 and making targeted interventions with key suppliers.

State of the Estate

Action to tackle climate change remains an inherent part of the Welsh Government's over-arching workplace strategy and asset management planning. Our approach to improving the environmental performance of the administrative estate has led to substantial reductions in carbon emissions, energy and water consumption and the amount of waste sent to landfill. We have also seen an improvement in the biodiversity across the estate. This is underpinned by a robust system of data collection and analysis.

By 31 March 2026, an 87% reduction in carbon emissions had been achieved giving a revised total carbon footprint for the estate of 1,700 tCO_2.[44] This equates to an overall reduction in total estate emissions by a substantial 10,862 tonnes of CO_2 over the last 14 years. We have achieved a 20% reduction in emissions in 2025-26 compared to 2024-25 (2,132 tCO_2).[45] Gas consumption has decreased on the previous year by 15% from 4.6 GWh to 3.9 GWh. Electricity consumption has decreased by 11% on the previous year from 6.2 GWh to 5.5 GWh.

We have continued using energy saving measures put in place on 31 October 2022, such as switching off heating in offices at 3:00pm, and in February 2024 we removed the Covid requirement of full fresh air and no recirculation. These measures, plus a robust energy optimisation programme, account for the decrease in gas consumption, and a further reduction in gas consumption is anticipated next year. As a result, an overall 13% reduction in energy consumption has been achieved in 2025-26. In 2025-26, on-site renewable electricity generation accounted for 275 MWh across the estate.[46]

Total waste decreased by 27% from 94 tonnes to 69 tonnes over previous year.[47] Waste to landfill remained static at 0.3 tonne and comprised 0.4% of total waste. Recycling (including anaerobic digestion) remains high at 81% of total waste.[48]

43 Welsh Government's Net Zero Strategic Plan www.gov.wales/sites/default/files/publications/2022-12/welsh-government-net-zero-strategic-plan.pdf
44 Scope 1 gas and Scope 2 electricity.
45 We have not accounted for the emissions attributed to our tenants in 2025-26.
46 Renewable electricity is not accounted for within the overall carbon total, as it is classed as carbon neutral, but has enabled 5% of our total electricity consumed to be cost and carbon free.
47 We have not accounted for the waste emissions attributed to our tenants in 2025-26.
48 The remaining 18% of total waste comprising of incinerated waste, used to generate energy.

Water consumption decreased by 14% on previous year from 16,126m^3 to 13,790m^3 despite similar numbers of staff attending offices and was due to improved water management.

This momentum is being maintained and future emissions reporting aligned with the new Welsh Public Sector Net Zero Carbon Reporting Scheme. We have developed a pathway of projects to enable us to achieve net zero carbon on the Welsh Government's administrative estate by 2030. These projects range from air source heat pumps and LED lighting to solar PV. Solar PV meters are connected to building management systems to enable monitoring of on-site renewable electricity.

In addition, for 2026-27 we have been awarded £2.3m from Great British Energy via the Ymestyn grant funding programme to take forward five solar PV and five battery back-up projects, which will accelerate us along our net zero pathway and further reduce both our environmental impact and operating costs.

Sustainability Update

GHG	2021-22	2022-23	2023-24	2024-25	2025-26
Total gross Emissions (Kilo tonnes CO_2e)	3.0	2.8	2.2	2.1	1.7
Total Gross Emissions Scope 1 Gas (Kilo tonnes CO_2e)	1.4	1.3	1.0	0.8	0.7
Total Gross Emissions Scope 2 Electricity (Kilo tonnes CO_2e)	1.5	1.5	1.2	1.2	1.0
Electricity GWh	7.3	7.9	5.8	6.2	5.5
Gas GWh	7.9	7.3	5.8	4.6	3.9
Renewable Electricity GWh	_	_	_	0.4	0.2
Expenditure on Energy (£m)	2.1	1.9	3.9	2.7	2.2
CRC Allowances	-	-	-	-	-
WASTE (tonne)	**2021-22**	**2022-23**	**2023-24**	**2024-25**	**2025-26**
Total waste	72	74	215	94	69
Landfill	1.4	0.5	1	0.3	0.3
Waste to Energy	10	13	29	14	13
Reused/Recycled	47	43	145	55	34
AD Food	13	17	40	24	22
WASTE %	**2021-22**	**2022-23**	**2023-24**	**2024-25**	**2025-26**
Landfill	2%	0.5%	0.4%	0.3%	0.4%
Waste to Energy	14%	18%	13.6%	14.7%	18.6%
Reused/Recycled	66%	58%	68%	59%	49%
AD Food	18%	23%	18%	26%	32%
WATER	**2021-22**	**2022-23**	**2023-24**	**2024-25**	**2025-26**
m^3 per person/year	2.5	2.9	2.1	3.1	2.6

Our commitment to fairness and inclusion

At the Welsh Government, we are committed to a workplace where everyone is treated fairly, feels valued and can thrive. Our Workforce Equality, Diversity and Inclusion Strategy 2021 to 2026 set out our ambition to become a truly inclusive organisation, with a workforce that better reflects the people and communities we serve. It has continued to shape policy, staff support, system improvement and accountability.

Moving from ambition to delivery

Over the past year, we have taken a more structured and deliberate approach to advancing fairness and inclusion across the organisation. This has included strengthening governance and accountability, engaging more closely with our voice, and embedding practical support into everyday systems and processes. Together, these steps have helped to move our strategy from commitment into more consistent delivery.

Embedding anti-racism in systems and practice

As an employer, we have continued to strengthen our approach to becoming an anti-racist organisation by focusing more explicitly on the systems, policies and practices that shape staff experience. An independent review of HR policies and practices identified structural barriers and provided a clear basis for change. In response, we have taken forward a substantial programme of work to address those findings and embed anti-racist practice more systematically across the organisation. This approach has been shaped by subject-matter expertise, staff insight and experiences, shared learning across the public sector and benchmarking against leading organisations. We have also developed an ‘anti-racist organisation maturity matrix’ to support a more consistent way of measuring progress across the organisation and, over time, across the wider public sector. All senior civil servants were required to set a performance objective relating to anti-racism, with 100% compliance achieved.

Tackling barriers through the Social Model of Disability

We have continued to embed the social model of disability more consistently across internal practice, recognising that workplace barriers can limit disabled people’s full and equal participation. This has meant placing greater emphasis on accessibility and inclusion by design in recruitment, workplace adjustments and ways of working, alongside practical support to help staff and candidates access the equipment, services and adjustments they need.

Our ambition is to ensure that leaders at every level play an active role in creating the conditions for everyone to thrive, including by removing barriers, challenging assumptions and modelling inclusive practice. This is helping to shift the organisation’s response away from expecting individuals to adapt and towards removing barriers more systematically.

Improving fair access and progression

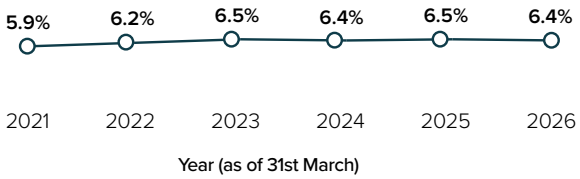
Improving workforce representation starts with making sure recruitment processes are fair, accessible and inclusive. Over the past year, we have focused on making recruitment more consistent and easier to navigate by streamlining processes, reducing unnecessary barriers and improving assurance. We also continued to provide practical support for candidates who may face disproportionate barriers, including through the Recruitment Adjustments Service for disabled and neurodivergent candidates. Alongside this, revised panel guidance, training and outreach activity have helped widen access to opportunities and support a broader pool of talent.

Representation is not only about who joins the organisation, but also about who is able to progress and succeed within it. During the year, we have maintained a clear focus on progression and leadership trends, with the aim of improving representation of ethnic minority staff, disabled staff and women in senior roles. This has included tailored development activity, greater attention to inclusive expectations in leadership and promotion processes and continued focus on inclusive progression routes for groups that remain underrepresented at senior levels.

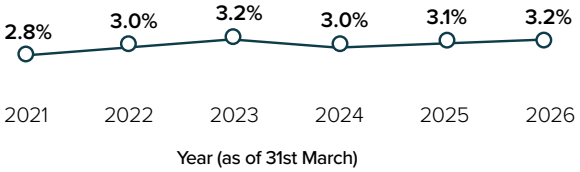
Workforce representation: where are we now

Overall, representation has improved but remains below population benchmarks for disabled and ethnic minority staff. Disabled staff make up **6.4%** of the workforce, compared to **21.1%** of the Welsh population, while ethnic minority representation has increased to **3.2%** (the highest recorded since reporting began in 2020) but remains below both the **6.2%** population benchmark and below the Anti-racist Wales Action Plan target of **6%**.[49] By contrast, women are well represented in the workforce overall, comprising **61.3%** of the workforce and **50.0%** of the Senior Civil Service, the highest level recorded to date.

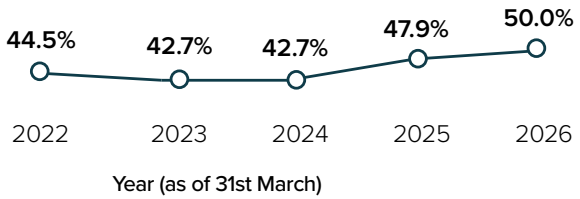
Representation of disabled staff – time series



Representation of ethnic minority staff – time series



Representation of female Senior Civil Service staff – time series



Looking ahead, continued progress will depend on strengthening both progression and the diversity of recruitment into the organisation. While internal promotion outcomes provide a strong foundation, external recruitment has not yet reached the levels of representation the organisation is seeking, particularly for disabled and ethnic minority groups. Further improvement in recruitment outcomes, alongside progression, will be important to support sustained change in workforce representation, and to ensure that progress is reflected more fully at senior levels over time.

49 Reported workforce representation rates are based on declared data only. As 14.4% of staff have not declared disability status and 15.3% have not declared ethnicity, actual representation may be higher than shown.

Employee voice, community and connection

Fairness and inclusion are shaped not only by systems and policies, but by whether staff feel heard, represented and connected. We are committed to working in social partnership with our recognised trade unions, whose role helps to shape the wider organisational environment in which fairness and inclusion can thrive. Through formal engagement, constructive challenge and collective dialogue, they play an important strategic role in influencing policy, scrutinising proposals, and ensuring that workforce equality, diversity and inclusion issues remain visible in organisational change and decision-making. This helps strengthen accountability, improve the quality of change, and ensure that staff perspectives are reflected in how the organisation develops and responds.

Our Staff Networks and Groups continue to play an important role in strengthening inclusion and belonging across the organisation. They provide spaces for connection, peer support and shared experience, while also helping to surface issues that may not otherwise be visible through formal routes. Their insight helps inform policy development, challenge assumptions and ensure that workplace changes are shaped by the lived experience of staff. More information on our networks is available in the Staff Network section.

We are also strengthening participation and employee voice through arrangements such as the Shadow Board, helping ensure that staff perspectives inform discussion and decision-making at the highest level of the organisation.

Supporting a safe, healthy and inclusive working environment

The health, safety and well-being of our staff is a core priority and an essential part of creating a positive working environment. During the year, we have focused on improving the support available to staff in areas that directly affect their experience at work, including occupational health, mental health resources, workplace adjustments and wider well-being information and signposting. This forms part of a broader approach to employee experience, inclusion and retention, recognising that staff are more likely to thrive where support is accessible, practical and responsive to need.

The development of the new Safety Advisory Function will further strengthen this work by providing clearer organisational focus on health and safety, while also reinforcing its connection to wider well-being and inclusion priorities. Our approach also recognises the importance of psychological safety and financial well-being, acknowledging that people need to feel able to speak up, seek support and manage the wider pressures that affect working life. Taken together, these actions reflect our commitment to creating a working environment where staff can stay safe and well, access support when they need it, and feel respected, included and able to do their best work.

Using evidence to target action and track progress

Improving the quality and use of workforce equality data is essential to understanding where progress is being made, where barriers remain and where further action is needed. Over the last year, we have strengthened how diversity data is captured and applied across recruitment and representation activity, and we also use People Survey equality data to better understand the issues affecting different groups of staff and identify where more targeted action is needed to improve experience and outcomes. This provides a clearer basis for prioritisation, decision-making and accountability.

Equal pay and pay gap reporting

Equal pay and pay gap reporting provide an important lens on fairness within the organisation. We continue to monitor gender, disability, ethnicity and sexual orientation pay gaps and use this information to understand where disparities remain and where action may be required. While pay gap data does not in itself explain the causes of inequality, it helps identify patterns, assess risk and measure change over time.

In 2025-26, **pay gaps have continued to narrow**, although differences between groups remain.

- The **mean disability pay gap** stands at **3.64%**, the **lowest since reporting began**, indicating a gradual improvement in pay parity.
- The **mean ethnicity pay gap** is **3.94%**, lower than its recent peak but showing some year-on-year fluctuation, reflecting small numbers and the impact of grade distribution.
- The **mean gender pay gap** is **4.21%**, also at its **lowest recorded level**, with continued progress linked to improvements in gender balance at senior grades.
- For **mean minority sexual orientation**, there is a **reverse pay gap (-2.84%)**, with minority sexual orientation staff earning more on average, likely reflecting higher representation at senior grades.

Across all groups, **pay gaps are largely driven by differences in grade distribution**, with gaps typically wider at senior levels where underrepresentation persists. The work to create a more inclusive and equitable recruitment and progression system, as well as sustained efforts to remove barriers and build a culture where everyone can thrive, will be central to narrowing the gap further and reaching the goal of pay parity.

Overall, the work undertaken during 2025-26 shows clear progress in moving from ambition to more structured delivery. We have strengthened the systems and practices that shape fairness at work, deepened how staff voice and lived experience inform change, improved the support available to staff in their day-to-day working environment, and built a stronger evidence base to help target action and track progress. While this remains long-term work, the progress made this year provides a firmer foundation for sustaining momentum and focusing future action where it is most needed.

Staff Networks

Disability Awareness and Support (DAAS) – The support network for disabled staff which also provides advice on the impact of employment policies, practices and environments on disabled staff in line with the Social Model of Disability.

Mind Matters – The staff network for colleagues with an interest in mental health and wellbeing, including staff with, managing, or caring for someone who is affected by mental health.

Minority Ethnic Staff Network (MESN) – The network for Black, Asian and Minority Ethnic staff which provides equality related assurance to policies and supports members to make their experience of working for the Welsh Government one that benefits our communities and develops individuals. MESN is working closely with the organisation on the ambition to become anti-racist.

The Neurodivergence Network (NDN) – Supports neurodivergent colleagues across the organisation and raises understanding of how neuro-inclusivity improves the workplace for everyone.

PRISM – The staff network for lesbian, gay, bisexual, trans, intersex and other minority sexual orientations and gender identities.

Women Together – The network is an inclusive space open to all staff and aims to foster a culture of equality and mutual support, driving forward initiatives that empower women and address systemic barriers. Our objectives are empowerment; advocacy; support; visibility; and engagement.

Working Bilingually

As an organisation, we ensure our civil servants have opportunities to use and develop their Welsh skills. We published our internal use of Welsh strategy 'Cymraeg. It belongs to us all' in April 2020. During the first five years, we made good progress in embedding the strategy as we work to achieve its objective of becoming a truly bilingual organisation by 2050, a workplace in which it is routine for both Welsh and English to be used as working languages, interchangeably and naturally. We are now looking to publish the second iteration of the strategy for the period to 2030.

In the shorter term, we set the objective of becoming exemplar in our use of the language in comparison to other public sector organisations. To achieve this, four themes have been at the core of implementing the strategy: learning, leadership, recruitment and technology.

Learning

We have overhauled our Welsh learning programme since the 'Cymraeg. It belongs to us all' strategy was published in 2020. We now provide a more flexible and varied offer which has attracted more learners to the programme. In May 2020, 76 learners were following a formal Welsh language learning programme in the Welsh Government, but in 2025 almost 700 learners were taking advantage of one of the 14 formal learning options.

We have also introduced bespoke learning tailored for Welsh Government staff such as the Codi Hyder and Pronunciation courses and ensured that the learning offer is accessible to colleagues with additional learning needs by means of a 1:1 training offer with specialist tutors. Over the next period we want to concentrate on providing further intensive learning opportunities and we will be introducing the Common European Framework of Reference to measure and record the language skills of our workforce.

Leadership

Our Senior Civil Servants are leading by example in modelling behaviour and good practice in their use of Welsh in interactions with staff in meetings and presentations. The leadership of our senior leaders has been invaluable in this regard, and the Welsh language is more visible and audible in corporate events. We want to see our senior leaders build on these foundations and continue to encourage and facilitate their teams to use and develop their Welsh language skills.

Recruitment

We have re-drafted the way Welsh language skills are described in our recruitment literature, emphasising the value of the Welsh language as an asset to the organisation, regardless of the post. During 2025-26 we introduced large and intensive learning programmes for new cohorts of staff, such as apprentices, Cadw custodians and Private Office staff.

Over time we will need to recruit more Welsh speakers to reach the Welsh Government's 2050 objective of becoming a bilingual organisation. Our starting point will be to continue to aim to recruit the best people, regardless of their background, welcoming and supporting new staff to develop their Welsh language skills and encouraging the use of the language in the workplace. However, we will also need to recruit more people who already have Welsh language skills. An increase in the number of Welsh speakers in society will facilitate this, especially as more pupils leave school with better language skills as a result of the Welsh Language and Education (Wales) Act 2025.

Technology

The simultaneous interpretation function has been widely promoted in Microsoft Teams, and guidance on using Microsoft Translator has been developed and widely shared with staff. We have worked this year to ensure that our staff are aware of the tools that can help them with everyday tasks, which will over time decrease our reliance on translation services.

Technology is still advancing and we will be looking to use translation and transcription technology, and advances in artificial intelligence, to facilitate bilingual working on a day-to-day basis. We will focus on:

- encouraging colleagues who have the confidence to speak or write in Welsh to do so, offering help and advice where needed
- making the most of the support technology can offer everyone to facilitate bilingual working.

In line with our statutory duties, we publish an annual report on our compliance with the Welsh Language Standards. Our report for 2025-26 can be found on the Welsh Government website.[50]

Correspondence and Complaints

The Welsh Government has a clear and transparent complaints policy which explains our approach to handling complaints from members of the public or other organisations. We have adopted best practice in complaints handling in line with the model complaints policy and guidance set out by the Public Services Ombudsman for Wales (PSOW).

The Welsh Government's Complaints Advice Team (WG CAT) is responsible for ensuring the consistent and fair application of the complaints policy and procedure by providing advice and guidance to officials on the handling of complaints. This includes advising on process and timescales and emphasising the importance of responding to complaints within the agreed deadline. During the financial year 2025-26, a total of 95 complaints were received by the WG CAT.

The Welsh Government operates a Key Performance Indicator (KPI) of 85% response rate within the agreed timescale. Stage 1 complaints (informal) should be considered and resolved within 10 working days. Stage 2 complaints (formal) should be considered and resolved within 20 working days.

50 www.gov.wales/welsh-language-standards-annual-report-2025-to-2026

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

	Total number of complaints received	Responses issued	Responded to within agreed timescale	% responded to within agreed timescale
April 2022 – March 2023	54	66	39	59%
April 2023 – March 2024	103	101	72	72%
April 2024 – March 2025	57	57	47	82%
April 2025 – March 2026	95	95	84	88%

The increase in reported complaints is largely due to improved reporting arrangements and closer collaboration, which now capture complaints from formerly separate bodies whose complaints processes had not previously been fully integrated into central Welsh Government reporting. It does not indicate a significant rise in actual complaints.

Complaint response timescales are monitored monthly and communicated to lead officials who report on and monitor complaints within each group, enabling late responses and other service delivery issues to be escalated and actions implemented to improve performance. Factors such as the complexity of the complaint or the level of investigation required can impact response times.

Of the 95 complaints received, the WG CAT responded to 54 Stage 1 complaints and 41 Stage 2 complaints during the stated timeframe of 10 days and 20 days respectively. Where a case is more complex it can be escalated directly to a stage 2 investigation. Therefore, there is no direct correlation between the number of stage 1 complaints being escalated to stage 2. For the remaining 11 complaints, when a deadline is extended due to length or complexity of investigation, the complainant is made aware and is kept updated throughout, in line with the PSOW model.

The PSOW Annual Report 2025-26 has yet to be published, however, 57 complaints are known to have been referred to the Ombudsman during the last financial year. An individual can contact the PSOW directly on any area of dissatisfaction, however the PSOW will usually expect the issue to be subject to the organisation's own process before considering it. Of the 57 complaints referred to the PSOW, 8 were premature complaints which had not been through the Welsh Government's complaints process; 24 were not investigated, 23 were matters out of jurisdiction and 2 were early resolutions.

The table below shows total cases closed by the PSOW over the past five years:

Year	Cases
2021-22	1
2022-23	2
2023-24	17
2024-25	30
2025-26	57

The reported numbers of complaints to WG CAT and closed by the Ombudsman may appear higher due to the implementation of more accurate reporting mechanisms and enhanced collaboration with the Public Services Ombudsman of Wales (PSOW). This improvement allows for a more precise capture of complaints, ensuring that all grievances are adequately documented and addressed.

As previously indicated, the increase does not signify a sharp rise in the number of actual complaints received but reflects our commitment to transparency and thoroughness. As our efforts continue, the number of reported complaints may rise again next year, which should be viewed as a positive indication of our ongoing dedication to transparency and meticulous documentation, rather than cause for concern.

Accountability Report 2025-26



The purpose of the accountability report is to meet key accountability requirements to the Senedd, who are the primary user of the annual report and accounts.

The accountability report has the following sections:

- Corporate Governance Report
- Losses, Special Payments and Gifts disclosures
- Remuneration and Staff Report
- Summary of Resource Outturn
- The Certificate and Report of the Auditor General for Wales.

Corporate Governance Report

The purpose of the corporate governance report is to explain the composition and organisation of the entity's governance structures and how they support the achievement of the entity's objectives. The corporate governance report includes the Statement of Accounting Officer's Responsibilities and the governance statement, it would usually contain a director's report but those aspects you would find in a director's report are disclosed elsewhere in the consolidated accounts.

Statement of Accounting Officer's Responsibilities

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

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

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

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

Under Section 133(2) of the Government of Wales Act 2006 the PAO is able to designate other members of the Welsh Government staff as Additional Accounting Officers. The PAO also designates the Chief Executive of the National Health Service (NHS) as Accounting Officer of the National Health Service in Wales. The work of the Local Health Boards, Special Health Authorities and NHS Trusts in Wales is governed by separate authority and the Chief Executives

of each of the Local Health Boards and NHS Trusts are appointed as Accountable Officers by the Chief Executive of the NHS in Wales. These appointments do not detract from the PAO's overall responsibility for the Welsh Government accounts.

The PAO (or Additional Accounting Officers, on his behalf) has also designated 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 PAO 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.

Dr Andrew Goodall CBE
Permanent Secretary and Principal Accounting Officer

26 November 2026

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.

During 2025-26, we delivered the final year of the Programme for Government, a significant collective effort that required an enormous amount of hard work to fulfil our policy and legislative commitments to the people of Wales. At the same time, we prepared for the transition to the next Senedd, putting measures in place to ensure we were ready to support the incoming administration from day one.

We conducted our annual People Survey, and the results show that by focusing on key areas we can deliver tangible improvements that make a real difference. Learning and development, confidence to challenge, and leadership and managing change are all areas where we have maintained a sustained focus over successive years, and where our scores have consistently improved. We can also see clear evidence that female, ethnic

minority and LGBTQ colleagues are now reporting more positive experiences across a wide range of survey themes. I am pleased to note improvements in almost every area of the survey, and that we continue to perform strongly compared with most major UK departments.

We have continued to navigate significant financial and budgetary pressures arising from inflation and the cost of living through our internal processes and governance arrangements, including support for Cabinet decision-making. While resources remain stretched, we now have an opportunity to plan more effectively and identify new ways of working to create capacity for our priorities. To support improved efficiency, we will continue to work closely with Cabinet on the difficult choices within the available budget, including investing in the renewal and transformation of legacy IT systems and supporting processes, such as through the Transforming Corporate Services programme.

As always, our staff have provided professional support to Ministers across their portfolio responsibilities and group structures, even within the challenging context of the past year. I am very grateful for the way they have delivered for both Ministers and the wider organisation, and we remain committed to being a responsive and supportive employer. It gives me great confidence that we have come through such a complex and demanding year, and I am confident we will continue to support the new government in a professional and effective way.

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

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



External sources of information are also used to inform the Governance Statement. These include but are not limited to reports from:

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

The Governance Framework

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

Well-being of Future Generations (Wales) Act 2015

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

As we go into a new Senedd term I am encouraged by the progress already made in putting the sustainable development principle of the WFG Act at the heart of how we behave and everything we do. Aligned with the manifesto commitment for a review of the WFG Act, it is important that we use this time to reflect on what has worked well under the WFG Act, but also where we can look to further embed its principles and objectives.

Welsh Government arrangements to promote sustainable development were being delivered through WG2025, the three-year programme for organisational development. To ensure sustainable development and the five ways of working were at the heart of everything the Welsh Government does, in February 2023, we published a Well-being of Future Generations Continuous Learning and Improvement Plan 2023-25 (CLIP). The CLIP brought together over 51 actions to deepen our understanding and application of the sustainable development principle in the Welsh Government. In May 2024, we published a progress report on the CLIP which updated our progress against each action and told the story of our learning. As the CLIP ended in 2025, internal analysis found that of the 51 actions, there are 20 that have either not been completed or are continuous and will be retained to drive continuous improvement.

As we set new well-being objectives for the next Senedd term we will also review how we promote sustainable development across Welsh Government and align it with wider organisational strategies. We believe that our approach sends an important signal to other public bodies in Wales – that the Well-being of Future Generations agenda requires continuous improvement and reflection.

2025 marked the tenth anniversary of the WFG Act since Royal Assent. An important element of marking the anniversary was the creation of a suite of new products and offerings to assist people with application of the WFG Act. Many of these products not only support Welsh Government officials to do their jobs better but are available widely for others to use. Some of these are available here:

- You, me and the future of Wales
- e-course: Well-being of Future Generations
- Manual for applying the Wellbeing of Future Generations Act.

The WFG Act continues to support the delivery of better outcomes in a more efficient and effective way. There remains strong commitment across the organisation (and beyond) to deepen understanding

and application of the Act. This enthusiasm, combined with the introduction of new learning products, is helping to embed key skills and foster new ways of working across the civil service, supporting the new Government in its approach.

Welsh Public Bodies

The Welsh Government delivers some of its aims and objectives through a number of Welsh Government public bodies, normally known as Arm's Length Bodies (ALBs), which include statutory executive bodies, subsidiary companies, independent office holders and some other government-funded public bodies. This is separate to its work with NHS and local government bodies.

The Public Bodies Unit (PBU) supports public bodies and their sponsorship teams (known as partnership teams) to provide consistency in governance, pay and public appointments. This includes oversight of the Self Assessment Model (SAM) which was initially piloted by a small group of public bodies in 2024-25 before a wider testing phase in 2025-26. Partnership teams and their public bodies will be required to work through the SAM on an annual basis.

The Chief Operating Officer chairs a Public Bodies Reference Group of senior officials who have responsibility for public bodies in Wales. The Group was established to review and develop Welsh Government's work with partnership teams in relation to appointments, reviews and other aspects of sponsorship and governance. Directors who have partnership teams in their remit attend the Public Bodies Reference Group as well as providing an assessment of their assurance on public bodies they fund via the Internal Control Questionnaire.

Partnership teams also play a role in ensuring effective governance is in place. They agree a framework document with their public body which sets out the terms and conditions under which the body receives public money. Objectives, actions, agreed performance indicators and reporting arrangements to review performance are set out in a remit letter which is issued once every government term. A revised template for the framework agreement is in place for the new government term.

Chief Executives or the equivalent official in each body with executive functions are designated Accounting Officers by the relevant Director General as Additional Accounting Officer. They are personally responsible for their 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.

PBU continues to develop relationships between the Welsh Government and its public bodies via regular meetings. Meetings of the Public Leaders Forum (aimed at Chairs, Chief Executives and unions) usually take place twice a year. The Chair of the Public Leaders Forum, is a member of the Social Partnership Council and is the conduit for feedback between the two meetings. The Chief Operating Officer chairs bimonthly meetings of Chief Executives and quarterly meetings of Chairs.

The Devolved Sector Group, chaired jointly by the Director of People and Places and a chair agreed by trade unions, usually meets biannually. It is attended by Welsh Government, and employer and trade union representatives from arm's length bodies, commissioners' offices, non-ministerial departments, independent office holders and Welsh Government owned companies. The Group focuses on workforce issues.

The Public Appointments Team within the Recruitment and Resourcing Centre of Expertise continues to lead the delivery of over 100 regulated appointments each year, ensuring compliance with the Governance Code on Public Appointments. In 2025-26, the team re-established an evidence base for regulated public appointments to provide, for the first time, a more robust picture of regulated public appointments activity and diversity. They also developed proposals for a new recruitment framework and assessment approach and designed new governance led training for panel members. The new approaches will require sign off from the new government.

The Pay and Reward team within PBU leads the development of the annual pay remit guidance for arm's length bodies, ensuring it aligns with Welsh Government priorities, fiscal constraints, and wider public sector pay policy. The team also provides ALB oversight related to special severance payments and the delegated Civil Service Compensation Scheme controls, ensuring ALB exit scheme proposals are compliant, represent value for money, and are handled consistently across organisations.

Welsh Government Internal Arrangements

The system of internal control forms a core component of the Governance Framework and is intended to manage and reduce unacceptable risk. The Welsh Government's Scheme of Delegation outlines the standard delegations applied across all areas of the organisation. As a key element of the corporate governance framework, it enables the Principal Accounting Officer (PAO) to fulfil their responsibilities effectively by establishing clear lines of accountability and reporting. This supports the delivery of the Welsh Government's purpose and the achievement of Ministers' policies, aims and objectives.

The Scheme of Delegation was revised in April 2026 to incorporate several updates, including:

- the introduction of a delegation framework for User Research Incentives; and
- revised internal procurement thresholds, alongside streamlined processes to support the procurement of low-value goods, services and works in a way that is simpler, proportionate and transparent.

The Corporate Governance Centre of Excellence (CGCoE) collaborated closely with functional leads for User Research Incentives and Procurement to ensure these updates were communicated across the Welsh Government through internal communications, including news articles.

CGCoE continues to keep the Scheme of Delegation under regular review and updates it as required.

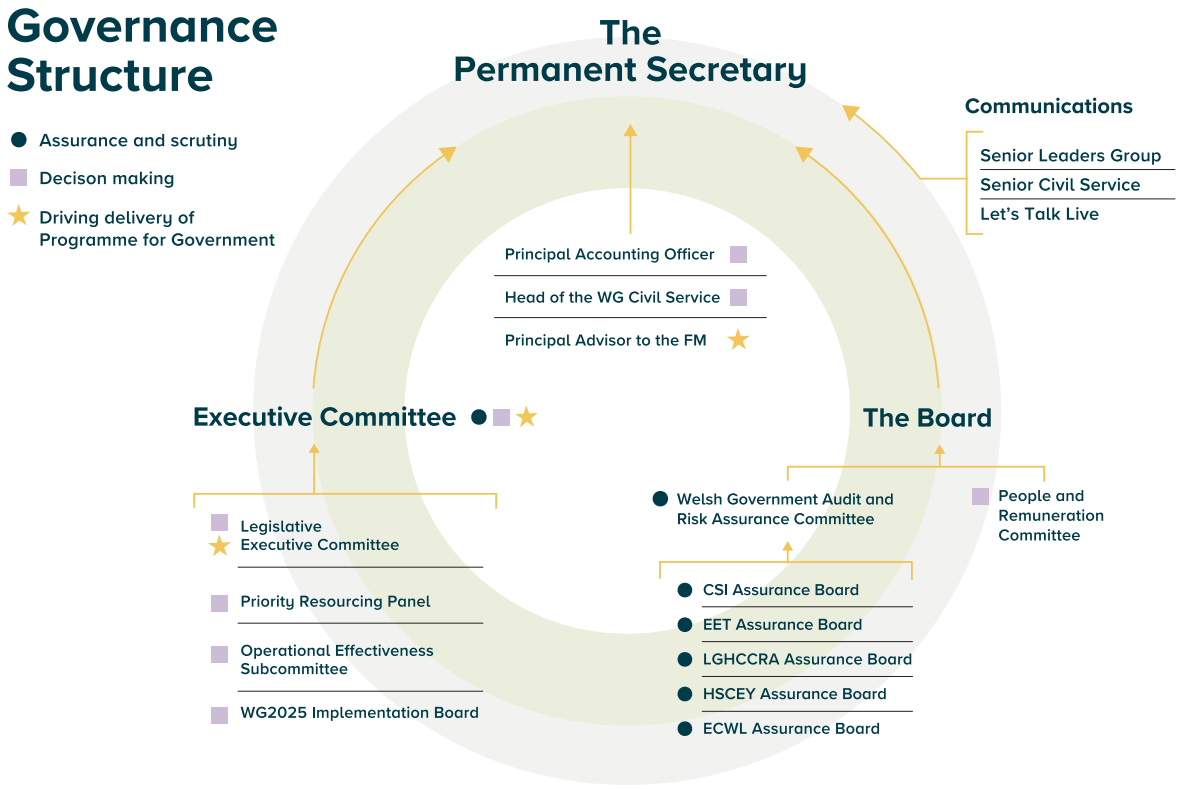
Good governance practices are shared across Welsh Government Groups through key channels such as the Corporate Governance Community of Practice and intranet resources, including guidance materials and bulletins.

The Governance Framework and system of internal control are further supported by a continuous risk management process. This process identifies and prioritises risks to the delivery of policies, aims and objectives, assesses their likelihood and impact, and ensures they are managed efficiently, effectively and economically. Internal Audit provides advice and assurance to support the ongoing improvement of the framework. Overall, the governance framework aligns with recognised good governance principles and is underpinned by Managing Welsh Public Money, which sets out how public sector resources should be managed.

The CGCoE continues to review and refresh corporate guidance. We continue to update Managing Welsh Public Money. We have updated the chapters that contain areas where we have committed to revising guidance, as agreed with the Public Accounts and Administration Committee (PAPAC).

We will publish the updated chapters as they are completed. While we have set a provisional completion date of December 2026 for the entire project, this timeline may be adjusted based on other competing priorities.

The diagram reflects the governance structure that operated for the majority of 2025-26.



Performance Reporting

Last year, I reported the introduction of a new approach to measuring the Welsh Government's organisational performance, including the use of a balanced scorecard. This approach has continued to be embedded throughout 2025-26, supported by quarterly reporting across a range of corporate performance metrics. This enables timely action to be taken and progress to be monitored regularly.

In addition, an annual performance report has been developed to provide a more comprehensive overview of performance over the preceding year. Together, these arrangements offer a flexible and holistic framework for monitoring performance throughout the year.

Corporate Governance Code

The Welsh Government continues to follow the principles outlined in the Corporate Governance Code for Central Government Departments as far as practicable. 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.

The Board

As Permanent Secretary and PAO, I am supported by the Welsh Government Board, which consists of 14 Members, both Non-Executive and Executive Directors. The Lead Co-Chair of the Shadow Board and the Well-being of Future Generations Champion attend as participative observers. A representative of one of the three official Trade Unions operating in Welsh Government attends on a rota basis. The Board advises me in taking key strategic decisions about how the Welsh Government Civil Service is developed to support the First Minister and Ministers to deliver its Programme for Government and Ministerial priorities. I chair the Board meetings and after each Board I meet with the Non-Executive Directors.

During the year the Board considered a range of matters, including the following, as part of its agenda:

- The Programme for Government
- The Corporate Risk Register
- Deep dive on cyber risks and IT resilience
- Biannual updates on Equality, Diversity & Inclusion
- Delivery of Mega Events: 2027 Tour de France and UEFA Euro 2028
- Deep dive on meeting the requirements of Health, Safety and Wellbeing.
- Deep Dive on managing workforce capacity and capability risks
- Welsh Government Data Strategy
- The Welsh Government Performance Framework
- Section 23 Action Plan
- AI in Welsh Government
- Finance updates and budget planning
- Updates on Senedd Reform and preparations for the 2026 Senedd elections
- WG2025: ready for change priorities
- Deep dive on managing resilience, wellbeing and morale across our workforce
- Gilestone Farm.

Board Membership and Attendance

There have been changes to the membership of the Board over the year. Mutale Merrill stepped back in July 2025 for personal reasons and formally resigned in December 2025. Jacqueline Totterdell joined the Board in October following her appointment as Director General Health, Social Care, Early Years and NHS Wales Chief Executive. Nicola Williams joined the Board in December 2025 following her appointment as Director of Legal Services.

Membership during 2025-26	Meeting Attendance
Andrew Goodall, Permanent Secretary	8/8
Mutale Merrill, Non-Executive Director	2/2
Aled Edwards, Non-Executive Director	8/8
Carys Williams, Non-Executive Director	8/8
Mike Usher, Non-Executive Director	8/8
Andrew Slade, Director General, Economy, Energy & Transport	6/8
Tracey Burke, Director General, Local Government, Housing, Climate Change & Rural Affairs	8/8
Judith Paget, Director General, Health, Social Services and Early Years/Chief Executive NHS Wales	6/8
Jacqueline Totterdell, Director General, Health, Social Services and Early Years/Chief Executive NHS Wales	2/3
Sioned Evans, Director General, Chief Operating Officer	6/8
David Richards, Director, Propriety and Ethics	4/8
Dom Houlihan, Director, People & Places	8/8
Dean Medcraft, Director, Finance	6/8
Nia James, Interim Director, Legal Services	3/5
Nicola Williams, Director, Legal Services	3/3
Nicola Edwards, Senior Equality, Diversity and Inclusion Lead	1/1

Board Self-Assessment of Performance

An Annual Board Review survey was conducted in late 2025. The survey was live from the 11th November 2025 to the 9th January 2026 and collected 14 responses. The results were analysed by the Corporate Research Team.

Overall, Board members were positive about their role on, and experience of, the Board, which generally echoed the sentiments of the 2023 and 2024 review. One of the main positive elements of how the Board operates, highlighted by several members, was the inclusive nature of Board meetings. Many felt the Board was conducted well, with a non-hierarchical, collaborative approach where colleagues are treated in a respectful and collegiate manner.

The open nature of the Board meetings was also valued, where members feel safe to contribute and challenge, and to learn from each other, supporting engagement from all colleagues in discussions. The general approach from Board members was felt to be supportive yet curious.

The benefits of having contributions from a range of perspectives, including Non-Executive Directors (NEDs), Shadow Board, and TUS was noted, which helped to add to the breadth and roundedness of discussions. The helpfulness and approachability of NEDs was also appreciated.

Board Sub-committees

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

Board Sub-committee: Audit and Risk Assurance Committee (ARAC) and Group Assurance Boards

The Welsh Government's ARAC supports me on assurance matters. This Committee was chaired by a Board Non-Executive Director, with the Chairs of the Group Assurance Boards making up the remainder of the membership.

At the start of 2025-26, the Group ARACs were replaced with Group Assurance Boards to give greater agility, flexibility and proportionality in the provision of assurances to Directors General, with specific focus on:

- organisational efficiency, including governance arrangements; and
- the internal control environment, including risk management.

The Assurance Boards meet with the same frequency and reporting lines between them and the WG ARAC remain unchanged.

In addition to its standard items around the Corporate Risk Register, implementation of audit recommendations, and updates from internal and external audit, the Committee provided detailed scrutiny and challenge in additional areas, including:

- Welsh Government's Consolidated Accounts and Governance Statement and the documentation set that underpins the assurances they provide.
- The approach to managing key areas such as the programme and project management delivery capability, and the organisation's internal change programme.
- The internal preparations and governance arrangements for Senedd Reform. To provide a broader set of assurances, the Committee commissioned each Assurance Board to consider this area within their respective Groups.
- Considering and endorsing the Internal Audit Charter, Mandate and Strategy, which are key requirements of the new Global Internal Audit Standards (GIAS) which came into effect in April 2025.

ARAC and all Assurance Boards met through the year in line with their quarterly meeting schedule.

A focus was maintained on providing training and support to ARAC and Assurance Board members during the year, including awareness sessions between new members and officials, and promoting attendance at national ARAC training events organised by the UK Civil Service Head of Audit Profession.

Board Sub-committee: People and Remuneration Committee

The Board's second sub-committee is the People and Remuneration Committee. The People and Remuneration Committee is a strategic advisory body. It provides challenge, direction and assurance on people related strategies, key risks and opportunities and the pay strategy and policy for the Senior Civil Service (SCS). It has statutory responsibilities for, and oversight of, the application of SCS terms and conditions including the performance management framework, pay strategy and pay awards and will be updated on regular analysis of workforce trends for our SCS. More broadly it also considers wider strategic issues of importance to the organisation.

Agenda and Discussion Items (April 2025 – March 2026)

- Welsh Government Performance Culture (including People Survey 2025 results and 'Speak Up' and "Safe to Challenge" – supporting our staff to raise concerns).
- Performance Management (delegated and non-delegated grades) including of mid and end of year Performance Moderation and Next Steps.
- Review of Welsh Government Pay and Reward Strategy (specifically allowances and approach to SCS Pay and Progression).
- Alignment of people and capabilities to the organisation's strategies and plans.
- The drafting and implementation of a new People Plan.
- People Survey and Pulse Survey results.
- Hot topics including Pension Scheme changes and challenges and Senedd reform and election planning.
- Executive Band Development Programme (and more broadly other development programmes).
- Risks associated with SCS retirement and retention.
- Individual requests for partial retirement, part time working and job share arrangements.
- Individual exit arrangements.

The Permanent Secretary's salary on appointment must be approved by the Chief Secretary to the Treasury. All Permanent Secretary appointments and remuneration are managed centrally by the UK Cabinet Office. They are also in scope of the Treasury senior pay control.

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

A Non-Executive Director chairs the Committee. The Committee met five times during the year, and I attended all the meetings except one. Three meetings did not take place as initially scheduled and were re-arranged for later dates.

Executive Committee (ExCo)

ExCo is the strategic decision-making forum supporting me as Principal Policy Advisor to the First Minister, PAO and Head of the Welsh Government Civil Service. ExCo meets weekly and consider a range of operational and strategic issues.

Throughout 2025-26, 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, HR/ Corporate Services and Legal Services.

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

ExCo considered a range of topics throughout 2025-26 including items on workforce planning, the Balanced Scorecard, improving Equality Impact Assessment and Senedd Reform as well as receiving regular updates on the in-year finance position and the Corporate Risk Register.

Operational Effectiveness Sub-committee (formerly known as the Finance and Corporate Services Sub-committee)

The Operational Effectiveness Sub-committee (formerly known as the Finance and Corporate Services Sub-committee) is a sub-committee of ExCo. Chaired by the Chief Operating Officer, the Sub-committee has since January 2026 met twice a month to advise ExCo on the financial, governance, assurance and commercial management of the organisation, and the management and development of the organisation's workforce. The Sub-committee also aims to drive continuous improvement in the management, skills, and capabilities within these areas. Membership includes a Non-Executive Director, finance and operations leads from each Group together with the Director of Finance, Director of People and Places, Director Treasury, Director of Commercial Procurement Chief, Digital Officer, and the Deputy Director Assurance (Head of Internal Audit (HIA) and Data Protection Officer).

The Operational Effectiveness Sub-Committee considered a range of topics throughout 2025-26 including items on improving performance on government business, payment performance, improving project management performance as well as receiving regular updates on the in-year finance position and the Corporate Risk Register.

ExCo Sub-committee: Legislative Executive Committee (LExCo)

The Legislative Executive Committee (LExCo) co-ordinates and oversees at official level the delivery of the Government's programme of legislation. During the last reporting period, six Government Bills received Royal Assent, and eight Government Bills were introduced into the Senedd during the Reporting Period; they have all subsequently received Royal Assent. During the Sixth Senedd LExCo has supported a Cabinet Sub-Committee, the Standing Committee for Cabinet on Legislation. LExCo is chaired by the Permanent Secretary and usually meets every six weeks.

Welsh Government 2025

During 2025-26 WG2025 came to a close and has been instrumental for the Welsh Government, strengthening how it works, manages resources, and delivers for Wales. The programme has improved organisational culture, agility, financial sustainability, and readiness for future challenges — including Senedd Reform. It has embedded innovation, strengthened governance, and made Welsh Government a more effective and inclusive workplace. WG2025 has positioned Welsh Government to:

- Deliver ministerial priorities effectively
- Adapt quickly to political and financial change
- Continue improving through innovation and stronger governance.

COVID-19 Inquiry

During 2025-26 the Welsh Government continued to provide evidence to the COVID-19 Inquiry; oral evidence sessions concluded in early 2026. The Welsh Government published further updates and responses to the inquiry's reports. A reporting tool has been created Public inquiries – GOV.WALES, not only for the COVID-19 inquiry but also the Grenfell and Infected Blood inquiries, which sets out the Welsh Government's response to inquiry recommendations and provides progress updates. In 2025-26 the Welsh Government also agreed to pilot a corporate public inquiries unit which would seek to draw on the knowledge and experience gained through its work on the COVID-19 Inquiry and bring this to other inquiries.

COVID-19 Support for Businesses

We have continued to monitor and review the funds used to provide business support during the pandemic, with a view to bringing monitoring of the funds to a closing position, providing updates to the PAPAC. For the Welsh Government delivered schemes there have been no significant issues identified or identified instances or recoveries because of fraud. Again, for the Local Authority delivered schemes, the fraud rate remains consistent with that previously reported. An Exit Strategy has been developed and agreed for the Economic Resilience Fund, with Post Completion Monitoring (PCM) activity ceasing in early 2026, save for those businesses who were late responders to requests for details, allowing cases to be closed. Following closure of these remaining cases, a further lessons learnt exercise will be undertaken in 2026 as part of PCM closure concluding work in Quarter 3 2026.

Assurance Arrangements



As PAO, 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 the Internal Audit Service 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 Internal Audit, the External Auditor (the Auditor General for Wales) in his reports and in reports published by the Public Accounts and Public Administration Committee and other Senedd Scrutiny Committees undertaking their own inquiries. Both Group Assurance Boards and the Welsh Government's ARAC monitor progress of the implementation of recommendations made by Internal Audit, the Auditor General for Wales and the Public Accounts and Public Administration Committee.

I am also advised on the effectiveness of the system of internal control by the Board, the ARAC and Group Assurance Boards.

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

Internal Audit

The programme of internal audit work undertaken during the year for the Welsh Government, which drives the overall assurance level given, produced the following opinions for assurance-based audits:

Assurance Opinion	2025-26	2024-25	2023-24	2022-23	2021-22
Substantial Assurance	4	5	8	10	14
Reasonable Assurance	29	34	26	18	25
Limited Assurance	7	10	4	7	3
No Assurance	-	-	1	1	-
Total of Assurance Audits	**40**	**49**	**39**	**36**	**42**
Advisory (no opinion given)	35	10	9	6	2
Total	**75**	**59**	**48**	**42**	**44**

This year, a significant number of advisory audits were also undertaken, reflecting the continuing development of advice, insight and foresight services alongside assurance services. This development, together with changes to the audit approach (which supported the delivery of additional advisory reports alongside assurance reports), followed the adoption of the new definition of internal audit within the GIAS. The balance of assurance and advisory work is considered appropriate and reasonable and the outcomes of advisory work, while no assurance opinion is given, still contribute to the HIA's overall judgement concerning the effectiveness of governance, risk management and control processes.

Assurance Opinion

The HIA retains her 'split' assurance opinion from last year. In her opinion, within what is a secure IT network, the Welsh Government's continued reliance on ageing and 'legacy' organisation-level IT systems means it is facing ever-increasing risks while minimal mitigation for these risks is available at the present time. A better understanding has been gained of IT infrastructure risk since this future risk was first identified, allowing for better prioritisation of mitigation. However, as observed in several audits this year, the challenges and limitations arising from these systems continue to have an adverse impact on the overall efficiency and effectiveness of operations, due to the lack of interoperability, sufficient or reliable management information, operational consistency or resilience, combined with rising costs and a reliance on manual solutions. While these impacts have not prevented the Welsh Government from delivering its objectives, they diminish the effectiveness of its governance, risk management and control processes:

- Consequently, only limited assurance can be provided on the effectiveness of governance, risk management and control in respect of the Welsh Government's ageing and legacy organisation-level IT systems and the processes which operate around them.

- Nevertheless, based on the outcomes of assurance-based audits this year, reasonable assurance can be provided on the effectiveness of governance, risk management and control processes operated over activities focused on policy and delivery activities at the Group-level.

Key Findings

The seven 'limited assurance' audit reports identified weaknesses in the areas of:

- Projects and programmes, where two programme boards were missing foundational and/or mandatory elements of standard Welsh Government Programme and Project Management practice. In addition, the 'Get to Green' programme has now closed and moved into 'business as usual' continuous improvement but, while significant progress was made in the year, the Welsh Government still has work to do to progress its project and programme management maturity.
- Two organisation-wide activities, being Partnership Arrangements (for Welsh Arm's Length Bodies) and Integrated Impact Assessments, where inconsistencies were noted in operational practices alongside limitations in organisation-level arrangements and oversight, reducing their ability to secure effectiveness, consistency and long-term resilience.
- Two specific funding streams, where key components of effective grants management were missing with poor governance and some systemic control deficiencies.

Other 'advisory' audits completed in the year identified some weaknesses in specific pay-related policies and procedures, with controls applied inconsistently by, and insufficient management information available to, line managers with the responsibility for operating checks and controls over transactions. Limitations in monitoring and oversight of transactions was also noted together with weaknesses in the organisational policies and procedures relating to those transactions.

Other Assurances

Welsh Government Group

The Welsh Government HIA's scope covers only the Welsh Government itself and not the other public bodies within the wider consolidated Welsh Government Group. However, she has access to the annual reports and opinions of the Heads of Internal Audit for these Group bodies. Their combined opinions, on which the Welsh Government HIA relies, provides an overall 'reasonable assurance' on the effectiveness of governance, risk management and control processes within the Welsh Public Bodies consolidated into the Welsh Government Group.

European Funds Audit Team (EFAT) Assurances

The collected body of external audits of EC funded projects provides assurance on the compliance of Structural Funds and other EC funded programmes with EC Regulations, on the recognition and claiming of those costs from the EC.

- **2014–2020 Structural Funds (ESF & ERDF)**
  The Final Control Report and Closure Package for the ESF & ERDF programmes was submitted to the EC in December 2025 with an unqualified audit opinion and error rate of 0.20%, which is significantly below the EC's materiality level of 2%. The report was agreed and accepted by the EC in February 2026. However, formal written notification of closure is still awaited from the EC.
- **2014–2020 Ireland – Wales European Territorial Co-operation Programme**
  The Final Control Report and Closure Package contained an unqualified audit opinion and error rate below 2%. The Programme was closed formally by the EC in November 2025.
- **2014–2020 European Maritime and Fisheries Fund (EMFF) Programme**
  EFAT's audit work on Welsh EMFF projects fed into the Final Control Report for this programme, which was led by the UK Government as the Audit Authority. The UK Government submitted its report in February 2026, which provided the EC with unqualified assurance in all areas and confirmed a total error rate for the final accounting period of below 1%. The EC accepted the report in March 2026.

External Quality Assurance

In conformance with GIAS, as adopted through the UK Public Sector Application Note, the Welsh Government Internal Audit Service was subject to its five-yearly independent External Quality Assessment (EQA) early in 2026. The outcome of the EQA was positive with the Service determined to be 'generally conforming' with GIAS.

Audit and Risk Assurance Committee (ARAC) Annual Report

The ARAC provides 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's ARAC Handbook. As a sub-committee of the Board, the ARAC acts in an advisory capacity and has no executive powers.

At each of the five ARAC meetings in 2025-26, the standing agenda items included:

- An update and overview from the Principal Accounting Officer
- Governance and risk issues, including the corporate risk register and quarterly reports from the Group Assurance Boards
- Monitoring the implementation of recommendations made by our internal and external auditors and by the Senedd's Public Accounts and Public Administration Committee
- An update from the Head of Internal Audit; and
- An update from Audit Wales.

In addition to these standing agenda items, the ARAC held deep dives into several areas including:

- Progress with the 'WG2025' change programme
- Preparations for Senedd Reform; and
- Programme and project management arrangements.

ARAC members also attended a briefing from Audit Wales and the central Welsh Government finance team on the key issues involved in the preparation and audit of the annual accounts, which enhanced the quality of the discussion at its subsequent meetings.

ARAC meetings were routinely attended by the Permanent Secretary, the Chief Operating Officer, all Directors General, the Director of Finance, the Head of Internal Audit, the Head of the Corporate Governance Centre of Excellence, the Chief Accountant and representatives from Audit Wales. Other officials attended to present specific papers at the ARAC's request.

Attendance throughout the year was very good, and the ARAC provided a valuable forum for open debate and constructive challenge. Minutes of ARAC meetings are published on the Welsh Government website[51] to enhance transparency and in line with best governance practice. The Group Assurance Boards introduced at the start of 2025-26 are providing a stronger governance focus on the key risks within each Group portfolio, and this in turn is helping to enhance the assurances provided by the Chief Operating Officer and the Directors General to the Principal Accounting Officer.

Based on its work throughout 2025-26, the ARAC was able to provide overall reasonable assurance on the adequacy of audit arrangements for the Welsh Government and also on the arrangements for governance, risk management, and internal control that have operated during the financial year, based on the range of assurances presented to the Committee and the information provided to it by officials.

However, as last year the ARAC remained concerned at the reasons for the HIA's continuing use of a split assurance opinion, and her provision of only 'limited' assurance in respect of the risks being carried by the Welsh Government regarding its ageing corporate systems. The ARAC is continuing to take a keen interest in the 'Transforming Corporate Services' programme that is intended to mitigate these risks, and it remains apparent that significant investment will be needed over the coming years to address these issues.

Annual Internal Control Questionnaires and Assurance Statements

One of my principal sources of assurance is the annual Internal Control Questionnaire (ICQ) process. For 2025-26, the Corporate Governance Centre of Excellence (CGCoE) built on the approach taken in 2024-25 by refining the ICQ structure, adopting a more hybrid methodology, and focusing the assessment on second- and third-line evidence provided by Functional Leads. Directors were again given access to their 2024-25 ICQ returns and scores; this, combined with the additional assurance evidence available to them, supported a more robust and well-informed assessment.

Prior to submission, Groups undertook thorough quality assurance of their returns. This included scrutiny by Senior Management Teams, review by Group Assurance Boards, and challenge from Group Governance Teams.

51 www.gov.wales/audit-and-risk-assurance-committee-meetings

Following submission, a “heatmap” analysis was produced. This was reviewed by functional leads, including the Chief Security Officer and the Chief Digital Officer. A formal challenge session was also held by the Operational Effectiveness Sub-Committee. Directors were provided with feedback from functional leads, giving them the opportunity to reflect on and, where necessary, revise their scores.

After completion of the ICQ process, CGCoE will undertake a lessons-learned exercise, working collaboratively with Groups to identify areas of good practice and opportunities for further improvement. The ICQ questions will also be reviewed ahead of 2026-27 to ensure they remain relevant and appropriate.

Directors General have had access to the 2025-26 ICQ results and have drawn on this information in preparing their DG Assurance Statements, which in turn support my commentary in the Governance Statement.

Overall, the 2025-26 ICQ returns indicate that Directors have ‘reasonable confidence’ in the majority of controls in place across the organisation. This position is consistent with previous years, although Business Planning, Project Delivery and Staffing continue to record comparatively lower levels of confidence.

Raising Concerns Panel

The Raising Concerns Panel (formerly Whistleblowing) met on four occasions throughout the year to consider concerns raised under the Whistleblowing and Civil Service Code policy. The panel’s role is to ensure that action is taken promptly but with care to maintain confidentiality wherever possible. The Panel deals with concerns raised by staff about possible wrongdoing, and which would be likely to fall under the Whistleblowing legislation (Public Interest Disclosure Act 1998) or concerns that a member of staff has breached the Civil Service Code.

The Welsh Government has a separate process for staff to raise concerns about matters such as their employment terms or inappropriate behaviour, and those concerns are not included in the statistics here.

The Whistleblowing and Civil Service Code policy explains what staff should do if they suspect wrongdoing within the organisation and how it will be dealt with. Information is also published on the Intranet. Raising Concerns arrangements in the Welsh Government are transparent and align with good practice.

Four cases were considered by the Panel during the year; this included two cases which were not considered to fall within the policy as they related to two of Welsh Government’s arm’s-length bodies. One case was closed during the year, with one carrying forward into 2027.

Concerns Raised	2025-26	2024-25	2023-24	2022-23	2021-22	2020-21
Not substantiated	1	1	4	2	4	3
Resolved internally (staff-related matters)	-	1	-	-	1	1
Not a matter for the Welsh Government	2	-	-	-	1	-
Advice provided to the Whistleblower	-	-	2	-	-	1
Still under investigation	1	-	-	2	2	5
Substantiated and action taken	-	-	1	-	2	1
Not enough evidence to pursue	-	-	-	-	1	
Total	**4**	**2**	**7**	**4**	**11**	**11**

External Assurance Panel & Counter Fraud

In addition to the Raising Concerns Panel dealing with internal cases, the External Assurance Panel, which met on seven occasions during the year, provides advice to Additional Accounting Officers and policy officials on responding to concerns raised in respect of Welsh Government funds awarded to external bodies. Many, but not all, of these cases are fraud allegations, and not all cases dealt with by the Counter Fraud Unit 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 and independent scrutiny, seeks to ensure consistency of treatment across the Welsh Government, and aims to identify lessons learned and best practice which can be shared with policy officials.

The Panel also considers concerns raised where the organisation in question is not directly funded by WG, though in these instances the Welsh Government is limited to how it can intervene.

WG Protocol advises officials on the appropriate responses to allegations received about bodies funded by the WG, including concerns over conduct and matters other than financial irregularity, in addition to the support and advice of the Panel.

There were nine new cases in the year reported to the Panel in addition to the three cases which carried forward from 2024-25. The Panel resolved ten cases in year, three of which were carried forward from the previous year. Two cases carried forward into 2026-27.

Counter Fraud

The following table summarises the number of suspected fraud cases reported to the Welsh Government Head of Counter Fraud during 2025-26, compared with 2024-25.

Counter Fraud Cases	2025-26
Carried forward from 2024-25	6
New cases arising	13
Cases resolved	16
Cases remaining and under investigation	**3**
– Court Case in Progress	0
– Under police investigation	1
– Under repayment monitoring	0
– In review by an independent fraud agency	1 (police aware)
– Investigation ongoing by WG	1

Counter Fraud Cases	2024-25
Carried forward from 2023-24	8
New cases arising	19
Cases resolved	21
Cases remaining and under investigation	**6**
– Court Case in Progress	0
– Under police investigation	3
– Under repayment monitoring	0
– In review by an independent fraud agency	1
– Investigation ongoing by WG	2

The 16 cases resolved in 2025-26 are identified in the below categories	
Fraud proven. Cases that satisfy the criminal standard and are referred to the Police, CPS, other agency and smaller cases which can be dealt with by legitimate alternative means and evidence of fraud exists (e.g. recovery, caution, disciplinary, dismissal etc.)	1 (Caution by Police, loss recovered, and resigned)
Not pursued criminally by police. Financial recovery or HR/disciplinary investigation was the appropriate action. (Evidence of fraud but falls short of the criminal threshold test of the CPS. Cost of investigation outweighs the loss, or other mitigating factors/circumstances.)	3
No fraud found. After investigation no fraud present.	12

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

Fraud & Corruption Risk Assessments are prepared by the directorates within each policy area, monitored and reviewed during the year and submitted to the Head of Counter Fraud every six months.

National Fraud Initiative (NFI)

The Welsh Government continues to demonstrate its commitment to identifying fraud and error in the public sector by again participating in the bi-annual National Fraud Initiative. The latest exercise commenced over Summer 2024 and the results were received in early 2025. The Internal Audit Service risk-assessed the matches and developed a testing strategy. The review of NFI matches has now concluded and no instances of fraud were identified.

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, the Welsh Government ARAC and each Group Assurance Board also have Conflicts of Interest Registers. Conflicts of interest linked to specific agenda items are also requested at each meeting and formally recorded. The requirements placed on Board, ARAC and Group Assurance Board members are also set out in appointment letters and the Terms of Reference.

I remain comfortable that our existing policies and procedures are effective, and work to strengthen our approach for all staff will shortly be published, following consultation with our trade unions, building on the results of internal audits and refreshed guidance from the UK Civil Service. Our initial plan to develop and launch a purpose-built, fully digitised system for the monitoring and recording of declarations is unfeasible in light of changes to funding arrangements and projected licensing costs. However, we continue to explore lower-cost alternatives to enable improved recording and reporting, alongside the launch of our refreshed policy. This will ensure greater oversight, reporting and compliance and pilot options are already under consideration.

Business Critical Analytical Models

The Welsh Government's analytical Heads of Profession conducted an annual assurance exercise to evaluate organisational risk exposure from business critical analytical models. Additionally, peer reviews were undertaken on a small number of models to complement the annual exercise.

Welsh Government's exposure to analytical modelling risk continues to gradually increase. This year, 30 business critical models were reviewed, increasing from 28 in the previous year and continuing a steady rise since the assurance process was established in 2017-18. While the overall number of models has increased modestly, this reflects a gradually increasing reliance on business critical analytical models across the organisation, including in high-profile and sensitive policy areas.

During the annual assurance exercise, each model is scored on its risk and impact. This year, five models had their ratings revised, with four reductions and one increase. A new process also captured model owners' own assessments to improve consistency of scoring.

In addition, a new question on model evaluation was introduced, which found that almost all models underwent some form of evaluation, including peer review, internal or external review, or sensitivity testing. Overall, risk exposure continues to be driven by:

- inherent uncertainty or complexity in the data and assumptions used in modelling
- reliance on external expertise for specialist models, alongside the need for effective internal oversight
- resilience risks where models depend on a small number of analysts or specialist skills.

Analytical capacity remains a significant challenge, with some models continuing to rely on a small number of key individuals. While mitigating actions such as improved documentation and peer review are evident, reducing key person risk remains an ongoing consideration.

There are examples of strengthening practice this year, including increased evaluation activity and governance arrangements for high-value models. Training for model senior responsible owners has been refreshed to support consistency, share good practice and address common challenges.

The annual assurance exercise provides reasonable controls to understand exposure to analytical modelling risk, and analytical Heads of Profession have made recommendations to mitigate risk further. Enhancements this year, particularly around evaluation and risk scoring, have strengthened the evidence base. However, responsibility for implementing mitigations remains with model owners, and peer review recommendations are now tracked centrally to support follow-up and accountability.

To improve transparency, the Welsh Government's register of business critical models continues to be published and updated annually. Work is also progressing to strengthen assurance arrangements for models used by arm's length bodies (ALBs), including proposed integration into the ALB self-assessment model.

A further area for development is the continued monitoring of emerging and cross-cutting issues, including model interdependencies, complex spreadsheet-based models, and the governance of AI and automation.

Internal Control Issues



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

Losses, Write-Offs & Special Payments

Legacy Insulation Schemes – £6.3m

Three ex-gratia payments (£3,316,575, £920,612 and £2,076,000) were made relating to legacy insulation schemes (Arbed and CESP). The payments were made for the removal and replacement of faulty external wall insulation. In the absence of any alternative mechanism to support affected households, funding was agreed to address these issues, resulting in the ex-gratia payments.

Electronic Part-time 20mph signs – £5,234,476

During 2025-26, a write -off of £5,234,476 was made in relation to the removal and disposal of electronic part-time 20mph signs. These signs had been installed several years earlier to support the policy of implementing part-time 20mph speed limits outside schools across Wales. Following the nationwide rollout of the permanent 20mph speed limit scheme, the electronic part-time signs were no longer required and were therefore removed and written off.

Settlement of Flooding Claim – £2,150,000

In 2016 premises adjacent to a site formerly owned by the Welsh Government flooded. Advice from Counsel was to settle the claim on value for money grounds.

Personal Injury – £301,826

In March 2021 an individual sustained a severe personal injury when their E-bicycle collided with a sign in the cycle path adjacent to the A4108. Based on legal advice a settlement of £301,826 was agreed.

Settlement of Property Damage Claim – £301,235

On 22 November 2019 a HGV laden with a piece of plant machinery struck and damaged Primrose Hill Bridge on the A55, causing significant damage. The Welsh Government accepted a claimant's "Without Prejudice" settlement offer of £500,000, which was determined to be appropriate based on legal advice regarding costs and interest. The outstanding balance for the claim was subsequently written off.

Pandemic flu stocks, Covid Medicine and Lateral Flow Test Write-offs

Annually, the main items recorded in the HSCEY Losses Register are write-offs of outdated reserves of Pandemic Flu drugs and related consumables. A stock take is undertaken on 31st March to identify the stock to be written off. For 2025-26 the values were:

- **Antibiotics** – £426,711 (2024-25 £177,860)
- **Antivirals** – £3,683,947 (2024-25 £1,029,507)
- **Consumables** – £222,336 (2024-25 £113,128)

Also in 2025-26, the following items were written off as they had passed their expiry dates:

- **Covid medicines** – £4,084 (2024-25 £2,578)
- **Lateral Flow Test Kits** – £707,790 (2024-25 £1,656)

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. It is an accepted risk of making proper preparations for pandemic flu and other outbreaks that some stocks are likely to be written off.

Other Matters In-Year

VAT Arrangements/Tax Planning and Management

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

- IR35 Review;
- Employer Compliance Review; and
- VAT Inspection.

Due to HMRC resource issues, only the VAT Inspection has progressed during this period. There have been no reports from HMRC during the period indicating non-compliance.

Support to Cardiff International Airport

In late 2023, Welsh Ministers agreed to pursue a policy of long-term, scalable financial support for Cardiff International Airport Limited to help realise its economic growth potential. Officials were asked to develop the details of a long-term subsidy package, resulting in a proposal for up to £205.2 million of support to be provided over a ten-year period. The subsidy was referred to the Competition and Markets Authority for consideration.

Following Cabinet discussions and the formal Ministerial Advice process, the Cabinet Secretary for the Economy approved the subsidy arrangements in March 2025, and the first payment was subsequently made to the Airport.

In June 2025, Bristol Airport commenced proceedings before the Competition Appeal Tribunal (CAT) challenging the subsidy decision. Welsh Government Legal Services, supported by policy officials and external counsel, defended the proceedings.

Following a two-day hearing in Cardiff on 9–10 February 2026, the CAT dismissed the challenge on 7 April 2026. The subsidy proposal had also been subject to an Accounting Officer Assessment.

By order dated 14 October 2026, the Court of Appeal granted Bristol Airport permission to appeal the CAT judgment. The appeal will be heard by the Court of Appeal between 23 and 25 February 2027. Pending its determination, any further payments remain subject to the terms of the Grant Agreement and any applicable court order.

HE Institution

During 2025-26, a suspected student finance fraud issue was identified in relation to applications associated with a franchised course arrangement. The matter was escalated and is being investigated by the Student Loans Company, alongside a regulatory review by Medr of the provider's systems and controls. A number of student accounts were found to be ineligible, with recovery action being pursued where appropriate. The issue has been reported through established governance arrangements and remains under active review. Findings from the investigations will inform any further regulatory, recovery or control actions required.

Donations

Disasters Emergency Committee

The Welsh Government provided a gift of £100,000 to the Disasters Emergency Committee (DEC) for the purpose of contributing to the Myanmar Earthquake Appeal. Funds raised for this appeal helped DEC to deliver cost effective, appropriate humanitarian aid at pace via a coalition of the major international development agencies, getting aid quickly to people who needed it.

A further gift of £250,000 was provided to DEC for the purpose of contributing towards the Middle East Humanitarian Appeal. The funds provided were used to provide humanitarian assistance through local partners including, food, shelter and medical assistance to those who had been injured or were ill.

Information Governance

As Principal Accounting Officer, I am responsible for ensuring that arrangements are in place to comply with the mandatory minimum measures for protecting information within Government Departments. This includes assessing risks and ensuring that effective mitigation strategies are in place.

Where third parties process information for which the Welsh Government is legally responsible, they are provided with advice and guidance on how that information must be handled. Supplier cyber security assurance is assessed prior to contract award, where personal data will be processed and information assurance requirements are included as standard within contract terms. In addition, we seek assurance that organisations handling sensitive information are subject to independent IT Health Checks and meet recognised best practice standard e.g. Cyber Essentials or ISO27001.

The Welsh Government has established policies and procedures to proactively manage cyber security risk, working with the National Cyber Security Centre to secure our digital assets and IT infrastructure. Security risks, including cyber risks, are discussed at the Security Board and reviewed regularly by the Senior Information Risk Owner (Board level security nominee) and the Chief Security Officer. I am briefed on significant incidents as they occur and receive an annual security report for the organisation. The Board has also received security briefings.

Table 1: Incidents Falling Within the Criteria for Reporting to the ICO (Reported)

Year	Incidents Reported to ICO	Action Taken by ICO
2024-25	0	0
2025-26	3	0

Table 2: 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	2025-26	2024-25
I	Loss of inadequately protected electronic equipment, devices or paper documents from secured Government premises	1	2
II	Loss of inadequately protected electronic equipment, devices or paper documents from outside secured Government premises	2	1
III	Insecure disposal of inadequately protected electronic equipment, devices or paper documents	0	1
IV	Unauthorised disclosure e.g. email sent to the wrong person	205	141
V	Other	0	1
Total		**208**	**146**

All unauthorised data disclosures are logged and investigated. The Welsh Government maintains a robust internal reporting process covering all types of incidents. Following each reported breach, remedial actions are agreed with management and progress is monitored to ensure their completion. All data breaches are reported to the relevant Director General. Where appropriate, lessons learned are shared across the organisation and are included in the regular all-staff Security Bulletin.

As outlined in Table 1 there were three breaches reported to the Information Commissioner's Office (ICO) in 2025-26. The ICO concluded that no regulatory action would be taken in relation to the two breaches reported in July 2025. A decision on the breach reported in December 2025 is pending.

As outlined in Table 2 the number of personal data related incidents has increased by 42% (from 146 to 208). This increase is primarily driven by a rise in unauthorised disclosures. Of the 205 unauthorised disclosures recorded:

- 123 (60%) involved information sent or emailed to the wrong recipient. To put this into context, Welsh Government sent over 1 million emails per month during this period.

There is an increase in reported data breaches between 2024-25 and 2025-26. While there is no single confirmed explanation for this rise, it may partly reflect improved staff awareness of what constitutes a breach coupled with mandatory Security and Data Protection training. As understanding grows, staff may be more likely to report potential incidents. Not all reports meet the threshold of a personal data breach; however, this reflects a positive shift towards a proactive reporting culture. Encouraging prompt reporting ensures that potential risks are identified early and supports the Welsh Government's overall security posture.

All staff with a Welsh Government IT account are required to complete mandatory Security & Data Protection training.

Data Protection Officer Report

The Welsh Government's personal data processing is, generally, secure but more needs to be done to improve key foundational systems and processes to support a more proactive and data-led compliance approach.

- Data protection metrics for 2025-26 continue to suggest the Welsh Government's technical and organisational measures are, generally, effective in protecting personal data and supporting accountability. In particular, security over personal data assets is sound. While data protection incidents cannot be eliminated completely, they are generally minor/low risk, well defended and responded to effectively, with clear actions taken and lessons learned.
- Nevertheless, non-conformances with data protection legislation continue to be identified. The absence of modern data management and compliance monitoring tools make it difficult to identify and address compliance risk. In addition, the compartmentalised management of data assets and the continued existence of many legacy data systems and data assets continue to be barriers to effective data risk management and, thereby, to consistent, effective and efficient data protection compliance.

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, Social Care and Early Years Group within the Welsh Government is also the Chief Executive of NHS Wales.

Local Authorities

Grant funding is provided to Unitary Authorities, Fire and Rescue Authorities and Police and Crime Commissioners in Wales. The largest single component of grant funding is the annual un-hypothecated settlement for Unitary Authorities which comprises Revenue Support Grant (RSG) and a share of Non-Domestic rates income.

The quantum of funding is set as part of the Welsh Government's annual budget round. It is distributed using a formula which reflects the factors which drive authorities' need to spend to deliver a wide range of services, including education and social care. The formula is maintained, updated and improved through an ongoing programme of work with local government. The bulk of the funding is distributed on the basis of data

updated annually. The formula has been amended to take account of the Census 2021 data where appropriate. Work also started to review and update the indicators and weightings in the formula.

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. There are statutory regulators for some functions. Their financial affairs are governed by a statutory accounting and audit framework and their accounts are subject to full annual external audits.

County and county borough councils are required by the Local Government and Elections (Wales) Act 2021 to keep their performance under review including undertaking, consulting upon, publishing and acting upon annual self – assessments and five yearly peer reviews.

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. The Group provides relatively few of these but the number of revenue grants and amount of funding through specific grants from Welsh Government as a whole is considerable. Work began in 2022-23 to review the administrative burdens on local authorities under the Welsh Government's Programme for Government and has continued in 2025-26 including a focus on the administrative overhead caused by grant funding. With regard to funding provided by the UK Government in respect of non-devolved functions, the arrangements for accountability are agreed between the local authorities and the relevant UK Government Department.

Health

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

Escalation and Intervention Arrangements

The following table sets out the escalation and intervention status of the 12 NHS Wales bodies on 31 March 2026 compared to 31 March 2025[52].

NHS Organisation	Escalation and Intervention Status as at 31 March 2026	Escalation and Intervention Status as at 31 March 2025
Aneurin Bevan UHB	Level 4 for finance, strategy and planning Level 4 for performance and outcomes related to urgent and emergency care	Level 4 for finance, strategy and planning Level 3 for performance and outcomes related to urgent and emergency care performance at The Grange University Hospital
Betsi Cadwaladr UHB	Level 5 for the entire organisation	Level 5 for the entire organisation
Cardiff and Vale UHB	Level 4 for finance, strategy and planning	Level 4 for finance, strategy and planning
Cwm Taf Morgannwg UHB	Level 4 for performance and outcomes related to urgent and emergency care Level 3 for performance and outcomes related to planned care	Level 3 for finance, strategy and planning Level 3 for performance and outcomes relating to planned care and cancer Level 4 for performance and outcomes relating to urgent and emergency care
Hywel Dda UHB	Level 4 for finance, strategy and planning, performance and outcomes related to urgent and emergency care, quality of care related to Healthcare Associated Infections (HCAIs) and fragile services Level 3 for performance and outcomes related to planned care	Level 4 for finance, strategy and planning, performance and outcomes, fragile services (including cancer and ophthalmology), urgent and emergency care, and HCAIs Level 3 for leadership and governance, and performance and outcomes related to planned care and Children and Adolescent Mental Health (CAMHS)
Powys THB	Level 4 for finance, strategy and planning	Level 4 for finance, strategy and planning
Swansea Bay UHB	Level 4 for finance, strategy and planning, performance and outcomes related to urgent and emergency care (UEC), cancer and quality of care related to HCAIs and maternity and neonatal services Level 3 for performance and outcomes related to planned care, CAMHS	Level 4 for finance, strategy and planning Level 4 for performance and outcomes related to cancer, urgent and emergency care and HCAIs Level 3 for performance and outcomes related to planned care and CAMHS Level 3 for maternity and neonatal services

52 A link to the five levels of governance arrangements is here.

NHS Organisation	Escalation and Intervention Status as at 31 March 2026	Escalation and Intervention Status as at 31 March 2025
Public Health Wales NHS Trust	Level 1 (routine arrangements)	Level 1 (routine arrangements)
Velindre University NHS Trust	Level 1 (routine arrangements)	Level 1 (routine arrangements)
Welsh Ambulance Services NHS Trust	Level 1 (routine arrangements)	Level 1 (routine arrangements)
Digital Health and Care Wales	Level 3 (for performance and outcomes related to the delivery of major programmes)	Level 3 (for performance and outcomes related to the delivery of major programmes)
Health Education and Improvement Wales	Level 1 (routine arrangements)	Level 1 (routine arrangements)

Further detail can be found in the individual accounts of the organisation or the NHS Escalation pages NHS Wales escalation and intervention arrangements – GOV.WALES

Audit Opinions on financial statements and regularity

The AGW has issued qualified regularity opinions for all seven LHBs currently certified. Six of the qualified opinions were issued on the basis that the health boards did not achieve their statutory financial duty set out in the National Health Service (Wales) Act 2006 section 175 (1) to secure that its expenditure does not exceed the aggregate of the funding allotted to it over a period of three financial years and one was qualified due to remuneration issues as outlined below.

The NHS Wales Summarised Accounts received a qualified regularity opinion. This qualification was not a reflection on the preparation and summarisation process of the Summarised Account, or the 'true and fair' opinion, but a consequence of six LHBs generating financial deficits over the statutory duty assessment period 2023-24 to 2025-26. Cwm Taf Morgannwg University Health Board's Regularity Opinion was qualified due to an issue related to the remunerated paybands for two executive directors, which exceeded the relevant paybands set out by Welsh Ministers and constitute irregular expenditure.

All three NHS Trusts in Wales met their financial duty under Schedule 4 Paragraph 2 of the National Health Service (Wales) Act 2006 to 'ensure that its revenue is not less than sufficient, taking one financial year with another' measured over a rolling three-year period.

Both Special Health Authorities met their annual duty and did not exceed their respective allocated revenue resource limits.

All seven LHBs, all three NHS Trusts in Wales and both Special Health Authorities received unqualified true and fair audit opinions from the Auditor General for Wales in respect of their financial statements for 2025-26.

NHS Wales Planning Framework 2025 to 2028

In November 2021, the Welsh Government reinstated the NHS Wales Integrated Medium Term Plan (IMTP) Planning Framework. The Framework provides the clarity that is needed to put in place the building blocks to harness the learning and innovation from the pandemic and to develop sustainable services for the future.

The Minister for Health and Social Services agreed the IMTPs from the following three bodies which consequently met their second financial duty:

- Velindre NHS Trust
- Public Health Wales NHS Trust
- Welsh Ambulance Services NHS Trust.

Although not a statutory requirement, HEIW and DHCW both submitted satisfactory IMTPs.

All LHBs, except for Cwm Taf Morgannwg University Health Board failed to meet their statutory duty to submit an approvable integrated three-year plan for the period 2025 to 2028 in the financial year 2025-26. Therefore, annual plans, rather than three year plans, are subject to ongoing monitoring through a range of mechanisms, including discussions involving the Cabinet Minister for Health and Care, Chief Executives, Integrated Quality, Planning and Delivery meetings and the national Performance Board.

Risk Profile



The Welsh Government's risk profile is broad and diverse, reflecting the wide range of activities it undertakes. Operational risks emerge in the delivery of key policy objectives and are actively managed and mitigated across the organisation on a day-to-day basis. In addition, the Welsh Government is exposed to a number of contingent risks — those with potentially high impact but low likelihood — which stem from its regulatory duties. Examples include its responsibilities in responding to outbreaks of human or animal disease in Wales, as well as its obligations under guarantees provided periodically to support Welsh businesses.

The Corporate Risk Register sets out the "across the organisation" risks that could threaten the Welsh Government's core business and the way it operates. It is an internally facing document. Outlined below is an overview of the Corporate Risk Register changes in year.

Risk scoring:

- **Score: 20 – 25** Level: Very High Nature of risk: Critical risks
- **Score: 13 – 19** Level: High Nature of risk: Material risks
- **Score: 5 – 12** Level: Medium Nature of risk: Manageable risks
- **Score: 1 – 4** Level: Low Nature of risk: Negligible risks

Change in year (residual risk): **Up** ↑ ⟷ **Stayed the same** ↓ **Down**

Corporate Risk	Residual Risk score April 2025	Change in year	Residual Risk score April 2026
Financial Risk[53] In Year Financial Risk	16	⟷	16
Future Years Financial Risk		N/A	16
Workforce Capacity[54]	16	⟷	16
Workforce Capability and Flexibility	16	⟷	16
Wellbeing of staff	9	⟷	9
ICT Systems Resilience	15	⟷	15
Legislative Programme	20	↓	15
Digital Risk	16	⟷	16
Cyber Security	20	⟷	20
Disruption/Business Continuity Event	15	⟷	15
Responding to the UK-wide Covid-19 Public Inquiry	16	Removed July 2025	
Equality, Diversity & Inclusion	20	⟷	20

Corporate Risk	Residual Risk score April 2025	Change in year	Residual Risk score April 2026
Welsh Language	20	⟷	20
End of Structural Funds Programme	15	↓	12
Failure by UK Government to adhere to fundamental constitutional principles	15	↓	12
Emergency Response	16	⟷	16
Border Control	12	Removed July 2025	
Climate Change	20	⟷	20
Increased Costs of CVL Transformation Programme	12	Removed March 2026	
Health and Safety	9	⟷	9
National Mission High Standards for all Road Map (Education)	12	↑	16
Management and Ownership of Legacy Business Applications	20	⟷	20
Senedd Reform		Added July 2025	15

53 During 2025-26 the financial risk was split between In Year financial risk and future years financial risk.
54 Workforce capacity and capability risk merged during 2025-26.

All corporate risks on the Corporate Risk Register have been reviewed by the Operational Effectiveness Sub-committee, ExCo, the Board and ARAC as part of our ongoing management of corporate risk. Outlined below is further detail on new risks and risks that have been removed in year.

Three risks were removed from the Corporate Risk Register during the year:

- Responding to the UK-wide COVID-19 Public Inquiry – This was removed as resource pressures in the area significantly reduced, with the remaining few statements completed over the Summer 2025.
- Border Control – following the issue of the Cabinet Statement of 24 June. It was agreed this risk should be removed.
- Increased Costs of Core Valley Line (CVL) Transformation Programme – This risk was deescalated and is now included on the Group Risk Register.

A new risk was added during the year in relation to Senedd Reform, reflecting the need to be prepared for the implications of the reforms, to deliver the priorities of the next Welsh Government effectively, and to respond appropriately to the increased scrutiny arising from an expanded Senedd.

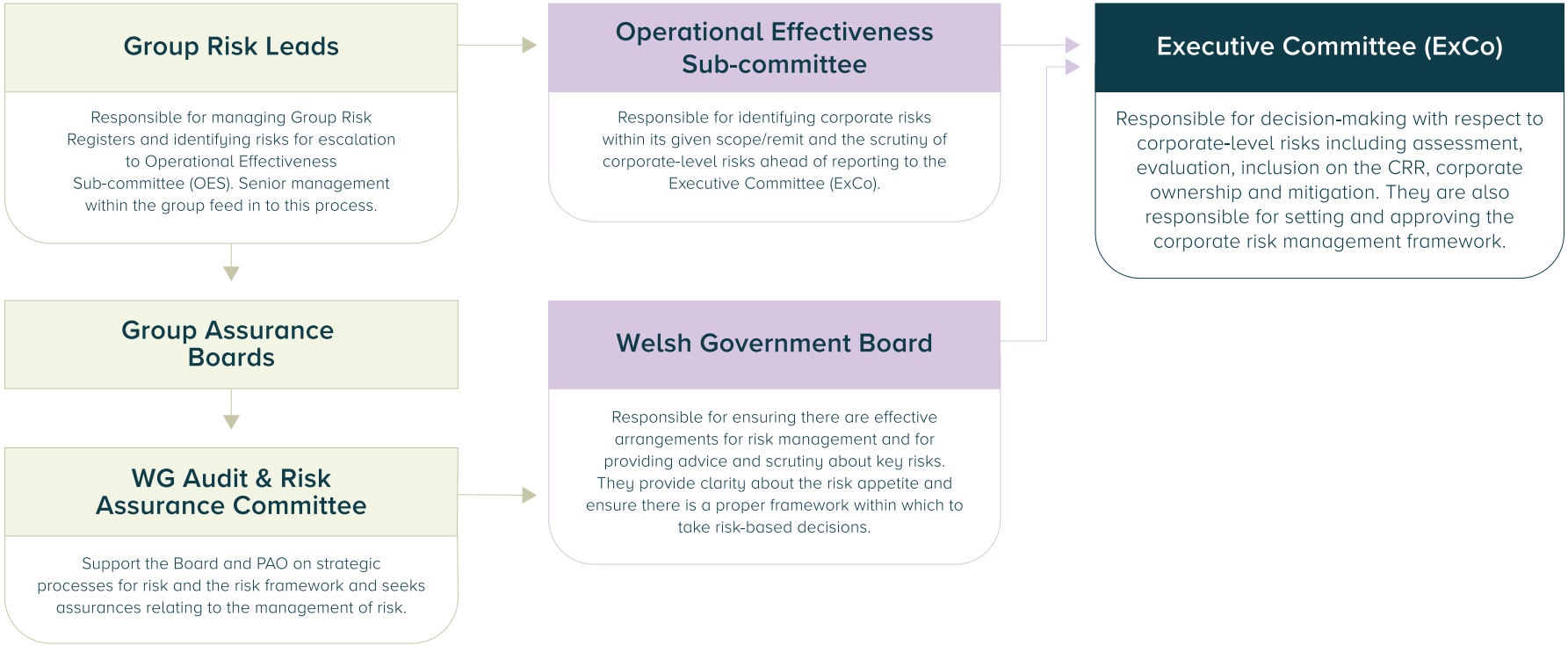
Capacity to Handle Risk

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 2026)*.

The Welsh Government's risk management policy has the key objective of ensuring there is a consistent process in place for measuring, controlling, monitoring and reporting risk across the organisation. Managing risk effectively should not lead the Welsh Government to be unduly risk averse and, in pursuit of its objectives, it is prepared to take risks which have been properly assessed, evaluated and managed to encourage more effective exploitation of opportunities as they arise, whilst accepting some failures may occur.

Corporately, the Board is responsible for overseeing the implementation of the risk management policy and process and for oversight and scrutiny of the mitigations for key risks facing the Welsh Government which might otherwise prevent or hinder the organisation from achieving its strategic objectives. Principally, these are those risks which are so critical they cannot be managed at Group level, together with those of a corporate nature whose impact would be felt across the whole organisation. Corporate risks have been reviewed by the Board twice in the year and by the Operational Effectiveness Sub-committee, ExCo and Welsh Government's ARAC quarterly.

Day-to-day management and mitigation of risk is a management responsibility and each Director General has been responsible for managing risk and opportunity in respect of their Group's key objectives. Group risks were reviewed regularly by senior management teams and by the Group Assurance Boards and were informed by risk registers maintained by projects and programmes, and risk assessments and risk registers at Divisional level. The diagram below shows the route map for risk escalation.


Group Risk Leads
Responsible for managing Group Risk Registers and identifying risks for escalation to Operational Effectiveness Sub-committee (OES). Senior management within the group feed in to this process.
Group Assurance Boards
WG Audit & Risk Assurance Committee
Support the Board and PAO on strategic processes for risk and the risk framework and seeks assurances relating to the management of risk.
Operational Effectiveness Sub-committee
Responsible for identifying corporate risks within its given scope/remit and the scrutiny of corporate-level risks ahead of reporting to the Executive Committee (ExCo).
Welsh Government Board
Responsible for ensuring there are effective arrangements for risk management and for providing advice and scrutiny about key risks. They provide clarity about the risk appetite and ensure there is a proper framework within which to take risk-based decisions.
Executive Committee (ExCo)
Responsible for decision-making with respect to corporate-level risks including assessment, evaluation, inclusion on the CRR, corporate ownership and mitigation. They are also responsible for setting and approving the corporate risk management framework.

Conclusion



Dr Andrew Goodall CBE

Permanent Secretary
and Principal Accounting Officer

The organisation's system of internal control was in place throughout the year ended 31 March 2026 and remained operational and effective up to the date of approval of the Annual Report and Consolidated Accounts. It accords with HM Treasury guidance. I have reviewed the evidence provided to me by my review of the effectiveness of the governance framework and can take reasonable assurance that arrangements to secure governance, risk management and internal control, within those areas under review, are suitably designed and applied effectively. Some matters require management attention in control design or compliance with moderate risk exposure until resolved.

26 November 2026

Image: © John Wellings

Losses, Special Payments & Gifts

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.

Welsh Government Core

Losses

	2025-26	2024-25
Total number of losses	195	186
Total value of losses (£000)	12,607	32,132

Details of losses over £300,000:		
Constructive Loss	Strategic Road Network communication assets write-off	5,234,476
Store Losses	Write-off of Pandemic Flu (Antivirals) medical stock	3,683,947
Store Losses	Write-off of Lateral Flow Test kits that had passed their expiry date	707,790
Store Losses	Write-off of Pandemic Flu (Antibiotics) medical stock	426,711
Waived and Abandoned Claims	Road bridge damage	301,235

Special Payments

	2025-26	2024-25
Total number of special payments	27	21
Total value of special payments (£000)	9,576	353

Details of special payments over £300,000:		
Ex-gratia Payment	Bridgend County Borough Council – remediation works due to faulty installation of external wall insulation	3,316,575
Ex-gratia Payment	Caerphilly County Borough Council – remediation works due to faulty installation of external wall insulation	2,076,000
Ex-gratia Payment	British Gas – remediation works in Gwynedd required due to faulty installation of external wall insulation	920,612
Compensation	Remediation works due to flooding at a premises adjacent to a site formerly owned by the Welsh Government	2,150,000
Compensation	Personal injury claim due to an incident on the Strategic Road Network	301,826

More details on the individual losses and special payments disclosed can be found in the Annual Governance Statement on pages 117 to 118.

Group Losses & Special Payments

	2025-26		2024-25	
	Number	£000	Number	£000
NHS Clinical Negligence	973	149,344	943	104,920
NHS Personal Injury	315	6,791	292	5,699
NHS Structured Settlements managed by WRP	255	25,661	234	24,136
All other Group losses and special payments	4,190	139,085	1,916	41,419
Total	**5,733**	**320,881**	**3,385**	**176,174**

The table above includes the WG disclosures from the preceding page. There are no losses or special payments for WGC Holdco Ltd and Regeneration Investment Fund for Wales LLP. The details of individual losses and special payments over £300,000 in relation to NHS settlements are included in the individual NHS body accounts. Development Bank of Wales Group had thirteen individual losses over £300,000 amounting to a total of £8.1m and Transport for Wales had one individual loss over £300,000 of £2.7m. Development Bank of Wales Group and Careers Wales each had one special severance payment during the year. Further details are noted below, disclosures are subject to commercial confidentiality:

Details of losses over £300,000:		£
Waived and Abandoned Claims – DBW	Company dissolved following insolvency (administration followed by liquidation)	1,527,124
Waived and Abandoned Claims – DBW	Company dissolved following insolvency (creditors voluntary liquidation)	406,336
Waived and Abandoned Claims – DBW	Company dissolved by voluntary strike-off	741,018
Waived and Abandoned Claims – DBW	Company dissolved following insolvency (creditors voluntary liquidation)	917,822
Waived and Abandoned Claims – DBW	Company dissolved following insolvency (creditors voluntary liquidation)	310,147
Waived and Abandoned Claims – DBW	Sale of DBW shares at less than sum of current cost	421,486
Waived and Abandoned Claims – DBW	Sale of DBW shares at less than sum of current cost	706,161
Waived and Abandoned Claims – DBW	Sale of DBW shares at less than sum of current cost	695,000
Waived and Abandoned Claims – DBW	Company in creditors voluntary liquidation	625,937
Waived and Abandoned Claims – DBW	Company in administration	717,312
Waived and Abandoned Claims – DBW	Company dissolved following insolvency (creditors voluntary liquidation)	390,790
Waived and Abandoned Claims – DBW	Sale of DBW shares at less than sum of current cost	304,787
Waived and Abandoned Claims – DBW	Company in administration	376,917
Constructive Loss – TfW	Impairment of assets under construction following change in design requirements	2,700,000

Special severance payments		£
DBW – one special severance payment	Paid under certain circumstances to employees, contractors and others outside of normal statutory or contractual requirements, when leaving employment in the public service, whether they resign, are dismissed, or reach an agreed termination of contract.	50,000 – 100,000
Careers Wales – one special severance payment		10,000 – 25,000

Further details of the special severance payments have not been included for confidentiality reasons.

Under Managing Welsh Public Money, special severance payments require advance consultation with and written approval from Welsh Government. DBW did not seek the required approval before making the payment. Retrospective approval was subsequently sought but was not granted. DBW has acknowledged that the required process was not followed and has strengthened its arrangements to ensure appropriate approval is obtained in advance for any future special severance payments.

Gifts made

Welsh Government Core

	2025-26	2024-25
Total number of gifts made	4	3
Total value of gifts (£000)	368	211

Details of gifts over £300,000:
Nil

There were no gifts disclosed by the other Group consolidated bodies.

Remuneration and Staff Report 2025-26

Remuneration Policy

The remuneration of Senior Civil Servants[55] (SCS) is set at UK Government level following independent advice from the Review Body[56] on Senior Salaries. The Welsh Government has delegated responsibility for the remuneration of non-SCS staff.

The pay and pensions of Ministers are determined by the Independent Remuneration Board of the Senedd[57] Determination on Members' Pay and Allowances.[58]

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 Home – Civil Service Commission.

Welsh Government Annual Pay Policy Statement

In line with the 'Transparency of senior remuneration in the devolved Welsh public sector'[59] principles published on 7 December 2015 the Welsh Government has published a pay policy statement on its website.[60]

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. 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.

55 Civil Service Pay Remit Guidance 2025 to 2026 – GOV.UK
56 Senior Salaries Review Body Report: 2025 – GOV.UK
57 Remuneration Board
58 Determination (Remuneration Board Wales)
59 Transparency of senior remuneration in the devolved Welsh public sector [HTML] – GOV.WALES
60 Welsh Government pay policy statements – GOV.WALES

Remuneration (including salary) and pension entitlements

This section is subject to audit and is covered by the Auditor General for Wales' audit opinion.

The following sections provide details of the remuneration and pension interests of the Ministers and the Senior Officials. Senior Officials for the purposes of the Remuneration Report are all substantive members of the Welsh Government Board and Executive Committee for the financial year.

Remuneration

The remuneration of the First Minister and her 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 £76,380 (2024-25: £72,057). 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.[58]

Benefits in kind related to Members of the Senedd responsibilities are not included in the table overleaf.

Single total figure of remuneration – Ministers

Ministers	Salary 2025-26 £	Salary 2024-25 £	Benefits in Kind 2025-26 £	Benefits in Kind 2024-25 £	Pension Benefits 2025-26 (to nearest £1000) £[a]	Pension Benefits 2024-25 (to nearest £1000) £	Total 2025-26 (to nearest £1000) £	Total 2024-25 (to nearest £1000) £
Eluned Morgan[b] First Minister	167,081	142,007	-	-	52,000	42,000	219,000	184,000
Huw Irranca-Davies[b] Cabinet Secretary, Deputy First Minister	119,343	112,588	-	-	37,000	34,000	156,000	147,000
Julie James[b] Counsel General and Minister	119,343	95,226	-	-	45,000	35,000	165,000	130,000
Jane Hutt[b,c] Trefnydd and Chief Whip, Cabinet Secretary	119,343	112,588	-	-	-	13,000	119,000	125,000
Mark Drakeford[b] Cabinet Secretary	119,343	73,243	-	-	45,000	28,000	164,000	101,000
Rebecca Evans Cabinet Secretary	119,343	112,588	-	-	46,000	37,000	166,000	149,000
Jeremy Miles[b] Cabinet Secretary	119,343	95,538	-	-	37,000	33,000	156,000	129,000
Lynne Neagle Cabinet Secretary	119,343	112,588	-	-	53,000	41,000	173,000	154,000
Jayne Bryant[b] Cabinet Secretary	119,343	107,640	-	-	37,000	32,000	156,000	140,000
Ken Skates Cabinet Secretary	119,343	112,588	-	-	43,000	36,000	163,000	148,000
Dawn Bowden Minister	101,443	95,701	-	-	31,000	29,000	133,000	125,000
Sarah Murphy[b] Minister	101,443	83,610	-	-	31,000	25,000	133,000	109,000
Jack Sargeant[b] Minister	101,443	67,402	-	-	31,000	22,000	133,000	89,000
Vikki Howells[b] Minister	101,443	53,167	-	-	31,000	18,000	133,000	71,000

a 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.

b These Members of the Senedd held different Ministerial offices in the previous financial year, and for durations which may not have been a full financial year.

c This Member is no longer building up pension from 14 December 2024.

A “Welsh Minister” is a person appointed under section 48 of the Government of Wales Act 2006. In the Cabinets which served in 2025-26 a “Welsh Minister” is referred to as a “Cabinet Secretary”. A “Deputy Welsh Minister” is a person appointed under section 50 of the Government of Wales Act 2006. In the Cabinet which served in 2025-26 “Deputy Welsh Minister” is referred to as a “Minister”.

‘Office holder’ salaries as Cabinet members are payable in respect of the post held, for the period the post is held.

The Full Time Equivalent salaries for 2025-26 are:	
First Minister	£167,081
Counsel General	£119,343
Welsh Minister/Cabinet Secretary	£119,343
Deputy Minister/Minister	£101,443

Pension details – Ministers

Ministers	Accrued pension as at 31/03/2026 £000	Accrued pension as at 31/03/2025 (Restated)[a] £000	Real increase in pension at age 65 at 31/03/2026 £000	CETV as at 31/03/2026 £000	CETV as at 31/03/2025 (Restated)[b] £000	Real increase in CETV at 31/03/2026 £000
Eluned Morgan First Minister	25-30	20-25	2.5-5	359	292	31
Huw Irranca-Davies Cabinet Secretary, Deputy First Minister	20-25	15-20	0-2.5	320	264	26
Julie James[b] Counsel General and Minister	35-40	30-35	2.5-5	641	589	35
Jane Hutt[b,c] Trefnydd and Chief Whip, Cabinet Secretary	85-90	80-85	-	1,071	1,077	-
Mark Drakeford Cabinet Secretary	45-50	40-45	2.5-5	730	685	30
Rebecca Evans[b] Cabinet Secretary	35-40	30-35	2.5-5	448	391	19
Jeremy Miles Cabinet Secretary	20-25	20-25	0-2.5	298	251	17
Lynne Neagle[b] Cabinet Secretary	50-55	45-50	2.5-5	844	747	35
Jayne Bryant Cabinet Secretary	20-25	15-20	0-2.5	201	166	12
Ken Skates[a,b] Cabinet Secretary	30-35	25-30	2.5-5	377	326	17
Dawn Bowden Minister	15-20	15-20	0-2.5	345	297	26
Sarah Murphy Minister	5-10	5-10	0-2.5	68	49	5
Jack Sargeant Minister	15-20	10-15	0-2.5	95	77	2
Vikki Howells Minister	15-20	15-20	0-2.5	192	159	11

a This Member's accrued pension at 31 March 2025 is restated due to the impact of the McCloud remedy.

b The amounts shown in the CETV at 31 March 2025 have been restated to reflect the impact of the McCloud remedy.

c This Member is no longer contributing to the pension scheme and so did not build up any additional pension this year.

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 continued to have their benefits calculated on a final salary basis for an additional five years until 5 May 2021.

In December 2018, the Court of Appeal ruled that the 'transitional protection' offered to some members of the judges' and firefighters' schemes, gave rise to unlawful discrimination. On 15 July 2019, the Chief Secretary to the Treasury made a written ministerial statement confirming that, as 'transitional protection' was offered to members of all the main public service pension schemes, the difference in treatment needed to be removed from all schemes for members with relevant service.

The Independent Remuneration Board of the Senedd is responsible for the rules of the Members Pension Scheme. Having considered the view of the Pension Board, the Board agreed that a remedy should be adopted to remove the discrimination in the rules of the Members Pension Scheme as a result of the transitional protection provisions they contained.

The Board consulted with the affected Members and the Senedd Commission on a proposed remedy, called the McCloud Remedy. Affected Members were offered an immediate choice to remain in the CARE Scheme or to return to the Final Salary section for the Remedy period 6 May 2016 – 6 May 2021. The decision that affected Members made under the McCloud remedy is reflected in the 2025-26 figures as this was the year the Members exercised their choice under the remedy.

From the start of the Sixth Senedd all members are in the Career Average Scheme.

An actuarial valuation was carried out as at 1 April 2023. Following completion of the valuation the employer contribution rate payable by the Senedd reduced from 19.9% to 18% of Members' aggregate salaries with effect from 1 April 2024. This reflected improvements in the scheme funding level and changes in market outlook. The Member contribution is 10.5% of salary. The next actuarial valuation is at 1 April 2026.

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. www.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. www.gov.wales/ministerial-code

Single total figure of remuneration

The Financial Reporting Manual (FReM) requires that all central Government Departments include a Single Total Figure of Remuneration along with a prior year comparative within the remuneration report. Total remuneration includes salary including allowances subject to UK taxation, bonus payments and benefits in kind plus the addition of a pension benefit figure. This report is based on accrued payments made by the Welsh Government and recorded in these accounts. Pension benefits have been calculated using the methodology used to derive pension values for tax purposes. As a result, the figures can be influenced by other factors such as an individual deciding to make additional contributions or valuation factors that impact the pension scheme as a whole. The amounts disclosed therefore in the Single Total Figure of Remuneration do not reflect pension contributions made for or pensions paid to an individual in any one year. This methodology applies to all government departments including NHS bodies.

Single total figure of remuneration – Senior Officials of the Welsh Government

Senior Officials	Salary[a] 2025-26 £000	Salary 2024-25 £000	Pension benefits[b] 2025-26 £000	Pension benefits 2024-25 £000	Total 2025-26 £000	Total 2024-25 £000
Andrew Goodall[c] Permanent Secretary	250-255	240-245	25-30	30-35	275-280	270-275
Judith Paget[d] Director General	220-225	225-230	80-85	80-85	305-310	305-310
Tracey Burke Director General	145-150	140-145	55-60	55-60	200-205	195-200
Andrew Slade Director General	145-150	140-145	50-55	90-95	195-200	230-235
Sioned Evans[e] Director General	140-145	130-135	75-80	150-155	220-225	285-290
Emma Williams[f] Director General	115-120	-	85-90	-	205-210	-
Jacqueline Totterdell[g] Director General	145-150	-	-	-	145-150	-
David Richards[h] Director of Propriety & Ethics	60-65	60-65	20-25	20-25	85-90	85-90
Nia James[i] Director of Legal Services	65-70	95-100	10-15	90-95	80-85	190-195
Dom Houlihan Director of HR	115-120	110-115	45-50	80-85	160-165	195-200
Dean Medcraft[j] Director of Finance	130-135	105-110	40-45	70-75	170-175	180-185
Rachel Garside-Jones[k] Director of Office of the First Minister & Delivery	110-115	5-10	75-80	5-10	190-195	15-20
Nicola Williams[l] Director of Legal Services	40-45	-	15-20	-	55-60	-
Nicola Edwards[m] Senior Equality, Diversity and Inclusion Lead	0-5	-	0-5	-	5-10	-
Aled Edwards[n] Non-Executive Director	10-15	10-15	-	-	10-15	10-15
Carys Williams[o] Non-Executive Director	10-15	10-15	-	-	10-15	10-15
Mike Usher[p] Non-Executive Director	10-15	10-15	-	-	10-15	10-15
Mutale Merrill[q] Non-Executive Director	0-5	10-15	-	-	0-5	10-15

a All Senior Officials on Welsh Government terms and conditions received a 3.25% pay award for 2025-26.

b The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) less (the contributions made by the individual). The real increase excludes increases due to inflation or any increase or decrease due to a transfer of pension rights. Typically, where there are negative values this is because the individual is a final salary scheme member (classic/classic plus/premium) who has transitioned to alpha. The final salary pension of a person in employment is calculated by reference to their pay and length of service. The pension will increase from one year to the next by virtue of any pay rise during the year. Where there is no or a small pay rise, the increase in pension due to extra service may not be sufficient to offset the inflation increase – that is, in real terms, the pension value can reduce, hence the negative values.

c Andrew Goodall is seconded from Aneurin Bevan University Health Board and consistent with the terms of that secondment arrangement has remained on the Terms and Conditions of the Health Board. His secondment to the Welsh Government commenced in his previous post as Director General HSSG and Chief Executive NHS Wales from 8 June 2014. On appointment as Permanent Secretary, consistent with advice from Cabinet Office who lead on all Permanent Secretary recruitment exercises, a new secondment agreement was put in place with the Health Board which was due to end on 31 October 2026. An extension has been agreed to 30 April 2027. Andrew Goodall ceased contributing into the NHS Pension arrangements on 31 December 2024 and opted back into his pension arrangements on 1 November 2025. Following Welsh Health Pay Circular 01/2026 for NHS Executives, Andrew Goodall received a 3.25% pay award for 2025-26.

d Judith Paget was appointed Director General, Health and Social Services on 1 June 2023 after an external competition, prior to which she was undertaking the role on a temporary basis. Judith Paget was seconded from Aneurin Bevan University Health Board and remained on the Terms and Conditions of the Health Board until she transferred to Welsh Government terms and conditions as an employee on 1 December 2023. She was appointed Director General Strategy on 30 September 2025. Potential retrospective pay award adjustments in the range of £5,000-£10,000 per annum for 2024-25 and 2025-26 are in discussion and subject to agreement with Judith Paget in financial year 2026-27 in relation to her transition to joining Welsh Government permanently from the NHS.

e Sioned Evans was appointed Chief Operating Officer, Corporate Services and Inspectorates from 31 March 2025 and her comparable Full Time Equivalent salary for 2024-25 was £135,000-140,000pa.

f Emma Williams was appointed Interim Director General Education, Culture and Welsh Language on 12 May 2025. Her comparable Full Time Equivalent salary is £130,000-£135,000pa. Due to participation in the Welsh Government all-staff Green Car Salary Sacrifice Scheme, for which monthly payments are made, total remuneration disclosed above includes a benefit in kind of £900 for 2025-26.

g Jacqueline Totterdell is seconded from St George's University Hospitals NHS Foundation Trust and consistent with the terms of that secondment arrangement has remained on the Terms and Conditions of the Health Board. Her secondment to the Welsh Government commenced on 1 October 2025 as Interim Director General Health, Social Care and Early Years and Chief Executive NHS Wales. The secondment period is due to end on 31 March 2027. Her comparable Full Time Equivalent salary is £295,000-£300,000pa. Jacqueline Totterdell does not opt into NHS Pension arrangements. A monthly expenses reimbursement is made to Jacqueline Totterdell of £750pcm for rental accommodation costs incurred in connection with her Secondment to Welsh Government.

h David Richards applied for and had approved partial retirement from 1 September 2021 from which date his salary and working hours have been reduced, his comparable Full Time Equivalent salary is £125,000-£130,000pa.

i Nia James was appointed as temporary Director of Legal services after an internal Temporary Promotion recruitment exercise from 1 January 2024. Her appointment to the Welsh Government Board ended on 30 November 2025. Her comparable Full Time Equivalent Salary is £100,000-£105,000pa. Due to participation in the Welsh Government all-staff Green Car Salary Sacrifice Scheme, for which monthly payments are made, total remuneration disclosed above includes a benefit in kind of £700 for 2025-26 and £600 for 2024-25.

j Dean Medcraft was appointed as Director of Finance on 1 June 2024. His comparable Full Time Equivalent salary for 2024-25 was £120,000-£125,000pa, with a Temporary Duties Allowance for two years equating to a Full Time Equivalent of £5,000-£10,000pa.

k Rachel Garside-Jones was appointed as Director – Office of the First Minister and Delivery on 7 March 2025. Her comparable Full Time Equivalent salary for 2024-25 was £110,000-£115,000pa.

l Nicola Williams was appointed as Director of Legal Services on 1 December 2025. Her comparable Full Time Equivalent salary is £120,000-£125,000pa.

m Nicola Edwards was appointed as Senior Equality, Diversity and Inclusion Lead on 13 March 2026. Her comparable Full Time Equivalent salary is £95,000 -£100,000pa.

n Aled Edwards' contract was extended in September 2024 until 31 July 2026.

o Carys Williams' contract was extended in March 2025 until 31 March 2027.

p Mike Usher's contract was extended in January 2026 until 31 January 2028.

q Mutale Merrill was appointed as Non-Executive Director to the Welsh Government Board on 1 April 2024. She stepped back from her role as a Non-Executive Director on 11 July 2025 and resigned on 2 December 2025.

Register of Interests

The Welsh Government Register of Interests for Senior Officials disclosing relevant interests is published on the Welsh Government Internet.
Senior officials: register of interests | GOV.WALES

The declaration of interests, identification of potential or actual conflicts of interest and the management of any such conflicts is undertaken in accordance with the Civil Service Code, the Welsh Government Declaration of Interests Policy, the contractual terms of Non-Executive Director appointments and the Board Terms of Reference[61]. Further information on the management of interests is set out in the Governance Statement on page 115.

61 Welsh Government Board terms of reference [HTML] – GOV.WALES

Pension details – Senior Officials of the Welsh Government

Senior Officials	Accrued Pension at pension age as at 31/03/2026 and related lump sum[a] £000	Real increase in pension and related lump sum at pension age £000	CETV at 31/03/2026 £000	CETV at 31/03/2025 (Restated)[b] £000	Real increase in CETV at 31/03/2026 £000
Andrew Goodall[c] Permanent Secretary	80-85 plus a lump sum of 205-210	0-2.5 plus a lump sum of 0-2.5	1,888	1,756	29
Judith Paget Director General	10-15	5-7.5	208	116	70
Tracey Burke Director General	60-65	2.5-5	1,163	1,069	46
Andrew Slade Director General	65-70 plus a lump sum of 155-160	2.5-5	1,461	1,345	34
Sioned Evans Director General	50-55 plus a lump sum of 115-120	2.5-5 plus a lump sum of 2.5-5	1,158	1,051	60
Emma Williams Director General	50-55	2.5-5	1,005	876	78
Jacqueline Totterdell[d] Director General	-	-	-	-	-
David Richards Director of Propriety & Ethics	5-10 plus a lump sum of 0-5	0-2.5	98	78	17
Nia James Director of Legal Services	50-55	0-2.5	969	922	4
Dom Houlihan Director of HR	30-35	2.5-5	436	391	24
Dean Medcraft Director of Finance	60-65	2.5-5	1,293	1,192	28
Rachel Garside-Jones Director of OFM & D	45-50	2.5-5	946	827	66
Nicola Williams Director of Legal Services	0-5	0-2.5	15	0	13
Nicola Edwards Senior Equality, Diversity and Inclusion Lead	30-35 plus a lump sum of 75-80	0-2.5	648	645	1

Certain disclosure required by Employer Pension Notice 727 has been omitted in accordance with Article 21 UK GDPR.

a For members who are in scope of the Public Service Pensions Remedy, the calculation of their benefits for the purpose of calculating their Cash Equivalent Transfer Value (CETV) and their single total figure of remuneration, as of 31 March 2025 and 31 March 2026, reflects the fact that membership between 1 April 2015 and 31 March 2022 has been rolled back into the Principal Civil Service Pension Scheme (PCSPS). How the public service pensions remedy affects your pension – GOV.UK (www.gov.uk).

b CETV figures are restated where the Civil Service Pension Scheme has made retrospective updates to data provided.

c Andrew Goodall ceased contributing into the NHS Pension Arrangements on 31 December 2024. He opted back into his pension arrangements on 1 November 2025.

d Jacqueline Totterdell does not opt into NHS Pension arrangements.

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 People and Remuneration Committee to ensure the UK Government's senior pay policy is applied and approve any awards and oversee the application of the SCS performance management framework. The People and Remuneration Committee consists of the Permanent Secretary, the Directors General, the non-executive Directors and the HR Director.

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 2025-26 were £1,600 (2024-25: £600).

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 excludes increases due to inflation and contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement). It uses common market valuation factors for the start and end of the period.

Pay multiples

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

The banded remuneration of the highest-paid Director in the Welsh Government in the financial year 2025-26 was £295,000 – £300,000 (2024-25: £240,000 – 245,000). This was 6.2 times (2024-25: 5.3) the median remuneration of the workforce, which was £47,675 (2024-25: £45,600). Based on the Permanent Secretary's banded remuneration the ratio is 5.3 times (2024-25: 5.3).

Total remuneration includes salary, non-consolidated performance-related pay and benefits in kind. It does not include severance payments employer pension contributions and the cash equivalent transfer value of pensions.

The relationship between the highest paid director remuneration and the lower, median and upper quartiles are shown below:

Year		25th Percentile	Median	75th Percentile
2025-26	Pay Ratio (:1)	8.5	6.2	4.9
	Quartile remuneration	34,997	47,675	61,098
2024-25	Pay Ratio (:1)	7.2	5.3	4.1
	Quartile remuneration	33,748	45,600	58,918

Reporting bodies are also now required to set out the percentage remuneration change from the previous financial year for the highest paid director; and the average percentage change from the previous financial year in respect of the employees of the entity taken as a whole.

	Remuneration percentage change – highest paid director	Remuneration average percentage change – employees as a whole
2025-26	22.68%	5.06%
2024-25	4.30%	6.34%

The required calculation for the highest paid director percentage compares the mid-point of the remuneration banding 2025-26 £295,000 – £300,000 (2024-25: £240,000 – £245,000), rather than the percentage change in actual salary. Using the mid-point of the band for calculation can distort the calculation compared to the actual award received. The remuneration average percentage change for employees as a whole (5.06%) is higher than the 3.7% pay award for 2025-26, this calculation includes seconded and temporary staff, the mix of which year to year can vary as well as the pay awards applicable to such individuals. The average percentage change for employees on Welsh Government payroll for 2025-26 is 4.49% (2024-25: 7.06%).

The rise in average staff salaries reflects the pay award made in 2025-26 and the gradual shift towards a more senior workforce, although this was less pronounced than in recent years. The number of staff at Team Support and Executive Officer grades reduced slightly, while the number of staff at all grades from Higher Executive Officer to Director General grew.

The significant change in the salary of the highest paid director is due to a new appointment, rather than pay growth of the previously highest paid director. As in 2024-25, some Senior Civil Service roles were advertised with salaries above the band minimum to attract candidates and several secondees have become permanent, affecting pay averages due to matching the salaries of their home organisation.

Further information on Pay Policy, decision-making and Senior Pay can be found in the Welsh Government Pay Policy Statement.

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 2025-26	Total 2024-25
Total	**107,931**	**4,698**	**14**	**112,643**	**111,333**
Of which:					
Welsh Government	5,538	137	14	5,689	5,646
LHBs and NHS Bodies	96,831	4,561	0	101,392	100,224
Subsidiaries	5,562	0	0	5,562	5,463
Of the Welsh Government total:					
Regulatory and delivery bodies	759	6	-	765	743
Tribunals	35	-	-	35	33

Gender Breakdown of Welsh Government staff (unaudited)

	Male	Female
Board members	47%	53%
Senior Civil Service	50%	50%
All Staff	39%	61%

Women make up more than 60% of our workforce. We are continuing to make progress in improving representation in Senior roles. In 2025-26, the proportion of women in the Senior Civil Service increased from 48% to 50%. At Board level, the proportion of women has increased from an even split in the previous year at 50:50 to 53%.

Our Workforce, Equality, Diversity and Inclusion Strategy 2021–2026 outlines clear targets and actions to address historical underrepresentation, as detailed in the ‘Fairness and Inclusion’ section from page 83.

Staff costs

Welsh Government	Permanently employed staff £m	Other Staff[a] £m	Year ended 31 March 2026 Total £m	Year ended 31 March 2025 Total £m
Salaries	305	18	323	299
Social Security Costs	43	-	43	34
Other Pension Costs	89	-	89	87
Total	**437**	**18**	**455**	**420**
Recoveries from secondments	(2)	-	(2)	(2)
Net staff costs	**435**	**18**	**453**	**418**

Consolidated	Permanently employed staff £m	Other Staff[a] £m	Year ended 31 March 2026 Total £m	Year ended 31 March 2025 Total £m
Salaries	5,464	393	5,857	5,586
Social Security Costs	688	34	722	551
Other Pension Costs	1,090	33	1,123	1,056
Total	**7,242**	**460**	**7,702**	**7,192**
Recoveries from secondments	(2)	-	(2)	(2)
Net staff costs	**7,240**	**460**	**7,700**	**7,190**

[a] Although stated in a different category in regards to staff numbers Special Advisers' salaries are included within the Other 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 Advisers costs were £1,439,621 (2024-25: £1,571,334) for the year, inclusive of pension and social security costs, these costs are included within the figures above.

There were 17 special advisers in post for all or part of the 2025-26 financial year, equating to 14 average full-time equivalents, as set out in the preceding staff numbers table.

The Welsh Government Register of Interests for Special Advisers disclosing relevant interests is published on the Welsh Government Internet.
Declarations of interests – GOV.WALES

The declaration of interests, identification of potential or actual conflicts of interest and the management of any such conflicts is undertaken in accordance with the Civil Service Code, the Welsh Government Declaration of Interests Policy and the contractual terms of Special Adviser appointments. Further information on the management of interests is set out in the Governance Statement on page 115.

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 71 staff whose FTE salary was above £100k as at 31 March 2026. Of these, 8 were part-timers whose actual earnings therefore fell below the £100k threshold, and 2 were full-time members of staff who started senior posts during the year, receiving a salary in-year of less than £100k. The target rate for Director level within the Welsh Government is £117,628. This is an increase of 3.25% from 2024-25. Most Welsh Government Senior Civil Servants had a 3.25% pay award in 2025-26 (point 1 for Directors and Deputy Directors had 2.04%/ 6.58% pay rise). Most Welsh Government staff below the Senior Civil Service had a 3.7% pay award in 2025-26.

Details of Local Health Board and NHS bodies off-payroll arrangements are contained in their accounts.

Pensions

Pension benefits are provided through the Civil Service pension arrangements. Before 1 April 2015, the only scheme was the PCSPS, which is divided into a few different sections – **classic, premium, and classic plus** provide benefits on a final salary basis, whilst **nuvos** provides benefits on a career average basis. 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. All newly appointed civil servants, and the majority of those already in service, joined the new scheme.

The PCSPS and **alpha** are unfunded statutory schemes. Employees and employers make contributions (employee contributions range between 4.6% and 8.05%, depending on salary).

The balance of the cost of benefits in payment is met by monies voted by Parliament each year. Pensions in payment are increased annually in line with the Pensions Increase legislation. Instead of the defined benefit arrangements, employees may opt for a defined contribution pension with an employer contribution, the **partnership** pension account.

In **alpha**, pension builds up at a rate of 2.32% of pensionable earnings each year, and the total amount accrued is adjusted annually in line with a rate set by HM Treasury. Members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004. All members who switched to **alpha** from the PCSPS had 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 accrued pensions shown in this report are the pension the member is entitled to receive when they reach normal pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over normal pension age. Normal 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 in this report show pension earned in PCSPS

or **alpha** – as appropriate. Where a member has benefits in both the PCSPS and alpha, the figures show the combined value of their benefits in the two schemes but note that the constituent parts of that pension may be payable from different ages.

When the Government introduced new public service pension schemes in 2015, there were transitional arrangements which treated existing scheme members differently based on their age. Older members of the PCSPS remained in that scheme, rather than moving to **alpha**. In 2018, the Court of Appeal found that the transitional arrangements in the public service pension schemes unlawfully discriminated against younger members.

As a result, steps are being taken to remedy those 2015 reforms, making the pension scheme provisions fair to all members. The Public Service Pensions Remedy[62] is made up of two parts. The first part closed the PCSPS on 31 March 2022, with all active members becoming members of **alpha** from 1 April 2022. The second part removes the age discrimination for the remedy period, between 1 April 2015 and 31 March 2022, by moving the membership of eligible members during this period back into the PCSPS on 1 October 2023. This is known as "rollback".

For members who are in scope of the Public Service Pensions Remedy, the calculation of their benefits for the purpose of calculating their Cash Equivalent Transfer Value and their single total figure of remuneration, as of 31 March 2025 and 31 March 2026, reflects the fact that membership between 1 April 2015 and 31 March 2022 has been rolled back into the PCSPS. Although members will in due course get an option to decide whether that period should count towards PCSPS or **alpha** benefits, the figures show the rolled back position i.e., PCSPS benefits for that period.

The **partnership** pension account is an occupational defined contribution pension arrangement which is part of the Legal & General Mastertrust. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member). 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).

Further details about the Civil Service pension arrangements can be found at the website www.civilservicepensionscheme.org.uk

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

The PCSPS and the 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 2024. Details can be found in the resource accounts of the Cabinet Office.

For 2025-26, employers' contributions of £82,541,729 were payable to the PCSPS/ **Alpha** (2024-25: £77,712,655) at a flat rate of 28.97% (2024-25: 28.97%) of pensionable earnings. 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 2025-26 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

62 www.gov.uk/government/collections/how-the-public-service-pension-remedy-affects-your-pension

Employees can opt to open a **partnership** pension account, an occupational defined contribution pension with an employer contribution. Employer's contributions of £320,612 (2024-25: £313,547) were paid to the appointed stakeholder pension provider. Employer contributions are age-related and range from 8 to 14.75% of pensionable earnings. Employers also match employee contributions up to 3% of earnings. In addition, employer contributions of £10,532, 0.5% (2024-25: £10,281, 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 (2024-25: £nil). Contributions prepaid at the date were £nil (2024-25: £nil).

Five (2024-25: Seven) individuals retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £31,808 (2024-25: £126,537).

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. Welsh Government liabilities in relation to this scheme are shown in note 13 to the accounts 'Other Liabilities'. Additional retirement benefits are granted in accordance with the Local Government (Compensation for Premature Retirement) Regulations 1982 and these benefits are provided on a pay-as-you-go basis. Details of Local Health Board and NHS bodies Pensions are contained in their accounts.

Reporting of Civil Service and other compensation schemes – exit packages

For 2025-26, 6 (2024-25: 96) employees have left or agreed to leave for voluntary exit or other reasons between 1 April 2025 and 31 March 2026. Compensation payments agreed are £176,972 (2024-25: £6,115,975).

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 2025-26	Total number of exit packages by cost band 2024-25
<£10,000	-	0	0	2
£10,000 – £25,000	-	2	2	10
£25,000 – £50,000	-	3	3	26
£50,000 – £100,000	-	1	1	55
£100,000 – £150,000	-	-	-	1
£150,000 – £200,000	-	-	-	1
£200,000+	-	-	-	1
Total number of exit packages by type	**-**	**6**	**6**	**96**
Total resource cost £	**-**	**-**	**176,972**	**6,115,975**

The Welsh Government undertook a Voluntary Exit Scheme (VES) in 2024-25. A total of 91 staff exited the organisation by 31 August 2024 with compensation payments totalling £5.973m.

The table above shows the total cost of exit packages agreed and accounted for in 2025-26 (2024-25 comparative figures are also given). Total exit costs paid during 2025-26 were £176,972 (2024-25: £6,115,975).

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)

	2025-26	2024-25	2023-24	2022-23	2021-22
Days Lost (short term) *Of which due to mental health*[a]	18,668 *5,043*	20,708 *4,670*	19,074 -	22,329 -	21,018 -
Days Lost (long term) *Of which due to mental health*[a]	24,014 *11,974*	25,649 *11,789*	23,110 -	21,408 -	20,109 -
Total Days Lost (12 month period) *Of which due to mental health*[a]	**42,682** *17,017*	**46,357** *16,459*	**42,184** -	**43,737** -	**41,127** -
Total staff years	5,600	5,610	5,679	5,435	5,390
Total staff employed in period (headcount)	6,350	6,046	6,339	6,245	6,160
Total staff employed in period with no absence (headcount)	3,615	3,194	3,486	3,001	3,259
% staff with no sick leave	57%	53%	55%	48%	53%
Average working days lost	7.7	8.3	7.4	8.0	7.6

[a] 2024-25 was the first year an additional disclosure for days lost due to mental health was included. There is no comparative data included for the years prior to 2024-25.

The average number of working days lost due to sickness absence in 2025-26 was 7.7 days, representing a reduction from 8.3 days in the previous year.

The causes of absence remained consistent with previous years, with mental health continuing to be the leading cause, accounting for 40% of absences. Despite an overall reduction in days lost compared to the previous year, respiratory illnesses and musculoskeletal issues remained the second and third most common causes of absence, in line with trends across the wider UK Civil Service.

There has been a slight increase in mental health related absence since the previous year, with a larger increase for short term mental health related absence.

We saw 1,119 referrals and reviews completed by our Occupational Health provider during the year ended 31 March 2026. A proportion of these related to mental health concerns, with 272 linked to home related factors and 175 to work related factors.

We continue to focus on safeguarding our staff's health, safety and wellbeing. Key support services available to staff include the Employee Assistance Programme (EAP), offering confidential counselling and advice, a 24/7 helpline providing immediate support, peer support through the Mental Health Allies network. There is also a route to obtain structured clinical advice via Occupational Health, with whom we continue to work proactively on the range of adjustments and therapies to assist staff.

Our occupational health providers are able to recommend a wide variety of adjustments and therapies to assist staff, to include provision of counselling and CBT sessions. There is also a 24/7 helpline available to all staff and support from peers through our Mental Health Allies.

We continue to focus on safeguarding our staff's health, safety and wellbeing. The Health Safety and Well-being Board meets regularly to discuss trends and interventions, as well as deep dive sessions into highlighted issues, such as the process for managing mental health absence and range of interventions available.

Staff Turnover

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 2025-26 is 3.04% (2024-25: 5.46%) 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 2025-26 Net expenditure £m	Outturn 2025-26 Net expenditure £m	Outturn compared with Budget Variance £m
Health and Social Care	13,892	13,640	252
Housing and Local Government	6,793	6,742	51
Education	6,522	6,061	461
Transport	1,861	1,737	124
Climate Change and Rural Affairs	958	849	109
Economy, Energy and Planning	823	741	82
Social Justice	166	161	5
Central Services and Administration	455	444	11
Electoral Commission	3	3	0
Total Resource & Capital requirements	**31,473**	**30,378**	**1,095**
Income	**1,569**	**1,260**	**309**
Gross expenditure	**33,042**	**31,638**	**1,404**

Of the total £1,095m (3%) resource underspend for 2025-26, 82% (£895m) relates to underspends for Non-Fiscal Resource DEL and Annually Managed Expenditure (AME) principally in relation to valuations of financial assets and liabilities linked to market indices such as the Welsh Risk Pool and other NHS provision liabilities, Help-to-Buy Wales assets, and the Student Loans portfolio; along with Strategic Road Network depreciation and valuation of additions to the network.

The Summary of Resource Outturn sets out the Welsh Government outturn against the control totals approved in the Second Supplementary Budget motion of 2025-26 'Summary of Resource and Capital Requirements'. As noted on page 7 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 Welsh Ministers to the Senedd Finance Committee and published on the Welsh Government website: Government finance – Sub-topic – GOV.WALES.

Electoral Commission Ambit: The Senedd and Elections (Wales) Act 2020 (SEWA) provides for the Electoral Commission to be funded from the Welsh Consolidated Fund for activities in relation to devolved elections in Wales. Section 129 of the Government of Wales Act 2006 sets out the law in relation to drawing payments out of the Welsh Consolidated Fund. Subsection 129(4) does not include the Electoral Commission as a payee body. Therefore, one of the bodies listed in subsection 129(4) must be administratively responsible for paying the Electoral Commission from the funds it receives from the Welsh Consolidated Fund. As Welsh Ministers agreed that the Welsh Government would do so, the budget is voted to the Welsh Ministers but ring-fenced for the Electoral Commission.

Explanation of Variances

Explanations below have been focussed on areas of significant variance, rather than all variances identified, a threshold of £5 million has been applied.

Health & Social Care – Underspend of £252m (1.8%)

The underspend includes a Revenue DEL underspend of £67m, a Capital DEL underspend of £8m, a Non-Fiscal Resource DEL underspend of £5m and an AME underspend of £172m.

The Revenue DEL underspend of £67m is a net position made up of a range of underspends across many areas, offset by budget deficits in others. The outturn position of the NHS for 2025-26 is included in this position and was a combined revenue overspend of £199m with six of the seven Health Boards being in deficit. Following an in-year budget reprioritisation exercise across the MEG and additional funding allocated, those NHS deficits were able to be managed within the overall MEG position. The outturn against Delivery of Core NHS budgets was a £49m underspend. This was predominantly as a result of additional funding being allocated to the MEG in the second supplementary budget, in order to cover the upper level of the risk forecasts of NHS organisations. After it became evident that not all of this funding would be required, it was agreed that the MEG would hold the allocated funding as a general contingency.

Revenue DEL underspends outside of Delivery of Core NHS budgets comprised sundry small underspends across a range of activities.

The Capital DEL underspend of £8m relates mostly to a digital scheme that was not progressed, and construction schemes that required lower than planned resource requirements.

The AME underspend of £172m was predominantly made up of the following underspends: £136m on impairment due to project slippage and an overestimation of year-end impairment valuations for projects moving from assets under construction to assets in use in year; £22m related to an underspend on NHS provisions, resulting from the slower than expected transfer of claims in the Welsh Risk Pool from contingent liabilities to provisions and lower than forecast AME provision charges for other NHS provisions; a greater than expected utilisation on the capital provisions of £7m; and a range of other small movements.

Housing and Local Government – Underspend of £51m (0.8%)

The underspend includes a Revenue DEL underspend of £7m, a Capital DEL underspend of £11m, a Capital FT underspend of £28m, an overspend of £1m against Non-Fiscal Resource DEL and an AME underspend of £6m.

The Revenue DEL underspend of £7m reflects a combination of underspends and pressures across the portfolio. The principal underspend relates to Non-Domestic Rates Relief, reflecting lower-than-forecast demand for the Retail, Leisure and Hospitality Rates Relief Scheme. This was partially offset by a £5m pressure on the Land Release Fund arising from an accounting provision relating to the loan portfolio, alongside changes in wider in-year delivery requirements.

The Capital DEL underspend of £11m is primarily due to a £27m underspend against the Social Housing Grant, arising from the repayment of the Registered Social Landlord loan. Further slippage and revised delivery profile underspends include £10m within the Health and Housing budget relating to the Housing with Care Fund, £8m against the Building Safety budget and a range of other small underspends. These capital underspends were partially offset by a £41m planned overspend against Local Government General Capital Funding, reflecting additional allocations made to Local Authorities to support pressures from construction inflation.

The Capital FT underspend of £28m principally relates to the Market Housing and Other Schemes of £72m arising from the early redemption of Help to Buy Wales loans. This has been partly offset through agreed repurposing to the Land for Housing Scheme of £11m, Registered Social Landlord Development loans of £23m, and an extension to the repayment profile of Tirion housing loans £10m.

The AME underspend of £6m primarily relates to the Help to Buy Wales scheme. Fair value gains for the equity loan portfolio are forecast for the financial year; however, variances in the split between realised gains from disposals (DEL) and unrealised gains from market changes (AME) on that portfolio, when valued at the financial year-end, generated variances to the AME forecast.

Education – Underspend of £461m (7.1%)

The underspend includes trivial Revenue DEL and Capital FT underspends amounting to £1m, a Capital DEL overspend of £14m, a Non-Fiscal Resource DEL underspend of £108m and an AME underspend of £366m.

The £14m Capital DEL overspend arose from agreed additional capital investment in the Sustainable Communities for Learning programme. This enabled increased expenditure on priority projects across the education estate, supporting improvements to schools, further education colleges and related educational infrastructure.

The majority of the £108m Non-Fiscal Resource DEL underspend relates to student loans, the valuation of which is highly sensitive to changes in economic assumptions. The underspend arose primarily from updated year-end estimates generated through the Student Finance Modelling Pipeline (previously StEP), which resulted in lower-than-anticipated stock and Resource Accounting and Budgeting (RAB) charges. Consequently, the overall cost of the student loan portfolio was lower than forecast at the start of the year.

The AME underspend of £366m comprises underspends of £121m in Resource AME and £245m in Capital AME and reflects the final year-end return from the Student Loans Company. The underspend was primarily driven by lower than anticipated student loan costs, including a reduction in the level of interest accrued on student loans compared with forecasts made earlier in the year. These movements were largely attributable to changes in economic assumptions and wider interest rate trends, which have a significant impact on the valuation of the student loan portfolio.

Transport – Underspend of £124m (6.7%)

The underspend includes a Revenue DEL overspend of £9m, a Capital DEL overspend of £2m, a Capital FT underspend of £1m, a Non-Fiscal Resource DEL overspend of £1m and an AME underspend of £135m.

The Revenue DEL overspend of £9m includes an £8m overspend in contractual payments on the Strategic Road Network due to higher than originally budgeted payments. Additionally, an overspend was incurred in Rail Service Support of £6m of which £2m was due to underperforming passenger revenues and the remainder being variances in lease costs recorded between Transport for Wales and Welsh Government. These overspends were partially offset by underspends in Strategic Infrastructure Development, due to unexpected interest receipts of £4m.

The AME underspend of £135m relates to impairments of road schemes brought into use in the year. The variance relates to the volatility of the impairment charge which is dependent on the outcome of the annual valuation.

Climate Change and Rural Affairs – Underspend of £109m (11.4%)

The underspend includes a Revenue DEL underspend of £34m, a Capital DEL underspend of £43m, a Capital FT overspend of £27m, a Non-Fiscal Resource DEL underspend of £54m, and an AME underspend of £5m.

The £34m Revenue DEL underspend arises from in year savings driven by demand led activities, and resourcing gaps across the portfolio. The most significant variances were an underspend of £15m within Agriculture, Food and Fisheries, reflecting lower demand for Rural Investment Schemes and related agricultural programmes, an underspend of £11m across Environment programmes,

and further underspends across a range of activities below £5m. These were partially offset by emerging in-year pressures, including £9m of TB compensation and associated animal disease management costs, and additional support for National Park Authorities.

The Capital DEL underspend of £43m primarily reflects: a planned £11m underspend within Climate Change decarbonisation programmes, reduced uptake of demand-led Rural Investment Schemes of £14m; underspends within Resource Efficiency and Circular Economy programmes of £10m arising from project slippage, delivery partner delays and procurement issues; and profile adjustments relating to Coal Tip Safety grants delivered by third parties of £9m. Smaller underspends across a range of activities, each below £5m, were offset by higher expenditure on National Park grants, flood defence activities and the expansion of the Nature Networks programme. Of the £43m underspend, £27m was a planned underspend agreed as part of Welsh Government FT capital budget management arrangements to facilitate the FT capital overspend reported below.

The Capital FT overspend of £27m is mainly due to approval of additional Digarbon Decarbonisation loans funded by a corresponding General Capital underspend within the MEG.

The underspend on Non-Fiscal Resource DEL of £54m represents under-utilisation of additional funding provided to the MEG to fund an asset impairment.

Economy Energy and Planning – Underspend of £82m (10%)

The underspend includes a Revenue DEL underspend of £47m, a Capital DEL underspend of £14m, a Capital FT overspend of £18m and an AME underspend of £39m.

The Revenue DEL underspend of £47m primarily related to an underspend within the Development Bank of Wales of £33m, arising from receipts generated. A further underspend was reported within the Employability and Young Person Guarantee programmes of £14m, reflecting lower demand, programme slippage and provision releases across a number of schemes, including Jobs Growth Wales+, Trailblazers and the Flexible Skills Programme. There were also a range of other small movements.

These underspends were partially offset by pressures within the Public Sector Broadband Aggregation programme of £8m, driven by increased network infrastructure, resilience and bandwidth costs.

The Capital DEL underspend of £14m mainly related to an underspend within Property Infrastructure of £5m, reflecting the capital element of an exceptional property receipt and lower than anticipated expenditure on the St Athan Infrastructure project; Business Innovation of £7m, due to the slippage of pipeline projects into 2026-27; Tech Valleys of £6m reflecting projects delays and slippage on a number of programmes; and a range of other small movements. These underspends were partially offset by a capital overspend pressure within the Development Bank of Wales of £10m, arising from variances in actual net investment activity.

The Capital FT overspend of £18m related primarily to an overspend for the Development Bank of Wales of £15m.

The AME underspend of £39m mainly reflected an additional allocation provided to ICT Operations of £10m for anticipated impairment charges which did not subsequently materialise, together with lower than anticipated property impairments of £15m. A further underspend arose from a net pension valuation credit within Careers Wales resulting in an underspend of £20m. Careers Wales participates in eight separate Welsh local government pension schemes, reflecting its Local Authority origins, and valuation movements can therefore be particularly volatile from year to year.

Additional underspends of £11m were reported by the Development Bank of Wales as a result of valuation gains on financial assets, alongside £5m relating to the non-utilisation of bad debt provisions across the portfolio. These underspends were partially offset by an overspend relating to Cardiff International Airport of £22m, following the impairment to £nil of the Welsh Government's equity investment in Cardiff International Airport Limited, held through WGC Holdco Limited, and a further £7m arising from other investment revaluations and provisions.

Central Services & Administration – Underspend of £11m (2.4%)

The underspend includes a Revenue DEL underspend of £1m, a Non-Fiscal Resource DEL underspend of £3m, a Capital DEL underspend of £2m and an AME underspend of £5m.

The Annually Managed Expenditure in the MEG includes valuation changes in pension liabilities subject to complex annual actuarial valuation that can be volatile. The AME underspend of £5m arises from differences between forecast and detailed actuarial pension scheme valuations which are provided after the financial year-end to inform the statutory accounts and final outturn.

Income – £309m under budget

The ambit income underspend primarily relates to student loans, the portfolio valuation of which is significantly impacted by economic factors. A variance of £216m is reported against Student Loans Effective Interest in 2025-26. The interest rate charged is normally the Retail Price Index plus up to 3%, depending on a student's circumstances and income. However, during some periods an interest cap is applied to ensure students are not being charged a higher interest rate than the average found in the commercial market. The variance arises as it is necessary to estimate the impact of changes in the RPI during the financial year for budgeting and forecasting, however the amount of interest being added to student loans at the end of the financial year was lower than anticipated when budgets and forecasts were set earlier in the year.

The Transport MEG reported an underspend against income of £53m. The underspend primarily reflects the reprofiling of an anticipated loan repayment to allow sufficient time for the associated accounting, budgeting and affordability implications to be fully considered before repayments commence. This was partially offset by additional loan funding and interest income.

A further £24m was reported by the Economy, Energy and Planning MEG relating to property income receipts that were lower than originally forecast.

Remaining income ambit variances relate principally to trivial variances on loan repayments and interest income.

Glossary of budget terminology

Departmental Expenditure Limit (DEL): The multi-year budget limit for the Welsh Government set by HM Treasury in Spending Reviews. The DEL is split into classifications including those below.

Fiscal Resource DEL (Revenue): The Fiscal Resource DEL budget scores most of the Welsh Government's current expenditure and includes staff costs, grants and other expenses.

Non-Fiscal Resource DEL: The Non-Fiscal Resource DEL budget scores the Welsh Government's current expenditure in respect of certain impairments and depreciation. These budgets are ring-fenced and cannot be used to fund Fiscal Resource DEL spending.

Capital DEL: Capital budgets cover expenditure that in the main results in a physical asset either on the Welsh Government's balance sheet or that of a third party.

Capital Financial Transactions DEL (Capital FT): Financial Transactions are defined in national accounts as transactions in financial assets and financial liabilities, such as lending or equity transactions. Consequently, financial transactions with bodies outside the budgeting boundary of the Welsh Government scores to the Capital DEL budget to reflect this impact to public sector net debt. Repayments of financial transactions generally result in a subsequent future repayment to HM Treasury.

Annually Managed Expenditure (AME): These budgets cover expenditure which cannot reasonably be subject to firm, multi-year limits in the same way as DEL and are, therefore, reviewed twice a year as part of the HM Treasury's Budget and Pre-Budget Report processes. AME typically consists of programmes which are large, volatile and/or demand-led.

Notes

Funding drawn from the Welsh Consolidated Fund	Outturn 2025-26 £m	Outturn 2024-25 £m
Authorised for issue from Welsh Consolidated Fund	27,153	25,297
Funding drawn down	26,460	24,500
Undrawn funding	**693**	**797**

This note shows the 'Funding drawn down' being the amount drawn in cash from the Welsh Consolidated Fund in year, and any amounts carried forward drawn from the Welsh Consolidated Fund and unused from the prior year 'deemed drawn', against the control total voted in the budget for amounts authorised for payment to the Welsh Government out of the Welsh Consolidated Fund under section 125(1)(c) of the Government of Wales Act 2006.

Reconciliation of Outturn and CSoCNE	Outturn 2025-26 £m	Outturn 2024-25 £m
Net Resource Outturn	**30,378**	**26,614**
Less: Capital & loans adjustments	(2,461)	(2,877)
Non-cash excess income adjustment	-	-
Other adjustments	34	39
Expenditure per the CSoCNE	**27,951**	**23,776**

This reconciliation explains the difference between the budgetary outturn in the Summary of Resource Outturn and the financial statement's Consolidated Statement of Comprehensive Net Expenditure (CSoCNE), linking the Resource Outturn to the financial statements.

The Summary of Resource Outturn is compiled against the budgeting framework – which is similar to, but different from International Financial Reporting Standards (IFRS) as applied by the HM Treasury Financial Reporting Manual (FReM) which sets out how the CSoCNE has to be prepared.

The 'Capital & Loans' adjustments remove from the Resource Outturn capital resource relating to transactions reported in the Statement of Financial Position that do not pass through the CSoCNE.

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

Reconciliation of resources to cash requirement	Budget 2025-26 £m	Outturn 2025-26 £m	Outturn compared with Budget £m	Outturn 2024-25 £m
Net resource outturn	**31,473**	**30,378**	**1,095**	**26,614**
Less: Bodies designated under s126A of GOWA – Resource only transactions	-	(416)	416	(742)
Less: Non-Cash Transactions				
Depreciation	(805)	(220)	(585)	(346)
Impairments and fair value adjustments	(3,780)	(2,583)	(1,197)	(62)
Non-cash movements in provisions	(267)	(207)	(60)	(81)
Less: Movements in working balances	-	(33)	33	(219)
Less: Non-cash excess income adjustment	-	-	-	-
Other	531	(492)	1,023	(745)
Net cash requirement	**27,152**	**26,427**	**725**	**24,419**

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 and the net cash requirement. The net cash requirement is the amount drawn as funding from the Welsh Consolidated Fund in year (shown in the Funding drawn from the Welsh Consolidated Fund note), less any amounts drawn at the end of the financial year not used.

The adjustment for 'Bodies designated under s126A of GOWA – Resource only transactions' removes from the Resource Outturn the difference between the resource outturn for designated Welsh Government group bodies, and the cash provided to them from the Welsh Consolidated Fund via the Welsh Government.

The 'Non-cash' and 'Movement in Working balances' adjustments relate to the adjustments in the Welsh Government Statement of Cash Flows where transactions are charged to resource but are not incurred in cash.

The 'Other' adjustments for 2025-26 are mainly the difference between Welsh Government capital transactions in the Resource Outturn, and the cash flows relating to them.

Dr Andrew Goodall CBE
Permanent Secretary
and Principal Accounting Officer
26 November 2026

The Certificate and report of the Auditor General for Wales to the Senedd

Qualified opinion on the financial statements

I certify that I have audited the financial statements of the Welsh Government and Group for the year ended 31 March 2026 under the Government of Wales Act 2006.

The financial statements comprise the Summary of Resource Outturn; for each of the Welsh Government and the Group: the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cashflows, the Statement of Changes in Taxpayers' Equity; and related notes, including the material accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards as interpreted and adapted by HM Treasury's Financial Reporting Manual.

In my opinion, except for the possible effects of the matter disclosed in the Basis for qualified opinion paragraph, in all material respects, the financial statements:

- give a true and fair view of the state of the Welsh Government and the Group's affairs as at 31 March 2026 and of their net cash requirement, net resource outturn and net operating cost, for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards as interpreted and adapted by HM Treasury's Financial Reporting Manual; and
- have been properly prepared in accordance with HM Treasury directions issued under the Government of Wales Act 2006.

Basis for qualified opinion

Last year I qualified my opinion on the student loan asset estimated fair value of £8.9bn on the Statement of Financial Position as at 31 March 2025 due to significant uncertainty regarding the reasonableness of the fair value estimate and the related gain or loss on fair value recognised in the Statement of Comprehensive Net Expenditure in 2024-25.

Although I have been able to obtain sufficient appropriate audit evidence to support this year's closing fair value estimate, the uncertainty over the opening balance remains and as a consequence it follows that there is significant uncertainty regarding the reasonableness of the related loss on fair value in 2025-26 recognised in the Statement of Comprehensive Net Expenditure. I have been unable to determine whether any adjustments to these amounts were necessary.

Opinion on regularity

In my opinion, in all material respects:

- the Summary of Resource Outturn properly presents the outturn against the sums authorised by the Senedd for the year ended 31 March 2026 and shows that those totals have not been exceeded; and
- the income and expenditure recorded in the financial statements have been applied to the purposes intended by the Senedd and the financial transactions recorded in the financial statements conform to the authorities which govern them.

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 and regularity of public sector bodies in the United Kingdom'. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my certificate.

My staff and I are 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.

The going concern basis of accounting for the Welsh Government and the Group is adopted in consideration of the requirements set out in HM Treasury's Government Financial Reporting Manual, which require entities to adopt the going concern basis of accounting in the preparation of the financial statements where it anticipated that the services which they provide will continue into the future.

Other information

The other information comprises the information included in the Welsh Government Consolidated Accounts other than the financial statements, the Remuneration and Staff Report, and my auditor's report thereon. 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.

I have nothing to report in this regard.

Opinion on other matters

In my opinion, the part of the Remuneration and Staff Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government of Wales Act 2006.

In my opinion, based on the work undertaken in the course of my audit:

- the parts of the Accountability Report subject to audit have been properly prepared in accordance with HM Treasury directions made under the Government of Wales Act 2006; and
- the information given in the Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements and is in accordance with the applicable legal requirements.

Matters on which I report by exception

In the light of the knowledge and understanding of the body and its environment obtained in the course of the audit, I have not identified material misstatements in the Performance Report and the Accountability report.

In respect solely of the limitations in receiving sufficient appropriate evidence, as described in Basis for qualified opinion section above:

- I have not received all of the information and explanations I require for my audit.

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept by the parent or returns adequate for my audit have not been received from branches not visited by my staff;
- the financial statements and the audited part of the Remuneration and Staff Report are not in agreement with the accounting records and returns;
- information specified by HM Treasury regarding remuneration and other transactions is not disclosed;
- certain disclosures of remuneration specified by HM Treasury's Government Financial Reporting Manual are not made or parts of the Remuneration and Staff Report to be audited are not in agreement with the accounting records and returns; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

I am reporting by exception that one senior officer did not provide consent regarding disclosure of information specified by HM Treasury regarding remuneration and other transactions. Welsh Government accepted the senior official's requests and consequently the Remuneration and Staff Report does not include this information.

Responsibilities of the Principal Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Principal Accounting Officer is responsible for:

- maintaining proper accounting records;
- the preparation of the Welsh Government Consolidated Accounts 2025-26 in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- ensuring that the Welsh Government Consolidated Accounts 2025-26 as a whole are fair, balanced and understandable;
- ensuring the regularity of financial transactions;

- internal controls as the Principal Accounting Officer determines is necessary to enable the preparation of financial statements free from material misstatement, whether due to fraud or error;
- assessing the Welsh Government and Groups' ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Principal Accounting Officer anticipates that the services provided by the Welsh Government and the Group will not continue to be provided in the future.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Government of Wales Act 2006.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue 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, the Head of Internal Audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the Welsh Government and Groups' policies and procedures 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 the risk for fraud in respect of management override of controls, which is considered a significant risk in all audited bodies; and expenditure recognition.
- Obtaining an understanding of the Welsh Government and Group's framework of authority as well as other legal and regulatory frameworks that the Welsh Government and Group operate in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the Welsh Government and Group.
- Obtaining an understanding of related party relationships.

In addition to the above, my procedures to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management, the Principal Accounting Officer (as those charged with Governance) about actual and potential litigation and claims;
- reading minutes of meetings of the Board and other relevant committees;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

I also communicated relevant identified laws and regulations and potential fraud risks to all audit team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the Welsh Government and Group's controls, and the nature, timing and extent of the audit procedures performed.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my auditor's report.

Other auditor's responsibilities

I am required to obtain evidence sufficient to give reasonable assurance that the Summary of Resource Outturn properly presents the outturn against the sums authorised by the Senedd for the year ended 31 March 2026 and shows that those totals have not been exceeded.

I am also required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by the Senedd and the financial transactions recorded in the financial statements conform to the authorities which govern them.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Please see my report on pages 171 to 172.

Catherine Mealing-Jones
Auditor General for Wales
27 November 2026

1 Capital Quarter
Tyndall Street
Cardiff
CF10 4BZ

The maintenance and integrity of Welsh Government's website is the responsibility of the Principal Accounting Officer; 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.

Report of the Auditor General to the Senedd

Introduction

Under the Government of Wales Act 2006, I am responsible for auditing, certifying and reporting on Welsh Government and Group's financial statements.

In this report on the Welsh Government and Group's 2025-26 financial statements, I set out the reasons and context for my qualified true and fair opinion regarding the student loan asset.

Qualification of my true and fair opinion regarding the student loan asset

The student loan asset is an estimate of the value of student loans which are expected to be repaid and is calculated using a complex modelling process. Up to and including 2024-25, the Welsh Government adapted modelling files provided some years earlier by England's Department for Education (DfE) to produce its estimate, while DfE had, in recent years, moved to a newer statistical modelling technique using more up-to-date data. I had previously reported my concerns around the continued use of an ageing model to the Welsh Government Audit and Risk Assurance Committee in my 2022-23 and 2023-24 Audit of Accounts Reports.

In 2024-25, I qualified my opinion on the estimated student loan asset fair value of £8.9bn on the Statement of Financial Position as at 31 March 2025 due to significant uncertainty regarding the reasonableness of the fair value estimate and the related gain or loss on fair value recognised in the Statement of Comprehensive Net Expenditure in 2024-25.

Although I have been able to obtain sufficient appropriate audit evidence to support this year's closing fair value estimate, the uncertainty over the opening balance remains. Consequently, there is significant uncertainty over the reasonableness of the related fair value loss recognised in the Statement of Comprehensive Net Expenditure for 2025-26.

I have been unable to determine whether any adjustments to these amounts were necessary and as a result I have qualified my true and fair opinion on the loss charged to the comprehensive net expenditure statement in year.

Wider considerations

It is pleasing, however, that the Welsh Government has adopted the new model. This was done as soon as a robust and tested model became available to Wales in 2025-26, and I note the significant effort that has gone into delivering this complex model with limited resources. A robust estimate is essential not only for financial reporting, but also for value for money and policy considerations.

I indicated in my report last year that the new model would be likely to produce a substantial downward revision of the student loan asset. This has been the case with the closing value some £1.8bn less than the opening value.

This could have implications for future student finance policy. HM Treasury has fully funded the student loans schemes on the basis that costs are broadly comparable across the four nations.

Catherine Mealing-Jones
Auditor General for Wales
27 November 2026

Financial Statements

Consolidated Statement of Comprehensive Net Expenditure for the year ended 31 March 2026

	Note	Year ended 31 March 2026		Year ended 31 March 2025	
		WG Core £m	WG Group £m	WG Core £m	WG Group £m
Income from sale of goods and services	2	(67)	(379)	(71)	(389)
Other operating income	2	(328)	(762)	(214)	(619)
Total operating income		**(395)**	**(1,141)**	**(285)**	**(1,008)**
Staff costs	3	453	7,684	418	7,175
Expenditure	3	27,800	20,882	23,555	17,312
Provision expense	3	444	526	278	297
Total operating expenditure		**28,697**	**29,092**	**24,251**	**24,784**
Net expenditure for the year		**28,302**	**27,951**	**23,966**	**23,776**
Other comprehensive net expenditure: Items which will not be reclassified to net operating expenditure:					
Net (gain)/loss on revaluation of property, plant, equipment and investments		(561)	(1,159)	884	892
Actuarial (gain)/loss on pension scheme liabilities and other reserve movements		(8)	(9)	(2)	(31)
Comprehensive net expenditure for the year		**27,733**	**26,783**	**24,848**	**24,637**

The Notes on page 179 to 225 form part of these accounts.

Consolidated Statement of Financial Position at 31 March 2026

	Note	At 31 March 2026		At 31 March 2025	
		WG Core £m	WG Group £m	WG Core £m	WG Group £m
Non-current assets:					
Property, plant and equipment	4	22,522	31,755	22,155	30,381
Intangible assets	5	54	141	50	131
Financial assets	6	9,851	8,173	11,470	9,875
Trade and other receivables	8	10	259	11	278
Right-of-use assets	15	36	745	39	745
Total non-current assets		**32,473**	**41,073**	**33,725**	**41,410**
Current assets:					
Assets classified as held for sale		-	1	-	2
Financial assets	6	386	386	393	393
Inventories	7	243	379	247	379
Trade and other receivables	8	358	828	382	810
Cash and cash equivalents	9	52	1,537	111	1,444
Total current assets		**1,039**	**3,131**	**1,133**	**3,028**
Total assets		**33,512**	**44,204**	**34,858**	**44,438**
Current liabilities:					
Trade and other payables	10	(1,851)	(3,331)	(1,898)	(3,285)
Provisions	11	(453)	(531)	(380)	(450)

Consolidated Statement of Financial Position at 31 March 2026 (continued)

	Note	At 31 March 2026		At 31 March 2025	
		WG Core £m	WG Group £m	WG Core £m	WG Group £m
Other liabilities	13	-	-	-	-
Total current liabilities		**(2,304)**	**(3,862)**	**(2,278)**	**(3,735)**
Total assets less current liabilities		**31,208**	**40,342**	**32,580**	**40,703**
Non-current liabilities:					
Trade and other payables	10	(623)	(1,486)	(628)	(1,402)
Provisions	11	(1,617)	(1,666)	(1,483)	(1,539)
Other liabilities	13	(14)	(14)	(27)	(26)
Total non-current liabilities		**(2,254)**	**(3,166)**	**(2,138)**	**(2,967)**
Total assets less total liabilities		**28,954**	**37,176**	**30,442**	**37,736**
Taxpayers' equity & other reserves					
General fund		14,878	20,352	17,219	22,274
Revaluation reserve		14,076	16,824	13,223	15,462
Total equity		**28,954**	**37,176**	**30,442**	**37,736**

The Notes on page 179 to 225 form part of these accounts.

Dr Andrew Goodall CBE
Permanent Secretary and Principal Accounting Officer
26 November 2026

Consolidated Statement of Cash Flows for the year ended 31 March 2026

	Note	Year ended 31 March 2026		Year ended 31 March 2025	
		WG Core £m	WG Group £m	WG Core £m	WG Group £m
Cash flows from operating activities:					
Net operating expenditure		(28,302)	(27,951)	(23,966)	(23,776)
Provisions used	11	(237)	(322)	(197)	(203)
Adjustments for non cash transactions		3,187	3,772	712	1,366
Movements in working capital other than cash	14	33	86	219	173
Other		-	-	3	16
Net cash (outflow) from operating activities		**(25,319)**	**(24,415)**	**(23,229)**	**(22,424)**
Cash flows from investing activities:					
Purchase of property, plant and equipment		(245)	(1,054)	(335)	(1,099)
Purchase of property, plant and equipment – adjustments for non cash additions in respect of on-balance sheet PFI and other service concession arrangements		14	133	93	167
Purchase of intangible assets		(19)	(42)	(28)	(51)
Proceeds from disposal of property, plant and equipment		1	4	3	5
Proceeds from disposal of development assets		115	115	6	6
Purchase of development assets		(25)	(25)	(32)	(32)
Issue of loans and investments		(1,216)	(1,187)	(1,229)	(1,206)
Repayment of loans		346	391	337	341
Net cash (outflow) from investing activities		**(1,029)**	**(1,665)**	**(1,185)**	**(1,869)**

Consolidated Statement of Cash Flows for the year ended 31 March 2026 (continued)

	Note	Year ended 31 March 2026		Year ended 31 March 2025	
		WG Core £m	WG Group £m	WG Core £m	WG Group £m
Cash flows from financing activities:					
From Welsh Consolidated Fund – drawn in year		26,460	26,460	24,500	24,500
Welsh Consolidated Fund – prior year repaid		(81)	(81)	(150)	(150)
Capital element of payments in respect of leases and on-balance sheet PFI and other service concession arrangements		(17)	(133)	(16)	(122)
Net financing		**26,362**	**26,246**	**24,334**	**24,228**
Net increase/(decrease) in cash and cash equivalents in the period before adjustments for receipts and payments to the Welsh Consolidated Fund		**14**	**166**	**(80)**	**(65)**
Income payable to Welsh Consolidated Fund		(73)	(73)	(53)	(53)
Net increase/(decrease) in cash and cash equivalents in the period after adjustments for receipts and payments to the Welsh Consolidated Fund	**9**	**(59)**	**93**	**(133)**	**(118)**
Cash and cash equivalents at the start of the year	**9**	**111**	**1,444**	**244**	**1,562**
Cash and cash equivalents at the end of the year	**9**	**52**	**1,537**	**111**	**1,444**

The Notes on page 179 to 225 form part of these accounts.

Statement of Changes in Taxpayers' Equity at 31 March 2026

Welsh Government Group	General Fund £m	Revaluation Reserve £m	Total Reserves £m
Balance at 31 March 2024	**21,612**	**16,484**	**38,096**
IFRS 16 Transition	-	-	-
Welsh Consolidated Fund – funding drawn	24,500	–	24,500
Welsh Consolidated Fund – funding deemed drawn	-	-	-
Welsh Consolidated Fund (payable)/receivable adjustment[a]	(81)	-	(81)
Net expenditure for the year	(23,776)	-	(23,776)
Revaluation gains and losses	-	(892)	(892)
Transfers between Reserves	129	(129)	-
Other adjustments	(110)	(1)	(111)
Balance at 31 March 2025	**22,274**	**15,462**	**37,736**
Welsh Consolidated Fund – funding drawn	26,460	-	26,460
Welsh Consolidated Fund – funding deemed drawn	-	-	-
Welsh Consolidated Fund (payable)/receivable adjustment[a]	(33)	-	(33)
Net expenditure for the year	(27,951)	-	(27,951)
Revaluation gains and losses	-	1,159	1,159
Transfers between Reserves	(200)	200	-
Other adjustments[b]	(198)	3	(195)
Balance at 31 March 2026	**20,352**	**16,824**	**37,176**

a Welsh Consolidated Fund (payable)/receivable adjustment comprises funding drawn not spent in 2025-26 of £33m (2024-25: £81m).

b Other adjustments principally reflect Welsh Government Core overleaf and a £32m adjustment to reverse an immaterial change between draft and final 2024-25 accounts for a consolidated entity, mostly due to the reversal of an actuarial gain on pension scheme liabilities.

Statement of Changes in Taxpayers' Equity at 31 March 2026 (continued)

Welsh Government Core	General Fund £m	Revaluation Reserve £m	Total Reserves £m
Balance at 31 March 2024	**16,873**	**14,156**	**31,029**
Welsh Consolidated Fund – funding drawn	24,500	-	24,500
Welsh Consolidated Fund – funding deemed drawn	-	-	-
Welsh Consolidated Fund (payable)/receivable adjustment[a]	(81)	-	(81)
Net expenditure for the year	(23,966)	-	(23,966)
Revaluation gains and losses	-	(884)	(884)
Transfers between Reserves	49	(49)	-
Other adjustments	(156)	-	(156)
Balance at 31 March 2025	**17,219**	**13,223**	**30,442**
Welsh Consolidated Fund – funding drawn	26,460	-	26,460
Welsh Consolidated Fund – funding deemed drawn	-	-	-
Welsh Consolidated Fund (payable)/receivable adjustment[a]	(33)	-	(33)
Net expenditure for the year	(28,302)	-	(28,302)
Revaluation gains and losses	-	561	561
Transfers between Reserves	(292)	292	-
Other adjustments[b]	(174)	-	(174)
Balance at 31 March 2026	**14,878**	**14,076**	**28,954**

a Welsh Consolidated Fund (payable)/receivable adjustment comprises funding drawn not spent in 2025-26 of £33m (2024-25: £81m).

b Other adjustments include assets transferred off the balance sheet of £120m, Consolidated Fund Extra Receipts of £65m and an actuarial gain on pension scheme liabilities of £8m.

The Notes on page 179 to 225 form part of these accounts.

Notes to the Accounts

1. Statement of Accounting Policies

The consolidated financial statements have been prepared in accordance with the Government Financial Reporting Manual (FReM). The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the 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 financial statements have been prepared on an accruals basis under the historical cost convention, modified to account for the revaluation of property, plant and equipment, development assets and certain financial assets and liabilities.

1.2 Critical Accounting Judgements and Key Sources of Estimation

The preparation of these financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenditure. The judgements made and sources of estimation are disclosed in each relevant accounting policy in Appendix A. These assessments are based on historic and other factors that are believed to be reasonable, the results of which form the basis for making judgements. The estimates and underlying assumptions are reviewed on an ongoing basis. The material areas of judgement and estimation include:

- **Operating Income** – see Note 2 and accounting policy A.1.
- **Expenditure, including Grants Expenditure** – see Note 3 and accounting policy A.2.
- **Road and Rail Network Assets** – see Note 4.1 and accounting policies A.4 and A.5.
- **Financial Assets, including Student Loans and Help to Buy Wales (HtBW)** – see Note 6 and accounting policy A.6.
- **Provisions, including the Welsh Risk Pool (WRP)** – see Note 11 and accounting policy A.12.

1.3 Basis of Consolidation

The financial statements reflect the consolidated assets and liabilities and the results of entities within the Welsh Government consolidation accounting boundary. The consolidation accounting boundary includes subsidiary undertakings as required by the FReM where they are designated for consolidation by statutory instrument, and are above a de minimis threshold for materiality.

All the entities within a subsidiary group will be consolidated, if:

- The parent entity of the subsidiary group is subject to a designation order applicable for the financial year; and
- The subsidiary group as a whole is above the consolidation de minimis threshold for materiality.

The consolidation accounting boundary also includes subsidiary undertakings above the de minimis threshold which had been consolidated on the basis of IFRS Group Accounting Standards prior to the introduction of Designation Orders in Wales (effective from 2017-18), and for which the designation process has not yet been concluded. This is to maintain consistency of the Group consolidation presentation whilst the Welsh Government alignment project progresses.

Since the introduction of Designation Orders, entities are added to the consolidation accounting boundary only if designated and material.

Subsidiaries are consolidated from draft financial statements where final statements 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 Performance Report accompanying these Financial Statements see pages 53 to 56.

2. Operating Income

	Year ended 31 March 2026		Year ended 31 March 2025	
	WG Core £m	WG Group £m	WG Core £m	WG Group £m
Income from sale of goods and services:				
Income from property and investments	56	61	60	68
Transport for Wales income	-	264	-	271
Other	11	54	11	50
	67	**379**	**71**	**389**
Other operating income:				
Health income[a]	191	607	169	556
Other[b]	137	155	45	63
	328	**762**	**214**	**619**
Total	**395**	**1,141**	**285**	**1,008**

a Included within Core Other operating income 'health income' is £17.6m (2024-25: £12.3m) 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.

b Other operating income re-presented to simplify presentation by combining Other non-EU operating income and Other EU operating income into Other operating income.

3. Expenditure

	Year ended 31 March 2026		Year ended 31 March 2025	
	WG Core £m	WG Group £m	WG Core £m	WG Group £m
Expenditure				
Grants[a]	24,579	11,422	22,698	10,338
Goods and services[b]	407	6,137	384	5,856
Staff costs	453	7,684	418	7,175
Net fair value (gains)/losses on financial assets at fair value through SOCNE[c]	2,447	2,458	9	37
Student loan policy write-offs	42	42	38	38
PFI and other service concession arrangements	55	64	29	40
Fixed asset depreciation	205	688	331	782
Amortisation	15	34	15	34
(Profit)/Loss on disposals	(88)	(102)	(2)	(12)
Impairments	136	135	53	194
Other non cash items	2	4	-	5
	28,253	**28,566**	**23,973**	**24,487**
Provisions				
Increase in provisions	444	526	278	297
Total	**28,697**	**29,092**	**24,251**	**24,784**

a Grant expenditure includes un-hypothecated and hypothecated grants, and different types of grant schemes. Further information on grant expenditure and the types of grants administered by the Welsh Government can be found on pages 22 to 26 of the Performance Report.

b Included within Core Goods and Services is £17.6m (2024-25: £12.3m) 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.

c Student loans and HtBW financial assets are measured at fair value through the Statement of Comprehensive Net Expenditure. The net fair value loss of £2,447m is made up of a fair value loss of £2,470m on student loans and a fair value gain of £23m on other financial assets. Further details can be found in Note 6

Staff Costs

A full breakdown of staff costs, including staff numbers and associated information, is provided within the Accountability Report of this document on pages 149 to 156.

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 2025-26 is £519,833 (2024-25: £492,733)[a]. This has been included within Goods and Services disclosed above.

Also included above are fees levied by the Auditor General for Wales in respect of other accounts prepared by Welsh Ministers as follows:

	Year ended 31 March 2026 £	Year ended 31 March 2025[a] £ (Restated)
NHS Summarised Account[a]	31,682	34,885
National Non-Domestic Rate Account[a]	9,902	9,385
Whole of Government Account[b]	-	-
Welsh Consolidated Fund	22,360	21,195

Audit fees of Consolidated bodies are disclosed within their individual accounts.

a Restated from prior year to reflect actual costs incurred rather than fee estimates.

b HM Treasury has confirmed that there is no requirement for an audit of the Whole of Government Accounts for 2025-26. Accordingly, no audit fee has been incurred in respect of WGA audit services.

4. Property, Plant and Equipment

	Infrastructure Assets[a] £m	Land £m	Buildings including Dwellings £m	Plant and Equipment[b] £m	Payments on account & Assets under Construction £m	Total £m
Cost or valuation for the year ended 31 March 2025						
At 1 April 2024	**27,812**	**385**	**3,767**	**1,585**	**2,767**	**36,316**
Additions	142	-	21	142	794	1,099
Disposals	(141)	(2)	(7)	(132)	-	(282)
Transfers	(115)	-	2	-	(1)	(114)
Impairments	-	(2)	(164)	(11)	(9)	(186)
Revaluations	(1,132)	11	97	-	-	(1,024)
Reclassifications (re-presented)[c]	748	(2)	343	77	(1,181)	(15)
At 31 March 2025	**27,314**	**390**	**4,059**	**1,661**	**2,370**	**35,794**
Depreciation for the year ended 31 March 2025						
At 1 April 2024	**3,897**	**-**	**287**	**999**	**-**	**5,183**
Charged in year	377	-	144	162	-	683
Disposals	(141)	-	(5)	(132)	-	(278)
Transfers	(19)	-	-	-	-	(19)
Impairments	-	-	(25)	-	-	(25)
Revaluations	(110)	-	(10)	-	-	(120)
Reclassifications (re-presented)[c]	3	-	(5)	(9)	-	(11)
At 31 March 2025	**4,007**	**-**	**386**	**1,020**	**-**	**5,413**
Carrying amount at 31 March 2025	**23,307**	**390**	**3,673**	**641**	**2,370**	**30,381**
Carrying amount at 31 March 2024	23,915	385	3,480	586	2,767	31,133
Asset financing for the year ended 31 March 2025						
Owned	22,583	387	3,576	641	1,723	28,910
On-balance sheet PFI and other service concession arrangements	724	3	97	-	647	1,471
At 31 March 2025	**23,307**	**390**	**3,673**	**641**	**2,370**	**30,381**

4. Property, Plant and Equipment (continued)

	Infrastructure Assets[a] £m	Land £m	Buildings including Dwellings £m	Plant and Equipment[b] £m	Payments on account & Assets under Construction £m	Total £m
Cost or valuation for the year ended 31 March 2026						
At 1 April 2025	**27,314**	**390**	**4,059**	**1,661**	**2,370**	**35,794**
Additions	177	2	33	183	659	1,054
Disposals	(187)	-	(2)	(136)	-	(325)
Transfers	(136)	-	-	-	-	(136)
Impairments	(69)	3	(9)	(22)	(10)	(107)
Revaluations	924	9	287	-	-	1,220
Reclassifications	940	(1)	152	44	(1,152)	(17)
At 31 March 2026	**28,963**	**403**	**4,520**	**1,730**	**1,867**	**37,483**
Depreciation for the year ended 31 March 2026						
At 1 April 2025	**4,007**	**-**	**386**	**1,020**	**-**	**5,413**
Charged in year	262	-	162	163	-	587
Disposals	(182)	-	(1)	(108)	-	(291)
Transfers	(8)	-	-	-	-	(8)
Impairments	7	-	(29)	-	-	(22)
Revaluations	37	-	24	-	-	61
Reclassifications	-	-	-	(12)	-	(12)
At 31 March 2026	**4,123**	**-**	**542**	**1,063**	**-**	**5,728**
Carrying amount at 31 March 2026	**24,840**	**403**	**3,978**	**667**	**1,867**	**31,755**
Asset financing for the year ended 31 March 2026						
Owned	24,535	402	3,943	667	1,013	30,560
On-balance sheet PFI and other service concession arrangements	305	1	35	-	854	1,195
At 31 March 2026	**24,840**	**403**	**3,978**	**667**	**1,867**	**31,755**
Core department at 31 March 2026	**21,430**	**36**	**172**	**33**	**851**	**22,522**
Health Bodies and subsidiaries at 31 March 2026	**3,410**	**367**	**3,806**	**634**	**1,016**	**9,233**
Core department at 31 March 2025	20,582	37	179	32	1,325	22,155
Health Bodies and subsidiaries at 31 March 2025	2,725	353	3,494	609	1,045	8,226

a Infrastructure assets includes Network Assets as set out in Note 4.1 for Road and Rail Networks, and other Infrastructure assets such as the Fibrespeed asset.

b Plant and Equipment includes Information Technology, Fixtures and Fittings, Plant and Machinery and Transport Equipment.

c Reclassifications have been re-presented to include assets reclassified to held for sale and assets reclassified to Right-of-use to simplify the presentation of trivial amounts.

Land and Buildings, including Dwellings

Land and Buildings, including Dwellings and Freehold land and buildings, are held at valuation being assessed at fair value/market value for existing use. Within that category, by exception, it is determined that for some assets the most appropriate measure of current value in existing use is depreciated replacement cost. Assets held for sale are at market value.

External professional valuations are undertaken every five years for the majority of the Welsh Government estate, and annually for specific assets (usually assets in the strategic sites portfolio). In intervening financial years, between the formal five yearly valuations, freehold land and buildings are adjusted using the latest available indices at March in each financial year to provide a reasonable estimate of valuation. However, where assets are acquired or are significantly altered it is usual that a current valuation is commissioned.

The majority of Welsh Government Core freehold land and buildings had a five year valuation assessment at 31 March 2025, by Avison Young Chartered Surveyors. The valuations subject to annual review were predominantly prepared at 28 February 2026 by Alder King. All assets are valued in accordance with the RICS standards for financial reporting as published in their (Red Book) global standards UK supplement.

The Welsh Government Group figures include the Local Health Board (LHB) & NHS Trust Land and Buildings which were revalued by the Valuation Office Agency with an effective date of 1 April 2022. The valuation has been prepared in accordance with the terms of the Royal Institution of Chartered Surveyors' Valuation Standards, 6th edition. LHBs and NHS Trusts apply the revaluation model set out in IAS 16 as adapted by the FReM. Land and buildings are held at market value for existing use, with the exception of some assets for which it is determined that the most appropriate measure of current value in existing use is depreciated replacement cost. Indexation is applied in the years between five yearly valuations.

4.1 Property, Plant and Equipment Network Assets

	Road Network £m	Network Assets Rail Network £m	Total £m
Cost or valuation for the year ended 31 March 2026			
At 1 April 2025	24,552	2,724	27,276
Additions	177	-	177
Disposals	(187)	-	(187)
Transfers	(135)	-	(135)
Impairments	(69)	-	(69)
Revaluations	671	253	924
Reclassifications	508	432	940
At 31 March 2026	**25,517**	**3,409**	**28,926**
Depreciation for the year ended 31 March 2026			
At 1 April 2025	3,980	1	3,981
Charged in year	187	72	259
Disposals	(182)	-	(182)
Transfers	(8)	-	(8)
Impairments	7	-	7
Revaluations	109	(72)	37
Reclassifications	-	-	-
At 31 March 2026	**4,093**	**1**	**4,094**
Carrying amount at 31 March 2026	**21,424**	**3,408**	**24,832**
Carrying amount at 31 March 2025	**20,572**	**2,723**	**23,295**
Core department at 31 March 2026	21,424	-	21,424
Health Bodies and subsidiaries at 31 March 2026	-	3,408	3,408

Road Network

The Welsh Government road network is made up of major A-roads known as trunk roads, and motorways. It is treated as a single infrastructure asset and is valued at Depreciated Replacement Cost using the Road Authorities Asset Valuation System (RAAVS) model. The last full valuation of the network was in 2024-25 and is undertaken on a five-yearly interval. Interim valuations use a series of standard costs to value the individual components of the road network and indices to revalue these on an annual basis.

The Baxter index used in the RAAVS model valuation is sensitive to macroeconomic uncertainties. Future fluctuations in that index 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 index.

	Depreciated Replacement Cost (-) £m	Depreciated Replacement Cost (+) £m
Baxter index – 1% / +1%	(202)	202

The Baxter index is applied to the valuation of the network surface, structures and communications, to reflect inflationary movements in construction costs. The Baxter index is administered by The Building Cost Information Service (BCIS). BCIS uses Producer Price Indices (PPI) published by the Office for National Statistics (ONS) to apply indexation to the value of Road Network. In line with previous years, the Q2 2025-26 average Baxter indices have been applied in the valuation. In March 2025, ONS paused publication of PPI to review an issue with the chain-linking methodology affecting historical data from 2008 onwards. In October 2025, ONS recommenced publication of PPI, including revised historical series[63].

However, there have been no published historic revisions to the Baxter index since the ONS publication of revised historical series in October 2025 and no such revisions are expected. Given there have been no historic changes to the Baxter index, the road valuation at 31 March 2026 reflects a reasonable management estimate based on the known conditions and available data at the reporting date.

Rail Network

Transport for Wales (TfW) manages the rail network asset known as the Core Valley Lines which comprises the Aberdare, Coryton, Merthyr Tydfil, Rhymney and Treherbert Lines. It is treated as a single infrastructure asset and is valued at Depreciated Replacement Cost using a valuation model undertaken by TfW with support from AtkinsRéalis UK Limited (professional valuers) using data provided by TfW. The last full valuation of the network was at 31 March 2022 and is undertaken on at least a five-yearly interval, with input indices applied to a standard price list of the network's components in interim periods.

To produce this valuation requires the use of assumptions, estimates and professional judgement. The key assumptions within the valuation are considered to be; asset lives and remaining asset lives of the network components, land compensation adjustment and risk factor. Full details of these assumptions and estimation uncertainty are contained within the accounts of TfW: Annual Report and Financial Statements – Transport for Wales.

63 Producer prices development plan – Office for National Statistics

The following sensitivity analysis reflects the key sources of estimation uncertainty in the valuation, showing the impact of changes in assumptions on the overall value of the CVL asset.

- **Scenario 1** shows the impact of increasing or decreasing the remaining asset lives of the components of the modern equivalent railway network by 10%.
- **Scenario 2** shows the impact if the land compensation adjustment (normally 45%) were to increase or decrease by 10%; i.e. a compensation adjustment of 35% or 55% respectively.
- **Scenario 3** shows the impact of an adjustment to the risk factor applied to the overall DRC valuations, currently 42.6% by an increase or decrease of 10%, effectively showing risk factors of 52.6% and 32.6%.

Type	Depreciated Replacement Cost (-) £m	Depreciated Replacement Cost (+) £m
Scenario 1	(276)	216
Scenario 2	(44)	44
Scenario 3	(194)	194

The model applies indexation to unit rates in years in between full unit rate reassessment. The index used is CPI-H for land and CPI for all other asset categories.

For more information on the valuation and depreciation of Network Assets see Appendix A – Accounting Policies A.4 and A.5.

4.2 Non-Operational Heritage Assets

Welsh Government holds 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.

Welsh Government's non-operational heritage assets in the care of Cadw include:

- Castles and medieval houses.
- Religious sites, roman sites.
- Post-medieval & industrial sites.
- Prehistoric sites.
- Digital copies or recordings of drawings, surveys.
- Collections of antique items.

More information can be found in the Cadw Annual Report: What we do – Cadw.

5. Intangible Assets

	Information Technology			
	At 31 March 2026		At 31 March 2025	
	WG Core £m	WG Group £m	WG Core £m	WG Group £m
Cost or valuation				
At 1 April	**136**	**325**	**113**	**292**
Additions	19	42	28	51
Disposals	-	(19)	(5)	(15)
Reclassifications	-	-	-	(3)
At 31 March	**155**	**348**	**136**	**325**
Amortisation				
At 1 April	**86**	**194**	**77**	**177**
Charged in year	15	34	14	34
Disposals	-	(21)	(5)	(14)
Reclassifications	-	-	-	(3)
At 31 March	**101**	**207**	**86**	**194**
Carrying amount at 31 March	**54**	**141**	**50**	**131**
Carrying amount at 1 April	**50**	**131**	**36**	**115**

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 2024	**8,178**	**-**	**1,287**	**9,465**
Additions	963	-	259	1,222
Disposals/write-offs	-	-	-	-
Loan repayments	(220)	-	(121)	(341)
Impairments	-		(1)	(1)
Fair value adjustment		-	-	-
Net fair value gains/(losses) on financial assets at fair value through SOCNE (see note 3 Expenditure)[b]	(34)	-	(3)	(37)
Policy write-offs	(38)			(38)
Reclassification	-	-	-	-
Adjustments	-	-	(2)	(2)
Balance at 31 March 2025[a]	**8,849**	**-**	**1,419**	**10,268**
Additions	998	-	204	1,202
Disposals/write-offs	-	-	-	-
Loan repayments	(251)	-	(140)	(391)
Impairments	-	-	(33)	(33)
Fair value adjustment	-	-	-	-
Net fair value gains/(losses) on financial assets at fair value through SOCNE (see note 3 Expenditure)[b]	(2,470)	-	13	(2,457)
Policy write-offs	(42)	-	-	(42)
Reclassification	-	-	-	-
Adjustments	-	-	12	12
Balance at 31 March 2026[a]	**7,084**	**-**	**1,475**	**8,559**
WG Core only				
At 31 March 2026	**7,084**	**276**	**2,877**	**10,237**
At 31 March 2025	**8,849**	**265**	**2,749**	**11,863**

a Included within the balance carried forward is £386m (2024-25: £393m) due within one year.

b Student loans are measured at fair value through Statement of Comprehensive Net Expenditure. The fair value loss on student loans in 2025-26 of £2,470m (2024-25: £34m) is attributable to the transition to the new student loans model that has been developed as part of the Service Level Agreement with Department for Education. This impact is primarily driven by lower forecast earnings and, consequently, reduced expected repayments under the updated methodology. Further details of the student loans fair value measurement and exposure to risks is set out below. HtBW financial assets are measured at fair value through Statement of Comprehensive Net Expenditure. Further information on the opening and closing balance of the HtBW financial asset and the fair value measurement hierarchy level can be found in the accounts of the Development Bank of Wales PLC.

Face Value

The table below provides a reconciliation between the carrying value and the face value of student loans issued.

	Student Loans £m
Balance at 31 March 2024	**9,344**
Additions	963
Repayments	(220)
Interest	666
Policy write-offs	(37)
Balance at 31 March 2025	**10,716**
Additions	998
Repayments	(251)
Interest	458
Policy write-offs	(42)
Balance at 31 March 2026	**11,879**
Closing fair value adjustments/impairments:	
At 31 March 2026	**(4,795)**
At 31 March 2025	(1,867)
Carrying value:	
At 31 March 2026	**7,084**
At 31 March 2025	8,849

Included within the balance at 31 March 2026 are loan overpayments made to students by the Student Loans Company of £37.4m (2024-25 £29.4m). These are payments that have been made to students but classified as overpayments following reassessment of eligibility. The loans are repayable by the student through the Income Contingent Repayment (ICR) system once they enter repayment status.

The Group's exposure to various risks associated with the financial instruments is discussed in the accounting policies at A.7.

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial asset mentioned above.

Policy write-offs include amounts written-off by the Student Loans Company in respect of partial cancellation, age, death, bankruptcy and inability to work.

6.1 Student Loans

Loans for students in higher and further education are originated and recognised by the Welsh Government.

Student loans

Under IFRS 9, student loans are recognised at fair value through the Statement of Comprehensive Net Expenditure. In determining fair value, the Welsh Government uses a discounted cash flow model (see below) that includes all expected future cash flows, including the interest that is expected to be received. As a result, movements in valuation are recognised as a single fair value adjustment within 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 estimates based on the four-component Student Loan Model developed in collaboration with the Department for Education, comprising entrants, outlay, earnings and repayments components.

The fair value of new loans issued is also calculated using this modelling framework, which draws on administrative data relating to borrower characteristics and policy parameters to simulate expected lifetime cash flows. The model is adapted for undergraduate borrowers taking different loan plans. Postgraduate masters' loans are still modelled using the StEP model.

The modelling approach depends on a complex set of assumptions, particularly relating to borrower earnings, macroeconomic conditions and repayment behaviour. The projections are long term in nature but incorporate the latest available Office for Budget Responsibility (OBR) forecasts for key variables such as earnings growth, inflation and interest rates in the short term, alongside longer-term economic assumptions. By their nature, the valuation of the student loan book is uncertain, as it is highly sensitive to macroeconomic conditions and graduate earnings over the life of the loans, which may extend over periods of up to 30 years or more.

The assumptions used in the model are formally reviewed on an annual basis and reflect the best estimates as at 31 March 2026.

Sensitivity analysis is undertaken to assess the impact of changes in key economic assumptions. Shocks to key variables (such as earnings growth, inflation, discount rates and interest rates) are applied over the short term (to 2030-31), with a return to baseline assumptions thereafter. This approach is intended to reflect plausible near term economic variation rather than sustained structural changes, and to provide a consistent and comparable assessment of the impact of movements in key drivers of the valuation.

Model Transition

In February 2024, the Welsh Government entered into a Service Level Agreement with the Department for Education to develop and maintain the Student Loan Model for Wales alongside the other devolved administrations. As part of this transition, the previous Stochastic Earnings Path (StEP) model has been replaced with a new Student Finance Modelling Pipeline developed by

the Department for Education, incorporating methodological improvements.

During 2024-25, the transition to the new model was undertaken on a phased basis, with a 'hybrid' approach used for valuation. This combined the new entrants and outlay components with the legacy earnings and repayments model. Under the Service Level Agreement, the Department for Education provided the adapted models for Welsh use, including updates to data and determinants, with Welsh Government providing assurance on outputs and accepting asset ownership of the final model.

From 2025-26, the Welsh Government has fully adopted the Student Finance Modelling Pipeline produced by Department for Education. All four components of the new model — entrants, outlay, earnings and repayments — are now fully implemented and used for valuation. This marks the completion of the transition away from the hybrid approach and establishes a consistent modelling framework across all devolved administrations. Postgraduate masters' loans are still modelled using the StEP model.

The new model aims to harmonise methodologies between the four administrations to improve comparability and efficiency, while enhancing forecasting accuracy through more modern techniques and updated earnings data.

As with the previous StEP model, the new model is composed of four sub-models — an entrants model, an outlay model, an earnings model and a repayments model — which collectively predict outcomes for student borrowers:

- Entrants model: Uses Welsh entrants data from the Student Loans Company alongside ONS population projections to forecast future changes in student numbers.
- Outlay model: Forecasts fee loan and maintenance loan outlay for Welsh-domiciled borrowers using historical SLC data and Welsh student finance policy parameters.
- Earnings model: Estimates post-graduation earnings "paths" for individual borrowers, incorporating factors such as course level, domicile and subject studied.
- Repayments model: Uses macroeconomic assumptions — including Retail Price Index (RPI) inflation, HM Treasury discount rates, and earnings growth — to project future loan repayments in line with simulated earnings paths.

Testing and validation undertaken during the transition period demonstrated that the new earnings and repayments methodology outperforms the legacy StEP approach, with improved accuracy and reduced bias.

Forecasts show closer alignment with observed earnings across key characteristics such as subject area, gender and course level, alongside reductions in median absolute error.

The move to the fully implemented model in 2025-26 has resulted in a material impact on the valuation of the student loan book with a fair value loss of £2,470m. This impact is primarily driven by lower forecast earnings and, consequently, reduced expected repayments under the updated methodology.

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 2026, to each variable is quantified.

The sensitivity analysis for 2025-26 has been undertaken using a range of economic and policy scenarios aligned to those published by the Department for Education for England. This includes variations to key macroeconomic assumptions such as the HM Treasury discount rate, earnings growth and inflation. Specifically, sensitivities have been modelled with changes of ±0.2 percentage points to the discount rate combined with ±1 percentage point changes in average earnings growth applied annually to 2030, with a return to baseline assumptions thereafter. In addition,

standalone sensitivities have been produced for Retail Price Index (RPI) inflation of ±1 and ±2 percentage points each year, and for average earnings growth of ±1 percentage point each year to 2030. This represents a slight improvement to the approach used in 2024-25, where sensitivities to the discount rate and earnings growth were applied separately and across the full-time horizon, rather than being focused on shorter-term deviations returning to baseline assumptions. The application of short-term shocks — followed by a return to baseline assumptions — has been adopted to better reflect temporary economic variation rather than a sustained structural shift in economic conditions. This improvement has been possible due to the adoption of the Student Finance Modelling Pipeline. The purpose of the sensitivity analysis is to assess the impact of assumptions that could reasonably vary in the shorter-term.

The sensitivity analysis disclosed below only reflects the impacts on full time Undergraduate loans. Postgraduate Masters has been excluded from the sensitivity analysis as these loans have been modelled using nil write off percentages for RAB in the fair value calculations. The impact on the valuation of the postgraduate loans would be trivial based on the changes in assumptions included in the sensitivity analysis for Undergraduate loans. Historical data over the last ten years provide context for how current economic assumptions compare with both recent outturns and long term forecasts applied within the model.

Discount rate: The Welsh Government has considered the principles under IFRS 9 and have used the higher of the rate intrinsic to the student loan or the rate as set out in the latest Public Expenditure System (PES) paper, being RPI 0.55% (2024-25: 0.85%).

Recent years have seen the discount rate change from 3.7% in 2015, to 0.7% for use as at 31 March 2021. For use as at 31 March 2022, the discount rate was published for the first time in two parts. The discount rates since that time are summarised in the table below:

Effective Date	Discount Rate (up to 2030)	Discount Rate (from 2030 onwards)
31 March 2022	-1.10%	-0.20%
31 March 2023	-1.30%	-0.20%
31 March 2024	-1.05%	-0.05%
31 March 2025	-0.85%	0.05%
31 March 2026	-0.55%	0.35%

Sensitivity analysis has been undertaken with variations applied to the discount rate in combination with earnings growth over the short term (to 2030), before returning to baseline assumptions thereafter.
A 0.2 percentage point increase in the discount rate (combined with higher earnings growth) results in an increase in the estimated net book value of the student loan book of £423.4m, while a 0.2 percentage point increase (combined with lower earnings growth) results in a decrease in the estimated net book value of £527.9m. A 0.2 percentage point decrease in the discount rate (combined with lower earnings growth) results in a decrease in the estimated net book value of the student loan book of £444.4m, while a 0.2 percentage point decrease (combined with higher earnings growth) results in an increase in the estimated net book value of £523.5m.

RPI Inflation: The model incorporates RPI assumptions using the latest outturn data published by the ONS for the current year, followed by OBR March 2026 forecast rates for the short term, applied annually through to 2030-31. From 2031-32 onwards, long-term economic determinants are applied, with RPI stabilising at approximately 2.4% in the long term. Over the previous ten years RPI has varied between 1.5% and 13.5%.

Where RPI inflation is elevated, legislative provisions may be applied to cap interest rates on certain loan plans (e.g. Plan 2 and Plan 3), which can mitigate the impact of higher inflation on borrower balances.

Sensitivity analysis has been undertaken in line with the revised methodology, with RPI shocks of ±1 and ±2 percentage points applied annually to 2030-31, before returning to baseline assumptions in the long term. This approach reflects the view that inflation shocks are more likely to be temporary in nature rather than indicative of a sustained structural shift in economic conditions.

A 1 percentage point increase in RPI (applied to 2030-31) results in a decrease in the net book value of £1,128.3m, while a 1 percentage point decrease results in an increase of £1,140.9m. Similarly, a 2 percentage point increase in RPI results in a decrease in the net book value of £2,128.1m, while a 2 percentage point decrease results in an increase of £2,228.9m.

Graduate earnings: The model incorporates graduate earnings growth assumptions using the latest available outturn data for the current year, followed by OBR March 2026 forecast rates for the short term, applied annually through to 2030-31. From 2031-32 onwards, long term economic determinants are applied, with earnings growth in the long term of approximately 3.83% from 2036-37 onwards.

The long-term assumption for average earnings growth is 3.83%. Over the past decade, earnings growth has been variable, with recent years showing comparatively high growth (e.g. 5.39% in 2024-25 and 6.83% in 2023-24). At the time of modelling, forecast average earnings growth for 2025-26 was 4.40%, above the long-term assumption. Earnings growth is projected to slow in the medium term before gradually increasing and converging to the long-term rate from 2036-37 onwards. This path reflects a transition from recent elevated growth rates back to a stable long run trend. Over the previous ten years average earnings growth has varied between 2.3% and 6.83%.

Sensitivity analysis has been undertaken with shocks to average earnings growth of ±1 percentage point applied annually to 2030-31, before returning to baseline assumptions in the long term. This approach reflects the view that deviations in earnings growth are more likely to represent short term economic fluctuations rather than sustained structural changes.

An increase in graduate earnings results in an increase in the net book value of the student loan book, while a decrease in earnings results in a reduction in the net book value. Specifically, a 1 percentage point increase in earnings growth (applied to 2030-31) results in an increase in the net book value of £457.7m, while a 1 percentage point decrease results in a decrease of £471.1m.

Graduate earning threshold: The repayment threshold for Plan 2 student loans was £27,295 per annum in 2024-25, increasing to £28,470 per annum in 2025-26. Previous repayment thresholds for Plan 2 loans are published on the UK government website.[64]

Historically, Plan 2 repayment thresholds were uprated annually in line with average earnings. However, as a policy decision, the threshold was frozen between 2022-23 and 2024-25 at £27,295, before resuming uprating from 2025-26. From 2025-26 onwards, Plan 2 thresholds are uprated in line with RPI inflation, rather than earnings growth, representing a change in policy approach.

For Plan 1 student loans, the repayment threshold was £24,990 per annum in 2024-25, increasing to £26,065 per annum in 2025-26. As a policy decision, repayment thresholds have not been subject to sensitivity analysis.

64 www.gov.uk/guidance/previous-annual-repayment-thresholds

Graduate Income Distribution: The model estimates graduate income distributions using a combination of administrative data and modelled earnings outputs, rather than relying solely on historic survey sources as used in previous accounts. In particular, the distribution of graduate earnings is derived from the earnings model, which simulates individual earnings paths based on borrower characteristics such as course, subject and demographics, using Student Loans Company administrative data and other linked datasets.

This represents a change from earlier approaches that relied more heavily on historic survey data (e.g. Labour Force Survey and British Household Panel Survey), with the updated methodology placing greater emphasis on administrative data and model-based simulation of lifetime earnings distributions.

The resulting income distributions are therefore driven by the structure of the earnings model and its underlying assumptions, rather than being directly imposed from historical distributions. As such, this component is not subject to standalone sensitivity analysis, with uncertainty instead captured through sensitivities applied to key economic drivers such as earnings growth.

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 incorporates Bank of England base rate assumptions using OBR March 2026 forecasts for the short term, applied on a quarterly basis through to 2030-31, followed by long term economic determinants thereafter. Short term projections show base rates declining from recent levels to approximately 3.3%-3.5% by 2026-27, before gradually rising to around 4.0% by 2030-31. In the long term, base rates stabilise at approximately 4.1%.

The long-term assumption for Bank of England base rates is approximately 4.1%. Over the past decade, interest rates have transitioned from historically low levels to significantly higher rates in the most recent years. Quarterly outturns for 2023-24 and 2024-25 show rates above 5% in some periods. At the time of modelling, quarterly forecasts for 2025-26 ranged between 3.81% and 4.35%. Rates are then projected to increase gradually towards the long-term assumption. Over the previous ten years the base rate has varied between 0.1% and 5.25%.

A base rate cap is applied to Plan 1 interest rates, whereby interest is set at the lower of the Bank of England base rate plus 1 percentage point or the RPI. In periods where the base rate is relatively low compared to RPI, this cap becomes binding and therefore changes in base rate assumptions can affect the valuation of the loan book.

Sensitivity analysis has been undertaken in line with the revised methodology, with ±1 percentage point shocks applied to the base rate to 2030-31, before returning to baseline assumptions in the long term. A change in the base rate assumption results in no change in the net book value for Plan 1 or Plan 2 loans.

Overall, while short term forecasts reflect current economic conditions and recent volatility, long term assumptions represent a return to stable economic relationships consistent with historical averages.

There are a number of additional assumptions within the model; however, sensitivity analysis has focused on the

key economic drivers — such as earnings growth, inflation, discount rates and interest rates — which are expected to have the most material impact on the valuation of the loan book. Other assumptions, including those relating to borrower characteristics and behavioural factors, are held constant within the modelling framework and are not subject to formal sensitivity analysis. While changes to these assumptions could affect model outputs, their impact is considered to be less material relative to the key economic assumptions tested. Many of these assumptions are interrelated and could change simultaneously in response to wider economic conditions; however, scenario testing is designed to capture this uncertainty through combined shocks to the principal drivers of model outcomes.

Data on the above key variables, including historical, can be found on the Office for National Statistics (www.ons.gov.uk); Office of Budget Responsibility (www.obr.uk); and the Bank of England (www.bankofengland.co.uk) websites. Statistical information on Student Loans can be found on the Student Loans Company website (latest statistical release: Student Loans in Wales: Student loans for higher and further education – GOV.UK (www.gov.uk)).

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. HtBW 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 HtBW shared equity loan book of £348m (31 March 2025: £363m) 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 bonds with similar risk profiles to the HtBW portfolio, and the profile of loan redemptions. The model uses observable transaction data and HPI forecast data, provided by independent market analysis, to forecast the long term HPI rate in Wales. Further detail on the HtBW fair value model can be found in the accounts of the Development Bank of Wales PLC.

Included within 'Other Financial Assets' at 31 March 2026 was £40.9m (31 March 2025: £36.6m) equity investment in the Global Centre of Rail Excellence (GCRE), a wholly owned subsidiary of Welsh Government. The balance at 31 March 2026 reflects the impact of additional in-year investment of £8.4m for funding of GCRE's operations and an impairment recognised of £4.1m as a result of an annual impairment review. The year-end position reflects the value of the net assets reported in GCRE's annual accounts.

GCRE's activities exceed the materiality level for consolidation but are immaterial to the Welsh Government Group as a whole. Although designated for consolidation and classified by the ONS as a Central Government entity in September 2024, GCRE has not been consolidated into the Welsh Government Group because further information is awaited on investment plans for the long-term future of this entity which is expected to impact future classification.

Included in 'Other Financial Assets' at 31 March 2026 was a £39m loan from Welsh Government to Cardiff International Airport Limited ('CIAL') inclusive of £11.8m interest which has been capitalised on the loan, which is not yet due to Welsh Government (31 March 2025: £36m loan and £8.8m interest). This balance reflects the loan amounts to the airport net of write-offs arising as a consequence of the COVID-19 pandemic impact on the aviation industry in 2020-21.

At 31 March 2025, a £21.9m equity investment in CIAL via WGC Holdco Limited was recognised. Following the outcome of an impairment review, that equity investment has been fully impaired to £nil at 31 March 2026.

The impairment charge is informed by updated management information and long-term equity valuation forecasts, which had not previously been available since the downturn in activity resulting from the pandemic.

Further to a written statement on 22 July 2024 outlining the Welsh Ministers' long-term strategy for Cardiff Airport, the proposed investment package was referred to the Competition and Markets Authority (CMA) on 15 August 2024. The CMA published its report on the proposed investment on 2 October 2024. After consideration of the feedback from the CMA and all interested parties, details of a subsidy package approved by Welsh Ministers for Cardiff Airport of up to £205.2m over 10 years were uploaded to the UK subsidy transparency database in April 2025. Welsh Government made the first payment of £20m in April 2025. For more information see the following Welsh Ministers written statement: Written Statement: Update on the Welsh Government Investment Package for Cardiff Airport (9 July 2025) – GOV.WALES.

On 25 June 2025, the Welsh Government received notice that Bristol Airport was challenging the decision of the Welsh Ministers to make this subsidy investment by way of an appeal to the Competition Appeal Tribunal (CAT). The Welsh Government defended this legal challenge at a hearing on 9-10 February 2026. On 7 April 2026, the CAT issued a judgement in favour of the Welsh Ministers, concluding that the subsidy was lawful. On 28 April 2026, Bristol Airport applied for permission to appeal the CAT judgement, and this was dismissed by the CAT on 28 May 2026[65]. On 11 June 2026, Bristol Airport submitted an application to the Court of Appeal for permission to appeal the CAT judgment.

Group other financial assets comprise: Welsh Government financial interests in joint ventures, other loans and investments, Invest to Save loans with Local Authorities and other public bodies £1,066m (2024-25: £978m); and, assets held by the Development Bank of Wales PLC £405m (2024-25: £414m) and other group financial assets £4m (2024-25: £6m).

65 1740/12/13/25 Bristol Airport v Welsh Ministers | Competition Appeal Tribunal

7. Inventories

	At 31 March 2026		At 31 March 2025	
	WG Core £m	WG Group £m	WG Core £m	WG Group £m
Development assets	221	221	222	222
Drugs	19	58	22	62
Other consumables	3	100	3	95
Total	**243**	**379**	**247**	**379**

8. Trade and Other Receivables

	At 31 March 2026		At 31 March 2025	
	WG Core £m	WG Group[a] £m	WG Core £m	WG Group[a] £m
Amounts falling due within one year:				
Trade receivables	165	485	202	504
Other tax	16	16	14	14
Prepayments and accrued income	177	327	166	292
	358	**828**	**382**	**810**
Amounts falling due after more than one year:				
Trade receivables	3	223	2	212
Prepayments	-	4	-	5
Other receivables	7	32	9	61
	10	**259**	**11**	**278**
Total	**368**	**1,087**	**393**	**1,088**

a Included within the total Group trade receivables is £327m (2024-25: £317m) of loans held at amortised cost by Development Bank of Wales PLC. Inclusion in trade receivables reflects the treatment in the underlying audited accounts as loan transactions for Development Bank of Wales PLC are part of their core business.

9. Cash and Cash Equivalents

	At 31 March 2026		At 31 March 2025	
	WG Core £m	WG Group £m	WG Core £m	WG Group £m
Balance at 1 April	**111**	**1,444**	**244**	**1,562**
Net change in cash and cash equivalent balances	(59)	93	(133)	(118)
Balance at 31 March	**52**	**1,537**	**111**	**1,444**
The following balances were held at:				
Government Banking Service	49	175	111	202
Commercial banks and cash in hand	3	1,362	-	1,242
Total	**52**	**1,537**	**111**	**1,444**

10. Trade and Other Payables

	At 31 March 2026		At 31 March 2025	
	WG Core £m	WG Group £m	WG Core £m	WG Group £m
Amounts falling due within one year:				
Taxation and social security	12	138	11	118
Trade and other payables	1,430	2,521	1,367	2,434
Other accruals and deferred income	349	519	401	515
Amounts payable to the Welsh Consolidated Fund	44	44	103	103
Obligations under PFI and other service concession arrangements	11	22	11	20
Obligations under leases	5	87	5	95
	1,851	**3,331**	**1,898**	**3,285**
Amounts falling due after more than one year:				
Trade and other payables	-	-	4	4
Other accruals and deferred income	-	1	-	18
Obligations under PFI and other service concession arrangements	582	851	578	741
Obligations under leases	41	634	46	639
	623	**1,486**	**628**	**1,402**
Total	**2,474**	**4,817**	**2,526**	**4,687**

11. Provisions for Liabilities and Charges

	At 31 March 2026		At 31 March 2025	
	WG Core £m	WG Group £m	WG Core £m	WG Group £m
Balance at 1 April	**1,863**	**1,989**	**1,784**	**1,887**
Provided in the year	604	708	451	490
Provisions not required written back	(161)	(180)	(173)	(184)
Transfer	1	2	(2)	(1)
Provisions utilised in year	(237)	(322)	(197)	(203)
Balance at 31 March	**2,070**	**2,197**	**1,863**	**1,989**
Analysis of expected timing of discounted flows:				
Not later than one year	453	531	380	450
Later than one year and not later than five years	689	713	611	642
Later than five years	928	953	872	897
Balance at 31 March	**2,070**	**2,197**	**1,863**	**1,989**

WG Group only

	Other £m	WRP[a] £m	Total £m
Analysis of expected timing of discounted flows:			
Not later than one year	99	432	531
Later than one year and not later than five years	47	666	713
Later than five years	88	865	953
Total	**234**	**1,963**	**2,197**

a The WRP is hosted as part of NHS Wales Shared Services Partnership by Velindre University NHS Trust whose accounts can be found at www.velindre.nhs.wales/about-us/publications/

11.1 Welsh Government Core Provisions

Welsh Government Core Provisions include:

Health Provisions

The Welsh Government has health related provisions, for the Wales Infected Blood Support Scheme (WIBSS) and expected future re-imbursements of the WRP.

WIBSS provides a single, streamlined scheme of ex gratia support payments for individuals and their families affected by hepatitis C and HIV through treatment with contaminated blood in Wales. On 25 March 2021 additional financial support arrangements backdated to April 2019 (to achieve parity across the four UK schemes) were announced for existing beneficiaries. The balance on the WIBSS provision, as of 31 March 2026, is £85m (2024-25: £129.2m).

The WIBSS provisions are based on the new parity payment rates with a CPI inflationary uplift applied to future cash flows. These are then discounted according to the rates published each year in the HM Treasury PES paper. Since 2021-22, annual payments have been inflated by the CPI inflation rates published in the PES paper issued each December. The change from the CPIH indices to CPI aligns with the other UK nations since payment parity was introduced. Payments were uplifted to the new rates for the first time in 2021-22 (inclusive of back dated elements from 2018-19 onwards).

On 21 May 2024, the UK Government announced the establishment of an Infected Blood Compensation Authority (IBCA), in addition to the established WIBSS scheme, and published details of an outline compensation scheme. The UK Government also announced that a further interim compensation payment of £210,000 would be made to those living infected persons registered with one of the four UK Infected Blood Support Schemes.

On 24 October 2024, IBCA launched the Infected Blood Interim Estates Payments (IBIEP). This was for estates of people who died when registered with a current Infected Blood Support Scheme (IBSS) or an Alliance House Scheme on or before 17 April 2024; the person who died, their bereaved partner or their estate had not already received an interim compensation payment of £100,000. On 21 July 2025, the UK Government announced that a further interim compensation payment of £210,000 will be made to the estate representatives of an infected person who died as a result of receiving contaminated blood or blood products from the NHS.

The WIBSS was asked to administer these payments on behalf of the UK Government for eligible claimants in Wales. The element of the total WIBSS provision that relates to the IBCA interim compensation scheme at 31 March 2026 is £8.1m (2024-25: £14.3m).

It is anticipated that total WIBSS liabilities will be transferred to IBCA at the January 2027 transfer date, when IBCA will deliver the Infected Blood Compensation Scheme, which will provide financial compensation to victims of infected blood on a UK-wide basis.

WRP assists Welsh NHS bodies with risk management and settlement of disputed claims for alleged medical or employer negligence. The WRP balance as of 31 March 2026 is £1,963m (2024-25: £1,712m).

NHS Wales bodies provide for legal or constructive obligations for clinical negligence, personal injury and defence costs that are of uncertain timing or amount at the balance sheet date based on the best estimate of the expenditure required to settle the obligation. Claims are funded via the Welsh Risk Pool Services (WRPS) which receives an annual top-slice allocation from Welsh Government to cover the cost of reimbursement requests submitted to the bi-monthly WRPS Committee. Any shortfall is met directly from members on an agreed risk sharing basis.

Significant estimations are made in relation to on-going clinical negligence and personal injury claims. Assumptions as to the likely outcome, the potential liabilities and the timings of these litigation claims are provided by independent legal advisors.

A provision is made for probable and certain cases in accordance with IAS 37. The provision for probable and certain cases is based on case estimates of individual reported claims received by Legal & Risk Services within NHS Wales Shared Services Partnership. The solicitors estimate the case value including defence fees, using professional judgement and from obtaining counsel advice. Valuations are then discounted for the future loss elements using individual life expectancies and the Government Actuary's Department actuarial tables (Ogden tables) and Personal Injury Discount Rate of minus 0.25%.

Future liabilities for certain and probable cases with a probability of 95%-100% and 50%-94% respectively are held as a provision on the balance sheet. Cases typically take a number of years to settle, particularly for high value cases where a period of development is necessary to establish the full extent of the injury caused.

The majority of high value (>£1m) claims settle with a Periodical Payment Order (PPO) where part or all the final settlement value is paid over the lifetime of the claimant. When cases settle with a PPO arrangement, an individual provision is created by multiplying the claimants' index linked annual payment value by the number of years' life expectancy. The number of years' life expectancy is discounted according to the Ogden table multipliers using HM Treasury's nominal discount rate for general provisions issued annually in the PES paper and an inflation factor. The WRP is part of NHS Wales Shared Services, hosted by Velindre University NHS Trust and further details regarding the calculation of provisions and the periodical payment orders are contained within the accounts of Velindre University NHS Trust.

In accordance with a Ministerial Direction issued on 18 December 2019, the Welsh Government has taken action to support circumstances where pensions tax rules impacted upon clinical staff who wanted to work additional hours, and have determined that clinical staff who are members of the NHS Pension Scheme and who, as a result of work undertaken in the 2019-20 tax year, face a tax charge on the growth of their NHS pension benefits, may opt to have this charge paid by the NHS Pension Scheme, with their pension reduced on retirement. A corresponding amount will be paid on retirement ensuring that they are fully compensated for the effect of the deduction. This scheme will be fully funded by the Welsh Government with no net cost to NHS Employers. Clinical staff had until 31 March 2022 to opt for this scheme and the ability to make changes up to 31 July 2026. At 31 March 2026, the balance on the provision is £12.1m (2024-25: £12.6m).

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 WRP.

12. Contingent Liabilities

	At 31 March 2026		At 31 March 2025	
	WG Core £m	WG Group £m	WG Core £m (Re-presented)	WG Group £m (Re-presented)
Legal Claims – alleged medical/employer negligence	1,206	1,244	1,099	1,144
Potential contractual obligations under the WDA Act 1975	10	10	10	10
Other legal and contractual claims	1,369	1,369	1,553	1,553
Total	**2,585**	**2,623**	**2,662**	**2,707**

(i) Legal Claims – alleged medical/employer negligence

This reflects that under the Wales Act 2006 the Welsh Government must meet the liabilities of the WRP should the NHS bodies cease to exist. Contingent liabilities relating to legal claims under the General Medical Practice Indemnity Existing Liabilities Scheme are also included.

(ii) Other legal and contractual claims

Other legal and contractual claims includes legal and contractual claims in progress and contingent liabilities related to commercial contractual indemnities and guarantees.

At 31 March 2026, a contingent liability of £901m (2024-25: £901m) remains relating to the new Velindre Cancer Centre (nVCC) Mutual Investment Model scheme.

Welsh Government issued a promissory note to Velindre University NHS Trust regarding the proposed issue of Funding Approval Letters for Annual Service Payments over a period of 25 years, expected to commence in 2026-27.

At 31 March 2026, a contingent liability of £369m (2024-25: £540m) is included in relation to the Education Mutual Investment Model scheme with Cardiff and Vale College (CAVC). Welsh Government issued a promissory note to this organisation regarding the proposed issue of Funding Approval Letters for contributions to Annual Service Payments over a period of 25 years, expected to commence in 2027-28. At 31 March 2025, £171m of contingent liability related to the scheme with Flintshire County Council; that is no longer disclosed as Funding Approval Letters were issued during 2025-26.

The value of contingent liabilities for commercial contractual indemnities or guarantees decreased by £13m. No new commercial guarantees were issued.

12.1 Unquantified Contingent Liabilities

Confidential Unquantifiable Contingent Liabilities

The Welsh Government has unquantifiable contingent liabilities, disclosure of which is subject to legal confidentiality and privilege. At this stage there is no certainty around the timing or financial outflow, if any, and as such the financial impact is unquantifiable.

12.2 Remote Contingent Liabilities

Contingent liabilities are presented here where the likelihood of a transfer of economic benefit in settlement is judged

remote. Because of this, they do not meet the IAS 37 criteria for disclosure in the financial statements but are presented here for transparency purposes. These predominantly relate to situations where guarantees or indemnities have been entered into by the Welsh Government, but where there are currently no indications that these will be drawn upon. While all mitigating actions have been and will be taken to minimise the risk and exposure, the risk cannot be removed altogether. If considered appropriate contingent liabilities for which the probability of crystallisation is rated as greater than remote are disclosed in Note 12 above.

In 2019 the Welsh Government agreed to quantifiable (disclosed) and unquantifiable assurances, warranties, indemnities and potential losses under the Grant Agreement with its rail service provider (then Transport for Wales Rail Services Ltd, now Transport for Wales Rail Ltd) and associated agreements, including Agency Agreement No. 3 between the Welsh Ministers and the Secretary of State, the Funding and Outputs Agreement, and the Co-operation and Collaboration Agreement. These arrangements continue to apply through the current Wales & Borders contractual framework, including the 2026 Rail Service Agreement and associated agreements.

Quantifiable Remote Contingent Liabilities

None.

Unquantifiable Remote Contingent Liabilities

None.

Confidential Unquantifiable Contingent Liabilities

Welsh Government has unquantifiable remote contingent liabilities, disclosure of which is subject to legal confidentiality and privilege. At this stage there is no certainty around the timing or financial outflow, if any, and as such the financial impact is unquantifiable.

Rail Services

Welsh Government has provided an indemnity to the rail service provider against the Department for Transport originated changes to planned track access charges. The Welsh Government are similarly indemnified by the Department for Transport.

The Welsh Government has provided a guarantee in respect of Network Rail employees joining TfW and remaining in the Rail Pension Scheme if any deficits are created for the new section of the scheme.

A465 Mutual Investment Model

On 28 October 2020, Welsh Government entered into a contract with the Future Valleys Project Co Limited (Future Valleys) to design, build, finance and operate a scheme to dual the A465 between Dowlais and Hirwaun (Sections 5 & 6). While substantial risks have been transferred to Future Valleys, as part of the contract, a small number of risks remain with Welsh Government. These include limited additional costs associated with a pandemic, ancillary rights and potential latent defects relating to specific existing structures should any be discovered.

Welsh Government agreed to unquantifiable assurances, indemnities and potential losses in respect of the following two points. At the end of the contract, the Welsh Government has indemnified Future Valleys against:

- Redundancy pay if TUPE regulations do not apply and employment offers are not made to Project Co/Service Providers Staff; and
- Relevant changes in law, on the occurrence of certain defined changes in law, the parties agree to adjust the Annual Service Payment accordingly.

Education Mutual Investment Model – CAVC – Deed of Reliance

On 26 March 2025, the Welsh Government sealed a Deed of Reliance to provide assurances to lenders investing in the CAVC Mutual Investment Model scheme. Whilst Welsh Government is not a direct signatory to the Project Agreement, the Deed of Reliance places specific collateral obligations on the Welsh Government, in circumstances where a Further Education Institution event of default is triggered under the Project Agreement. As a result, a small number of risks remain with Welsh Government.

Welsh Government agreed to unquantifiable assurances, indemnities and potential losses in respect of the following six points.

Welsh Government has indemnified the Project Company against:

- Redundancy pay if TUPE regulations do not apply and employment offers are not made to the Project Company/Service Providers Staff;
- Restrictions to the site under the existing lease arrangements of the land with Vale of Glamorgan Council;
- Costs due to the suspension of works, under statutory law, in relation to the discovery of fossils or antiquities;
- Relevant changes in law, on the occurrence of certain defined changes in law, the parties agree to adjust the Annual Service Payment accordingly;
- 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; and
- Extraordinary costs of activities above baseline assumptions in the event of a pandemic.

Guarantees

In special circumstances, the Welsh Government acts as guarantor for its sponsored bodies or in relation to public infrastructure works. The value of these guarantees at 31 March 2026 was £49m (2024-25: £54m).

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 eight organisations for £301m (2024-25: £419m) and the period of the liability varies. There are no current concerns regarding the continuation of the scheme, and the potential of the liability maturing is considered to be too remote to include as a contingent liability.

The Government Indemnity Scheme provides indemnities to enable the National Library of Wales, the National Museum of Wales, and other eligible institutions to borrow objects and artworks. The probability of these guarantees being acted on is counted as too remote to be included as a contingent liability. The value of these guarantees at 31 March 2026 was £52m (2024-25: £44m).

Letters of Comfort

The Welsh Government has issued a Going Concern letter of assurance to The Regeneration Investment Fund for Wales (RIFW) to cover future liabilities of £2m. 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 TfW to cover existing and future liabilities incurred in accordance with the Management Agreement (between Welsh Government and TfW) and the periodic Remit letters that Welsh Government issue to TfW.

The Welsh Government has issued a Going Concern letter of assurance to GCRE to cover existing and future liabilities incurred in accordance with the Management Agreement (between Welsh Government and GCRE) and the periodic Remit letters that Welsh Government issue to GCRE.

13. Other Liabilities

	At 31 March 2026		At 31 March 2025	
	WG Core £m	WG Group £m	WG Core £m	WG Group £m
Pension fund deficits	5	5	16	16
National Loans Fund (falling due after five years)[a]	9	9	11	10
Other	-	-	-	-
Total	**14**	**14**	**27**	**26**

a National Loans Fund balances represent National Loans Funds lent onwards by the Secretary of State for Wales originally to the Mid-Wales Development Corporation. They were then passed to the Development Board for Rural Wales (DBRW) in the 1980s; and to the Welsh Development Agency (WDA) when DBRW was abolished in 1998. Following WDA abolition in 2006, responsibility for the repayment of principal and interest falls on the Welsh Government.

14. Movements in Working Capital other than Cash

	At 31 March 2026		At 31 March 2025	
	WG Core £m	WG Group £m	WG Core £m	WG Group £m
(Increase)/decrease in inventories (excluding development assets)	3	(1)	(3)	(5)
(Increase)/decrease in receivables:				
Current	24	(18)	8	(18)
Non-current	1	19	3	(60)
Increase/(decrease) in payables:				
Current	(46)	46	147	226
Non-current	(5)	84	78	198
Less movements in payables in respect of leases and on-balance sheet PFI and other service concession arrangements	1	(99)	(78)	(233)
Other adjustment	(1)	(1)	(1)	-
Less movements in the Welsh Consolidated Fund supply payable	48	48	69	69
Less movements in the Welsh Consolidated Fund income payable	8	8	(4)	(4)
	33	**86**	**219**	**173**

15. Leases

15.1 Right-of-use assets

	At 31 March 2025		
	Land and Buildings £m	Other £m	Total £m
Cost or valuation for the year ended 31 March 2025			
As at 1 April 2024	250	601	851
Reclassifications	-	-	-
Additions	48	162	210
Revaluations	-	-	-
Derecognition	(9)	(9)	(18)
Remeasurement	1	-	1
At 31 March 2025	**290**	**754**	**1,044**
Depreciation for the year ended 31 March 2025			
At 1 April 2024	55	160	215
Reclassifications	(8)	(6)	(14)
Charged in year	26	72	98
Revaluations	-	-	-
At 31 March 2025	**73**	**226**	**299**
Carrying amount at 31 March 2025	**217**	**528**	**745**
Core department at 31 March 2025	39	-	39
Health bodies and subsidiaries at 31 March 2025	178	528	706

15.1 Right-of-use assets (Continued)

	At 31 March 2026		
	Land and Buildings £m	Other £m	Total £m
Cost or valuation for the year ended 31 March 2026			
At 1 April 2025	290	754	1,044
Reclassifications	-	-	-
Additions	14	114	128
Revaluations	-		-
Derecognition	(7)	(35)	(42)
Remeasurement	1	-	1
At 31 March 2026	**298**	**833**	**1,131**
Depreciation for the year ended 31 March 2026			
At 1 April 2025	**73**	**226**	**299**
Reclassifications	(8)	(7)	(15)
Charged in year	27	75	102
Revaluations	-	-	-
At 31 March 2026	**92**	**294**	**386**
Carrying amount at 31 March 2026	**206**	**539**	**745**
Core department at 31 March 2026	36	-	36
Health bodies and subsidiaries at 31 March 2026	170	539	709

15.2 Lease Liabilities

Maturity analysis

	At 31 March 2026		At 31 March 2025	
	WG Core £m	WG Group £m	WG Core £m	WG Group £m
Land and buildings				
Not later than one year	6	28	6	27
Later than one year and not later than five years	22	84	22	87
Later than five years	21	80	26	94
	49	**192**	**54**	**208**
Less interest element	(3)	(18)	(3)	(19)
Present value of obligations	**46**	**174**	**51**	**189**
Other				
Not later than one year	-	84	-	87
Later than one year and not later than five years	-	288	-	294
Later than five years	-	373	-	236
	-	**745**	**-**	**617**
Less interest element	-	(198)	-	(72)
Present value of obligations	**-**	**547**	**-**	**545**
Total present value of obligations	**46**	**721**	**51**	**734**
Current	5	87	5	95
Non-current	41	634	46	639

15.3 Amounts recognised in Statement of Comprehensive Net Expenditure

	At 31 March 2026		At 31 March 2025	
	WG Core £m	WG Group £m	WG Core £m	WG Group £m
Interest expense	1	20	1	17
Sub-leasing income including a gain on lease derecognition	-	(1)	(1)	(1)
Expense for low value and short-term leases	1	6	1	6

15.4 Amounts recognised in Statement of Cash Flows

	At 31 March 2026		At 31 March 2025	
	WG Core £m	WG Group £m	WG Core £m	WG Group £m
Total cash outflow for leases	6	117	6	107

16. Capital and Other Commitments

16.1 Capital Commitments

This note discloses capital commitments under 'non-cancellable contracts' not otherwise included within these financial statements.

	At 31 March 2026		At 31 March 2025	
	WG Core £m	WG Group £m	WG Core £m	WG Group £m
Property, plant & equipment, and intangible assets	52	374	18	288
Investments and loans	-	-	-	-
Total	**52**	**374**	**18**	**288**

For consistency, Welsh Government has applied the same definition of 'non-cancellable contracts' to capital commitments in this disclosure as is applied in Note 16.3 for other financial commitments.

16.2 Commitments under PFI and Other Service Concession Arrangements

The LHBs have reported six PFI contracts within property, plant and equipment, which are on-balance sheet. There are no contracts with an individual total commitment of greater than £500m. Details of the individual schemes are included in the individual LHB statutory accounts.

On 28 March 2024, Velindre University NHS Trust entered into a contract relating to the nVCC under the Mutual Investment Model with Acorn Velindre Limited (Project Co) who will be responsible for building (and financing) the new hospital and then maintaining it over a 25 year concession period. This contractual arrangement meets the definition of a service concession arrangement and is to be accounted for on-balance sheet, further information can be found on this arrangement within the Velindre University NHS Trust accounts. A Welsh Government Core contingent liability in relation to this arrangement is disclosed in Note 12.

16.2.1 Off-balance sheet

Bute Avenue PFI contract

Since 2000, the Welsh Government 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 maintained for 25 years (from 2000-01) the Bute Avenue road network. The PFI project ended on 18 December 2025, and the road was 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 £9.2m (2024-25: £12.4m). At 31 March 2026, Welsh Government is no longer committed to future payments in relation to the scheme:

	At 31 March 2026 £m	At 31 March 2025 £m
Not later than one year	-	13
Later than one year and not later than five years	-	-
Later than five years	-	-
Total	**-**	**13**

16.2.2 On-balance sheet

A55 PFI contract

The A55 road network is maintained by contractors for a period of 30 years (from 1998), after which time the ownership of the A55 will revert to the Welsh Government.

The road is treated as an asset of the Welsh Government and unitary payments comprising two elements – imputed lease charges and service charges.

The total amount charged in the Statement of Comprehensive Net Expenditure in respect of the service element of the A55 PFI contract was £2.5m (2024-25 £11.4m). Total future obligations under the A55 PFI contract are given in the table below for each of the periods.

	At 31 March 2026 £m	At 31 March 2025 £m
Minimum lease payments		
Not later than one year	12	12
Later than one year and not later than five years	24	36
Later than five years	-	-
	36	**48**
Less interest element	(2)	(3)
Total	**34**	**45**

	At 31 March 2026 £m	At 31 March 2025 £m
Service elements due in future periods		
Not later than one year	-	-
Later than one year and not later than five years	-	-
Later than five years	-	-
Total	**-**	**-**

A465 Mutual Investment Model

On 28 October 2020, Welsh Government entered into a contract with Future Valleys to design, build, finance and operate a scheme to dual the A465 between Dowlais and Hirwaun (Sections 5 & 6). The contract has been entered into under the Welsh Government's Mutual Investment Model (MIM).

This contractual arrangement meets the definition of a service concession arrangement and is to be accounted for on-balance sheet.

The project included a construction element (split into five phases), during which time Future Valleys Project Co Limited were responsible for converting the A465 from Dowlais Top to Hirwaun to two lanes in each direction. The agreement expires 30 years after the completion of the final construction phase in May 2025, during which time Future Valleys Project Co Limited will operate and maintain Sections 5 & 6 of the A465.

Annual Service Payments have been payable from Welsh Government to Future Valleys Project Co Limited from the date of completion of the first phase of construction in January 2025, through to the end of the agreement.

The total amount charged in the Statement of Comprehensive Net Expenditure in respect of the Annual Service Payments under the A465 MIM service concession arrangement was £42.2m (2024-25: £3.6m).

The total commitments under the A465 MIM service concession arrangement are set out in the table below:

	At 31 March 2026 £m	At 31 March 2025 £m
Annual service payments due in future periods		
Not later than one year	47	41
Later than one year and not later than five years	189	188
Later than five years	1,252	1,300
Total	**1,488**	**1,529**

An asset under construction of £559m (2024-25: £545m) and associated liability of £559m (2024-25: £545m) have been recognised at 31 March 2026 (included in Notes 4 and 10). The asset remains classified as under construction until the structural details have been provided for inclusion in the model used to value the road network called the RAAVS – see accounting policy A.4.2.

16.3 Other Financial Commitments

The Welsh Government has entered into 'non-cancellable contracts' (which are not leases, PFI contracts or other service concession arrangements) for services. The payments to which the Welsh Government is committed, analysed by the period during which the commitment expires are as follows:

	At 31 March 2026		At 31 March 2025	
	WG Core £m	WG Group £m	WG Core £m	WG Group £m
Not later than one year	32	100	28	82
Later than one year and not later than five years	39	339	8	8
Later than five years	-	389	-	-
Total	**71**	**828**	**36**	**90**

Included within other financial commitments is £757m (2024-25: £54m) of Transport for Wales Rail Limited (TfWRL) commitments for fixed track, depot and station access charges. TfWRL has assessed these charges as not meeting the definition of a lease under IFRS 16, therefore they are included as other financial commitments.

17. Related Party Transactions

The Welsh Government receives most of its funding from the Welsh Consolidated Fund. The Welsh Government funds its Welsh Local Authorities, NHS Bodies in Wales, subsidiary companies and other Sponsored Bodies. These bodies are regarded as related parties with which the Welsh Government has had various material transactions during the period.

None of the Welsh Ministers, key managerial staff or other related parties have undertaken any related party transactions with a value exceeding the related party disclosure materiality threshold of £5,000, except as noted below:

Jane Hutt (Cabinet Secretary for Social Justice, Trefnydd and Chief Whip) and Mark Drakeford (Cabinet Secretary for Finance and Welsh Language) are members of the Cardiff and Vale Credit Union, which in 2025-26 received £107,602 of grant funding.

The spouse of Jane Hutt (Cabinet Secretary for Social Justice, Trefnydd and Chief Whip) is a Trustee and Director of Cardiff and Vale Citizens Advice, which in 2025-26 received £5,080,804 of grant funding. He recuses himself from any discussions on Welsh Government funding.

Jayne Bryant (Cabinet Secretary for Housing and Local Government) is a member of Smart Money Cymru Community Bank, which in 2025-26 received £1,356,338 of grant funding and £16,000 for services provided.

Jeremy Miles (Cabinet Secretary for Health and Social Care) is a member of Celtic Credit Union, which in 2025-26 received £492,794 of grant funding and repaid £16,500 of loan funding.

Sarah Murphy (Minister for Mental Health and Wellbeing) is a member of Bridgend Lifesavers Credit Union, which in 2025-26 received £110,698 of grant funding.

Huw Irranca-Davies (Deputy First Minister and Cabinet Secretary for Climate Change and Rural Affairs) is the Vice-President of Nantymoel Boys and Girls Club which received £118,784 of grant funding in 2025-26. He is also the Vice-President of Y Bont which in 2025-26 received £25,766 of grant funding. A close member of his family (as defined by IAS24 Related Parties) is a Senior Manager of the Wildlife Trust of South and West Wales which received £59,809 of grant funding in year.

The partner of Jack Sargeant (Minister for Culture, Skills and Social Partnership) is a Board Member of Taff Housing Association Ltd which in 2025-26 received £2,581,928 of grant funding and £3,877,500 of loan investment. Welsh Government received £1,000,000 in loan repayments from Taff Housing Association Ltd in 2025-26. She is also a Trustee of Citizens Advice Flintshire which in 2025-26 received £1,573,203 of grant funding.

Ken Skates (Cabinet Secretary for North Wales and Transport) is Vice-President of Llangollen International Musical Eisteddfod which in 2025-26 received £90,000 of grant funding.

Aled Edwards (Non-Executive Director) is Chair of Bannau Brycheiniog National Park Authority which received £6,359,547 of grant funding in 2025-26.

Mutale Merrill (Non-Executive Director) is a Board Member of the Sub-Sahara Advisory Panel which received £349,000 of grant funding in 2025-26 and is a Board Member of Bawso Ltd which received £1,149,043 of grant funding in 2025-26.

Mike Usher (Non-Executive Director) is a Board and Audit Committee Member of Tai Hedyn Ltd (formerly Newport City Homes) which received £39,144,545 of grant funding and £5,000,000 loan investment in 2025-26. Welsh Government received £3,723,414 of loan repayments and £438,946 of rental and service charge income from Tai Hedyn Ltd in 2025-26.

Nicola Williams (Director) is Chair of the Rhondda Cynon Taf Citizens Advice which received £1,611,503 of grant funding in 2025-26.

Tracey Burke (Director General) is the Chair of Tenovus Cancer Care which received £100,427 of grant funding in 2025-26.

The partner of Tracey Burke is a governor of CAVC which received £2,690,807 of grant funding and £12,075 of procured services in 2025-26. CAVC owns CF10 Retail Ltd, which received £5,625 in procured services in 2025-26, and Associated Community Training Ltd which received £17,516,508 in procured services in 2025-26. Her partner is also the Chair of the Board of Governors of Cardiff Metropolitan University which received £2,878,122 of grant funding and £90,733 of procured services in 2025-26. Cardiff Metropolitan University owns Cardiff Met Company Ltd which received £5,778,524 of procured services in 2025-26.

Whilst related party transactions have been identified and disclosed above for Ministers and Senior Officials, being transactions between Welsh Government and entities with which the individuals have a related party relationship, they would have not been directly involved with either the procurement exercise to award contracts nor in the process of awarding any grants.

Related party transactions of the NHS Bodies in Wales and other subsidiary companies are disclosed in their own published accounts.

17.1 Results of Consolidated Wholly Owned Companies

	Year Ended 31 March 2026		Year Ended 31 March 2025	
	Profit/(Loss) £m	Share Capital and Reserves £m	Profit/(Loss) £m	Share Capital and Reserves £m
Development Bank of Wales Group[a]	46	681	19	380
Regeneration Investment Fund for Wales LLP	2	56	5	55
WGC Holdco Limited[b]	-	22	-	22
Careers Choices Dewis Gyrfa Limited	6	3	3	34
TfW Group	(17)	1,716	(32)	1,400

a Investment of 49,999 ordinary £1 shares, 25p part paid.

b WGC Holdco Limited's accounts do not include an impairment against its investment in Cardiff International Airport Limited, therefore share capital and reserves in its underlying accounts remain at £22m. However, Welsh Government has recognised an impairment against the equity investment in CIAL via WGC Holdco. The equity investment is fully impaired to £nil at 31 March 2026. Further details can be found in Note 6.

These accounts have been consolidated using draft figures where final accounts are not available, being not materially different to those disclosed.

17.2 Other Minor Subsidiaries and Interests

The following Welsh Government Joint Ventures are included in the consolidated accounts:

- International Convention Centre Wales Limited – The Welsh Government owns 50% of the issued share capital of the International Convention Centre Wales Limited, with the other 50% being held by The Celtic Manor Resort Limited.
- Airbus Endeavr Wales – a joint interest in a company limited by guarantee. Joint ownership is held with Airbus-Defence and Space Ltd 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 and Arm's Length Bodies – subject to a designation order but immaterial for consolidation:

- Design Commission for Wales Limited (DCFW Ltd)
- Meat Promotion Wales Limited/ Hybu Cig Cymru Cyf
- Industry Wales (Sector Development Wales Partnership Limited)[66]
- Life Sciences Hub Wales Limited
- Centre for Digital Public Services Limited[67]
- Dysgu (Professional Learning and Leadership Education Wales, formerly known as National Academy for Educational Leadership)
- Children's Commissioner for Wales
- Future Generations Commissioner for Wales
- Older People's Commissioner for Wales
- Comisiynydd y Gymraeg/Welsh Language Commissioner
- Cwmni Egino Limited[68]
- GCRE Limited[69]
- Adnodd Cyfyngedig (Bilingual Educational Resources Company)
- Estyn (His Majesty's Chief Inspector of Education and Training in Wales)
- Qualifications Wales
- Education Workforce Council
- Llais (Citizen Voice Body Wales).

Welsh Government Subsidiaries – not subject to a designation order and immaterial for consolidation:

- Welsh Development Management Limited
- Trydan Gwyrdd Cymru Ltd.

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 LHBs and NHS Trusts. They are not subject to a designation order and are immaterial for consolidation.

The Statutory Accounts of entities noted in 17.1 and 17.2 can be found either on their own websites or at Companies House: www.gov.uk/government/organisations/companies-house.

66 Industry Wales ceased operations on 31 March 2026.
67 On 1 April 2026, the functions of CDPS were transferred into the Welsh Government.
68 Cwmni Egino ceased operations on 31 March 2026.
69 GCRE's activities exceed the materiality level for consolidation but are immaterial to the Welsh Government Group as a whole. Although designated for consolidation and classified by the ONS as a Central Government entity in September 2024, GCRE has not been consolidated into the Welsh Government Group because further information is awaited on investment plans for the long-term future of this entity which is expected to impact future classification.

18. Events after the Reporting Period

NHS Wales Board Remuneration Rates

Eleven of the twelve NHS Wales organisations have reported an event after the reporting period as a result of review of the underlying Welsh Government Remuneration Scheme guidance.

During April 2026, Welsh Government shared correspondence detailing a new level of board fees with all Welsh NHS CEOs. The decision to increase remuneration rates relates to a wider review of the underlying guidance. The Welsh Government Remuneration Scheme daily rates increased from 1 January 2026, therefore generating a change during the 2025-26 pay cycle. The 2025-26 element of the payment totals £26.8m across the eleven NHS Wales organisations. This amount is immaterial, so no adjustment has been made.

The Office of Environmental Governance Wales (OEGW)

On 27 June 2026, the OEGW was established, but is not expected to become operational until 31 January 2028. The OEGW is responsible for overseeing environmental law compliance among public Authorities in Wales. Any future change to the Welsh Government consolidation boundary relating to this new entity will be dependent upon National Accounts classification and any Designation Order required. The transactions of the OEGW are anticipated to be below Welsh Government materiality.

Cardiff International Airport Ltd

By order dated 14 October 2026, the Court of Appeal granted Bristol Airport Limited permission to appeal the Competition Appeal Tribunal's judgment of 7 April 2026 dismissing its challenge to the Welsh Ministers' subsidy decision. The grant of permission did not determine the appeal, which will be heard by the Court of Appeal between 23 and 25 February 2027.

Following the reporting period, the Welsh Government issued a letter of assurance to Cardiff International Airport Limited, as ultimate parent undertaking, in relation to risks associated with the Court of Appeal proceedings. The letter provides assurance regarding continued support within the scope and terms set out in that letter.

19. Authorised for Issue

The Principal Accounting Officer authorised these financial statements for issue on 26 November 2026.

Appendix A – Accounting Policies

A.1 Operating Income

Operating income relates directly to the operating activities of the Welsh Government Group. All Welsh Government revenue which falls within the scope of IFRS 15 Revenue from Contracts with Customers, has been accounted for in accordance with the Standard, as adapted and interpreted by the FReM. Revenue is measured at the fair value of the consideration receivable and is recognised at the point in time when, or over time as, a good or service is provided.

A.1.1 Income from Sales of Goods and Services

TfW passenger revenue is included within income from sales of goods and services. Passenger revenue represents amounts agreed as attributed to TfWRL by the income allocation systems of the Rail Settlement Plan Limited, mainly in respect of passenger receipts. Further information on sources of TfW income can be found in the TfW Group accounts.

A.1.2 Other Operating Income

Health income is included within other operating income. Further information on sources of health income can be found in the NHS Summarised Accounts.

A.2 Expenditure

A.2.1 Grants

Grants payable or paid are recorded as expenditure in the period that the underlying event or activity giving entitlement to the grant occurs and include estimates for claims not yet received. Where an intermediary acts as an agent in distributing grant on behalf of Welsh Government, grants payable are recognised when the grant recipient becomes entitled to the grant.

Funding to Welsh Government Sponsored Bodies via Grant-in-Aid is reported on a cash basis in the period in which payments are made. Grant-in-Aid funding provided to consolidated entities within the Welsh Government Group is eliminated at the point of consolidation. The Summary of Resource Outturn includes the results of Welsh Government Sponsored Bodies on a resource outturn basis.

A.2.2 Other Operating Expenditure

Other operating expenditure for goods or services is recognised when, and to the extent that, the goods or services have been received. This expenditure is measured at the fair value of the consideration payable.

A.2.3 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.3 Employee Benefits

A.3.1 Short-Term Employee Benefits

Salaries, wages and employment-related payments are recognised in the period in which the service is received from employees.

A.3.2 Pensions

The majority of present and past employees of the Welsh Government are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) which are described within the Accountability Report.

The defined benefit elements of the scheme are unfunded. The Welsh Government recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payments to the Principal Civil Service Pension Scheme (PCSPS) of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of the defined contribution schemes, the Welsh Government recognises the contributions payable for the year. All actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised through reserves in the period in which they arise.

Some former Welsh Development Agency staff, current Development Bank of Wales PLC staff and Career Choices Dewis Gyrfa Ltd staff participate in a number of Local Government Pension Schemes in Wales which are multi-employer funded schemes. Some Welsh Government staff contribute to: Department of Health and the Nurses Welfare Trust schemes.

Employees of Health bodies participate in the NHS pension scheme. Information on this scheme can be found in the NHS Summarised Accounts.

Employees of TfW participate in the Railways Pension Scheme, information on this scheme can be found in the TfW Accounts.

Detailed accounting policies and disclosures of the employer pension liabilities/ assets included in the Welsh Government Consolidated Account for consolidated entities can be found in the NHS Summarised Accounts (NEST & NHS Pension Scheme), TfW Group accounts (Defined contribution & Railways pension Scheme), DBW Group accounts (Defined contribution and Local Government Pension Scheme) and Career Choices Dewis Gyrfa Ltd accounts (Local Government Pension Scheme).

A.3.3 Early Departure Costs

The Welsh Government is required to meet the additional cost of benefits beyond the normal PCSPS benefits in respect of employees who retire early. The Welsh Government provides in full for this cost when the early retirement programme has been announced and is binding. The Welsh Government may, in certain circumstances, settle some or all of its liability in advance by making a payment to the Government Banking Service at the Bank of England for the credit of the Civil Superannuation Vote. Similar arrangements are in place for Health Bodies employees who retire early.

For pre-merger employees and ex-employees of the former Welsh Development Agency in the Rhondda Cynon Taf Pension Scheme, the Welsh Government meets the additional cost of benefits beyond the scheme benefits in respect of employees who retire early.

A.4 Property, Plant and Equipment

A.4.1 Network Assets

Network assets are valued at depreciated replacement cost (DRC) in line with the guidance in the FReM. To produce these valuations requires the use of assumptions, estimates and professional judgement.

For the road network the model used to produce the valuation is the RAAVS.

For the rail network model used to produce the valuation is undertaken by TfW with support from AtkinsRéalis UK Limited (professional valuers) using data provided by TfW.

Full valuations are undertaken of network assets at intervals not exceeding five years. Interim valuations use a series of standard costs to value the individual components of the network assets and indices to revalue these on an annual basis. The dates of the last full valuations for Network Assets are included in Note 4.1.

A.4.2 Road Network

The trunk road network is recognised as a single infrastructure asset in accordance with the applicable guidance outlined in the FReM. However, it comprises four distinct elements that are accounted for differently: land; the road pavement; structures (such as bridges and culverts); and communications (such as variable message signs).

The road pavement element is valued using agreed rates determined to identify the gross replacement cost of applicable types of road on the basis of new construction on a green-field site. These rates are re-valued annually using indices to reflect current prices.

Structures are valued using agreed rates determined to identify the replacement cost of applicable types of structure on the basis of new construction on a green-field site where these are available but special structures, which tend to be one off by their nature, are valued using specific costs that are updated to current prices.

Communications are valued using agreed rates determined to identify the replacement cost of applicable types of communications.

Land is valued using rates from the Valuation Office Agency split by Local Authority and rural/urban values, the valuation also includes an assessment of land purchase compensation costs.

All maintenance that maintains the service potential of the road network will be capitalised. Subsequent expenditure that adds to the service or life of the road network is capitalised.

New roads are reclassified from Assets under Construction when the structural details have been provided by the Agent authority to input into model, which may be some time after the road has opened.

Transfers of the responsibility for maintaining sections of the road as part of the trunk road network from or to the Local Authority network are referred to as ‘trunkings’ or ‘de-trunkings’ respectively. The trunking or de-trunking of roads from or to Local Authorities is treated as a transfer from or to other government departments. Roads and structures de-trunked are effectively dealt with as disposals in accounting terms at nil consideration.

The associated profit or loss is processed through the general fund.

The indexation factors applied to the model are:

- Road Pavement, Structures and Communications – Baxter 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.

A.4.3 Rail Network

The rail network Core Valley Lines (CVL) asset is recognised as a single infrastructure asset in accordance with the applicable guidance outlined in the FReM. However, it comprises six distinct elements that are accounted for differently: earthworks; structures; electrification, plant and signals; operational property; track; and telecoms.

The DRC is calculated by first determining a gross replacement cost for the CVL Network. The gross replacement cost is then adjusted (or "depreciated") to reflect management's best estimate of the condition and capacity of the CVL Network; this adjusted gross replacement cost is the depreciated replacement cost.

The gross replacement cost is determined in line with guidelines issued by the Royal Institution of Chartered Surveyors.

The guidelines require specific assumptions including:

- a modern equivalent asset which is treated as being a Network identical in function, scale and connectivity, but constructed using modern specifications and methods; and
- instantaneous build on a green-field site.

To arrive at the final DRC valuation, the gross replacement value is adjusted to reflect management's best estimate of the remaining useful lives of the assets, taking into account the condition and capacity of the Network.

The indexation factors applied to the model are:

- Land – The Consumer Prices Index including owner occupiers' housing costs (CPIH).
- Buildings – The Consumer Prices Index (CPI).

All renewals that maintain the service potential of the rail network will be capitalised. Subsequent expenditure that adds to the services or life of the CVL asset is capitalised.

Enhancements and renewals of the CVL asset are included as a single amount at cost as Assets under Construction, until they are brought into use, at which point the asset is transferred into the Rail Network category and valued at DRC.

Upwards movements in value are taken to the revaluation reserve. Downwards movements in value are set off against any credit held in the revaluation reserve until the credit is exhausted and thereafter expensed in the Statement of Comprehensive Net Expenditure.

A.4.4 Land and Buildings (including Dwellings)

The Welsh Government and its related bodies capitalise freehold property where it is retained for use by the organisation itself. Freehold land and buildings are held at open market value for existing use. For some properties, by exception, it is determined that DRC is the most appropriate measure of current value in existing use. 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 MSCI Monthly Property Index.

A.4.5 Plant and Equipment

Plant and equipment (which include plant and machinery, transport equipment, information technology and fixtures and fittings), are carried at historical cost as a proxy for current value. 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.

A.4.6 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.

All operational heritage assets are capitalised on the Statement of Financial Position as part of Property, Plant and Equipment (see Note 4).

A.5 Depreciation

A.5.1 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 of road pavements is based on an assessment of service potential, informed by condition surveys carried out across the road network as part of a rolling programme. Surveys are undertaken on sections of the network where condition assessment is considered appropriate, taking account of the asset's construction type and characteristics. Deflectograph surveys are used to assess the structural condition of flexible pavements. The size of the deflection is related to the strength of the pavement layers, which once processed with the construction and traffic data produces a residual life (in years). A residual life cannot be measured on concrete pavements, so an alternative age-based approach is used. 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. Road pavements with a residual life greater than 20 years are considered not to have structurally deteriorated and are not subject to an adjustment from the annual condition survey.

Gantries, retaining walls, piled rafts and communication elements are depreciated using the straight-line method applied to the revalued replacement costs, and also inspected every five years to identify any other changes.

Bridges, culverts and tunnels are depreciated on a cyclical basis with the structure value split three ways:

- 20% does not depreciate.
- 15% depreciates linearly over 20 years and is then restored (intended to reflect cyclical maintenance).
- 65% depreciates linearly over a 120-year nominal life.

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

A.5.2 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	91 years
Structures	27 years
Signalling	12 years
Electrification and Plant	52 years
Operational Property	29 years
Track	16 years
Telecoms	19 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.

A.5.3 Other Assets

Depreciation is provided at rates calculated to write-off the value of intangible assets and other property, plant and equipment assets by equal instalments over their estimated useful lives.

Dwellings	Remaining life
Freehold buildings	up to 85 years
Plant, machinery & Transport equipment	5 to 15 years
Information technology	3 to 10 years
Intangible software assets	2 to 10 years
Fixtures & fittings	3 to 20 years

Freehold Land and Assets under Construction are not depreciated. Impairments of tangible fixed assets are charged to the Statement of Comprehensive Net Expenditure in the period in which they are incurred.

A.6 Financial Assets

Financial assets are recognised when Welsh Government becomes party to the financial instrument contract. Financial assets are derecognised when the contractual rights have expired or the asset has been transferred.

All financial assets are accounted for in accordance with IFRS 9 Financial Instruments, as adapted and interpreted by the FReM. On initial recognition, all financial assets are measured at fair value.

A.6.1 Subsequent Measurement – Amortised Cost

Other Financial Assets

Welsh Government issues loans and repayable finance to group companies, including 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. Expected credit losses are recognised where material.

Loans 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. Full details of the Development Bank of Wales accounting policies for financial assets including expected credit losses are set out in the accounts of Development Bank of Wales PLC.

A.6.2 Subsequent Measurement – Fair Value through Statement of Comprehensive Net Expenditure

Student Loans

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. In determining fair value, the Welsh Government uses a discounted cash flow model that includes all expected future cash flows, including the interest that is expected to be received. Detailed explanation of the valuation approach is set out in Note 6.

The Welsh Government's accounting policy is to recognise an addition to the student loan book once the Student Loans Company (SLC) has issued the loan to the student.

Student loan repayments are collected by the SLC and His Majesty's Revenue and Customs (HMRC). For repayments made via the SLC, the Welsh Government recognises the repayment when the SLC has received the cash and updated the borrower record. For repayments collected via the tax system, this is recognised when the amounts which HMRC estimate as being due to the Welsh Government for the financial year are received. Student loans values are shown net of estimated future write-offs in respect of the non-recovery of loans and are reviewed annually.

Student loans have an interest rate cap linked to RPI or the Bank of England base rate plus 1%, depending on loan plan type. The interest rate on pre-2012 loans is the lower of RPI or the Bank of England base rate plus 1%. The interest rate on post-2012 loans is set at RPI and varies (between RPI and RPI+3%) according to the borrower's circumstances and earnings. The amount of interest repayable is therefore subject to fluctuations in the base rate and RPI.

HtBW loans managed by Development Bank of Wales are shared equity loans and are held at fair value through the Statement of Comprehensive Net Expenditure. Further detail on the HtBW fair value model can be found in Note 6 and the accounts of Development Bank of Wales PLC.

A.6.3 Equity Investments

Investments in subsidiary group entities are held at cost in accordance with IAS 27 Separate Financial Statements, as adapted by the FReM. Investments in joint ventures are held at fair value.

Development Bank of Wales equity investments are held at fair value through Statement of Comprehensive Net Expenditure.

A.6.4 NHS Trusts Public Dividend Capital

The Welsh Government's investment in NHS Trusts is represented by PDC which is held at historic cost less impairments, in accordance with the FReM interpretation of IFRS 9. On consolidation of the NHS Summarised Accounts, the PDC investment is eliminated.

A.7 Financial Instruments

IFRS 7 Financial Instruments 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.

A.7.1 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.

Other financial assets, aside from equity instruments and those held at fair value through Statement of Comprehensive Net Expenditure, are assessed for impairment at each reporting date using the three-stage expected credit loss model. Expected credit losses are recognised where material. Full details of the Development Bank of Wales accounting policies for financial assets including expected credit losses are set out in the accounts of Development Bank of Wales PLC.

A borrower or customer is considered to be in default when there is objective evidence of credit impairment and it is unlikely that obligations will be repaid. The assessment of default incorporates qualitative judgment, considering the nature of the relationship (for example a subsidiary, Sponsored Body, other Government or Public Sector entity) and the likelihood of recovery.

Indicators of default may include:

- Formal insolvency or liquidation proceedings;
- Significant financial distress or withdrawal of third-party funding;
- Breach of contractual terms or covenants; and
- Concessions granted due to credit deterioration.

A.7.2 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.

A.7.3 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.

A.7.4 Interest Rate Risk

The Welsh Government's variable rate financial assets are predominantly its student loans which have an interest rate cap linked to RPI or the Bank of England base rate plus 1%, depending on loan plan type. The interest rate on pre-2012 loans is the lower of RPI or the Bank of England base rate plus 1%. The interest rate on post-2012 loans is set at RPI and varies (between RPI and RPI+3%) according to the borrower's circumstances and earnings. 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 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.

A.7.5 Liquidity Risk

The Welsh Government only borrows from the National Loans Fund and relies primarily on funding received from the UK Parliament via the Welsh Consolidated Fund for its cash requirements. There is no reason to believe that future funding will not be forthcoming, therefore on this basis it is not exposed to liquidity risks. It also has no material deposits, and all material assets and liabilities are denominated in sterling, so it is not exposed to interest rate risk or currency rate risk other than the risks arising from receipt of funds from the European Commission in Euros.

Where the time value of money is material, provisions are discounted to present value using HM Treasury's real discount rates.

A.8 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.9 Trade and Other Receivables

Trade and other receivables are initially recognised at fair value, typically the transaction price. Thereafter, where the time value of money is material, they are held at amortised cost using the effective interest method, less an estimate of likely impairment. Impairment of trade receivables is calculated through an expected credit loss model.

A.10 Cash and Cash Equivalents

Cash and cash equivalents balances are analysed between those held with the Government Banking Service and those held in commercial banks. The carrying amount of the bank balances approximates to their fair value.

A.11 Trade and Other Payables

Trade and other payables are initially recognised at fair value, typically the transaction price. Thereafter, where the time value of money is material, they are held at amortised cost using the effective interest method.

A.12 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.13 Contingent Liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of Welsh Government, or a present obligation that is not recognised because it is not probable that a payment will be required to settle the obligation or the amount of the obligation cannot be measured sufficiently reliably.

Contingent liabilities are disclosed in Note 12, as required by IAS 37, where the likelihood of a transfer of economic benefit in settlement is judged as greater than remote.

Remote contingent liabilities are disclosed in Note 12.2, as required by the FReM, for transparency. Remote contingent liabilities include guarantees, indemnities and letters of comfort.

A.14 Leases

Welsh Government accounts for leases in accordance with IFRS 16 Leases, as interpreted and adapted by the FReM.

A.14.1 As a Lessee

Where a lease is identified, a Right-of-use asset and a corresponding lease liability are recognised at the commencement date.

This is with the exception of short-term leases and leases for which the underlying asset is of low value. For such leases, the lease payments are recognised as an expense on a straight-line basis over the lease term.

Short-term leases are those with a term of twelve months or less. A £5,000 threshold has been set for identifying assets that are of low value.

A.14.2 Initial Measurement

The lease liability is calculated based on the present value of unpaid lease payments over the applicable lease term determined in accordance with IFRS 16 Leases. The lease liability is discounted using the HM Treasury rates promulgated in PES papers as the incremental borrowing rate.

The Right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability, plus any initial direct costs incurred and an estimate of costs to restore the underlying asset, less any lease incentives received.

A.14.3 Subsequent Measurement

The lease liability is adjusted for the accrual of interest, payments, reassessments and modifications, for example reappraisals of the right-of-use assets are depreciated on a straight-line basis over the associated lease term. The Right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

Right-of-use assets are subsequently measured using the cost model as a proxy for current value in existing use. The cost model is used as a proxy because there is no material difference between the valuation produced by the cost model as compared to the revaluation model.

A.14.4 As a Lessor

Where Welsh Government acts as a lessor, it is determined at lease inception whether each lease is a finance lease or an operating lease. Lease payments received under operating leases are recognised as income on a straight-line basis over the lease term.

A.15 Capital and Other Financial Commitments

The FReM requires disclosure of capital and other financial commitments. Capital commitments disclosed in Note 16.1 are capital 'non-cancellable contracts' not otherwise included in the financial statements. Other financial commitments disclosed in Note 16.3 are 'non-cancellable contracts' not already recognised on the Statement of Financial Position which are not leases, PFI contracts, or other service concession arrangements.

Grant commitments are not within the scope of these disclosures.

A.16 Private Finance Initiative and Other Service Concession Arrangements

HM Treasury has determined that government bodies shall account for infrastructure service concession schemes where the government body controls the use of the infrastructure and the residual interest in the infrastructure at the end of the arrangement in accordance with the principles of the requirements of IFRIC 12 Service Concession Arrangements.

The service concession asset is recognised as an item of property, plant and equipment together with a liability to pay for it.

The services received under the contract are recorded as operating expenses.

The annual unitary payment is separated into the following component parts, using appropriate estimation techniques where necessary:

a) Payment for the fair value of services received;

b) Payment for the service concession asset, including finance costs; and

c) Payment for the replacement of components of the asset during the contract 'lifecycle replacement'.

The fair value of services received in the year is recorded under the relevant expenditure headings within programme costs.

Service concession assets are recognised as property, plant and equipment when:

a) it is probable that future economic benefits associated with the asset will flow to the organisation; and

b) the cost of the asset can be measured reliably.

The above asset recognition criteria, together with the specific terms and conditions of the binding agreement, are considered when determining whether to recognise the service concession asset during the period in which the asset is constructed or developed.

The service concession liability is recognised at the same time as the service concession asset. This is measured at the same amount as the fair value of the service concession asset and is subsequently measured as a lease in accordance with IFRS 16. An annual finance cost is calculated by applying the implicit interest rate in the lease to the opening lease liability for the period and is charged to the Statement of Comprehensive Net Expenditure. The element of the annual unitary payment that is allocated as a lease rental is applied to meet the annual finance cost and to repay the lease liability over the contract term.

A.17 New accounting standards adopted in year and FReM changes

A.17.1 IFRS 17 Insurance Contracts – effective 1 April 2025

IFRS 17 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.

From 1 April 2025, HM Treasury has required the mandatory adoption of the standard for central government bodies. The Welsh Government has assessed the impact of adopting IFRS 17 and concluded that it does not have a material impact.

A.17.2 Non-Investment Asset Valuation – effective 1 April 2025

From 1 April 2025, HM Treasury has made changes to the FReM regarding the valuation approach applied to property, plant and equipment and intangible assets. The changes introduce the concept of assets held for their operational capacity, removing the prior split between specialised and non-specialised assets. The Welsh Government has assessed the impact of the changes to the FReM for non-investment valuation and determined that the existing accounting policies applied are in line with the updated requirements. Therefore, there is no material impact from these changes to the FReM.

A.18 Newly issued accounting standards not yet effective

Revised and new accounting standards, and interpretations have been issued but are not yet effective and have therefore not been adopted in these financial statements. These are currently being considered by the Financial Reporting Advisory Board (FRAB) for inclusion within a future FReM. The following Standards may have an impact on future Welsh Government Consolidated Accounts when adopted:

A.18.1 IFRS 18 Presentation and Disclosure in Financial Statements

The International Accounting Standards Board (IASB) has issued IFRS 18 which replaces IAS 1 Presentation of Financial Statements. This standard will introduce changes in the presentation of the Statement of Comprehensive Net Expenditure and the Statement of Cash Flows. IFRS 18 is effective for accounting periods beginning on or after 1 January 2027 in the private sector. The impact of IFRS 18 on the public sector is still being assessed. The implementation date for central government bodies is not yet confirmed.

A.18.2 IFRS 19 Subsidiaries without Public Accountability: Disclosures

The IASB has issued IFRS 19. This standard will allow eligible subsidiaries to apply IFRS Accounting Standards with reduced disclosure requirements and is effective for annual reporting periods beginning on or after 1 January 2027 in the private sector. The impact of IFRS 19 on the public sector is still being assessed, and a decision has not yet been taken on an implementation date for central government bodies.